FERRARI N.V.

ANNUAL REPORT
2020

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ANNUAL REPORT
2020


SF90 SPIDER

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BOARD REPORT

BOARD OF DIRECTORS AND AUDITORS

BOARD OF DIRECTORS

Executive Chairman
and Chief Executive Officer
John Elkann

Vice Chairman
Piero Ferrari

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

INDEPENDENT AUDITORS

Ernst & Young Accountants LLP

LETTER FROM THE CHAIRMAN

Dear Shareholders,

The complex and dramatic nature of our current times is accelerating change and forcing the redefinition of how companies are judged, not least their ability to withstand the impact of crises and to anticipate long-term global transformation.

Moments such as these become a real testing ground for business resilience. This year in extraordinary circumstances Ferrari has proved yet again its overall strength.

Despite the difficulties caused by COVID-19, which included a seven-week production suspension, the Group still delivered 9,119 cars in 2020, in line with our second semester production plans, recorded revenues of 3.46 billion euro and delivered an EBITDA of 1.143 billion euro. These are important results. Even more important is how the Company has succeeded this year in protecting the health of all of its people as well as those most vulnerable within the community. The effectiveness of the Back on Track protocol has allowed us to work in the safest of conditions and became an example to follow in Italy and across the globe. At the same time, we provided support to the local and national healthcare system through our charity initiatives, which in turn were generously supported by our clients, our Board of Directors and our Senior Management Team.

Throughout the various phases of the pandemic, we behaved with consistent responsibility and transparency towards our business partners, clients and all stakeholders.

We provided timely updates to the market, offering guidance about our future without ignoring relative risks and opportunities as they gradually emerged. I would like to extend my heartfelt thanks not only to the men and women of Ferrari but also to Louis Camilleri for his exemplary leadership throughout this extremely sensitive time. During his tenure Ferrari reached milestones never before achieved.

I am thinking, for example, of our product range, which is now one of the best, most innovative and broadest in our history. In 2020, it was enriched still further by the addition of the Ferrari Portofino M, the SF90 Spider and, lastly, the 488 GT Modificata, a limited edition model for Club Competizioni GT events: three new reference points for the automotive sector in terms of design, performance and innovation. In introducing them, we enriched a portfolio that meets the different needs of an increasingly diverse client base whilst retaining Ferrari's signature exclusivity through targeted individual models. Industry recognition has also not been lacking, in particular the Red Dot: Best of the Best Award for the SF90 Stradale and the Compasso d'Oro for the Ferrari Monza SP1.

Another no less ambitious goal now lies before us: to become a carbon neutral company through a series of actions aimed at reducing car emissions as well as fully offsetting others.

This will be a further and decisive step forward in our transition to sustainability and starts with a study to measure our carbon footprint.

Sustainability for Ferrari also means committing to an inclusive working environment that respects differences.

Our efforts in that regard have been rewarded by the Equal Salary Foundation, which last July certified that Ferrari offers equal pay and treatment to men and women alike holding the same qualifications and positions. The Company became the first Italian company to be awarded this certification at the end of an analysis conducted using European Commission-recognised methodologies.

The safety measures imposed by the pandemic have inevitably hindered our brand diversification activities, resulting in the museums, theme parks and stores remaining closed for a good part of the year. That said, we still launched major initiatives such as the online Ferrari Hublot Esports Series, which clocked up over 2.5 million views.

2020 also brought our 1,000th Grand Prix: a historic achievement we proudly celebrated as the most successful team ever both in Formula 1 and motorsport in general. Nonetheless, past victories are no guarantee for the future and last year was a demonstration of that, with results not on a par with our history. This painful reality both for ourselves and our fans is that from which we must restart with humility, focusing on our priorities to return to competitive form and to winning.

Ferrari was, however, one of the protagonists of the GT Racing season benefiting from the introduction of the 488 GT3 Evo 2020.

Our triumphs in the GT World Challenge Europe's Endurance Cup and the FIA Endurance Trophy in the WEC were two of the high points of the 26 national and international titles added to the Prancing Horse's tally of victories in 2020.

As we enter a new decade, we remain focused on our long term future. Today's successes will never ensure those of tomorrow. But innovation, creativity and our people are what will continue to determine our achievements. I am optimistic that we will know how to turn arduous challenges into exciting opportunities.

February 26, 2021

John Elkann
Chairman


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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.

References to "Stellantis" or "Stellantis Group" refer to Stellantis N.V., together with its subsidiaries. "FCA" or "FCA Group" refer to Fiat Chrysler Automobiles N.V., together with its subsidiaries, prior to the merger with Peugeot S.A. completed on January 16, 2021, following which FCA was renamed Stellantis N.V.

NOTE ON PRESENTATION

This Annual Report includes the consolidated financial statements of Ferrari N.V. as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, as well as IFRS as adopted by the European Union. There is no effect on these consolidated financial statements resulting from differences between IFRS as issued by the IASB and IFRS as adopted by the European Union. The designation IFRS also includes International Accounting Standards ("IAS") as well as all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC" and "SIC"). 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 document to "Euro" and "€" refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended, and all references to "U.S. Dollars" and "$" refer to the currency of the United States of America (the "United States").

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

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

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

FORWARD-LOOKING STATEMENTS

Statements contained in this Annual Report, particularly those regarding our possible or assumed future performance, competitive strengths, costs, dividends, reserves and growth as well as industry growth and other trends and projections, are "forward-looking statements" that contain risks and uncertainties. In some cases, words such as "may", "will", "expect", "could", "should", "intend", "estimate", "anticipate", "believe", "remain", "continue", "on track", "successful", "grow", "design", "target", "objective", "goal", "forecast", "projection", "outlook", "prospects", "plan", "guidance" and similar expressions are used to identify forward-looking statements. These forward-looking statements reflect the respective current views of Ferrari with respect to future events and involve significant risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. Such risks and uncertainties include, without limitation:

- our ability to preserve and enhance the value of the Ferrari brand;
- the success of our Formula 1 racing team and the expenses we incur for our Formula 1 activities, the impact of the application of the new Formula 1 regulations progressively coming into effect in 2021 and 2022, the uncertainty of the sponsorship and commercial revenues we generate from our participation in the Formula 1 World Championship, including as a result of the impact of the COVID-19 pandemic, as well as the popularity of Formula 1 more broadly;
- the effects of the evolution of and response to the COVID-19 pandemic;
- 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;
- global economic conditions, pandemics and macro events;
- reliance upon a number of key members of executive management and employees, and the ability of our current management team to operate and manage effectively;
- the performance of our dealer network on which we depend for sales and services;
- increases in costs, disruptions of supply or shortages of components and raw materials;
- disruptions at our manufacturing facilities in Maranello and Modena;
- the effects of Brexit on the UK market;

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

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

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

SELECTED FINANCIAL AND OTHER DATA

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

(i) the audited Consolidated Financial Statements, included elsewhere in this Annual Report;
(ii) the audited consolidated income statement of the Company for the years ended December 31, 2017 and 2016 and the audited consolidated statement of financial position at December 31, 2018, 2017 and 2016.

This financial information has been prepared in accordance with IFRS.

The following information should be read in conjunction with "Certain Defined Terms and Note on Presentation -Note on Presentation", "Risk Factors", "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,				
	2020	2019	2018	2017	2016
Net revenues	3,460	3,766	3,420	3,417	3,105
EBIT	716	917	826	775	595
Profit before taxes	667	875	803	746	567
Net profit	609	699	787	537	400
Net profit attributable to:					
Owners of the parent	*608*	*696*	*785*	*535*	*399*
Non-controlling interests	*1*	*3*	*2*	*2*	*1*
Basic earnings per common share (€) (1)	3.29	3.73	4.16	2.83	2.11
Diluted earnings per common share (€) (1) (2)	3.28	3.71	4.14	2.82	2.11
Dividend declared per common share (€) (3)	1.13	1.03	0.71	—	—
Dividend declared per common share ($) (3) (5)	1.23	1.16	0.88	—	—
Distribution declared per common share (€) (4)	—	—	—	0.635	0.46
Distribution declared per common share ($) (4) (5)	—	—	—	0.682	0.52

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

(2) In order to calculate the diluted earnings per common share the weighted average number of shares outstanding has been increased to take into consideration the theoretical effect of (i) the potential common shares that would have been issued under the equity incentive plan for the years ended December 31, 2020, 2019, 2018 and 2017 (assuming 100 percent of the related awards vested), and (ii) the potential common shares that would have been issued for the Non-Executive Directors' compensation agreement for the years ended December 31, 2017 and 2016. See Note 12 to the Consolidated Financial Statements for additional information.

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA
(€ million, except number of shares issued)

	At December 31,				
	2020	2019	2018	2017	2016
Cash and cash equivalents	1,362	898	794	648	458
Receivables from financing activities	940	966	878	733	790
Total assets	6,262	5,446	4,852	4,141	3,850
Debt	2,725	2,090	1,927	1,806	1,848
Total equity	1,789	1,487	1,354	784	330
Equity attributable to owners of the parent	*1,785*	*1,481*	*1,349*	*779*	*325*
Non-controlling interests	*4*	*6*	*5*	*5*	*5*
Share capital	3	3	3	3	3
Common shares issued and outstanding (in thousands of shares)	184,748	185,283	187,921	188,954	188,923

OTHER STATISTICAL INFORMATION

	For the years ended December 31,				
	2020	2019	2018	2017	2016
Shipments (number of cars)	9,119	10,131	9,251	8,398	8,014
Average number of employees for the period	4,428	4,164	3,651	3,336	3,115

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 32% 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 2020 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 (already integrated in past models such as the LaFerrari and the LaFerrari Aperta, as well as in the new SF90 Stradale and SF90 Spider) and electric engine technology will introduce a notable change in the overall driver experience compared to the combustion engine cars of our 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, in 2019 we announced a brand diversification strategy that will significantly increase the deployment of our brand in non-car products and experiences. If this strategy is not successful, our brand image may be diluted or tainted.

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

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

WE ARE FOCUSED ON IMPROVING OUR RACING RESULTS AND RESTORING OUR HISTORICAL POSITION

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

THE SUCCESS OF OUR RACING TEAM DEPENDS IN PARTICULAR ON OUR ABILITY TO ATTRACT AND RETAIN TOP DRIVERS, RACING TEAM MANAGEMENT AND ENGINEERING TALENT.

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

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

Public health crises such as pandemics or similar outbreaks could adversely impact our business. The global spread of COVID-19, a virus causing potentially deadly respiratory tract infections, which was declared a global pandemic by the World Health Organization in March 2020, has led to governments around the world mandating increasingly restrictive measures to contain the pandemic, including social distancing, quarantine, "shelter in place" or similar orders, travel restrictions and suspension of non-essential business activities. The impact of COVID-19, including changes in consumer behavior, pandemic fears and market downturns, as well as restrictions on business and individual activities, has led to a global economic slowdown and a severe recession in several of the markets in which we operate, which may persist after the restrictions are lifted.

The above mentioned restrictive measures, though temporary in nature, may continue for an extended period of time and intensify depending on developments in the COVID-19 pandemic, including potential subsequent waves of the outbreak. From mid-March to early May 2020, we suspended production at our plants in Maranello and Modena, while implementing remote working arrangements for all non-manufacturing related activities. We generally realize minimal revenue while our facilities are shut down, but we continue to incur expenses. Moreover, the negative cash impact is exacerbated by the fact that, despite not selling cars, we have to continue to pay suppliers for components previously ordered. We continue to take measures to combat the spread of COVID-19 at our facilities, while continuing to guarantee the possibility of remote work for those employees whose job activity is compatible with such work arrangements.

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

DELIVERIES GRADUALLY RESTARTED DURING MAY 2020 AND FROM MAY TO OCTOBER 2020 SUBSTANTIALLY ALL FERRARI DEALERSHIPS REMAINED FULLY OPERATIONAL;

however, new closures have recently been made necessary as a result of the resurgence of the pandemic in certain territories. For further information on the impact of the COVID-19 pandemic on our results of operations and liquidity, see "*COVID-19 Pandemic Update and Operating Results*". The resurgence of the pandemic in several European countries, including Italy, as well as in the United States and elsewhere in the last months of 2020 and beginning of 2021 have led governments to reintroduce social distancing measures, curfews, travel restrictions and lockdowns, and increasingly stringent measures may be imposed in the coming periods. Although vaccination plans are being rolled out in several jurisdictions, the pace of vaccination is unclear and the efficacy on large populations is untested. We may yet experience a new shutdown or slowdown of all or part of our manufacturing facilities, including in the event that our employees are diagnosed with COVID-19 or our supply chains are disrupted, or if additional "waves" of the pandemic lead to further government actions. Management time and resources may need to be spent on COVID-19 related matters, distracting them from the implementation of our strategy. In addition, the prophylactic measures we will be required to adopt at our facilities may be costly and may affect production levels. Our suppliers, customers, dealers, franchisees and other contractual counterparties may be restricted or prevented from conducting business activities for indefinite or intermittent periods of time, including as a result of safety concerns, shutdowns, slowdowns, illness of such parties' workforce and other actions and restrictions requested or mandated by governmental authorities. Furthermore, the COVID-19 pandemic may lead to financial distress for our suppliers or dealers, as a result of which they may have to permanently discontinue or substantially reduce their operations. In addition, the COVID-19 pandemic may lead to higher working capital needs, reduced liquidity and certain limitations in the supply of credit, which may ultimately lead to higher costs of capital for Ferrari. Any of the foregoing could limit customer demand or our capacity to meet customer demand and have a material adverse effect on our business, results of operations and financial condition.

Our brand activities across different jurisdictions have also been, and may continue to be, adversely impacted, due to the temporary closure of the Ferrari stores, museums and theme parks to comply with government orders, with an adverse impact on our revenues originating from such activities. Our stores and museums were closed from mid-March, gradually reopening in May, with in-store traffic and museum visitors significantly lower after reopening compared to pre-pandemic levels. Further waves of the pandemic in the last months of 2020 and early 2021 led to government measures which imposed us to close our museums from October 25, 2020 (and we only partially reopened in mid-February 2021) and to close our stores in some jurisdictions in accordance with local regulations.

The Formula 1 2020 World Championship was heavily disrupted due to the COVID-19 pandemic. The Formula 1 calendar was rescheduled, with a delayed start in July 2020 and a total of 17 Grand Prix races (five less than originally scheduled), most of which without public attendance. Such disruption to the Formula 1 2020 World Championship has had an adverse effect on our sponsorship and commercial revenues from Formula 1 activities, as well as revenues from the rental of engines to other Formula 1 teams. As of the date of this report, Formula 1 has announced a provisional schedule for the 2021 World Championship, with 23 Grand Prix races, starting in March 2021. Government measures or decisions of Formula 1 may disrupt such provisional calendar for the Formula 1 2021 World Championship, with potential material adverse effects on our revenues and profits.

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

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

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

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

AS TECHNOLOGIES CHANGE, WE PLAN TO UPGRADE OR ADAPT OUR CARS AND INTRODUCE NEW MODELS IN ORDER TO CONTINUE TO PROVIDE CARS WITH THE LATEST TECHNOLOGY.

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

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

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

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

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

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

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

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

Our continued success depends in part on our ability to originate and define products and trends in the automotive and luxury industries, as well as to anticipate and respond promptly to changing consumer demands and automotive trends in the design, styling, technology, production, merchandising and pricing of our products. Our products must appeal to a client base whose preferences cannot be predicted with certainty and are subject to rapid change. Evaluating and responding to client preferences has become even more complex in recent years, due to our expansion in new geographical markets. The introduction of hybrid and electric technology and the associated changes in customer preferences that may follow are also a challenge we will face in future periods. See also "*If we are unable to keep up with advances in high performance car technology, our brand and competitive position may suffer*" and "*The introduction of hybrid and electric technology in our cars is costly and its long term success is uncertain*". In addition, there can be no assurance that we will be able to produce, distribute and market new products efficiently or that any product category that we may expand or introduce will achieve sales levels sufficient to generate profits. We will encounter this risk, for example, as we introduce the Purosangue, a luxury high performance vehicle within the GT range that we are developing and is expected to launch in 2022. 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. Please refer to "*COVID-19 Pandemic Update*" and "*Results of Operations*" for information relating to how the COVID-19 pandemic impacted our results of operations and financial condition in 2020.

WE FACE COMPETITION IN THE LUXURY PERFORMANCE CAR INDUSTRY.

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

WE BELIEVE THAT WE COMPETE PRIMARILY ON THE BASIS OF OUR BRAND IMAGE, THE PERFORMANCE AND DESIGN OF OUR CARS, OUR REPUTATION FOR QUALITY AND THE DRIVING EXPERIENCE FOR OUR CUSTOMERS.

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

OUR GROWTH STRATEGY EXPOSES US TO RISKS.

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

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

Our growth strategy may expose us to new business risks that we may not have the expertise, capability or the systems to manage. This strategy will also place significant demands on us by requiring us to continuously evolve and improve our operational, financial and internal controls. Continued expansion also increases the challenges involved in maintaining high levels of quality, management and client satisfaction, recruiting, training and retaining sufficiently skilled management, technical and marketing personnel. If we are unable to manage these risks or meet these demands, our growth prospects and our business, results of operations and financial condition could be adversely affected. We continuously improve our international network footprint and skill set. We also plan to open additional retail stores in international markets. We do not yet have significant experience directly operating in many of these markets, and in many of them we face established competitors. Many of these countries have different operational characteristics, including but not limited to employment and labor, transportation, logistics, real estate, environmental regulations and local reporting or legal requirements.

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

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

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

A CENTRAL FACET TO THIS EXCLUSIVITY IS THE LIMITED NUMBER OF MODELS AND CARS WE PRODUCE AND OUR STRATEGY OF MAINTAINING OUR CAR WAITING LISTS TO REACH THE OPTIMAL COMBINATION OF EXCLUSIVITY AND CLIENT SERVICE.

Our low volume strategy is also an important factor in the prices that our clients are willing to pay for our cars. This focus on maintaining exclusivity limits our potential sales growth and profits compared to manufacturers less reliant on the exclusivity of their products.

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

WE SOLD 9,119 CARS IN 2020 DESPITE THE EFFECTS OF THE COVID-19 PANDEMIC, 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 eight range models (including six sports cars and two GT cars) and two limited edition Icona cars. While we anticipate expanding our car offerings as part of our growth strategy, through our previously announced plan to introduce 15 new products in the 2019-2022 period, a limited number of models will continue to account for a large portion of our revenues at any given time in the foreseeable future, compared to other automakers. Therefore, a single unsuccessful new model would harm us more than it would other automakers. There can be no assurance that our cars will continue to be successful in the market, or that we will be able to launch new models on a timely basis compared to our competitors. It generally takes several years from the beginning of the development phase to the start of production for a new model and the car development process is capital intensive. As a result, we would likely be unable to replace quickly the revenue lost from one of our main car models if it does not achieve market acceptance. Furthermore, our revenues and profits may also be affected by our special series and limited edition 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 (including our special series and limited edition models) to sustain sales growth in the future.

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

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

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. See "*We are subject to risks related to the COVID-19 pandemic that may materially and adversely affect our business*".

We distribute our products internationally and we may be affected by downturns in general economic conditions or uncertainties regarding future economic prospects that may impact the countries in which we sell a significant portion of our products. In particular, the majority of our current sales are in the EU and in the United States; if we are unable to expand in 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 exit from 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 6 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.

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, pandemics 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. On December 24, 2020, the European Union and the UK announced that they had reached a new bilateral trade and cooperation agreement governing their future relationship (the "EU-UK Trade and Cooperation Agreement") which was formally approved by the European Council on December 29, 2020 and by the UK parliament on December 30, 2020. The EU-UK Trade and Cooperation Agreement became effective on a provisional basis from January 1, 2021, subject to ratification by the EU following consent by the European Parliament. As of the date of this report, the European Parliament has not yet approved the agreement. The potential consequences if the European Parliament were to fail to approve the EU-UK Trade and Cooperation Agreement are unclear.

Under the terms of the EU-UK Trade and Cooperation Agreement, exports of cars between the European Union and the United Kingdom are exempt from tariffs, to the extent the goods contain a certain quantity of EU or UK inputs, as applicable. The application of such rules may result in increased costs for us or for our suppliers (which, in turn, they could seek to transfer to us), and difficulties in the procurement of parts. In addition, the new customs procedures set forth in the EU-UK Trade and Cooperation Agreement may result in increased operational complexity. While the EU-UK Trade and Cooperation Agreement provides clarity with respect to the intended relationship between the European Union and the United Kingdom going forward, uncertainty remains around the details of such relationship, which remain in progress and could evolve over time, and the full extent of the consequences of Brexit. Brexit could also negatively impact economic conditions in Europe more generally, which in turn could adversely impact global economic conditions. In addition, Brexit may contribute to significant volatility in exchange rates. In 2020, approximately 11 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. Most of our senior executives and employees, including many highly skilled engineers, technicians and artisans, are required to work from our offices and production facilities in and around Maranello, Italy. If we were to lose the services of any of these senior executives or key employees, this could have a material adverse effect on our business, operating results and financial condition. On December 10, 2020 our former Chief Executive Officer, Mr. Louis Camilleri, resigned with immediate effect from his role as Chief Executive Officer and member of the Board of Directors for personal reasons. Our Executive Chairman, Mr. John Elkann, has been acting as our interim Chief Executive Officer since then, while the Board of Directors is managing the process of identifying Mr. Camilleri's successor. We have developed incentive plans aimed at retaining and incentivizing our senior executives and employees, as well as management succession plans that we believe are appropriate in the circumstances, although it is difficult to predict with any certainty that we will replace these individuals with persons of equivalent experience and capabilities. If we are unable to find adequate replacements or to attract, retain and incentivize senior executives, other key employees or new qualified personnel, our business, results of operations and financial condition may suffer.

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

We do not own our Ferrari dealers and virtually all of our sales are made through our network of dealerships located throughout the world. If our dealers are unable to provide sales or service quality that our clients expect or do not otherwise adequately project the Ferrari image and its aura of luxury and exclusivity, the Ferrari brand may be negatively affected. We depend on the quality of our dealership network and our business, operating results and financial condition could be adversely affected if our dealers suffer financial difficulties or otherwise are unable to perform to our expectations. Furthermore, we may experience disagreements or disputes in the course of our relationship with our dealers or upon termination which may lead to financial costs, disruptions and reputational harm.

OUR GROWTH STRATEGY ALSO DEPENDS ON OUR ABILITY TO ATTRACT A SUFFICIENT NUMBER OF QUALITY NEW DEALERS TO SELL OUR PRODUCTS IN NEW AREAS.

We may face competition from other luxury performance car manufacturers in attracting quality new dealers, based on, among other things, dealer margin, incentives and the performance of other dealers in the region. If we are unable to attract a sufficient number of new Ferrari dealers in targeted growth areas, our prospects could be materially adversely affected.

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

Our business depends on a significant number of suppliers, which provide the raw materials, components, parts and systems we require to manufacture cars and parts and to operate our business. We use a variety of raw materials in our business, including aluminum, and precious metals such as palladium and rhodium. We source materials from a limited number of suppliers. We cannot guarantee that we will be able to maintain access to these raw materials, and in some cases this access may be affected by factors outside of our control and the control of our suppliers. In addition, prices for these raw materials fluctuate and while we seek to manage this exposure, we may not be successful in mitigating these risks.

As with raw materials, we are also at risk of supply disruption and shortages in parts and components we purchase for use in our cars. We source a variety of key components from third parties, including transmissions, brakes, driving-safety systems, navigation systems, mechanical, electrical and electronic parts, plastic components as well as castings and tires, which makes us dependent upon the suppliers of such components. In coming years, we will also require a greater number of components for hybrid and electric engines as we introduce hybrid and electric technology in our cars, and we expect producers of these components will be called upon to increase the levels of supply as the shift to hybrid or electric technology gathers pace in the industry. While we obtain components from multiple sources whenever possible, similar to other small volume car manufacturers, most of the key components we use in our cars are purchased by us from single source suppliers. We generally do not qualify alternative sources for most of the single-sourced components we use in our cars and we do not maintain long-term agreements with a number of our suppliers. Furthermore, we have limited ability to monitor the financial stability of our suppliers.

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

In the past, we have replaced certain suppliers because they failed to

provide components that met our quality control standards. The loss of any single or limited source supplier or the disruption in the supply of components from these suppliers could lead to delays in car deliveries to our clients, which could adversely affect our relationships with our clients and also materially and adversely affect our operating results and financial condition.
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, or by unexpected fluctuations in market demand and supply, such as those at the start of 2021 that are causing an ongoing global shortage of semiconductors, which is impacting the automotive industry in particular and may be a consequence of the wider effects of the COVID-19 pandemic on supply chains. 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 "*We are subject to risks related to the COVID-19 pandemic that may materially and adversely affect our business*" for a discussion of the COVID-19 pandemic, which may affect our supply chain directly or indirectly.

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

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

WE DEPEND ON OUR MANUFACTURING FACILITIES IN MARANELLO AND MODENA.

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

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

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

We currently have multi-year agreements with licensing partners for various Ferrari-branded products in the sports, lifestyle and luxury retail segments. We also have multi-year agreements with franchising partners for our Ferrari stores and theme park.
In the future, we may enter into

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

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

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

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

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

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

TO PROTECT OUR INTELLECTUAL PROPERTY, WE RELY ON INTELLECTUAL PROPERTY LAWS, AGREEMENTS FOR THE PROTECTION OF TRADE SECRETS, CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENTS, AND OTHER CONTRACTUAL MEANS.

Such measures, however, may be inadequate and our intellectual property rights may be infringed or challenged by third parties, and our confidential know-how or trade secrets could be misappropriated or disclosed to the public without our consent. Consultants, vendors and current and former employees, for example, could violate their confidentiality obligations and restrictions on the use of Ferrari's intellectual property. Ferrari may not be able to prevent such infringements, misappropriations or disclosures, with potential adverse effects on our brand, reputation and business. In particular, our components may be subject to product piracy, where our components are counterfeited, which may result in reputational risk for Ferrari. The risks described above arise particularly in our Brand activities (see "*Overview of Our Business – Brand 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 or other racing events. Furthermore, in order to compete effectively on track we have been investing significant resources in research and development and to competitively compensate the best available drivers and other racing team members. These expenses also vary based on changes in Formula 1 regulations that require modification to our racing engines and cars. These expenses are expected to continue, and may grow further, including as a result of any changes in Formula 1 regulations, which would negatively affect our results of operations.

On October 31, 2019, the World Council (Formula 1's legislative body) approved new technical, sporting and financial rules, following the extensive talks held in the past two years among the owners of the Formula 1 business and all teams with regards to the arrangements relating to the participation of Ferrari and the other teams competing in the championship in the period following the 2020 expiration of the previous arrangements between racing teams and the operator of Formula 1. The new rules provide for, among other things, a new car design, a cap of $147 million in 2021 (assuming 23 grand prix races), to be further reduced in subsequent years, for all costs and expenses covering on-track performance (excluding, among others, the activities to enable the supply of power units, marketing costs, drivers' salaries and the top three personnel at each team), limits on car upgrades over race weekends, restrictions on the number of times that certain components can be replaced during a race and the standardization of certain parts. While it was originally planned that the new sporting and technical regulations would come into effect in 2021, in March 2020 Formula 1, FIA and the racing teams agreed to postpone effectiveness of such regulations to 2022, due to the disruption to the 2020 Formula 1 season caused by COVID-19. The financial regulations (including the budget cap) came into force on January 1, 2021. While the new rules approved by the World Council may be subject to further changes, the final set of rules will require significant changes to our racing cars, processes and operations. If we are unable to effectively adapt our cars to comply with changes in Formula 1 regulations, our performance at the races may suffer. These changes may result in adverse effects on our revenues and results of operations. In particular, the new cap on expenses affects the amount of resources that we are allowed to allocate to Formula 1 activities, with potential adverse effects on our team's performance if we are not able to optimize such resources.

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

We produce V8 and V6 engines for Maserati. We have a multi-year arrangement with Maserati to provide V6 engines through 2023. While Maserati is required to compensate us for certain production costs, in the event that the sales of Maserati cars decline or do not increase at the expected rate, our revenues from the sale of engines may be adversely affected.

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

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

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

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

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

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

Current European legislation limits fleet average greenhouse gas emissions for new passenger cars. Due to our small volume manufacturer ("SVM") status we benefit from a derogation from the existing emissions requirement and we are instead required to meet, by 2021, alternative targets for our fleet of EU-registered vehicles. Despite global shipments exceeding 10,000 vehicles in 2019, Ferrari still qualifies as an SVM under EU regulations, since its total number of registered vehicles in the EU per year is less than 10,000 vehicles.

In the United States, the U.S. Environmental Protection Agency ("EPA") and the National Highway Traffic Safety Administration ("NHTSA") have set the federal standards for passenger cars and light trucks to meet certain combined average greenhouse gas ("GHG") and fuel economy ("CAFE") levels and more stringent standards have been prescribed for model years 2017 through 2025. Since Ferrari is considered to be an SVM under EPA GHG regulations (as it produces less than 5,000 vehicles per model year for the US market), we expect to benefit from a derogation from currently applicable standards. We also petitioned the EPA for alternative standards for the model years 2017-2021 and 2022-2025, which are aligned to our technical and economic capabilities. On June 25, 2020, the EPA Administrator signed the final determination for alternative GHG standards for SVMs for model years 2017 through 2021 and issued final alternative GHG standards for us and other SVMs. In September 2016 we petitioned the NHTSA for recognition as an independent manufacturer of less than 10,000 vehicles produced globally and we proposed alternative CAFE standards for model years 2017, 2018 and 2019. Then, in December, 2017, we amended the petition by proposing alternative CAFE standards for model years 2016, 2017 and 2018 instead, covering also the 2016 model year. In 2019, our global production exceeded 10,000 vehicles, and therefore we are no longer considered an SVM by the NHTSA for the model year 2019. We previously purchased the CAFE credits needed to fulfill this deficit. On July 15, 2020, we submitted to the NHTSA a petition for an exemption from the CAFE standards for the model year 2020. We proceeded with this submission because, although Ferrari originally intended to produce more than 10,000 vehicles in 2020, actual production was lower than 10,000 vehicles as a result of the COVID-19 pandemic and the related shutdown of our production facilities. Therefore, since we met the NHTSA definition of SVM, we have requested an alternative fleet average GHG standard for model year 2020. The NHTSA has confirmed that it will not send a shortfall letter to Ferrari requiring payment of CAFE civil penalties or the application of CAFE credits with regard to model year 2020 until the NHTSA has ruled on Ferrari's petitions for an alternative standard. If our petitions are rejected, we will not be able to benefit from the more favorable CAFE standard levels which we have petitioned for and this may require us to purchase additional CAFE credits in order to comply with applicable CAFE standards.

In the United States, considerable uncertainty is associated with emissions regulations in light of changing policies under the past and newly appointed administration. New regulations are in the process of being developed, and many existing and potential regulatory initiatives are subject to review by federal or state agencies or the courts. On March, 31, 2020, the NHTSA and the EPA issued the final Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule (the "SAFE Vehicles Rule") setting CAFE and carbon dioxide emissions standards for model years 2021-2026 passenger cars and light trucks. Under the SAFE Vehicles Rule, the overall stringency of the federal standards is significantly reduced from the levels previously set: the final rule will increase stringency of CAFE and CO_2 emissions standards by 1.5 percent each year through model year 2026, as compared with the previous standards issued in 2012, which would have required annual increases of approximately 5 percent. The EPA and the NHTSA did not propose any changes to the regulations regarding SVM status or alternative standards. However, it is uncertain whether, with the new administration which took office earlier this year will reverse these recently adopted policies and rule changes, and what further regulation will be enacted Rule.

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). On December 12, 2018 the CARB amended its existing regulations to clarify that the "deemed-to-comply" provision would not be available for model years 2021-2025 if the EPA standards for those years were altered via an amendment of federal regulations. On September 19, 2019, the NHTSA and the EPA established the "One National Program" for fuel economy regulation, announcing the EPA's decision to withdraw California's waiver of preemption under the Clean Air Act, and by affirming the NHTSA's authority to set nationally applicable regulatory standards under the preemption provisions of the Energy Policy and Conservation Act (EPCA). California and other states, along with the cities of Los Angeles and New York, initiated litigation to challenge this final rule. Several environmental groups have also challenged such final rule. Ferrari currently avails itself of the "deemed-to-comply" provision to comply with CARB greenhouse gas emissions regulations. Therefore, depending on future developments, it may be necessary to also petition the CARB for SVM alternative standards and to increase the number of tests to be performed in order to follow the CARB specific procedures.

In addition, we are subject to legislation relating to the emission of other air pollutants such as, among others, the EU "Euro 6" standards and Real Driving Emissions (RDE) standards, the "Tier 3" Motor Vehicle Emission and Fuel Standards issued by the EPA, and the Zero Emission Vehicle regulation in California, which are subject to similar derogations for SVMs. In March 2020, the European Commission launched a public consultation on its roadmap outlining the policy options that it could pursue in revising the emission standards for light and heavy duty vehicles (Euro 7). This initiative is part of the European Green Deal, advocating the European automotive industry's role as a leader in the global transition to zero-emission vehicles. More stringent air pollutant emissions standards for combustion engine vehicles are expected to be set by 2021. Depending on the future regulatory developments, the technological solutions required to ensure Euro 7 compliance may affect customers' expectations on performance, sound and driving experience. The European Commission is also expected to assess and evaluate the current noise emissions limits, with the risk of more stringent "Phase 3" thresholds.

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

Other governments around the world, such as those in Canada, South Korea, China and certain Middle Eastern countries are also creating new policies to address these issues which could be even more stringent than the U.S. or European requirements. As in the United States and Europe, these government policies if applied to us could significantly affect our product development plans. In China, for example, Stage IV fuel consumption regulation targeted a national average fuel consumption of 5.0L/100km by 2020, and the Stage V regulation, issued on December 31, 2019, targets a national average fuel consumption of 4.0 l/100km by 2025.

In response to severe air quality issues in Beijing and other major Chinese cities, in 2016 the Chinese government published a more stringent emissions program (National 6), providing two different levels of stringency effective starting from 2020. Moreover several autonomous Chinese regions and municipalities have implemented the requirements of the National 6 program even ahead of the mandated deadlines.

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

Under these existing regulations, as well as new or stricter rules or policies, we could be subject to sizable civil penalties or have to restrict or modify product offerings drastically to remain in compliance. We may have to incur substantial capital expenditures and research and development expenditures to upgrade products and manufacturing facilities, which would have an impact on our cost of production and results of operation. For a description of the regulation referred to in the paragraphs above please see "*Overview of Our Business – Regulatory Matters*".

In the future, the advent of self-driving technology may result in regulatory changes that we cannot predict but may include limitations or bans on human driving in specific areas. In 2020 the European Commission issued its new digital strategy policies, which represent a priority in the European Commission's regulatory agenda. Although no regulations have been proposed in this regard, the European Commission has showed a determination to strengthen Europe's digital sovereignty and role as a standard setter, with a clear focus on data, technology, and infrastructure.

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

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

Shipments of the SF90 Stradale, the first series production Ferrari to feature Plug-in Hybrid Electric Vehicle (PHEV) architecture, integrating the internal combustion engine with three electric motors, started in 2020. In addition, in 2020 we launched the SF90 Spider, the spider version of the SF90 Stradale and Ferrari's first plug-in hybrid spider. 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 and was later acquired by Key Safety Systems in April 2018), we recorded a provision regarding this matter in the second quarter of 2016 for an amount of €37 million. This provision has been used over time and amounted to approximately €7 million as of December 31, 2020. 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, 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, INCLUDING AS A RESULT OF CYBERCRIMES, COULD COMPROMISE CONFIDENTIAL AND SENSITIVE INFORMATION.

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

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

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

As of December 31, 2020, our gross consolidated debt was approximately €2,725 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. To the extent that interest rates may rise generally based on pronouncements of governments or central banks, market rates for new car financing are expected to rise as well, which may make our cars less affordable to clients or cause consumers to purchase less expensive cars, adversely affecting our results of operations and financial condition. Additionally, if consumer interest rates increase substantially or if financial service providers tighten lending standards or restrict their lending to certain classes of credit, our clients may choose not to, or may not be able to, obtain financing to purchase our cars.

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

Our dealers enter into wholesale financing arrangements to purchase cars from us to hold in inventory or to use in showrooms and facilitate retail sales, and retail clients use a variety of finance and lease programs to acquire cars.
In most markets, we rely either on controlled or associated finance companies or on commercial relationships with third parties, including third party financial institutions, to provide financing to our dealers and retail clients. Finance companies are subject to various risks that could negatively affect their ability to provide financing services at competitive rates, including:

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

Furthermore, to help fund our retail and wholesale financing business, our financial services companies in the United States also access forms of funding available from the banking system in each market, including sales or securitization of receivables either in negotiated sales or through asset-backed financing programs. At December 31, 2020, an amount of $934 million was outstanding under revolving securitizations carried out by Ferrari Financial Services Inc. See "*Operating Results – Liquidity and Capital Resources*". Should we lose the ability to access the securitization market at advantageous terms or at all, the funding of our controlled or associated finance companies would become more difficult and expensive and our financial condition may therefore be adversely affected.

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

Our dealer and retail customer financing in Europe are mainly provided through our partnership with FCA Bank S.p.A. ("FCA Bank"), a joint venture between FCA Italy S.p.A. and Crédit Agricole Consumer Finance S.A. ("CACF"). If we fail to maintain our partnership with FCA Bank or in the event of a termination of the joint venture or change of control of one of our joint venture partners, we may not be able to find a suitable alternative partner with similar resources and experience and continue to offer financing services to support the sales of Ferrari cars in key European markets, which could adversely affect our results of operations and financial condition.

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 depreciated significantly against the Euro during the second half of 2020, while the pound sterling remained subject to volatility against the Euro, mainly in the first half of 2020. If the U.S. Dollar or some other currencies were to further depreciate against the Euro, we expect that it would adversely impact our revenues and results of operations. No significant adverse movements in foreign exchange rates have occurred in early 2021. 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. 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 obtained the European Union's Authorized Economic Operator (AEO) certificate. The AEO certificate is granted to operators that meet certain requirements regarding supply chain security and the safety and compliance with law of the operator's customs controls and procedures. Operators are audited periodically for continued compliance with the requirements. The AEO certificate allows us to benefit from special expedited customs treatment, which significantly facilitates the shipment of our cars in the various markets where we operate. If we were to lose the AEO status, including for failure to meet one of the certification's requirements, we would be required to change our business practices and to adopt standard customs procedures for the shipment of our cars. This could result in increased costs and shipment delays, which, in turn, could negatively affect our results of operations.

RISKS RELATED TO OUR COMMON SHARES

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

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

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

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

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

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

Exor N.V. ("Exor") is our largest shareholder, holding approximately

24.05 percent of our outstanding common shares and approximately 35.82 percent of our voting power (as of February 15, 2021). 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 15, 2021, Piero Ferrari, the Vice Chairman of Ferrari, holds approximately 10.23 percent of our outstanding common shares and approximately 15.23 percent of voting interest in us (as of February 15, 2021). 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 STELLANTIS AND EXOR AND ITS RELATED COMPANIES.

Questions relating to conflicts of interest may arise between us and Fiat Chrysler Automobiles N.V., our former largest shareholder, renamed Stellantis N.V., in a number of areas relating to common shareholdings and management, as well as our past and ongoing relationships. There are certain overlaps among the directors and officers of us and Stellantis. For example, Mr. John Elkann, our Executive Chairman and interim Chief Executive Officer, is the Chairman and an executive director of Stellantis and Chairman and Chief Executive Officer of Exor. Certain of our other directors and officers may also be directors or officers of Stellantis or Exor, our and Stellantis's largest shareholder. These individuals owe duties both to us and to the other companies that they serve as officers and/or directors, which may create conflicts as, for example, these individuals review opportunities that may be appropriate or suitable for both us and such other companies, or we pursue business transactions in which both we and such other companies have an interest, such as our arrangement to supply engines for Maserati cars. Exor holds approximately 24.05 percent of our outstanding common shares and approximately 35.82 percent of the voting power in us (as of February 15, 2021), while it holds approximately 14.4 percent of the outstanding common shares in Stellantis (based on SEC filings). The percentages of ownership and voting power above are calculated based on the number of outstanding shares net of treasury shares. Exor also owns a controlling interest in CNH Industrial N.V., which was part of the former 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 Stellantis or Exor, as applicable.

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

The provisions of our articles of association which establish the loyalty voting program may make it more difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change of control were considered favorably by shareholders holding a majority of our common shares. As a result of the loyalty voting program, a relatively large proportion of the voting power of Ferrari could be concentrated in a relatively small number of shareholders who would have significant influence over us. As of February 15, 2021, Exor had approximately 24.05 percent of our outstanding common shares and a voting interest in Ferrari of approximately 35.82 percent. As of February 15, 2021, Piero Ferrari held approximately 10.23 percent of our outstanding common shares and, as a result of the loyalty voting mechanism, had approximately 15.23 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.

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

One step of our Separation (see "*Overview – History of the Company*" from FCA included a demerger from FCA of our common shares previously held by it. In connection with a demerger under Dutch law, the demerged company may continue to be liable for certain obligations of the demerging company that exist at the time of the demerger, but only to the extent that the demerging company fails to satisfy such liabilities. Based on other actions taken as part of the Separation, we do not believe we retain any liability for obligations of FCA, now Stellantis, existing at the time of the Separation. Nevertheless, in the event that Stellantis fails to satisfy obligations to its creditors existing at the time of the demerger, it is possible that those creditors may seek to recover from us, claiming that we remain liable to satisfy such obligations. While we believe we would prevail against any such claim, litigation is inherently costly and uncertain and could have an adverse effect. See "*Overview – History of the Company*".

RISKS RELATED TO TAXATION

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

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

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

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

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

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

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

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

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

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

THE CONSEQUENCES OF THE LOYALTY VOTING PROGRAM ARE UNCERTAIN.

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

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

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

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

Italian Law no. 190/2014, as subsequently amended and supplemented, introduced an optional Patent Box regime in the Italian tax system. The Patent Box regime is a tax exemption related to, *inter alia*, the use of intellectual property assets. Business income derived from the use of each qualified intangible asset is partially exempted from taxation for both IRES and IRAP purposes. We are currently applying the Patent Box tax regime for the period from 2020 to 2024, in line with applicable tax regulations in Italy. The amount of the related tax benefits (if any) that the Group may receive from the tax regime remains subject to uncertainty.
We currently calculate taxes due in Italy based, among other things, on certain tax breaks recognized by Italian tax regulations for R&D expenses and for the investments on manufacturing equipment, which result in a tax saving. Law no. 178/2021 or "Budget Law 2021", increased incentives introduced by Law no. 160/2019 relating to tax breaks. The Budget Law 2021 extended for two years the application of the tax credit for research and development, technological innovation, ecological transition and other innovative activities, making eligible investments made up to the tax period ending on December 31, 2022.

In addition, we benefit from the measures introduced in Italy by art. 110 of Law Decree no. 104/2020, converted into Law no.126/2020, which re-opened the voluntary step up of tangible and intangible assets, with the application of a three-percent substitutive tax rate.

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


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OVERVIEW

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

Our name and history and the image enjoyed by our cars are closely associated with our Formula 1 racing team, Scuderia Ferrari, the most successful 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 are the only team which has taken part in more than 1,000 Formula 1 races.

WE BELIEVE OUR HISTORY OF EXCELLENCE, TECHNOLOGICAL INNOVATION AND DEFINING STYLE TRANSCENDS THE AUTOMOTIVE INDUSTRY, AND IS THE FOUNDATION OF THE FERRARI BRAND AND IMAGE.

We design, engineer and produce our cars in Maranello, Italy, and sell them in over 60 markets worldwide through a network of 168 authorized dealers operating 188 points of sale as of the end of 2020.

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 2020, for which shipments will commence in 2021) is comprised of six sports cars (SF90 Stradale, SF90 Spider, Ferrari F8 Tributo, Ferrari F8 Spider, 812 Superfast and 812 GTS), two GT cars (Ferrari Roma and Ferrari Portofino M) as well as two versions of our first Icona car, the Ferrari Monza SP1 and the Ferrari Monza SP2. In 2020 we completed shipments of the GTC4Lusso and the GTC4Lusso T, as well as our most recent special series models, the Ferrari 488 Pista and the Ferrari 488 Pista Spider, which completed their respective lifecycles in 2020. We also produce limited edition hypercars and one-off cars. Our most recent hypercar, the LaFerrari Aperta, was launched in 2016 to celebrate our 70th Anniversary and finished its limited series run in 2018. We followed up our record of 5 model launches in 2019 with the unveiling in 2020 of the Ferrari Portofino M and the SF90 Spider, with shipments of both models expected to commence in 2021.

In 2020, we shipped 9,119 cars and recorded net revenues of €3,460 million, EBIT of €716 million, net profit of €609 million and earnings before interest, taxes, depreciation, and amortization (EBITDA) of €1,143 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 (i) EMEA, (ii) Americas, (iii) Mainland China, Hong Kong and Taiwan, and (iv) Rest of APAC, which represented respectively 52.8 percent, 25.5 percent, 5.0 percent and 16.7 percent of units shipped in 2020. The geographical distribution of shipments in 2020 reflects deliberate allocations driven by the phase-in pace of individual models. Shipments in 2020 decreased as a result of the seven-week production suspension in the first half of 2020 and the temporary closure of certain dealerships caused by the COVID-19 pandemic, with a partial recovery of production and shipments in the second half of the year.

HISTORY OF THE COMPANY

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

OUR COMPANY IS NAMED AFTER OUR FOUNDER ENZO FERRARI.

An Alfa Romeo driver since 1924, Enzo Ferrari founded his own racing team, Scuderia Ferrari, in Modena in 1929 initially to race Alfa Romeo cars. In 1939 he set up his own company, initially called Auto Avio Costruzioni. In late 1943, Enzo Ferrari moved his headquarters from Modena to Maranello, which remains our headquarters to this day.
In 1947, we produced our first racing car, the 125 S. The 125 S's powerful 12 cylinder engine would go on to become synonymous with the Ferrari brand. In 1948, the first road car, the Ferrari 166 Inter, was produced. Styling quickly became an integral part of the Ferrari brand.

IN 1950, WE BEGAN OUR PARTICIPATION IN THE FORMULA 1 WORLD CHAMPIONSHIP, RACING IN THE WORLD'S SECOND GRAND PRIX IN MONACO, WHICH MAKES SCUDERIA FERRARI THE LONGEST RUNNING FORMULA 1 TEAM.

We won our first Constructor World Title in 1952. Our success on the world's tracks and roads extends beyond Formula 1, including victories in some of the most important car races such as the 24 Hours of Le Mans, the world's oldest endurance automobile race, and the 24 Hours of Daytona.

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

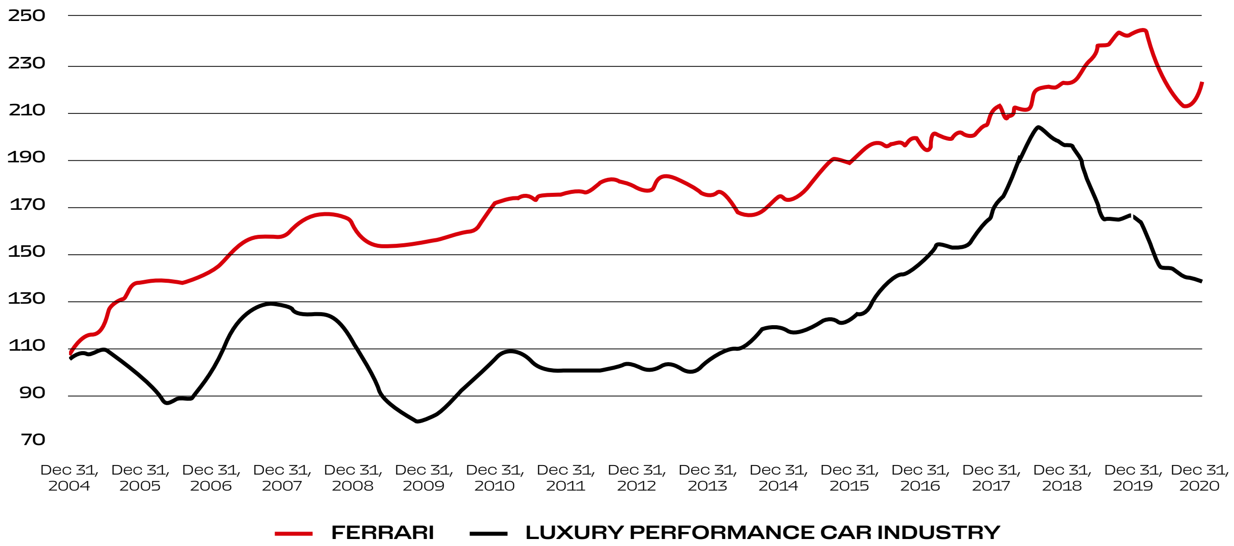
In 2020, the luxury performance car market has been dealt with a new challenge arising from the COVID-19 pandemic. Compared to the 2008-2009 recession, characterized by the collapse of the financial markets and the drop in global demand for luxury vehicles, the 2020 shock presents a sudden collapse on both the demand and supply side, caused by the shutdown of production plants as a necessary measure to contain the spread of the COVID-19 first-wave. These extreme measures, which were enacted worldwide, led to a global decline in sales volumes. Nevertheless, Ferrari and most of its main competitors have launched key new products, demonstrating their resilient commitment to face this period of uncertainty.

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 not necessarily at the same pace compared to mass market vehicles. The ability to combine driving experience with hybrid and electric technology will be key for the commercial success of high performance luxury vehicles.

As shown in the chart below, which presents the change in Ferrari volumes compared to the change in volumes of the luxury performance car industry over the period from 2004 to 2020 (starting from a base case of 100 in 2004), our volumes in recent years have proven less volatile than our competitors'. We believe this is due to our strategy of maintaining low volumes compared to demand, as well as the higher number of models in our range and our more frequent product launches compared to our competitors.

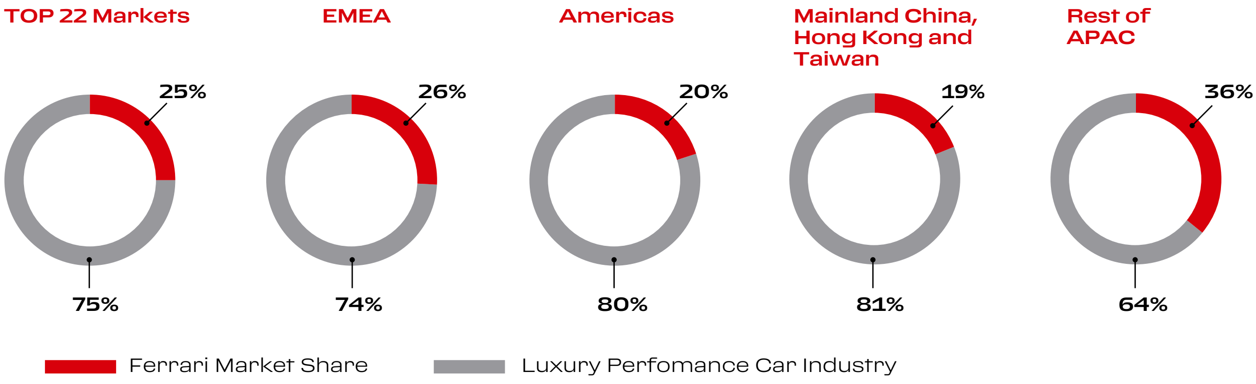
FERRARI VS. LUXURY PERFORMANCE CAR INDUSTRY



- Ferrari and Luxury Performance Car Industry data are updated to December 31, 2020.
- 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, Polestar, Porsche and Rolls-Royce.
- Ferrari data based on internal information for the 22 top countries (excluding Middle East countries) for Ferrari annual registrations and sales (which accounted for approximately 87 percent of the total Ferrari shipments in 2020). Annual registrations and sales for the top 22 countries (excluding Middle East countries) for Ferrari increased from 3,454 in 2004 to 7,601 in 2020, representing cumulative growth of approximately 120 percent or a compound annual growth rate of 5.1 percent.
- 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. Units registered for the Luxury Performance Car Industry increased from 22,903 in 2004 to 30,236 in 2020, representing cumulative growth of approximately 32 percent or a compound annual growth rate of 1.8 percent.

In 2020, Ferrari volumes in the largest 22 markets decreased compared to 2019, primarily due to the production suspension resulting from the COVID-19 pandemic. In 2020, we increased our market share in the luxury performance car market to 25 percent (compared to 23 percent in 2019), with 31 percent of market share in the sports car segment (compared to 25 percent in 2019) and 17 percent of market share in the GT segment (compared to 19 percent in 2019).

The chart below sets forth our market shares in 2020 based on volumes in our largest 22 markets by geographical area.



- Ferrari and Luxury Performance Car Industry data updated to December 31, 2020.
- 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, Lamborghini, McLaren, Mercedes Benz, Polestar, Porsche and Rolls-Royce.
- Ferrari data based on internal information for the 22 top countries (excluding Middle East countries) for Ferrari annual registrations and sales (which accounted for approximately 87 percent of the total Ferrari shipments in 2020).
- Data for the Luxury Performance Car Industry based on units registered (Brazil, Japan, Taiwan, United Kingdom, Germany, France, Switzerland, Italy, Poland, Spain, Sweden, Netherlands, Belgium and Austria) or sold (in USA, South Korea, Mainland China, Russia, Australia, New Zealand, Singapore and Indonesia). Source: USA: US Maker Data Club, Brazil-JATO; Austria-OSZ; Belgium-FEBIAC; France-SIV; Germany-KBA; UK-SMMT; Italy-UNRAE; Netherlands-VWE; Poland-CEPiK; Spain-TRAFICO; Sweden-BranschData; Switzerland-ASTRA; Mainland China-China Automobile Industry Association-DataClub; Russia-AEBRUS; Taiwan-Ministry of Transportation and Communications; Australia-VFACTS-S; Japan-JAIA; Indonesia-GAIKINDO; New Zealand-VFACTS; Singapore-LTA, MTA (Land Transport Authority, Motor Trader Associations); South Korea-KAIDA.
- Ferrari is the market leader in several countries, including France, Italy, Switzerland, United Kingdom, USA, Australia, Japan and South Korea, among others.

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

COMPETITION

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

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

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 are the only team which has taken part in more than 1,000 Formula 1 races.

We believe our history of excellence, technological innovation and defining style transcends the automotive industry, and is the foundation of the Ferrari brand and image.

We design, engineer and produce our cars in Maranello, Italy, and sell them in over 60 markets worldwide through a network of 168 authorized dealers operating 188 points of sale as of the end of 2020.

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 2020, for which shipments will commence in 2021) is comprised of six sports cars (SF90 Stradale, SF90 Spider, Ferrari F8 Tributo, Ferrari F8 Spider, 812 Superfast and 812 GTS), two GT cars (Ferrari Roma and Ferrari Portofino M) as well as two versions of our first Icona car, the Ferrari Monza SP1 and the Ferrari Monza SP2. In 2020 we completed shipments of the GTC4Lusso and the GTC4Lusso T, as well as our most recent special series models, the Ferrari 488 Pista and the Ferrari 488 Pista Spider, which completed their respective lifecycles in 2020. We also produce limited edition hypercars and one-off cars. Our most recent hypercar, the LaFerrari Aperta, was launched in 2016 to celebrate our 70th Anniversary and finished its limited series run in 2018. We followed up our record of 5 model launches in 2019 with the unveiling in 2020 of the Ferrari Portofino M and the SF90 Spider, with shipments of both models expected to commence in 2021.

In 2020, we shipped 9,119 cars and recorded net revenues of €3,460 million, EBIT of €716 million, net profit of €609 million and earnings before interest, taxes, depreciation, and amortization (EBITDA) of €1,143 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 (i) EMEA, (ii) Americas, (iii) Mainland China, Hong Kong and Taiwan, and (iv) Rest of APAC, which represented respectively 52.8 percent, 25.5 percent, 5.0 percent and 16.7 percent of units shipped in 2020. The geographical distribution of shipments in 2020 reflects deliberate allocations driven by the phase-in pace of individual models. Shipments in 2020 decreased as a result of the seven-week production suspension in the first half of 2020 and the temporary closure of certain dealerships caused by the COVID-19 pandemic, with a partial recovery of production and shipments in the second half of the year.

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 the pinnacle of motorsport and is one of the most watched annual sports series in the world, with approximately 433 million unique viewers in 2020 and an average total audience for a Grand Prix weekend of 87.4 million. (*Source: Formula 1 Press Office*). Although our most recent Formula 1 world title was in 2008, we continuously enhance our focus on Formula 1 activities with the goal of improving racing results and restoring our historical position as the premier racing team in Formula 1. We believe that these activities support the strength and awareness of our brand among motor enthusiasts, clients and the general public.

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 18 Ferrari-owned stores and 18 franchised stores (including 14 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.

238

WON GRAND PRIX RACES

168

AUTHORIZED DEALERS

5

REGIONAL MARKETS

433 Mn

GRAN PRIX VIEWERS IN 2020

87.4 Mn

FOR GRAND PRIX WEEKEND

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

"DIFFERENT FERRARI FOR DIFFERENT FERRARISTI, DIFFERENT FERRARI FOR DIFFERENT MOMENTS"

Our product offering as of the date of this report comprises four main strategic pillars: the sports range, the GT range, special series and Icona. Our current product range includes six sports cars, two GT cars as well as our Icona cars, introduced in September 2018 with the Ferrari Monza SP1 and SP2. In 2020 we completed shipments of the GTC4Lusso and the GTC4Lusso T, as well as our most recent special series models, the Ferrari 488 Pista and the Ferrari 488 Pista Spider.

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.

SPORT

GT

SPECIAL SERIES

ICONA

RANGE MODELS

SPORTS


V8 Hybrid - SF90 Stradale


V8 Hybrid - SF90 Spider


V8 - F8 Tributo


V8 - F8 Spider


V12 - 812 Superfast


V12 - 812 GTS

GRAN TURISMO


V8 - Portofino M


V8 - Roma


V8 - GTC4Lusso T


V12 - GTC4Lusso

SPECIAL SERIES MODELS


V8 - 488 Pista


V8 - 488 Pista Spider

ICONA


V12 - Monza SP1/ SP2

ONE-OFF


V12 - Ferrari Omologata

TRACK CARS

FERRARI CHALLENGE


V8 - 488 Challenge EVO

THE XX PROGRAMME

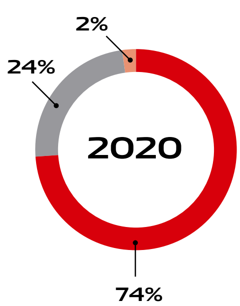

V12 - FXX K EVO

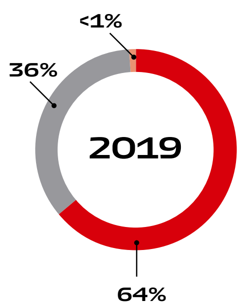
RACING CARS

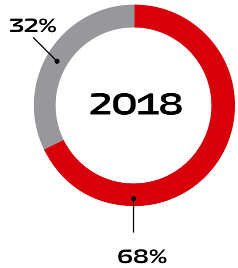

V8 - 488 GTE/ GT3 EVO


V8 - 488 GT Modificata

The charts below set forth the percentage of our unit shipments (excluding the XX Programme, racing cars, one-off and pre-owned cars) for the years ended December 31, 2020, 2019 and 2018 by pillar:







Sport and Special series (*) GT Icona (**)

* 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, 2020, 2019 and 2018, by geographic market:

(Number of cars and % of total cars)	For the years ended December 31,					
	2020	%	2019	%	2018	%
EMEA						
Germany	995	10.9%	967	9.5%	803	8.7%
UK	971	10.6%	1,120	11.1%	981	10.6%
Italy	574	6.3%	559	5.5%	479	5.2%
Switzerland	456	5.0%	454	4.5%	380	4.1%
France	463	5.1%	452	4.5%	399	4.3%
Middle East [2]	304	3.3%	309	3.1%	326	3.5%
Other EMEA [3]	1,055	11.6%	1,034	10.1%	859	9.3%
Total EMEA	**4,818**	**52.8%**	**4,895**	**48.3%**	**4,227**	**45.7%**
Americas [4]	2,325	25.5%	2,900	28.6%	3,000	32.4%
Mainland China, Hong Kong and Taiwan	456	5.0%	836	8.3%	695	7.5%
Rest of APAC [5]	1,520	16.7%	1,500	14.8%	1,329	14.4%
Total	**9,119**	**100.0%**	**10,131**	**100.0%**	**9,251**	**100.0%**

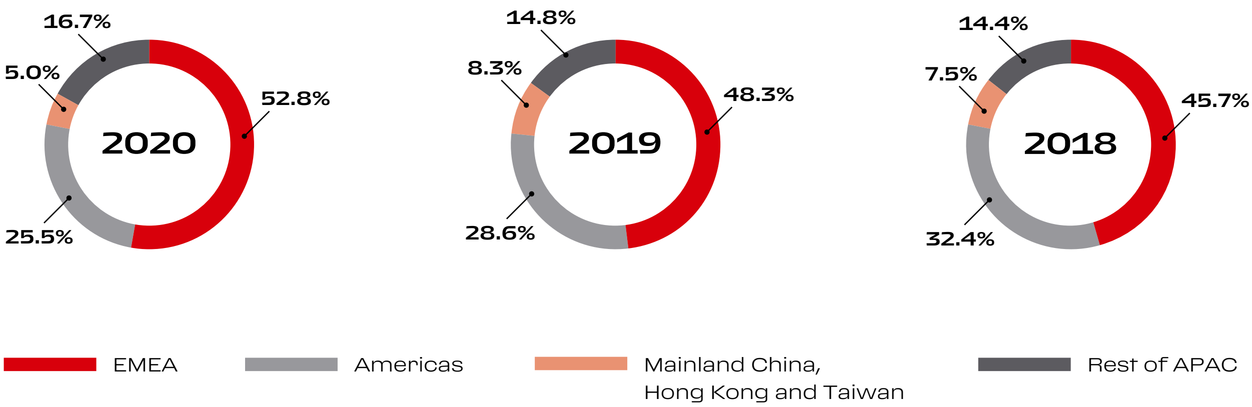
[1] Excluding the XX Programme, racing cars,, one-off and pre-owned cars.

[2] Middle East mainly includes the United Arab Emirates, Saudi Arabia, Bahrain, Lebanon, Qatar, Oman and Kuwait.

[3] Other EMEA includes Africa and the other European markets not separately identified.

[4] Americas includes the United States of America, Canada, Mexico, the Caribbean and Central and South America.

[5] Rest of APAC mainly includes Japan, Australia, Singapore, Indonesia, South Korea, Thailand and Malaysia.



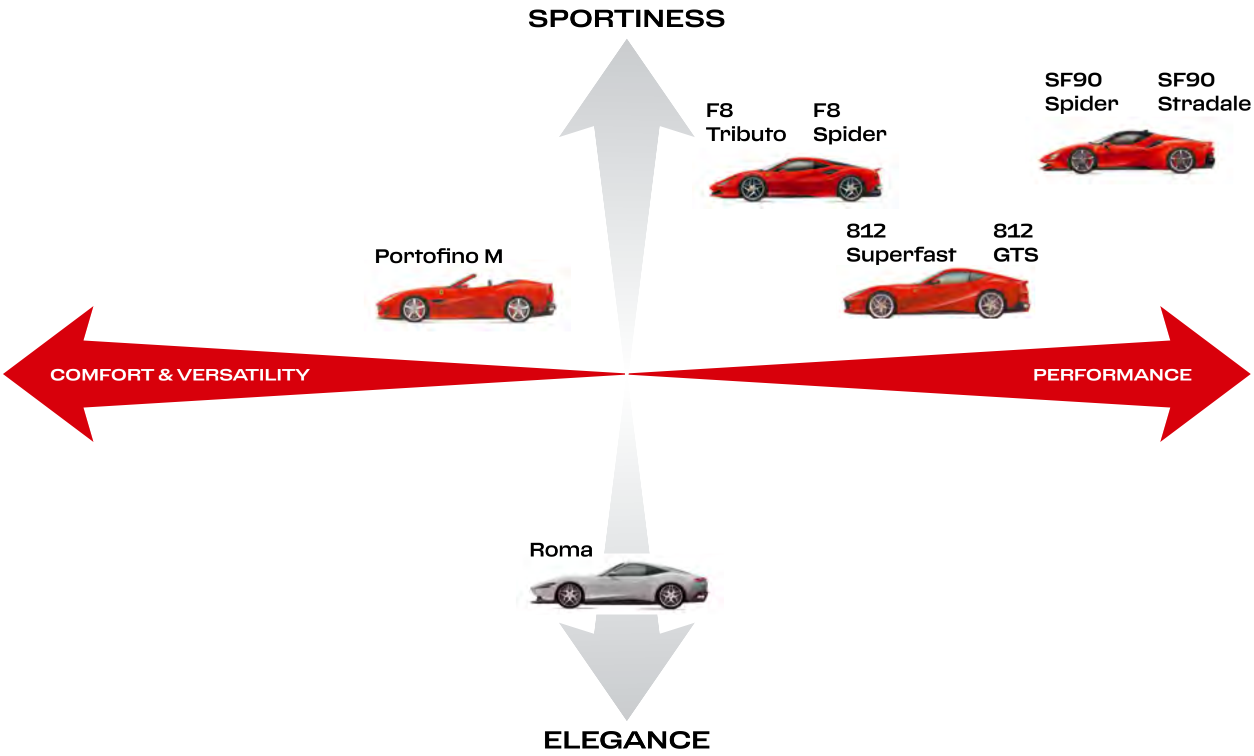
SPORTS RANGE

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 six models: the SF90 Stradale and SF90 Spider, our first series production cars which feature PHEV technology that combines a V8 engine (780 hp) with three electric motors allowing the car to reach 1,000 hp; the Ferrari F8 Tributo and the Ferrari F8 Spider, equipped with a mid-rear V8 engine (720 hp), 4 time winner of the engine of the year award; the 812 Superfast and the 812 GTS, 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 two models equipped with our V8 engine, the Ferrari Roma (620 hp) and the Ferrari Portofino M (620 hp).

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



SPECIAL SERIES

From time to time, we also design, engineer and produce special series cars which can be limited in time or volume and are usually based on our range sports models but introduce novel product concepts. These cars are characterized by significant modifications designed to enhance performance and driving emotions. Our special series cars are particularly targeted to collectors and, from a commercial and product development standpoint, they facilitate the transition from existing to new range models. Special series cars whose shipments were completed at the end of 2020 were the Ferrari 488 Pista, powered by a 720 hp V8 engine, and its retractable hard top version, the Ferrari 488 Pista Spider (720 hp).

ICONA

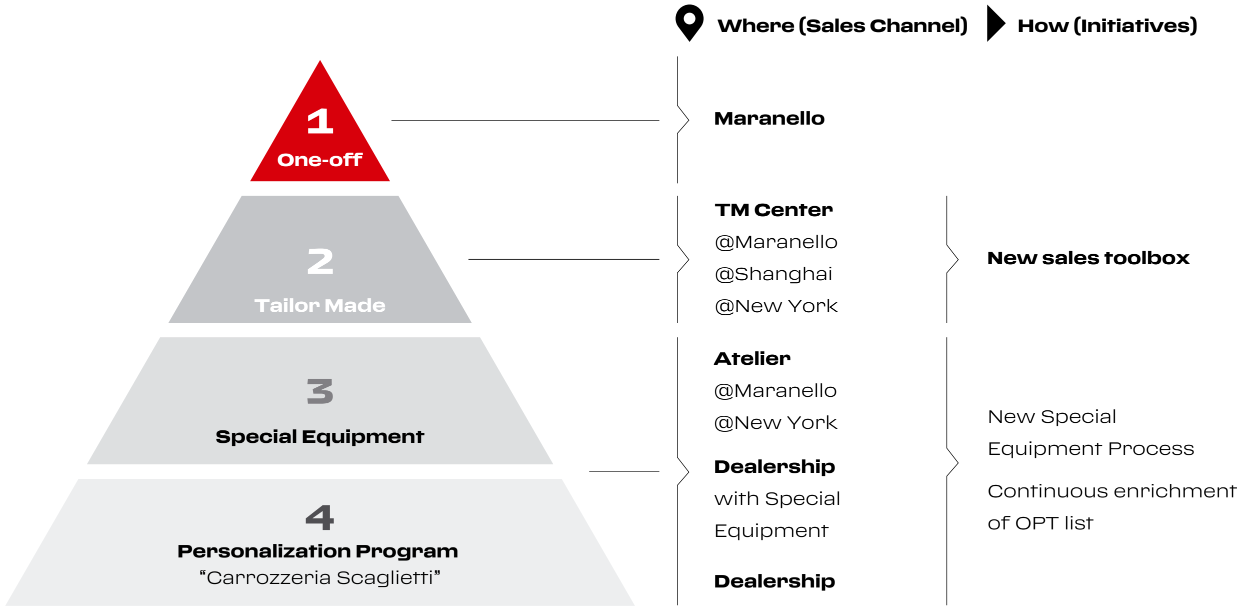
In September 2018, we introduced a new pillar of our product portfolio: the Icona, a unique concept that takes inspiration from the iconic cars of our history and reinterprets them in a modern fashion, pairing timeless design with state-of-the-art materials and technology. The first examples of this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

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

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

PERSONALIZATION OFFER



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

WITH OUR "SPECIAL EQUIPMENT" PROGRAM, WE OFFER CLIENTS ADDITIONAL CUSTOMIZATION CHOICES FOR THEIR CARS.

Our specialists are able to guide clients in creating a very customized car through a wide catalog of special items such as different types of rare leathers, custom stitching, special paints, special carbon fiber, and personalized luggage sets designed to match the car's interior.

THE "TAILOR MADE" PROGRAM PROVIDES AN ADDITIONAL LEVEL OF PERSONALIZATION IN ACCORDANCE WITH THE EXPECTATIONS OF OUR CLIENTS.

A dedicated Ferrari designer assists clients in selecting and applying virtually any specific design element chosen by the client. Our clients benefit from a large selection of finishes and accessories in an array of different materials (ranging from cashmere to denim), treatments and hues.

To assist our clients' choice we also offer three collections inspired by Ferrari's own tradition: *Scuderia* (taking its lead from our sporting history), *Classica* (bringing a modern twist to the styling cues of our signature GT models) and *Inedita* (showcasing more experimental and innovation-led personalization).

THE "ONE-OFF" PROGRAM IS THE MAXIMUM LEVEL OF PERSONALIZATION AND EXCLUSIVITY.

See *"–Limited Edition Hypercars and One-Offs"* above for more details.

DESIGN

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

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

In 2010 we established the Ferrari Design Centre, our in-house design department, with the objective of improving control over the entire design process and ensuring long-term continuity of the Ferrari style. The mission of the Ferrari Design Centre is to define and evolve the stylistic direction of the marque, imprinting all new products with a modern stamp, according to a futuristic, uncompromised vision. The name and logo "Ferrari Design" denotes all concepts and works 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 Ferrari F8 Tributo and Ferrari F8 Spider, the 812 GTS, the Ferrari Monza SP1 and SP2, the Ferrari Portofino M and the SF90 Spider.

During its 11 year history, the Ferrari Design Centre has received many prestigious design awards for the cars it has designed, including the following in the last 2 years:

- Ferrari Roma: The Most Beautiful Supercar of the Year - Festival Automobile International, Paris (2020); Red Dot Design Award (2020); Car Design Award (2020);
- Ferrari SF90 Stradale: iF Gold Design Award (2020); Red Dot Best of The Best (2020);
- Ferrari F8 Tributo: iF Design Award (2020); Red Dot Design Award (2020);
- Ferrari One Off P80/C: iF Design Award (2020);
- Ferrari Monza SP1: XXVI PREMIO COMPASSO D'ORO
- Ferrari Monza SP2: The Most Beautiful Supercar of the Year - Festival Automobile International, Paris (2019);
- Ferrari 488 Pista: iF Design Award (2019);
- Ferrari SP38: iF Design Award - Ferrari (2019);
- Ferrari 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); Good Design Award (2019);
- Ferrari 488 Pista: Red Dot Design Award (2019);
- Ferrari SP38: Red Dot Design Award (2019);
- SF90 Stradale: 2019 Good Design Award (2019).

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.

PERFORMANCE

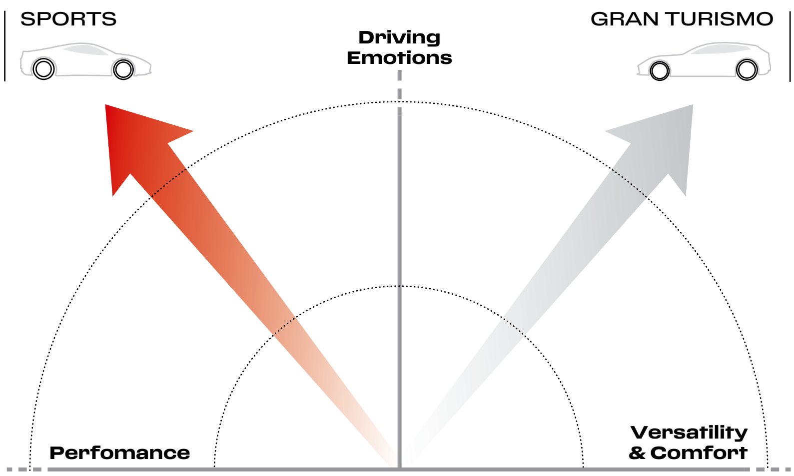
Versatility derives from spaciousness, accessibility and mode of traction, including rear-wheel-drive or all-wheel-drive and, in future, electric-powered driving. Comfort results from the ease of the riding experience and onboard interface. Regulation will affect development in this area; for example,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

VERSATILITY

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 (steering, gear shifting and braking) leads to a direct and controllable reaction of the car.

DRIVING EMOTIONS

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 as powertrain and aerodynamics; customization of technologies available on the market (such as the turbo technology); and pursuit of synergies (arising from common architectures within our range). In addition to these internally driven factors, regulation is key in determining the direction of innovation.

COMBUSTION ENGINES

WE BELIEVE INTERNAL COMBUSTION ENGINES WILL REMAIN IMPORTANT IN FERRARI'S POWERTRAIN MIX AND THEREFORE WE CONTINUE TO INVEST IN NEW COMBUSTION ENGINE TECHNOLOGIES AND THE DEVELOPMENT OR USE OF BIO-FUELS.

In 2018 we won the "Engine of the Year" award for the newest edition of our V8 turbocharged engine mounted on the Ferrari 488 Pista.

Going forward, Ferrari will have three engine families: we will maintain and develop the V12 naturally-aspirated engine family, long the pinnacle of Ferrari engines; we have implemented further technological step ups for the V8 family; and we are developing a completely new V6 family based on a specific and innovative architecture.

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

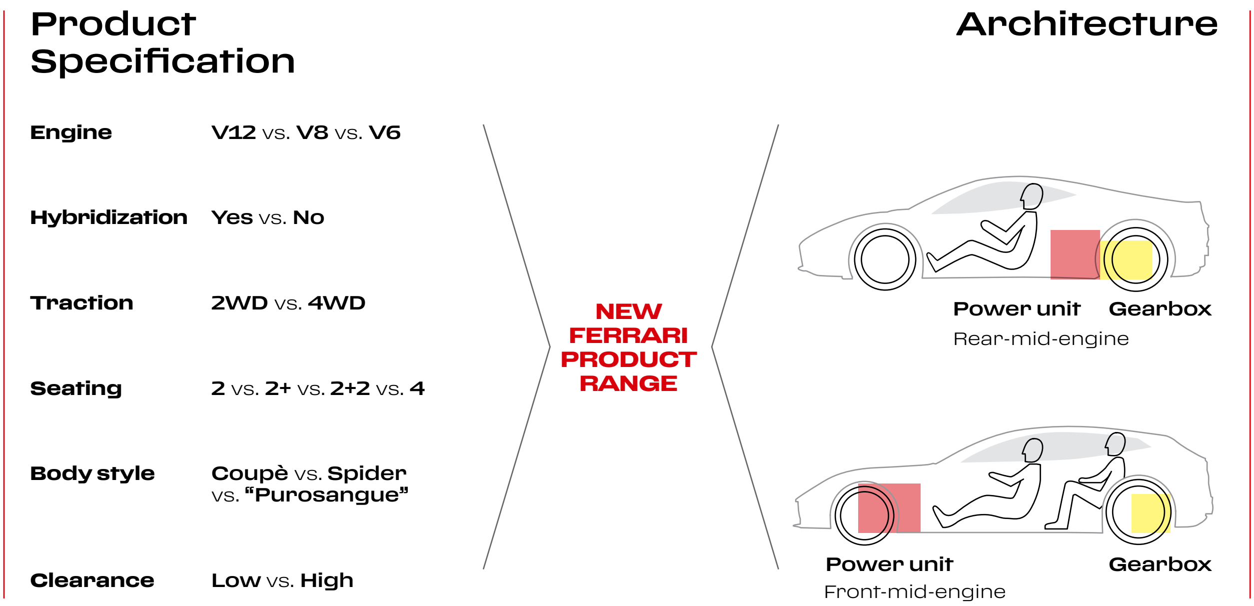
IN THE FUTURE, WE INTEND TO USE HYBRID AND ELECTRIC TECHNOLOGY, AS WELL AS FORMULA 1 TECHNOLOGY, TO INCREASE SPECIFIC POWER OUTPUT WITHOUT TURBO LAG.

We are deploying considerable resources for the development of hybrid and electric powertrains, which will be mounted on an increasingly larger 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 PHEV technology, which is also featured in the SF90 Spider.

ARCHITECTURE

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

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



REAR-MID-ENGINE ARCHITECTURE

The rear-mid-engine architecture is optimal for sports cars thanks to its compact dimensions, low gravity center and favorable mass repartitions. It is designed to integrate multiple power units with a higher specific power output than the Ferrari 488 Pista. In this architecture, combustion engines can be combined with an electric motor to realize hybridization, including a battery to enable electric range. This architecture also allows to install an E-Axle on the front to increase overall power and to have an all-wheel drive powertrain. The first application of this architecture is the SF90 Stradale. In combination, we have developed a new and highly innovative 8-shift double-clutch transmission gearbox. Hybridization will impact the weight of engines and therefore we will deploy new lightweight technologies to compensate this impact. Package efficiency will also be key to achieve a compact car that reduces weight and inertia. In order to apply 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 optimal for our GT cars in terms of dimensions. This architecture is able to accommodate an all-wheel-drive powertrain, will allow for hybridization, and will have a flexible wheelbase suited to a variety of engines as well as seat configurations including two-seaters and four-seaters. It will be accessible, spacious and comfortable. Key to this architecture will be the new active suspension systems we are developing, with a high range between comfort and sportiness.

NEW-GENERATION HUMAN-MACHINE INTERFACE

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

AUTONOMOUS DRIVING

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, new chips and artificial intelligence, and we will select and customize those innovations compatible with the Ferrari experience.
These technologies combined with the hybridization and the incoming cybersecurity requirements will also have an important impact on the electronic architecture of our cars and we are presently developing our future electrical and electronic architecture to take into account these requirements.

PRODUCTION AND PROCUREMENT

PRODUCTION PROCESS

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

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

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

Between 2002 and 2012 the plants housing our production processes were entirely renovated or rebuilt and in recent years, we have continued to make significant investments in our manufacturing facilities. Equipment may require substantial investment with the introduction of new models or to maintain state-of-the-art technology, particularly in the case of shell tools for the foundry, tools for machining, feature tools for body welding and special mounting equipment for the assembly.

As at December 31, 2020, our production processes employed over 1,550 engineers, technicians and other personnel (approximately 180 white collar employees and approximately 1,370 workers, of which approximately 250 temporary production employees). We have a flexible production organization, which allows us to adjust production capacity to accommodate our expected production requirements. This is primarily due to the low volume of cars we produce per year and to our highly skilled and flexible employee base that can be deployed across various production areas. In addition, we can adjust our make-or-buy strategies to address fluctuations in the level of demand on our internal production resources. Our facilities can accommodate a meaningful increase in production compared to current output with the increase of weekend shifts to address special peaks in demand. 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. We are also committed to continually improving the reliability of our cars, reducing defects, and optimize finishing.

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

ENGINE PRODUCTION

Our engines are produced according to a vertical structure, from the casting of aluminum in our foundry up to the final assembly and testing of the engine. Several of the main components of our engines, such as blocks and cylinder heads are produced at our foundry in Maranello. For this purpose, we use a special aluminum alloy that includes seven percent silicon and a trace of iron, which improves mechanical integrity, as well as our own shell and sand casting molds. Once all components are ready, engines are assembled on different lines for our 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 2020 we produced an average of approximately 113 engines per day, including approximately 12 V12 engines and 42 V8 engines (including 4 V8 turbo for Maserati), as well as 59 V6 engines for Maserati (see *"–Manufacturing of Engines for Maserati"*).

BODY ASSEMBLY

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

PAINTING

When transferred to our paint shop, the bodies are mounted on a loading bay, immersed in the cataphoresis tanks and subsequently transferred to a fixing gas fired oven at 140 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. 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. 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 assembly process of our cars we manage the fitting of all bespoke interiors, components and special equipment options that our clients choose as part of our personalization program (see *"–Sports and GT, Special Series and Icona: Ferrari Line up Strategic Pillars – Personalization Offer"*). After the assembly phase, every car completes a 40-kilometer road test-drive.

FINISHING AND CLEANING

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

MANUFACTURING OF ENGINES FOR MASERATI

We have been producing engines for Maserati since 2003. The V8 engines that we historically produced and continue to produce for Maserati are variants of Ferrari families of engines and are mounted on Maserati's highest performing models, such as the Quattroporte and Levante (turbo engines), and the GranTurismo and the GranCabrio (aspirated engines). All of the V8 engines that we sell to Maserati are manufactured and assembled according to the same production processes we adopt for the V8s equipped on our cars (see *"–Production Process"*). In 2020, we sold approximately 800 V8 turbo engines to Maserati.

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 extended the term of our supply agreement with Maserati for the production of V6 and V8 engines until 2023. Under the framework agreement, Maserati is required to compensate us for certain costs we may incur from our suppliers if there is a shortfall in the annual volume of engines actually purchased by Maserati in that year. In 2020, we sold approximately 10,900 V6 engines to Maserati in five different versions, ranging from 330 hp to 450 hp.

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

PROCUREMENT

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

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

For the year ended December 31, 2020, 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 330 employees at December 31, 2020, is organized in four geographic areas covering our principal regional end markets: (i) EMEA, (ii) Americas, (iii) Mainland China, Hong Kong and Taiwan, and (iv) Rest of APAC.

DEALER NETWORK

We sell our cars exclusively through a network of authorized dealers (with the exception of one-offs and track cars which we sell directly to end clients). In our larger markets we act as importer either through wholly owned subsidiaries or, in China, through a subsidiary partly owned by a local partner, and we sell the cars to dealers for resale to end clients. In smaller markets we generally sell the cars to a single importer/dealer. We regularly assess the composition of our dealer network in order to maintain the highest level of quality. At December 31, 2020, our network comprised 168 dealers operating 188 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.

In 2020 and through the date of this report, our dealers network has faced new and unforeseen challenges resulting from the COVID-19 pandemic. Deliveries to our distribution network were temporarily suspended in late March 2020 due to restrictions on dealer activities or the inability of customers to collect their cars, and deliveries gradually recommenced during the month of May 2020. However, we have been able to manage resiliently those unpredictable circumstances. In particular, we supported our dealers network and promoted our "Back on Track" program, which allowed them to welcome again our clients in their showrooms safely.

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. During 2020 our training strategy was promptly adapted by introducing and boosting virtual-training solutions to cope with travel restrictions while continuing to foster expertise in the network at the highest level.

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

We provide a suggested retail price or a maximum retail price for all of our cars, but each dealer is free to negotiate different prices with clients and to provide financing. Although many of our clients in certain markets purchase our cars from dealers without financing, we offer direct or indirect finance and leasing services to retail clients and to dealers. (See *"–Financial Services"*). The total number of our dealers as well as their geographical distribution tends to closely reflect the development or expected development of sales volumes to end clients in our various markets over time. The chart below sets forth the geographic distribution of our 188 points of sale at December 31, 2020:

HQ: FERRARI - MARANELLO

	Americas	EMEA	Mainland China, Hong Kong, Taiwan	Rest of APAC
HUBS	**Americas** *52 POS*	**EMEA** *91 POS*	**Mainland China, Hong Kong, Taiwan** *21 POS*	**Rest of APAC** *24 POS*
REGIONS	U.S.A. *40 POS*	North Europe *13 POS*	Mailand China *17 POS*	North East Asia *9 POS*
	Canada *5 POS*	Central Europe *13 POS*	Taiwan *3 POS*	South East Asia *7 POS*
	Latin America *7 POS*	West Europe *21 POS*	Hong Kong *1 POS*	Australasia *8 POS*
		South Europe *18 POS*		
		East Europe *15 POS*		
		Middle East *11 POS*		

POS= Point of Sales.

OVER 60 MARKETS

168 DEALERS

188 POS

230 SERVICES

Our sales are diversified across our dealer network, with the largest dealer representing approximately 2.5 percent of our shipments, and our 15 largest dealers representing approximately 24 percent of our shipments in 2020.

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.

2.5%

OF OUR SHIPMENTS WITH THE LARGEST DEALER

24%

OF OUR SHIPMENTS WITH ONLY 15 LARGEST DEALERS

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.

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.

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

Through FFS, we offer a range of flexible, bespoke financial and ancillary services to clients (both current and new) interested in purchasing a wide range of cars, from our current product range 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, 2020, the consolidated financial services portfolio was €940 million and originated in the United States.

CLIENT RELATIONS

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

FIRSTLY, WE TARGET THE GENERAL PUBLIC.

Our most significant effort in this respect is centered on our racing activities and the resonance of Scuderia Ferrari (see *"—Formula 1 Activities"*). We also engage in other brand-promotional activities, including our participation in certain public events. In light of the Covid-19 pandemic, in 2020 our brand-promotional activities were carried out mainly through digital platforms such as eSports, and our official social media channels.

65%

OF OUR NEW CARS WERE SOLD TO FERRARI OWNERS

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 2020, approximately 65 percent of our new cars were sold to Ferrari owners.

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

THE MYFERRARI APP IS AVAILABLE EXCLUSIVELY FOR FERRARI CLIENTS TO ENHANCE THEIR CONNECTION TO THE FERRARI WORLD THROUGH THE DIRECT DISTRIBUTION OF TAILORED CONTENT, INCLUDING THE DIGITAL EDITIONS OF OUR 2020 MODEL LAUNCHES.

With large client gatherings restricted in 2020, clients were able to stay informed on Ferrari's latest product offerings via the app where the fully digital launches of the Ferrari Portofino M, the SF90 Spider and the 488 GT Modificata track car were displayed. This new channel enables clients to directly access features and services, strengthening their relationship with the brand and their preferred official Ferrari dealer.

CLIENT EVENTS

WITH CLIENT GATHERINGS HIGHLY RESTRICTED IN 2020, WE HELD THE PRESENTATION OF OUR LATEST PRODUCT OFFERINGS USING DIGITAL FORMATS.

In September 2020, the event to launch the Ferrari Portofino M, "A New Journey Begins", took clients on a virtual journey of rediscovery. The Ferrari Portofino M was the first Ferrari to be presented after the temporary closure caused by the Covid-19 pandemic and the event took place entirely online. The global digital launch aimed to rediscover the Ferrari Portofino with a new "M" version, in which "M" stands for "modified", and to rediscover the world we live in with new perspective.

In November 2020, the SF90 Spider launch "Beyond Imagination" was an immersive look into the extreme performance, technology and innovations behind the SF90 Spider, which features an open top to further enhance driving emotions.

Also in November 2020, the 488 GT Modificata was launched through an exclusive digital presentation to clients of our Attività Sportive GT racing activities. The 488 GT Modificata is a limited edition car that incorporates the technology developed for the 488 GT3 and 488 GTE, transcending the limits imposed by technical and sporting regulations to exploit its full potential.

Following the digital launches of our new product offerings, clients were engaged locally by their preferred Ferrari dealers for conducting car configurations, static previews of the model, and eventually dynamic test drives when the dealer demonstrations became available. Ferrari also added new services in 2020, allowing clients to participate in remote Atelier and Tailor Made sessions directly with our team of designers in Maranello. In addition, clients can send their creations in the configurator tool of the MyFerrari app directly to their official dealers.

DRIVING EVENTS

DRIVING EVENTS SERVE THE DUAL OBJECTIVE OF ALLOWING CLIENTS TO ENJOY THE BEST EMOTIONS OF DRIVING A FERRARI, AND TO FOSTER CLIENT LOYALTY AND REPEAT PURCHASES BY CREATING ENHANCED OPPORTUNITIES TO EXPERIENCE NEW FERRARI CARS.

The Ferrari community is a passionate group supported by a wide array of experiences tailored to the dreams of modern car owners, classic car connoisseurs, and racetrack enthusiasts.

We see nurturing our clients' passion for driving as a key asset for our future commercial success, particularly in markets where racing traditions are less pronounced. We offer 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 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 As a result of the Covid-19 pandemic, all driving events managed directly by Ferrari, such as the Ferrari Cavalcade and the Cavalcade Classiche were postponed to 2021, while those managed by third-party event organizers, such as the *Ferrari Tribute to Mille Miglia* and the *Ferrari Tribute to Targa Florio* proceeded in accordance with local government health and safety regulations.

Another exclusive driving experience 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.

ATTIVITÀ SPORTIVE GT

THE ATTIVITÀ SPORTIVE GT DEPARTMENT OVERSEES THE ACTIVITIES OF THE *COMPETIZIONI GT* AND *CORSE CLIENTI* DEPARTMENTS, WHOSE MAIN PURPOSE IS TO ORGANIZE OR SUPPORT CLIENT ACTIVITIES ON THE TRACK, WHETHER THEY ARE INDIVIDUALS OR TEAMS.

The department's performance remained positive in 2020, despite the difficulties caused by travel restrictions and quarantines in place between countries, which have reduced the number of participants at events and made it more complicated to service or manage the cars involved in the main GT championships.

IN 2020, THE *COMPETIZIONI GT* DEPARTMENT SUPPORTED THE TEAMS AND CARS THAT TOOK PART IN THE MAJOR NATIONAL AND INTERNATIONAL CHAMPIONSHIPS.

The 488 GTEs continued to demonstrate their competitiveness in the *FIA World Endurance Championship*, as reflected in their second place finish in the 24 Hours of Le Mans 24 and their victories in the FIA Endurance Trophy and in the European Le Mans Series. The 488 GT3 was either joined or replaced by the 488 GT3 Evo 2020, which immediately followed in the winning footsteps of its predecessor. The success in the *GT World Challenge Europe* Endurance Cup, the most important championship for GT3 cars, the return to winning in the *IMSA* series, the triumph in the GTD class of the Petit Le Mans and the other victories obtained all over the world, have increased the number of wins for the Prancing Horse's GT3's to 354 (55.8% of the races in which the car took part), starting from the debut race on March 17, 2016 and the number of titles to 91, since 2016, thanks to the contribution of professional and gentlemen drivers. The *Club Competizioni GT* continued to grow in 2020, offering clients the chance to bring some of the most beautiful Ferraris from the last 30 years back on track. In response to the requests received from some participants and to make the initiatives for 2021 even more interesting, the *488 GT Modificata*, a limited series car dedicated to sports clients, which can be used at the *Club Competizioni GT* events, was unveiled in November 2020.

IN 2020, ALL ACTIVITIES ORGANIZED ON THE TRACK BY *CORSE CLIENTI* WERE CARRIED OUT IN FULL COMPLIANCE WITH THE COMPANY'S "BACK ON TRACK" PROTOCOL, WHICH WAS EXTENDED TO ALL AREAS AND ALL CIRCUITS, REINFORCING EXISTING MEASURES SET BY LOCAL AND NATIONAL AUTHORITIES.

With the exception of the events held prior to March 2020, all events were held behind closed doors and the number of staff involved was kept to a minimum. This year's Ferrari Challenge saw the 488 Challenge Evo make its debut on the track (with the exception of the UK championship, which will feature the car starting in 2021). The car was received with enthusiasm and interest by drivers. The three international series (Europe, North America and Asia Pacific) and the national series (UK) had schedules that included stops on some of the most spectacular circuits in the world. However, due to logistical difficulties caused by the Covid-19 pandemic, the Asia Pacific series was forced to halt its 2020 schedule after its inaugural round in Bahrain. Due to a resurgence of the virus, the decision was taken to postpone the *Finali Mondiali*, the event that concludes the *Attività Sportive GT* season, until March 2021. After the events held at the start of 2020, the resumption of activities in July 2020 transformed the calendar of *XX Programmes* and *F1 Clienti* into an interesting progression of *Ferrari Racing Days*, where cars and single-seaters took turns on the track with Ferrari Challenge cars. Once again in 2020, the most exclusive cars in Ferrari's programs and some of the most successful single-seaters in the Prancing Horse's history took to the track on legendary circuits, assisted by the *Corse Clienti* team, as well as exceptional tutors which included professional racing drivers Marc Gené and Olivier Beretta.

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 a core element of our marketing effort and promotional activities, as well as an important source of technological innovation for the engineering, development and production of our sports, GT, special series and Icona cars. The Formula 1 World Championship is the pinnacle of motorsports with 433 million unique viewers and a total cumulative global television audience of 1.5 billion in 2020. (*Source: Formula 1 Press Office*)

ONCE AGAIN IN 2020, FORMULA 1'S SOCIAL MEDIA PLATFORMS GREW SIGNIFICANTLY, WITH THE TOTAL NUMBER OF FOLLOWERS UP 36 PERCENT TO 35 MILLION, VIDEO VIEWS INCREASED BY 47 PERCENT TO 4.9 BILLION.

In 2020, Formula 1's social media channels were the second fastest growing major sports league in the world across the four major social platforms and registered the fastest growth in engagement compared to other major sports. (*Source: Formula 1 Press Office*)

Formula 1 cars rely on advanced technology, powerful hybrid engines and cutting edge aerodynamics. While Europe is the sport's traditional base, longstanding non-European venues such as Australia, Brazil, Canada, Japan, Mexico and the United States have recently been joined by racing venues in China, Bahrain, United Arab Emirates, Singapore, Russia and Azerbaijan. This provides participants in the Formula 1 World Championship exceptional visibility on the world stage. As a result of the changes in the calendar caused by the COVID-19 pandemic, a number of historical and new venues hosted events in 2020.

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 2020 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.

2020 WAS ONE OF THE MOST DIFFICULT SEASONS IN THE RECENT HISTORY OF SCUDERIA FERRARI, BOTH FOR THE SPORTING RESULTS AND FOR THE EVENTS THAT CHARACTERIZED THE YEAR.

The COVID-19 pandemic had a significant impact on the 2020 season and is expected to continue to impact the 2021 season. After a series of postponements, cancellations and changes to the race schedule and race formats, the Formula 1 World Championship included 17 races in 2020, five fewer than the 22 originally planned. Additionally, due to the adverse financial effects experienced in 2020 as a result of the COVID-19 pandemic, the Fédération Internationale de l'Automobile ("FIA") and Formula One World Championship Ltd. ("Formula One") established, with the unanimous support of the teams participating in the Formula 1 World Championship, a series of regulatory changes aimed at significantly reducing the operating costs for the 2021 season. In particular, the introduction of the new sporting and technical regulations originally planned for 2021 has been postponed to 2022, although significant restrictions on the frequency of developments to both the chassis and the power unit have been introduced for the 2021 season. Moreover, the budget cap introduced under the financial regulations in effect starting in 2021, which limits the amount of certain types of costs that may be incurred by the F1 teams, has been further reduced from a cap of $175 million per year originally envisioned to a cap of $147 million for the 2021 season (assuming 23 grand prix races in 2021). Furthermore, the budget cap will be reduced to $142 million and €137 million for the 2022 and 2023 seasons, respectively (assuming 23 grand prix races in both years).

In terms of results, the season ended with sixth place for the Scuderia Ferrari in the Constructors' Championship, with 131 points and three podiums, and with eighth and thirteenth place finishes in the Drivers' Championship, respectively, for Charles Leclerc and Sebastian Vettel. Furthermore, it was decided that Sebastian Vettel will be replaced by Carlos Sainz from 2021.

ON AUGUST 18, 2020, IT WAS ANNOUNCED THAT FERRARI SIGNED THE TWO AGREEMENTS THAT WILL GOVERN THE SCUDERIA FERRARI'S CONTINUING PARTICIPATION IN THE FIA FORMULA 1 WORLD CHAMPIONSHIP OVER THE FIVE YEAR PERIOD FROM 2021 TO 2025.

The first agreement, which was signed between Ferrari, the FIA and Formula One World Championship Ltd. ("Formula One"), defines the regulatory and governance aspects of the Formula 1 World Championship. The second agreement, which was signed between Ferrari and Formula One, defines the commercial aspects (the so-called "New Concorde Agreement"). The New Concorde Agreement recognized again the historical role of Ferrari, the only team that has participated in all Formula 1 World Championship editions since its inception. In exchange for their participation in Formula 1 races, the participating teams receive a share of a prize fund based on the profits earned from Formula 1-related commercial activities managed by Formula 1, including in particular, promoters'

433 Mn
UNIQUE VIEWERS

1.5 Bn
GLOBAL TELEVISION AUDIENCE IN 2020

+36 %
TOTAL NUMBER OF FOLLOWERS

1951
FIRST GRAN PRIX WON

238
GRAN PRIX WON

17
RACES IN 2020

fees, television broadcasting royalties, partnership agreements and other sources.
Shares in the prize fund are paid to the teams, largely based on the relative ranking of each team in the championship.
We use our share of these payments to offset a portion of the costs associated with Scuderia Ferrari, including the costs of designing and producing the race cars each year and the costs associated with managing a racing team, including the salaries of the drivers, who are typically among the most highly paid athletes in the world.
As mentioned above, the introduction of the new set of sporting and technical regulations approved by the Formula 1 World Council on October 31, 2019, has been postponed to 2022, while the new financial regulations have come into force as of January 1, 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 regulations typically require the design and production of a new racing car every year.
Therefore, in addition to our long-term research and development efforts, we begin designing our cars each year in the Spring, in anticipation of the start of the racing season the following March. While the chassis 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.

During 2020 it was agreed by the FIA and the teams to carry over the same chassis in 2021, with a very limited number of changes allowed, in order to reduce the overall cost to participating teams.

FORMULA 1 RACING ALLOWS US TO PROMOTE AND MARKET OUR BRAND AND TECHNOLOGY TO A GLOBAL AUDIENCE WITHOUT RESORTING TO TRADITIONAL ADVERTISING ACTIVITIES

TO MAXIMIZE THE PERFORMANCE, EFFICIENCY AND SAFETY OF OUR FORMULA 1 CARS, WHILE COMPLYING WITH THE STRICT TECHNICAL RULES AND RESTRICTIONS SET OUT BY THE FIA, OUR RESEARCH AND DEVELOPMENT TEAM PLAYS A KEY ROLE IN THE DEVELOPMENT OF OUR ROAD CARS AND THEIR ENGINES.

We often transfer technologies initially developed for racing to our road cars. Examples include steering wheel paddles for gear-shifting, the use and development of composite materials, which make cars lighter and faster, and technology related to hybrid propulsion.

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

THE GREAT VISIBILITY, BOTH ON TRADITIONAL MEDIA AND ON DIGITAL PLATFORMS, THAT SCUDERIA FERRARI OBTAINS THANKS TO ITS PARTICIPATION IN THE FIA FORMULA 1 WORLD CHAMPIONSHIP GUARANTEES THE CONTINUITY OF SIGNIFICANT SPONSORSHIPS.

Philip Morris International has been a partner of Scuderia Ferrari for over 40 years and, since 1996, has also been its Title Partner. Shell, official sponsor and Technical Partner of Scuderia Ferrari from 1996, is the other leading sponsor of the Scuderia Ferrari team. Other official partners, sponsors or suppliers include Hublot, Kaspersky, OMR, Ray Ban and UPS, among others. The visibility and placement of partner logos on the car and team uniforms reflect their respective level of sponsorship.

We use the platform provided by Formula 1 for a number of associated marketing initiatives, such as the hosting of clients and other key partners in Ferrari Formula 1 Club Hospitality to watch and experience the Grand Prix races with Scuderia Ferrari, and our Formula 1 drivers' participation in various promotional activities for our road cars. We often sell older Formula 1 cars to customers for use in amateur racing or collection.

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

THE MUGELLO CIRCUIT
The Mugello Circuit, which is located in Scarperia, near Florence, was acquired in 1988.
Ferrari has renovated its 5.2 km race track as well as its buildings and testing and racing facilities, making it one of the world's finest circuits of its type, with FIA Grade 1 and FIM Grade A certifications, the highest levels of homologation for a race track.

Ferrari promotes the Mugello Circuit to event organizers and host motorsport events, including the MotoGP World Championship since 1992.
In 2020, despite the lockdown caused by the COVID-19 pandemic, the circuit hosted 160 days of track activities and 12 race weekends.

THE MOST IMPORTANT WAS THE 2020 FORMULA 1 GRAND PRIX OF TUSCANY FERRARI 1000, THE FIRST FORMULA 1 WORLD CHAMPIONSHIP EVENT ORGANIZED BY FERRARI DURING THE 30 YEAR HISTORY OF THE MUGELLO CIRCUIT AND THE 1,000TH GRAND PRIX IN THE HISTORY OF SCUDERIA FERRARI.

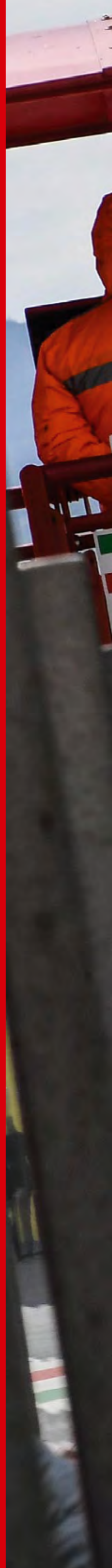
Moreover, in 2020 Mugello Circuit S.p.A. obtained the ISO 20121 certification, the international standard for the sustainable event management. To date Mugello Circuit is the first circuit in the world to obtain this certification.
This standard applies to the activities related to the events hosted and is evidence of the commitment of Mugello Circuit to implement a responsible and sustainable management system.

THE MUGELLO CIRCUIT IS THE ONLY RACETRACK TO HAVE RECEIVED THE "BEST GRAND PRIX" AWARD ON FIVE OCCASIONS, THE HIGHEST HONOR GIVEN TO MOTOGP PROMOTERS.

1988
THE MUGELLO CIRCUIT WAS ACQUIRED BY FERRARI

160
DAYS OF TRACK ACTIVITIES

12
RACE WEEKENDS




mugello
CIRCUIT

BRAND DIVERSIFICATION STRATEGY

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.

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

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

ENTERTAINMENT

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

CAR ADJACENCIES

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

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

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.

AT DECEMBER 31, 2020, THERE WERE A TOTAL OF 36 RETAIL FERRARI STORES, INCLUDING THOSE IN MARANELLO, MILAN, ROME, MACAU, MIAMI, LOS ANGELES AND ABU DHABI, OF WHICH 18 STORES ARE DIRECTLY OWNED AND OPERATED BY US AND 18 ARE FRANCHISED STORES (INCLUDING 14 FERRARI STORE JUNIOR).

We require all franchisees to operate our monobrand stores according to our standards. Stores are designed, decorated, furnished and stocked according to our directions and specifications.

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

36

RETAIL FERRARI STORES

14

FERRARI STORE JUNIOR

MUSEUMS, LICENSING, ENTERTAINMENT AND THEME PARKS

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

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

IN 2020, WE ENHANCED OUR PARTICIPATION IN ESPORTS (*I.E.*, ELECTRONIC SPORTS) WITH THE LAUNCH OF THE FERRARI ESPORTS SERIES WITH MORE THAN 20,000 PARTICIPANTS.

A significant portion of our revenues from licensing activities consists of royalties we receive in connection with Ferrari World, our theme park in Abu Dhabi. Ferrari World opened on Yas Island, on the North East side of Abu Dhabi's mainland, in 2010.

Ferrari World's iconic sleek red roof is directly inspired by the classic double curve side profile of the Ferrari GT body, spanning 200,000 square meters and carrying the largest Ferrari logo ever created. Ferrari World Abu Dhabi offers an all-around Ferrari experience to children and adults alike.

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

20,000

PARTICIPANTS OF FERRARI ESPORT SERIES

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.

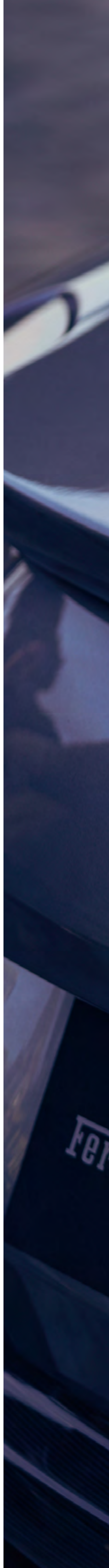
We file patent applications in Europe, and around the world (including in the United States) to protect technology and improvements considered important to our business. No single patent is material to our business as a whole.

We also own a number of registered trademarks, designs and patents, including approximately 500 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:
- 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.



~500

TRADEMARKS

~4,000

APPLICATIONS/
REGISTRATIONS
OWNED

PROPERTIES

Our principal manufacturing facility is located in Maranello (Modena), Italy. It has an aggregate covered area of approximately 754 thousand square meters. Our Maranello plant hosts our corporate offices and most of the facilities we operate for the design, development and production of our road and track cars, as well as of our Formula 1 single-seaters. (See *"Production and Procurement - Production Process"*). Except for some leased technical equipment, we own all of our facilities and equipment in Maranello.

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

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

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

In 2020, we continued on the construction of the new building related to new GT sport activities, which will be completed in 2021. We also purchased land in Maranello of approximately 64 thousand square meters to be used for future developments.

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

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

We own a second plant in Modena, named Carrozzeria Scaglietti. At this approximately 26 thousand square meter plant we manufacture aluminum bodyworks for our regular range, special series and prototype cars.
The total carrying value of our property, plant and equipment at December 31, 2020 was €1,227 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 Benessere, which includes, among other programs, *Formula Benessere Donna* and *Formula Benessere Junior* (offering medical assistance to employees and their families) and *Formula Estate Junior* (offering Summer Campus to the children of employees).

At December 31, 2020, we had a total of 4,556 employees, including 137 managers and senior managers. Of these, 4,296 were based at our Maranello facility, and 260 in offices around the world (including 26 managers and senior managers), mostly in North America and China.

	At December 31,		
	2020	**2019**	**2018**
White-collar employees and middle-managers	2,186	1,983	1,691
Italy	*1,961*	*1,772*	*1,517*
Rest of the world	*225*	*211*	*174*
Workers	2,233	2,179	2,050
Italy	*2,224*	*2,170*	*2,047*
Rest of the world	*9*	*9*	*3*
Managers and senior managers	137	123	110
Total	**4,556**	**4,285**	**3,851**

Approximately 11 percent of the employees were trade union members in 2020. Our employees' principal trade unions are *Federazione Italiana Metalmeccanici* (FIM-CISL), *Unione Italiana Lavoratori Metalmeccanici* (UILM-UIL), *Federazione Italiana Sindacati Metalmeccanici e Industrie Collegate* (FISMIC)and *Federazione Impiegati Operai Metallurgici* (FIOM-CGIL).

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

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

REGULATORY MATTERS

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

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

APPROVAL AND MARKET SURVEILLANCE

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

GREENHOUSE GAS/CO_2/FUEL ECONOMY LEGISLATION

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.

In 2019, the European Union set new 2025 and 2030 emissions targets, calling for respectively a 15 percent and 37.5 percent reduction of the target 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.

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

Building on the existing legislation and the EU's 2030 climate ambitions, the European Commission will review, by June 2021, the regulation 2019/631.

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

On September 27, 2019 the EPA and the NHTSA issued the "Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule Part One: One National Program". 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.

On March, 31, 2020 the EPA and the NHTSA issued the final SAFE Vehicles Rule (Part Two) setting CAFE and carbon dioxide emissions standards for model years 2021-2026 passenger cars and light trucks. Under the SAFE Vehicles Rule, the overall stringency of the federal standards is significantly reduced from the levels previously set as the final rule will increase stringency of CAFE and CO_2 emissions standards by 1.5 percent each year through model year 2026, as compared with the standards issued in 2012, which would have required annual increases of approximately 5 percent.

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

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

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

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

The Stage V regulation, issued on December 31, 2019, sets the fuel consumption fleet average targets for the period 2021-2025, targeting a national average fuel consumption of 4.0 l/100km by 2025. Following the adoption of the Stage V fuel consumption regulation, an update to the Administrative Measures on CAFC and NEV credits was published in June 2020, keeping the additional flexibility for SVMs and relaxing the minimum CAFC yearly improvement rate required.

In the future, driving bans on combustion engine vehicles could be imposed, particularly in metropolitan areas, as a result of progress in electric and hybrid technology. On September 23, 2020, the Governor of California issued an executive order requiring that all in-state sales of new passenger vehicles be zero-emission by 2035. CARB should develop regulations to implement such executive order. In November 2020, the UK Prime Minister, Transport Secretary and Business Secretary announced, in the context of the 10-Point Plan for a Green Industrial Revolution, the end of the sale of new petrol and diesel cars in the United Kingdom by 2030. This will put the United Kingdom on course to be the first G7 country to decarbonize cars and vans.

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

During 2019, the European Commission announced that it will propose more stringent air pollutant emissions standards for combustion-engine vehicles and indicated 2021 as a target timeline. The European Commission created an Advisory Group on Vehicle Emission Standards (AGVES), by joining all the relevant expert groups working on emission legislation, in order to provide technical advice for the development of the post-EURO 6/VI emission standards for motor vehicles. In March 2020, the European Commission launched a public consultation on its roadmap outlining the policy options that it could pursue in revising the emission standards for light and heavy duty vehicles (Euro 7). This initiative is part of the European Green Deal, advocating the European automotive industry's role as a leader in the global transition to zero-emission vehicles. More stringent air pollutant emissions standards for combustion engine vehicles are expected to be set by 2021. Depending on the future regulatory developments, the technological solutions required to ensure compliance with Euro 7 standards may affect customers' expectations on performance, sound and driving experience. The European Commission is also expected to assess and evaluate the current noise emissions limits, with the risk of more stringent "Phase 3" thresholds.

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

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

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

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 for new model cars starting from 2018. Starting from July 1, 2019, new types of pure electric vehicle and new types of hybrid electric vehicle capable of operating without propulsion from a combustion engine operating are required to be equipped with an Acoustic Vehicle Alerting System (AVAS), and from July 1, 2021 for all new vehicles of such types, in order to alert pedestrians that a vehicle is moving at low speeds. Starting from 2022, European authorities and United Nation's Contracting Parties will enforce Regulations on cyber security and over the air updates. Starting from 2024, European authorities and United Nation's Contracting Parties will enforce amendments for the existing Regulation on pedestrian protection, modifying the current test procedures and enhancing the measurement methods on extended vehicle areas such as the windscreen. In 2020 the European Commission issued its new digital strategy policies, which represent a priority in its regulatory agenda. Although no regulations have been proposed in this regard, the European Commission has showed a determination to strengthen Europe's digital sovereignty and role as a standard setter, with a clear focus on data, technology, and infrastructure.

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 to the November 3, 2015 Takata Consent Order regarding a defect which may arise in the non-desiccated Takata passenger airbag inflators manufactured using phase stabilized ammonium nitrate and mounted on certain vehicles, including Ferrari cars. As a result of this order and subsequent orders by the NHTSA relating to the non-desiccated Takata passenger airbag inflators, in 2016 Ferrari initiated a global recall campaign to include all Ferrari cars produced in all model years mounting such airbag inflators. The global recall campaign was implemented based on priority groups and the timeline set by the NHTSA. Ferrari recognized provisions of €37 million in 2016 for the estimated costs of the worldwide global Takata recall due to uncertainty of recoverability of the costs from Takata. At December 31, 2020 the provision amounted to approximately €7 million, reflecting the current best estimate for future costs related to the entire recall campaign to be carried out by the Group.

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 has been enforced starting in 2020.

COVID-19 PANDEMIC UPDATE

The global spread of COVID-19 ("COVID-19"), a virus causing potentially deadly respiratory tract infections, which was declared a global pandemic by the World Health Organization in March 2020, has led governments around the world to mandate certain restrictive measures to contain the pandemic, including social distancing, quarantine, "shelter in place" or similar orders, travel restrictions and suspension of non-essential business activities. The main impacts on Ferrari during 2020 include the following:

- Deliveries to the distribution network were temporarily suspended near the end of March 2020 due to restrictions on dealer activities or the inability of customers to collect their cars, and deliveries gradually recommenced during the month of May 2020. The closure and reopening of Ferrari dealerships worldwide as a result of lockdowns and other restrictions, and the gradual easing of those measures, were implemented to varying degrees from country to country. From May to October 2020, substantially all Ferrari dealerships remained fully operational and order collections resumed. Although new closures have been made necessary towards the end of the fourth quarter of 2020 as a result of the resurgence of the pandemic in certain territories, order collections have continued and the Group remains focused on maintaining a robust order book going forward and on the careful management of our waiting list to reach the optimal combination of exclusivity and client service.
- With the safety and well-being of Ferrari employees in mind, production was suspended from March 14 and gradually restarted from May 4, with full production resuming on May 8 thanks in large part to the successful implementation of our "Back on Track" program, as further described below. Ferrari continued to pay all employees throughout the suspension period and did not accede to any government aid programs. Ferrari experienced limited supply chain constraints in 2020, which were actively managed to mitigate any impacts on our production, and we have consciously increased our inventories of raw materials and components in an effort to mitigate possible supply disruptions.
- The start of the 2020 Formula 1 World Championship was postponed to July 5, when the Austrian Grand Prix was held without spectators on site. The calendar for the season has evolved throughout the year and ultimately consisted of a total of 17 Grand Prix Events, five less than those originally scheduled. Most of the races were held without public attendance, including Paddock Club and paddock guests. These circumstances adversely impacted our financial results due to a reduction of sponsorships and consequent reduced commercial revenues from partners and the holder of Formula 1's commercial rights (Formula One Management).
- Brand activities were also adversely impacted as a result of the temporary closures of Ferrari stores and museums. Our stores and museums gradually started to reopen in May, with appropriate safety measures in place to protect our staff and customers. To date, in-store traffic remains significantly lower than pre-pandemic levels, while museums only partially reopened in February 2021 following their closure on October 25, 2020 in accordance with local government measures. This has been only partially offset by an increase in online sales of our merchandise.
- Although production and certain other activities (i.e. Formula 1, stores, museums) were temporarily suspended, the Group has been able to continue many other key business activities and functions through remote working arrangements.
- Ferrari continues to take measures to combat the spread of COVID-19 at its facilities, and in line with the laws and regulations enacted in Italy and other countries where the Company operates, Ferrari is continuing to guarantee the possibility of remote work for those employees whose job activity is compatible with such work arrangements.
- There were no significant effects on the valuation of assets or liabilities and no significant increases in allowances for credit losses in 2020. Moreover, no material impairment indicators were identified and there were no changes in accounting judgments or other significant accounting impacts relating to COVID-19.
- No significant changes occurred in controls that materially affect internal control over financial reporting.

Ferrari has been gradually recovering from the effects of the COVID-19-related suspension of production and other business activities that occurred primarily in the first half of 2020.

For further information on the impact of the COVID-19 pandemic on our results of operations and liquidity, see *"Results of Operations"* and *"–Liquidity and Capital Resources"*.

The future impacts of COVID-19 on Ferrari's results of operations and financial condition will depend on ongoing developments in relation to the pandemic, including the success of global containment measures and other actions taken by governments around the world, as well as the overall condition and outlook of the global economy. As further described under *"–Risk Factors"*, *"We are subject to risks related to the COVID-19 pandemic or similar public health crises that may materially and adversely affect our business"* Ferrari's performance is expected to continue to be negatively affected in 2021. A so called "second wave" of the COVID-19 pandemic is being experienced in several European countries, including Italy, as well as in the United States and elsewhere, leading to a return of restrictive measures which may intensify over the coming periods. Significant uncertainty remains, especially in relation to Ferrari's Formula 1 and brand activities, as well as our supply chain, and the situation is evolving continuously. At this time it is not possible to predict how many Formula 1 races will be held for the 2021 season and the Group expects that brand activities will recover slowly towards pre-pandemic levels.

In addition to the cash generated from our operating activities, in order to prudently manage potential liquidity or refinancing risks in the foreseeable future, throughout the year the Group has increased its available liquidity, which amounted to €2,062 million at December 31, 2020 (compared to €1,248 million at December 31, 2019), primarily as a result of:

- increasing new undrawn committed credit lines to €700 million in April 2020 (€350 million at December 31, 2019);
- the issuance of a €650 million bond in May 2020 and due in 2025.

Additionally, the Group exercised the option for a one-year extension of the unsecured €350 million multi-lender committed revolving credit facility and elected to temporarily suspend its share repurchase program effective from March 30, 2020. Furthermore, we took actions to contain SG&A, R&D and capital expenditures in 2020, while ensuring that all projects that are considered important for the continuing success of Ferrari and its future development are maintained. Ferrari has continued to manage financial risks generated by interest rates or foreign exchange fluctuations throughout the pandemic in line with Ferrari's hedging policy. Management is continuously monitoring the evolution of COVID-19 as information becomes available as well as the related effects on the results of operations and financial position of the Group.

To protect the health and well-being of its workforce and customers as Ferrari returned to business operations, the Company successfully implemented its "Back on Track" program, which facilitated our return to full production by May 8, 2020. The program was developed in partnership with several virologists and other medical experts to ensure the highest level of safety for Ferrari employees, their families, Ferrari customers and suppliers and the greater community at large. The program included the following measures:

- full implementation of the Italian Government's 'Protocol for the regulation of measures to combat and contain the spread of the COVID-19 virus in the workplace', with additional measures to strengthen and customize the protocol with the support of specialists who have expert knowledge of Ferrari's work environment;
- voluntary serological testing of Ferrari employees, their family members, and suppliers; this testing takes place at the Fiorano Circuit, in a specially created facility of approximately 1,000m2, by doctors and health workers;
- providing health and psychological assistance service to staff and special support to any employee who tests positive for COVID-19 (including free insurance coverage, accommodation for self-isolation, medical and nursing services and supply of required medical equipment such as medicines, oximeters and, in case of emergency, oxygen);
- the launch of an "Installation Lap" phase, including several days of safety training (primarily for employees involved in the resumption of production from May 4) and the provision of personal protective equipment for employees, as well as the implementation of checks at workstation entrances and rules for sharing common areas.

To date, the costs incurred to implement the Back on Track program have not had a significant impact on our results of operations or financial position.

Ferrari continues to systematically implement actions aimed at containing the spread of the virus among Ferrari employees, their families and Ferrari suppliers. In addition to the COVID-19 screening activities offered by Ferrari on a voluntary basis to its employees, their cohabiting family members and on-site employees of suppliers, a flu vaccination campaign has been added, which, again on a voluntary basis, will be extended not only to its employees but also to their family members and employees of suppliers who frequent our manufacturing facilities.

In addition, since November 2020 Ferrari has replaced the screening previously carried out with serological tests by introducing rapid swabs testing. This initiative is available to employees, their family members and resident suppliers on a voluntary basis, and aims to increase the effectiveness of the Group's actions against the COVID-19 emergency.

In response to the healthcare crisis caused by the COVID-19 pandemic and to support the communities in which Ferrari operates, Ferrari produced respirator valves and fittings for protective masks, and also agreed to fund various initiatives in the region to help those in need during the COVID-19 emergency, with the first activities concentrating on Ferrari's local communities in the province of Modena. Aid to the different towns was coordinated directly with the local authorities and included the following, among others:

- the purchase and distribution of ventilators, respiratory equipment, medically certified masks and other medical supplies, including from various overseas suppliers;
- the purchase of COVID-19 test kits and equipment for the Policlinico di Modena and the hospitals of Baggiovara and Sassuolo;
- the donation of emergency medical service vehicles for the local health service;
- the purchase of computer equipment for schools, including notebooks, tablets and portable modems. All of the IT equipment will remain with the schools;
- the purchase and distribution of food in Maranello.

These initiatives were partially funded thanks to the Chairman, the former CEO and Board of Directors pledging their full cash compensation from April to the end of the year, with the remaining members of the Senior Management Team donating 25 percent of their salaries for the same period, raising approximately €2 million.

Ferrari also launched a collaborative fundraising initiative together with its Cavalcade clients to support the medical staff and health system of Ferrari's surrounding communities, with Ferrari matching every donation made.

Additionally, Ferrari has implemented a series of initiatives that seek to guarantee adequate support and care to its employees and their families, as well as local communities, including: the Company's Formula Estate summer camp, which was offered to the children of Ferrari employees and was carried out in collaboration with local authorities; a program dedicated to the recovery of school education called "Back to School", created by the Agnelli Foundation together with Ferrari and the non-profit organization Save The Children for the benefit of children in situations of fragility in the municipality of Maranello and surrounding area; the resumption of the Formula Benessere medical-sports prevention program carried out with check-ups and specialist visits available for all employees performed in full compliance with safety protocols; and the resumption of the company concierge service open to all employees for the handling of personal files and errands, useful to relieve the burden of having to manage various duties at public offices, which are now even more complex due to pandemic safety procedures.


INGRESSO
"BACK ON TRACK"
SCREENING

OPERATING RESULTS

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS OF OPERATIONS – 2020 COMPARED TO 2019 AND 2019 COMPARED TO 2018

The following is a discussion of the results of operations for the year ended December 31, 2020 as compared to the year ended December 31, 2019, and for the year ended December 31, 2019 as compared to the year ended December 31, 2018. The presentation includes line items as a percentage of net revenues for the respective periods presented to facilitate year-over-year comparisons.

Revenues were negatively impacted in 2020 by the temporary suspension of production and shipments, as well as the changes to the calendar and format of the 2020 Formula 1 World Championship caused by the COVID-19 pandemic. Furthermore, a portion of our costs are fixed in nature and we decided to pay all employees throughout the whole suspension period and not accede to any government aid programs; therefore management actions to reduce costs only partially compensated the decrease in net revenues. As a consequence, costs as a percentage of net revenues increased during the year ended December 31, 2020 compared to the year ended December 31, 2019 and our EBIT and EBIT margin decreased in 2020 compared to 2019.

(€ million, except percentages)

	For the years ended December 31,					
	2020	Percentage of net revenues	2019	Percentage of net revenues	2018	Percentage of net revenues
Net revenues	3,460	100.0 %	3,766	100.0 %	3,420	100.0 %
Cost of sales	1,686	48.7 %	1,805	47.9 %	1,623	47.4 %
Selling, general and administrative costs	336	9.7 %	343	9.1 %	327	9.6 %
Research and development costs	707	20.4 %	699	18.6 %	643	18.8 %
Other expenses, net	19	0.6 %	5	0.1 %	4	0.1 %
Result from investments	4	0.1 %	3	0.1 %	3	0.1 %
EBIT	**716**	**20.7 %**	**917**	**24.4 %**	**826**	**24.2 %**
Net financial expenses	49	1.4 %	42	1.2 %	23	0.7 %
Profit before taxes	**667**	**19.3 %**	**875**	**23.2 %**	**803**	**23.5 %**
Income tax expense	58	1.7 %	176	4.6 %	16	0.5 %
Net profit	**609**	**17.6 %**	**699**	**18.6 %**	**787**	**23.0 %**

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)			
	2020	Percentage of net revenues	2019	Percentage of net revenues	2018	Percentage of net revenues	2020 vs. 2019		2019 vs. 2018	
Cars and spare parts [1]	2,835	81.9 %	2,926	77.7 %	2,535	74.1 %	(91)	(3.1) %	391	15.4 %
Engines [2]	151	4.4 %	198	5.3 %	284	8.3 %	(47)	(24.0) %	(86)	(30.3) %
Sponsorship, commercial and brand [3]	390	11.3 %	538	14.3 %	506	14.8 %	(148)	(27.5) %	32	6.4 %
Other [4]	84	2.4 %	104	2.7 %	95	2.8 %	(20)	(19.5) %	9	10.0 %
Total net revenues	**3,460**	**100.0 %**	**3,766**	**100.0 %**	**3,420**	**100.0 %**	**(306)**	**(8.1) %**	**346**	**10.1 %**

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

[2] Includes net revenues generated from the sale of engines to Maserati for use in their cars, and the net 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, management of the Mugello racetrack and other sports-related activities.

2020 COMPARED TO 2019

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

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

CARS AND SPARE PARTS

Net revenues generated from cars and spare parts were €2,835 million for 2020, a decrease of €91 million, or 3.1 percent, from €2,926 million for 2019.

The decrease in net revenues was primarily attributable to lower volumes as well as their personalizations, mainly due to the seven-week production suspension in the first half of 2020 and the temporary closure of certain dealerships caused by the COVID-19 pandemic, partially offset by positive mix driven by deliveries of the Ferrari Monza SP1 and SP2.

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

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

ENGINES

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

SPONSORSHIP, COMMERCIAL AND BRAND

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

OTHER

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

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 €76 million increase in Americas (including positive foreign currency translation impact driven by the strengthening of the U.S. Dollar compared to the Euro), (iii) a €77 million increase in Mainland China, Hong Kong and Taiwan and (iv) a €29 million increase in the Rest of APAC. The increase in Mainland China, Hong Kong and Taiwan was driven by the decision to accelerate client deliveries in the first half of 2019 in advance of the early implementation of new emissions regulations.

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 Ferrari 488 Pista and Ferrari 488 Pista Spider, and the initial deliveries of the Ferrari 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 Ferrari 488 GTB and Ferrari 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.

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.

COST OF SALES
(€ million, except percentages)

	For the years ended December 31,						Increase/(Decrease)			
	2020	Percentage of net revenues	2019	Percentage of net revenues	2018	Percentage of net revenues	2020 vs. 2019		2019 vs. 2018	
Cost of sales	1,686	48.7 %	1,805	47.9 %	1,623	47.4 %	(119)	(6.6) %	182	11.2 %

2020 COMPARED TO 2019

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

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

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.

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

	For the years ended December 31,						Increase/(Decrease)			
	2020	Percentage of net revenues	2019	Percentage of net revenues	2018	Percentage of net revenues	2020 vs. 2019		2019 vs. 2018	
Selling, general and administrative costs	336	9.7 %	343	9.1 %	327	9.6 %	(7)	(2.1) %	16	4.8 %

2020 COMPARED TO 2019

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

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

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.

RESEARCH AND DEVELOPMENT COSTS

(€ million, except percentages)

	For the years ended December 31,						Increase/(Decrease)			
	2020	Percentage of net revenues	2019	Percentage of net revenues	2018	Percentage of net revenues	2020 vs. 2019		2019 vs. 2018	
Research and development costs expensed during the year	527	15.2 %	559	14.9 %	528	15.4 %	(32)	(5.9) %	31	6.0 %
Amortization of capitalized development costs	180	5.2 %	140	3.7 %	115	3.4 %	40	29.3 %	25	21.2 %
Research and development costs	**707**	**20.4 %**	**699**	**18.6 %**	**643**	**18.8 %**	**8**	**1.2 %**	**56**	**8.7 %**

2020 COMPARED TO 2019

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

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

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

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.

OTHER EXPENSES, NET

(€ million, except percentages)

	For the years ended December 31,			Increase/(Decrease)			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Other expenses, net	19	5	4	14	270.2 %	1	56.2 %

Generally, other expenses, net consist of other expenses that primarily include indirect taxes, provisions and other miscellaneous expenses, as well as other income that primarily includes rental income, gains on the disposal of property, plant and equipment and other miscellaneous income, including the release of provisions previously recognized.

Other expenses, net in 2020 is composed of other expenses of €25 million, partially offset by €6 million of other income. Other expenses, net in 2019 is composed of other expenses of €14 million, partially offset by €9 million of other income, and includes the positive effects of a change in estimate of the risk and related provision associated with a legal dispute based on developments that occurred in the first quarter of 2019. Other expenses, net in 2018 is composed of other expenses of €19 million, partially offset by other income of €15 million, and includes the effects of a favorable ruling on a prior year's legal dispute.

EBIT
(€ million, except percentages)

	For the years ended December 31,						Increase/(Decrease)			
	2020	Percentage of net revenues	2019	Percentage of net revenues	2018	Percentage of net revenues	2020 vs. 2019		2019 vs. 2018	
EBIT	716	20.7 %	917	24.4 %	826	24.2 %	(201)	(21.9) %	91	11.0 %

2020 COMPARED TO 2019

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

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

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

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 Ferrari 488 Pista family, the Ferrari Portofino and the 812 Superfast, as well as the initial deliveries of the Ferrari F8 Tributo, partially offset by lower shipments of the Ferrari 488 GTB and the Ferrari 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.

NET FINANCIAL EXPENSES
(€ million, except percentages)

	For the years ended December 31,			Increase/(Decrease)			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Net financial expenses	49	42	23	7	16.7 %	19	78.6 %

2020 COMPARED TO 2019

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

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

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.

INCOME TAX EXPENSE

(€ million, except percentages)

	For the years ended December 31,			Increase/(Decrease)			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Income tax expense	58	176	16	(118)	(67.1) %	160	n.m.

2020 COMPARED TO 2019

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

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

In the fourth quarter of 2020, Ferrari benefited from the measures introduced in Italy by the art. 110 of the Law Decree n. 104/2020, converted in the Law n. 126/2020, enacting "Urgent measures to support and relaunch the economy", which re-opened the voluntary step up of tangible and intangible assets, with the application of a substitutive tax rate (3%). In particular, Ferrari S.p.A. benefited from the partial step-up of its trademark for tax purposes, which resulted in the recognition in 2020 of deferred tax assets for €84 million and a substitute tax liability for €9 million, resulting in a net tax benefit of €75 million. The deferred tax asset will be utilized over a 20-year period and the substitute tax will be paid in three equal annual installments starting in 2021. There was no cash effect in 2020. The net benefit has been treated as an adjusting item in the calculation of Adjusted Net Profit and Adjusted Basic and Diluted Earnings per Common Share for 2020.

The effective tax rate net of IRAP was 5.3 percent for 2020 compared to 17.0 percent for 2019 (total effective tax rate of 8.7 percent and 20.2 percent for 2020 and 2019, respectively). The decrease in the effective tax rate net of IRAP is primarily attributable to the net tax benefit from the trademark step-up as described above, and to a lesser extent, the effects of deductions for eligible research and development costs.

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. 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). The effective tax rate net of IRAP in 2018 was significantly impacted by the application of the Patent Box tax regime and, in particular, due to the positive impact of the Patent Box benefit relating to the years 2015 to 2017, which , as described above, was recognized in 2018.

RECENT DEVELOPMENTS

See "*Subsequent Events and 2021 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 the costs of labor, selling, general, and administrative activities, research and development expenditures, 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 activities to transition our product portfolio to hybrid and electric 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 expenditures primarily with cash generated from our operating activities.

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

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

CYCLICAL NATURE OF OUR CASH FLOWS

Our working capital is subject to month to month fluctuations due to, among other things, production and sales volumes, our financial services activities, the timing of capital expenditures and tax payments. In particular, our inventory levels increase in the periods leading up to launches of new models, during the phase out of existing models when we build up spare parts, and at the end of the second quarter when our inventory levels are generally higher to support the summer plant shutdown. The impacts of the COVID-19 pandemic on our working capital in 2020 were greater in the first half of the year (and in particular, during the second quarter) due to the seven-week suspension of our production and shipments until early May 2020, whilst they were only limited in the second half of the year.

We generally receive payment for cars between 30 and 40 days after the car is shipped (or earlier when financing schemes are utilized by us or our dealers) while we generally pay most suppliers between 60 and 90 days after we receive the raw materials, components or other materials. Additionally, we also receive advance payments from our customers, mainly for our 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, however delivery of most raw materials and components takes place monthly or more frequently in order to minimize inventories. The manufacture of one of our cars typically takes between 30 and 45 days, depending on the level of automation of the relevant production line, and the car is generally shipped to our dealers three to six days following the completion of production, although we may warehouse cars in local markets for longer periods of time to ensure prompt deliveries in certain regions. As a result of the above, including the advances received from customers for certain car models, we tend to receive payment for cars shipped before we are required to make payment for the raw materials, components or other materials used in manufacturing the cars. In 2020, given the exceptional circumstances of the COVID-19 pandemic, we granted certain temporary, short-term support and payment extensions to the dealer network and other partners during the lockdown period, as well as early payments for commercial incentives due in the first half of 2020; however, our standard payment terms remain unchanged.

Our investments for capital expenditure and research and development are, among other factors, influenced by the timing and number of new models launches. Our development costs, as well as our other investments in capital expenditure, generally peak in periods when we develop a significant number of new models to renew or expand our product range. Our research and development costs are also influenced by the timing of research costs for our Formula 1 activities, for which expenditure in a normal season is generally higher in the first and last quarters of the year, and otherwise depends on the evolution of the applicable Formula 1 technical regulations, as well as the number and cadence of races during the course of the racing season. We significantly increased our capital expenditure in 2019 to support the growth of our product range and to expand our production facilities in Maranello. Despite certain actions taken in 2020 to contain costs as a result of the COVID-19 pandemic, we continued to make significant capital investments and increase our capital expenditure in 2020 by prioritizing capital projects that are considered important for the continuing success of Ferrari and its future development, including investments in hybrid and other advanced technologies and our acquisition of tracts of land adjacent to our facilities in Maranello as part of our expansion plans. Certain other projects were delayed by 3 to 9 months.

The payment of income taxes also affects our cash flows. Our tax expense and tax payments were significantly reduced in 2019 and this continued in 2020 as the Group is applying the Patent Box tax regime for the period from 2020 to 2024, in line with currently applicable tax regulations in Italy. In 2020 we paid the first advance payment in the second quarter of the year and the remaining portion in the third and fourth quarters of 2020. 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, 2020, 2019 and 2018. For additional details of our cash flows, see our Consolidated Financial Statements included elsewhere in this document.

(€ million)

	For the years ended December 31,		
	2020	2019	2018
Cash flows from operating activities	838	1,306	934
Cash flows used in investing activities	(708)	(701)	(637)
Cash flows from/(used in) financing activities	340	(502)	(152)
Translation exchange differences	(6)	1	1
Total change in cash and cash equivalents	**464**	**104**	**146**

2020 COMPARED TO 2019

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

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

partially offset by:

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

2019 COMPARED TO 2018

For the year ended December 31, 2019 the total change in cash and cash equivalents was €104 million compared to €146 million for the year ended December 31, 2018. The decrease in cash generation of €42 million in 2019 compared to 2018 was primarily attributable to:

(i) higher share repurchases of €287 million (€387 million in 2019 compared to €100 million in 2018);
(ii) an increase of €60 million in dividends paid to owners of the parent, and
(iii) and an increase in capital expenditures;

partially offset by:

(i) an increase in Adjusted EBITDA;
(ii) a positive change in cash generated from other operating assets and liabilities driven by advances received for the Ferrari Monza SP1 and SP2, and
(iii) a decrease in income taxes paid.

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

OPERATING ACTIVITIES – YEAR ENDED DECEMBER 31, 2020

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

(i) profit before tax of €667 million, adjusted for €427 million for depreciation and amortization expense,

€49 million of net finance costs, €33 million of net other non-cash expenses and income (including net gains on disposals of property, plant and equipment and intangible assets as well as the non-cash result from investments) and €26 million of provisions accrued. Other non-cash expenses include share-based compensation expense recognized in relation to the equity incentive plans.

These cash inflows were partially offset by:

(i) €15 million of cash absorbed from the net change in inventories, trade receivables and trade payables. In particular, the movement was attributable to: (a) cash absorbed by inventories of €68 million driven by higher finished goods and raw materials, including the effects of efforts to protect the supply chain from potential COVID-19-related disruptions, partially offset by (b) cash generated from trade receivables of €44 million and (c) cash generated from trade payables of €9 million;

(ii) €137 million of cash absorbed related to the net change in other operating assets and liabilities, primarily attributable to reversals of advances received for the Ferrari Monza SP1 and SP2;

(iii) €69 million related to cash absorbed from receivables from financing activities, driven by an increase in the financial receivables portfolio;

(iv) 52 million of net finance costs paid; and

(v) €91 million of income tax paid.

OPERATING ACTIVITIES – YEAR ENDED DECEMBER 31, 2019

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

(i) profit before tax of €875 million, adjusted to add back €352 million of depreciation and amortization expense, €42 million of net finance costs, €35 million of net other non-cash expenses and income (including net gains on disposals of property, plant and equipment and intangible assets as well as the non-cash result from investments) and €14 million in provisions accrued. Other non-cash expenses include share-based compensation expense recognized in relation to the equity incentive plans; and

(ii) €146 million of cash generated by the change in other operating assets and liabilities, primarily attributable to advances received for the Ferrari Monza SP1 and SP2.

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;

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

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

(iv) €33 million of income tax paid.

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.

INVESTING ACTIVITIES – YEAR ENDED DECEMBER 31, 2020

For the year ended December 31, 2020, our net cash used in investing activities was €708 million, primarily the result of:

(i) €352 million for additions to intangible assets, mainly related to externally acquired and internally generated development costs and, (ii) €357 million of capital expenditures additions to property, plant and equipment, mainly related to plant and machinery for new models as well as our acquisition of tracts of land adjacent to our facilities in Maranello as part of our expansion plans. These cash flows were partially offset by proceeds of €1 million from the disposal of property, plant and equipment. For a detailed analysis of additions to property, plant and equipment and intangible assets see "–*Capital Expenditures*" below.

INVESTING ACTIVITIES – YEAR ENDED DECEMBER 31, 2019

For the year ended December 31, 2019, our net cash used in investing activities was €701 million, primarily the result of:

(i) €354 million for additions to intangible assets, mainly related to externally acquired and internally generated development costs and, (ii) €352 million of capital expenditures additions to property, plant and equipment, mainly related to plant and machinery for new models as well as our acquisition of tracts of land adjacent to our facilities in Maranello as part of our expansion plans. These cash flows were partially offset by proceeds from the disposal of property, plant and equipment. For a detailed analysis of additions to property, plant and equipment and intangible assets see "–*Capital Expenditures*" below.

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. For a detailed analysis of additions to property, plant and equipment and intangible assets see "–*Capital Expenditures*" below.

FINANCING ACTIVITIES – YEAR ENDED DECEMBER 31, 2020

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

(i) €640 million of net proceeds from the issuance of a bond in May 2020;
(ii) €44 million of proceeds net of repayments related to our revolving securitization programs in the United States; and
(iii) €18 million related to the net change in other debt.

These cash inflows were partially offset by:

(i) €211 million of dividends paid, of which €3 million was to non-controlling interests;
(ii) €130 million paid to repurchase common shares under the Company's share repurchase program in the first quarter of 2020;
(iii) €20 million in repayments of lease liabilities; and
(iv) €1 million related to the net change in bank borrowings.

FINANCING ACTIVITIES – YEAR ENDED DECEMBER 31, 2019

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

(i) €387 million paid to repurchase common shares under the Company's share repurchase program;
(ii) €315 million related to the cash tender offer to repurchase an aggregate nominal amount of €200 million of 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 United States; 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 United States.

NET DEBT AND NET INDUSTRIAL DEBT

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

The following table sets forth a reconciliation of Net Debt and Net Industrial Debt at December 31, 2020 and 2019.

(€ million)

	At December 31,	
	2020	**2019**
Cash and cash equivalents	1,362	898
Total liquidity	**1,362**	**898**
Bonds and notes	(1,835)	(1,186)
Asset-backed financing (Securitizations)	(761)	(788)
Lease liabilities	(62)	(60)
Borrowings from banks	(29)	(33)
Other debt	(38)	(23)
Total debt	**(2,725)**	**(2,090)**
Net Debt (A)	**(1,363)**	**(1,192)**
Net Debt of Financial Services Activities (B)	(820)	(855)
Net Industrial Debt (A-B)	**(543)**	**(337)**

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

Through 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 document.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to €1,362 million at December 31, 2020 compared to €898 million at December 31, 2019. See "*Cash Flows*" above for further details.

Approximately 88 percent of our cash and cash equivalents were denominated in Euro at December 31, 2020 (approximately 77 percent at December 31, 2019). Our cash and cash equivalents denominated in currencies other than the Euro are available mostly to Ferrari S.p.A. and certain subsidiaries which operate in areas other than Europe. Cash held in such countries may be subject to transfer restrictions depending on the jurisdictions in which these subsidiaries operate. In particular, cash held in China (including in foreign currencies), which amounted to €56 million at December 31, 2020 (€115 million at December 31, 2019), is subject to certain repatriation restrictions and may only be repatriated as a repayment of payables, debt, 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,	
	2020	**2019**
Euro	1,203	690
U.S. Dollar	76	63
Chinese Yuan	51	110
Japanese Yen	13	12
Other currencies	19	23
Total	**1,362**	**898**

Cash collected from the settlement of receivables under securitization programs is subject to certain restrictions regarding its use and is primarily applied to repay principal and interest of the related funding. Such cash amounted to €37 million at December 31, 2020 (€28 million at December 31, 2019).

TOTAL AVAILABLE LIQUIDITY

Total available liquidity (defined as cash and cash equivalents plus undrawn committed credit lines) at December 31, 2020 increased to €2,062 million compared to €1,248 million at December 31, 2019.

The following table summarizes our total available liquidity:

(€ million)

	At December 31,	
	2020	**2019**
Cash and cash equivalents	1,362	898
Undrawn committed credit lines	700	350
Total available liquidity	**2,062**	**1,248**

In April 2020, additional committed credit lines of €350 million were secured, with tenors ranging from 18 to 24 months, therefore doubling our total committed credit lines available and undrawn. For further details see Note 24 "*Debt*" to the Consolidated Financial Statements included elsewhere in this document.

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 (excluding right-of-use assets recognized during the period in accordance with IFRS 16 – Leases) and intangible assets. Free Cash Flow from Industrial Activities is defined as Free Cash Flow adjusted to exclude the operating cash flow from our financial services activities (Free Cash Flow from Financial Services Activities). Prior to 2020, we defined Free Cash Flow and Free Cash Flow from Industrial Activities without excluding from investments in property, plant and equipment the right-of-use assets recognized during the period in accordance with IFRS 16 – Leases. Applying the current definition of Free Cash Flow and Free Cash Flow from Industrial Activities to 2019 would result in an immaterial difference compared to the figures presented below. See "*Non-GAAP Financial Measures*" above 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, 2020, 2019 and 2018.

Free Cash Flow for the year ended December 31, 2020 was €129 million compared to €600 million for the year ended December 31, 2019 and €295 million for the year ended December 31, 2018. 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, 2020 was positive €171 million, a decrease of €504 million compared to €675 million for the year ended December 31, 2019. The decrease in Free Cash Flow from Industrial Activities was primarily driven by a decrease in advances received for the Ferrari Monza SP1 and SP2 (which were primarily received in 2019 ahead of shipments, including for cars actually delivered in 2020), the adverse impacts on our EBITDA as a result of the COVID-19 pandemic and higher inventories at year end reflecting efforts to mitigate potential supply chain issues, as well as an increase in income taxes paid. Free Cash Flow from Industrial Activities in 2019 benefited from advances collected ahead of shipments of the Ferrari Monza SP1 and SP2, including for cars actually delivered in 2020.

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.

(€ million)

	For the years ended December 31,		
	2020	2019	2018
Cash flows from operating activities	838	1,306	934
Investments in property, plant and equipment and intangible assets	(709)	(706)	(639)
Free Cash Flow	**129**	**600**	**295**
Free Cash Flow from Financial Services Activities	(42)	(75)	(80)
Free Cash Flow from Industrial Activities	**171**	**675**	**375**

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 improve our ability to assess our financial performance and financial position. They also provide us with comparable measures that facilitate management's ability to identify operational trends, as well as make decisions regarding future spending, resource allocations and other operational decisions. While similar measures are widely used in the industry in which we operate, the financial measures we use may not be comparable to other similarly titled measures used by other companies nor are they intended to be substitutes for measures of financial performance or financial position as prepared in accordance with IFRS.

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 to aid management and investors in their analysis of the performance of the Group and to assist in the comparison of the Group's performance with that of other companies. Adjusted EBITDA is provided in order to present how the underlying business has performed prior to the impact of the adjusting items, which may obscure the underlying performance and impair comparability of results between periods.

The following table sets forth the calculation of EBITDA and Adjusted EBITDA for the years ended December 31, 2020, 2019 and 2018, and provides a reconciliation of these non-GAAP measures to net profit.

(€ million)

	For the years ended December 31,		
	2020	**2019**	**2018**
Net profit	609	699	787
Income tax expense	58	176	16
Net financial expenses	49	42	23
EBIT	**716**	**917**	**826**
Amortization and depreciation	427	352	289
EBITDA	**1,143**	**1,269**	**1,115**
Release of charges for Takata airbag inflator recalls(1)	—	—	(1)
Adjusted EBITDA	**1,143**	**1,269**	**1,114**

(1) Reflects the partial release of a provision previously recognized in relation to estimated costs for a global recall campaign initiated by the Group on all of our cars produced that included certain Takata airbag inflators following an industry-wide recall over questions that the airbag inflators were not performing as designed.

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. Adjusted EBIT is provided in order to present how the underlying business has performed prior to the impact of the adjusting items, which may obscure the underlying performance and impair comparability of results between the periods.

The following table sets forth the calculation of Adjusted EBIT for the years ended December 31, 2020, 2019 and 2018.

(€ million)

	For the years ended December 31,		
	2020	2019	2018
EBIT	**716**	**917**	**826**
Release of charges for Takata airbag inflator recalls[1]	—	—	(1)
Adjusted EBIT	**716**	**917**	**825**

[1] Reflects the partial release of a provision previously recognized in relation to estimated costs for a global recall campaign initiated by the Group on all of our cars produced that included certain Takata airbag inflators following an industry-wide recall over questions that the airbag inflators were not performing as designed.

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. Adjusted Net Profit is provided in order to present how the underlying business has performed prior to the impact of the adjusting items, which may obscure the underlying performance and impair comparability of results between the periods.

The following table sets forth the calculation of Adjusted Net Profit for the years ended December 31, 2020, 2019 and 2018.

(€ million)

	For the years ended December 31,		
	2020	2019	2018
Net profit	**609**	**699**	**787**
Trademark step-up[1]	(75)	—	—
Patent box benefit for the period 2015-2017[2]	—	—	(141)
Release of charges for Takata airbag inflator recalls (net of tax effect)[3]	—	—	(1)
Adjusted Net Profit	**534**	**699**	**645**

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

[2] Reflects the benefit related to the years from 2015 to 2017 resulting from the Group's application of the Patent Box tax regime starting in the third quarter of 2018, which provided tax benefits for companies that generate income through the use, both direct and indirect, of copyrights, patents, trademarks, designs and know-how.

[3] Reflects the partial release of a provision previously recognized in relation to estimated costs for a global recall campaign initiated by the Group on all of our cars produced that included certain Takata airbag inflators following an industry-wide recall over questions that the airbag inflators were not performing as designed.

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. We provide such information in order to present how the underlying business has performed prior to the impact of the adjusting items, which may obscure the underlying performance and impair comparability of results between the periods.

The following table sets forth the calculation of Adjusted Basic and Diluted Earnings per Common Share for the years ended December 31, 2020, 2019 and 2018.

		For the years ended December 31,		
		2020	2019	2018
Net profit attributable to owners of the Company	€ million	608	696	785
Trademark step-up[1]	€ million	(75)	—	—
Patent box benefit for the period 2015-2017[2]	€ million	—	—	(141)
Release of charges for Takata airbag inflator recalls (net of tax effect)[3]	€ million	—	—	(1)
Adjusted profit attributable to owners of the Company	**€ million**	**533**	**696**	**643**
Weighted average number of common shares for basic earnings per share	thousand	184,806	186,767	188,606
Adjusted Basic Earnings per Common Share	**€**	**2.88**	**3.73**	**3.41**
Weighted average number of common shares for diluted earnings per share[4]	thousand	185,379	187,535	189,394
Adjusted Diluted Earnings per Common Share	**€**	**2.88**	**3.71**	**3.40**

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

[2] Reflects the benefit related to the years from 2015 to 2017 resulting from the Group's application of the Patent Box tax regime starting in the third quarter of 2018, which provided tax benefits for companies that generate income through the use, both direct and indirect, of copyrights, patents, trademarks, designs and know-how.

[3] Reflects the partial release of a provision previously recognized in relation to estimated costs for a global recall campaign initiated by the Group on all of our cars produced that included certain Takata airbag inflators following an industry-wide recall over questions that the airbag inflators were not performing as designed.

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

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

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 as well as 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).

The following table sets forth a reconciliation of Net Debt and Net Industrial Debt at December 31, 2020, and 2019.

(€ million)

	At December 31,	
	2020	2019
Cash and cash equivalents	1,362	898
Debt	(2,725)	(2,090)
Net Debt (A)	**(1,363)**	**(1,192)**
Net Debt of Financial Services Activities (B)	(820)	(855)
Net Industrial Debt (A-B)	**(543)**	**(337)**

For further information on Net Debt and Net Industrial Debt, see "*Liquidity and Capital Resources – Net Debt and Net Industrial Debt*" below.

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 (excluding right-of-use assets recognized during the period in accordance with IFRS 16 – Leases) and intangible assets. Free Cash Flow from Industrial Activities is defined as Free Cash Flow adjusted to exclude the operating cash flow from our financial services activities (Free Cash Flow from Financial Services Activities). In 2019, we defined Free Cash Flow and Free Cash Flow from Industrial Activities without excluding from investments in property, plant and equipment the right-of-use assets recognized during the period in accordance with IFRS 16 – Leases. Applying the current definition of Free Cash Flow and Free Cash Flow from Industrial Activities to the year ended December 31, 2019 would result in an immaterial difference compared to the figures presented below. Note that IFRS 16 was applicable starting in 2019 and therefore did not apply to the year 2018.

The following table sets forth our Free Cash Flow and Free Cash Flow from Industrial Activities for the years ended December 31, 2020, 2019 and 2018.

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*" below.

(€ million)

	For the years ended December 31,		
	2020	**2019**	**2018**
Cash flows from operating activities	838	1,306	934
Investments in property, plant and equipment and intangible assets	(709)	(706)	(639)
Free Cash Flow	**129**	**600**	**295**
Free Cash Flow from Financial Services Activities	(42)	(75)	(80)
Free Cash Flow from Industrial Activities	**171**	**675**	**375**

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 document, for information on the foreign currency exchange rates applied). Although we do not believe that these measures are a substitute for GAAP measures, we do believe that revenues excluding the impact of currency fluctuations and the impact of hedging provide additional useful information to investors regarding the operating performance on a local currency basis.

SUBSEQUENT EVENTS AND 2021 OUTLOOK

SUBSEQUENT EVENTS

Mr. Roberto Cingolani resigned from his role as non-executive Director and member of the Governance and Sustainability Committee of the Board of Directors with effect from February 13, 2021, following his appointment as a Minister of the Italian Government.

On February 22, 2021 Ferrari and Richard Mille signed a multi-year partnership agreement, which will see the Haute Horlogerie brand become sponsor and licensee for the Prancing Horse.

On February 26, 2021, the Board of Directors of Ferrari N.V. recommended to the Company's shareholders that the Company declare a dividend of €0.867 per common share, totaling approximately €160 million. The proposal is subject to the approval of the Company's shareholders at the Annual General Meeting to be held on April 15, 2021.

2021 OUTLOOK

The following 2021 outlook is subject to trading conditions unaffected by further COVID-19 pandemic restrictions and assuming:

- Core business sustained by volume and mix
- Revenues from Formula 1 racing activities assuming announced calendar and reflecting lower 2020 ranking
- Brand-related activities dealing with Covid-19 challenges
- Operational and marketing costs gradually resuming

Net revenues: ~Euro 4.3 billion
Adj. EBITDA: Euro 1.45-1.50 billion (33.7%-34.9%)
Adj. EBIT: Euro 0.97-1.02 billion (22.6%-23.7%)
Adj. Diluted EPS: Euro 4.00-4.20 per share(*)
Industrial Free Cash Flow: ~Euro 0.35 billion

(*) Calculated using the weighted average diluted number of common shares as of December 31, 2020 (185,379 thousand)

MAJOR SHAREHOLDERS

Exor is the largest shareholder of Ferrari through its approximately 24.05 percent shareholding interest in our outstanding common shares (as of February 15, 2021). See "*Overview - History of the Company*." As a result of the loyalty voting mechanism, Exor's voting power is approximately 35.82 percent (as of February 15, 2021). In addition, as of February 15, 2021, Mr. Piero Ferrari holds approximately 10.23 percent of our outstanding common shares and, as a result of the loyalty voting mechanism, his voting power is approximately 15.23 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 15, 2021, were John Elkann, Jeroen Preller, Florence Hinnen, Tiberto Brandolini d'Adda, Alessandro Nasi, Andrea Agnelli, Luca Ferrero de' Gubernatis Ventimiglia and Benedetto Della Chiesa.

Based on the information in Ferrari's shareholder register, regulatory filings with the AFM and the SEC and other sources available to us, the following shareholders owned, directly or indirectly, in excess of three percent of the common shares holding voting rights of Ferrari, as of February 15, 2021:

Shareholder	Number of common shares	Percentage owned [1]
Exor N.V. [2]	44,435,280	24.05 %
Piero Ferrari [2]	18,894,295	10.23 %
T. Rowe Price Associates, Inc [3]	7,996,362	4.33 %
BlackRock, Inc. [4]	7,105,004	3.85 %
Other public shareholders	106,316,949	57.54 %

[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 15, 2021 Exor owned 44,435,280 special voting shares and Mr. Ferrari owned 18,892,160 special voting shares. Therefore, as discussed above in this section, their voting power in Ferrari is higher than the percentage of common shares beneficially held as presented in this table.

[3] Based on filings with the SEC (Amendment No. 1 to Schedule 13G filed on February 14, 2018, File No. 005-89223), T. Rowe Price Associates, Inc. is an investment adviser registered under Section 203 of the U.S. Investment Advisers Act of 1940. Based on subsequent filings with the SEC, out of the common shares beneficially owned as set forth in the table, T. Rowe Price associates, Inc. has sole voting power over 4,296,760 common shares.

[4] Holdings as of February 11, 2021 based on latest filings with the AFM. Based on filings with the SEC (schedule 13G filed by BlackRock, Inc. on February 2, 2021, File No. 005-89223), BlackRock, Inc. is a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G).

Based on the information in Ferrari's shareholder register and other sources available to us, as of February 15, 2021, approximately 59.7 million Ferrari common shares, or 30.8 percent of the outstanding Ferrari common shares, were held in the United States. As of the same date, approximately 1,948 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 have the right to purchase all (but not less than all) of the common shares Piero Ferrari intends to transfer on the terms of the original proposed transfer by Piero Ferrari or, in case the original proposed transfer was for no consideration, at market prices determined pursuant to the Shareholders' Agreement.

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

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

TERM

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

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

GOVERNING LAW AND JURISDICTION

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

CORPORATE GOVERNANCE

INTRODUCTION

Ferrari is a public limited liability company, incorporated under the laws of the Netherlands. The Company is the holding company of the Ferrari group following the separation of the Ferrari business from FCA, now renamed Stellantis. In this section, the "Company" also refers to Ferrari N.V. predecessor, formerly known as New Business Netherlands N.V., as the context may require. Such predecessor of Ferrari N.V. was the holding company of the Ferrari group following completion of the restructuring intended to facilitate Ferrari's IPO. When in this section reference is made to Ferrari N.V., it solely relates to the current Ferrari N.V. (previously known as FE New N.V.), which acquired Ferrari N.V. predecessor under universal title through a merger under Dutch law. The Company qualifies as a foreign private issuer under the New York Stock Exchange ("NYSE") listing standards and its common shares are listed on the NYSE and on the 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 16, 2020, the number of the Directors was set at eleven and the current slate of Directors was appointed. The term of office of the current Directors will expire on the day the Company's 2021 annual general meeting of shareholders is held. Each Director may be reappointed at any subsequent annual general meeting of shareholders; the next annual general meeting of shareholders is currently expected to be held on 15, 2021. On December 10, 2020, Mr. Louis Camilleri communicated to the Company his decision, for personal reasons, to retire with immediate effect from his role as the Company's Chief Executive Officer and as member of the Board of Directors. As a result, Mr. John Elkann, the Company's Executive Chairman, acts as interim Chief Executive Officer pursuant to his appointment by the Board of Directors at the meeting of the Board of Directors held on December 15, 2020, while the Company's Board of Directors manages the ongoing process of identifying Mr. Camilleri's successor. On February 16, 2021, the Company announced that Mr. Roberto Cingolani tendered his resignation from his role as Company's non-executive Director and member of the Governance and Sustainability Committee of the Board of Directors effective as of February 13, 2021 when he was appointed Minister of the new Italian Government. As a result, the Board of Directors is currently composed of nine Directors. Mrs. Delphine Arnault was appointed as a member of the Governance and Sustainability Committee on February 26, 2021, filling the vacancy left by the resignation of Mr. Roberto Cingolani.

The Board of Directors as a whole is responsible for the strategy of the Company. The Board of Directors is composed of one executive Director (i.e., Mr. John Elkann, Executive Chairman and interim Chief Executive Officer) and nine 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 operational 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, interim 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
Francesca Bellettini	1970	Non-Executive Director
Eddy Cue	1964	Non-Executive Director
John Galantic	1961	Non-Executive Director
Maria Patrizia Grieco	1952	Non-Executive Director
Adam Keswick	1973	Non-Executive Director

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

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

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

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

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

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

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

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

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

From January 1, 2020 to the year-end there were four meetings of the Board of Directors. The attendance rate at these meetings was 97.73 percent.

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

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

Born in 1976, Italian citizenship.

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

Born in 1945, Italian citizenship.

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

Born in 1947, Italian citizenship.

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

2012. Delphine Arnault previously served as a director of both Havas and 21st Century Fox from 2013 to 2019.

Born in 1975, French citizenship.

Francesca Bellettini (non-executive Director) – Mrs. Francesca Bellettini is President and Chief Executive Officer of Yves Saint Laurent (part of the Kering Group), based in France, since September 2013. Mrs. Bellettini is a member of the Kering Group Executive Committee and a non-voting member of Kering's Board of Directors, France, since 2013. She is President of the Chambre Syndicale de la Mode Feminine in Paris since 2019. Mrs. Bellettini joined the Kering Group in 2003, serving in several executive roles. From 2003 until 2008 she worked at Gucci, Italy, first as Assistant to the President and Managing Director and, from 2005, as Strategic Planning Director and Associate Worldwide Merchandising Director. In 2008, she joined Bottega Veneta, Italy, as Worldwide Merchandising Director and from 2010 she became Worldwide Merchandising-Communication Director based in Switzerland. From 1999 until 2002, Mrs. Bellettini worked in the Prada Group, Italy, first in the Planning and New Business Development Division of Prada and, in 2002, as Operations Manager of Helmut Lang. Previously, she worked in Compass Partners International, UK from 1998 to 1999, in Deutsche Morgan Grenfell, UK from 1996 to 1998 and in Goldman Sachs International, UK from 1994 to 1996. While graduating, she interned at Citibank, Italy in 1994. Mrs. Bellettini graduated in Business Administration with a major in Finance from Bocconi University, Italy.

Born in 1970, Italian citizenship.

Eddy Cue (non-executive Director) – Mr. Eddy Cue 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.

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

Born in 1961, American citizenship.

Maria Patrizia Grieco (non-executive Director) – Mrs. Maria Patrizia Grieco has been the Chairperson of the board of directors of Banca Monte dei Paschi di Siena since May 2020, after having gained experience in the financial sector during the six years spent on the board of directors of Anima Holding. From May 2014 to May 2020 she was the Chairperson of the board of directors of Enel, the Italian company with the highest market cap, world leader in the utilities sector and controlling shareholder of 15 listed companies worldwide. After graduating in law from the University of Milan, she started her career in 1977 at Italtel, where in 1994 she became chief of the Legal and General Affairs directorate. In 1999, she was appointed General Manager with the task of reorganizing and repositioning the company, and in 2002 she became Chief Executive Officer. Subsequently, she held the positions of Chief Executive Officer of Siemens Informatica, Partner of Value Partners and Chief Executive Officer of the Group Value Team (today NTT Data). From 2008 to 2013 she was Chief Executive Officer of Olivetti, where she also held the role of Chairperson from 2011. She has been a member of the boards of directors of Fiat Industrial and CIR and currently serves on the boards of Ferrari, Amplifon and Endesa S.A. Mrs. Grieco is also Deputy Chair and a member of the steering committee of Assonime and is a member of the board of directors of Bocconi University. Maria Patrizia Grieco was appointed Chairperson of the Italian Corporate Governance Committee in 2017. The Committee's purpose is to promote good corporate governance practices of Italian listed companies.

Born in 1952, Italian citizenship.

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

Born in 1973, British citizenship.

BOARD REGULATIONS

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

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

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

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

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

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

THE AUDIT COMMITTEE

The Audit Committee is responsible, *inter alia*, for assisting and advising the Board of Directors, and acting under authority delegated by the Board of Directors, with respect to: (i) the integrity of the Company's financial statements, (ii) the Company's policy on tax planning, (iii) the Company's financing, (iv) the Company's application of information and communication technology, (v) the systems of internal controls that management and the Board of Directors have established, (vi) the Company's compliance with legal and regulatory requirements, (vii) the Company's compliance with recommendations and observations of internal and independent auditors, (viii) the Company's policies and procedures for addressing certain actual or perceived conflicts of interest, (ix) the review and approval of related party transactions, (x) the independent auditors' qualifications, independence, remuneration and any non-audit services for the Company, (xi) the functioning of the Company's internal auditors and of the independent auditors, (xii) risk management guidelines and policies, and (xiii) the implementation and effectiveness of the Company's ethics and compliance program.

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

In 2020 the Audit Committee met nine times and the average attendance rate was 100 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 Mr. Galantic (Chairperson), Mr. Cue and Mr. Ferrari. The Compensation Committee is elected by the Board of Directors and is comprised of at least three non-executive Directors, at most one of whom may not be independent under Dutch Corporate Governance Code. Unless decided otherwise by the Compensation Committee, the Head of Human Resources of the Company attends its meetings.

In 2020 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 consists of Mr. Elkann (Chairperson), Mrs. Arnault 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. Mrs. Delphine Arnault was appointed as a member of the Governance and Sustainability Committee on February 26, 2021, filling the vacancy left by Mr. Roberto Cingolani, who resigned from his role as non-executive Director and member of the Governance and Sustainability Committee with effect from February 13, 2021.

In 2020 the Governance and Sustainability Committee met twice 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 Stellantis's largest shareholder, and an executive director of Stellantis. Stellantis, Exor and a number of companies in the Stellantis and Exor groups are related parties to Ferrari. See "*Risk Factors – We may have potential conflicts of interest with Stellantis and Exor and its related companies*" and Note 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 15, 2021, Exor held approximately 24.05 percent of our outstanding common shares and approximately 35.82 percent of the voting power in us, Piero Ferrari held approximately 10.23 percent of our outstanding common shares and approximately 15.23 percent of the voting power in us and public shareholders hold approximately 48.95 percent of the voting power in us. The percentages of voting power above are calculated based on the number of outstanding shares net of treasury shares.

Subject to meeting certain conditions, our common shares can be registered in our loyalty register (the "Loyalty Register") and all such common shares may qualify as qualifying common shares ("Qualifying Common Shares"). The holder of Qualifying Common Shares is entitled to receive without consideration one special voting share in respect of each such Qualifying Common Share. Pursuant to the Terms and Conditions of the Special Voting Shares ("Terms and Conditions"), and for so long as the Ferrari common shares remain in the Loyalty Register, such Ferrari common shares shall not be sold, disposed of, transferred, except in very limited circumstances (*i.e.*, transfers to affiliates or to relatives through succession, donation or other transfers (defined in the Terms and Conditions as "Loyalty Transferee")), but a shareholder may create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over such Ferrari common shares, provided that the voting rights in respect of such Ferrari common shares and any corresponding special voting shares remain with such shareholder at all times. Ferrari's shareholders who want to directly or indirectly sell, dispose of, trade or transfer such Ferrari common shares or otherwise grant any right or interest therein, or create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over such Ferrari common shares with a potential transfer of voting rights relating to such encumbrances will need to submit a de-registration request as referred to in the Terms and Conditions, in order to transfer the relevant Ferrari common shares to the regular trading system (the "Regular Trading System") except that a Ferrari shareholder may transfer Ferrari common shares included in the Loyalty Register to a Loyalty Transferee (as defined in the Terms and Conditions) of such Ferrari shareholder without transferring such shares from the Loyalty Register to the Regular Trading System.

Ferrari's shareholders who seek to qualify to receive special voting shares can also request to have their Ferrari common shares registered in the Loyalty Register. Upon registration in the Loyalty Register such shares will be eligible to be treated as Qualifying Common Shares, provided they meet the conditions.

Notwithstanding the fact that Article 13 of the Ferrari Articles of Association permits the Board of Directors of Ferrari to approve transfers of special voting shares, the special voting shares cannot be traded and are transferable only in very limited circumstances (*i.e.*, to a Loyalty Transferee described above, or to Ferrari for no consideration (*om niet*)).

Pursuant to Article 23 of the Ferrari Articles of Association, Ferrari shall maintain a special capital reserve to be credited against the share premium exclusively for the purpose of facilitating any issuance or cancellation of special voting shares. The special voting shares shall be issued and paid up against this special capital reserve.

The special voting shares have immaterial economic entitlements. Such economic entitlements are designed to comply with Dutch law but are immaterial for investors. The special voting shares carry the same voting rights as Ferrari common shares.

Section 10 of the Terms and Conditions include liquidated damages provisions intended to deter any attempt by holders to circumvent the terms of the special voting shares. Such liquidated damages provisions may be enforced by Ferrari by means of a legal action brought by Ferrari before competent courts of Amsterdam, the Netherlands. In particular, a violation of the provisions of the Terms and Conditions concerning the transfer of special voting shares, Electing Common Shares (common shares registered in the Loyalty Register for the purpose of becoming Qualifying Common Shares in accordance with the Ferrari Articles of Association) and Qualifying Common Shares may lead to the imposition of liquidated damages. Because we expect the restrictions on transfers of the special voting shares to be effective in practice we do not expect the liquidated damages provisions to be used.

Pursuant to Section 12 of the Terms and Conditions, any amendment to the Terms and Conditions (other than merely technical, non-material amendments and unless such amendment is required to ensure compliance with applicable law or regulations or the listing rules of any securities exchange on which the Ferrari common shares are listed) may only be made with the approval of the general meeting of shareholders of Ferrari.

At any time, a holder of Qualifying Common Shares or Electing Common Shares may request the de-registration of such shares from the Loyalty Register to enable free trading thereof in the Regular Trading System. Upon the de-registration from the Loyalty Register, such shares will cease to be Electing Common Shares or Qualifying Common Shares as the case may be and will be freely tradable and voting rights attached to the corresponding special voting shares will be suspended with immediate effect and such special voting shares shall be transferred to Ferrari for no consideration (*om niet*).

A shareholder who is a holder of Qualifying Common Shares or Electing Common Shares must promptly notify the Agent and Ferrari upon the occurrence of a "change of control" as defined in the Ferrari Articles of Association, as described below. The change of control will trigger the de-registration of the relevant Electing Common Shares or Qualifying Common Shares or the relevant Ferrari common shares in the Loyalty Register. The voting rights attached to the special voting shares issued and allocated in respect of the relevant Qualified Common Shares will be suspended upon a direct or indirect change of control in respect of the relevant holder of such Qualifying Common Shares that are registered in the Loyalty Register.

For the purposes of this section a "change of control" shall mean, in respect of any Ferrari shareholder that is not an individual (*natuurlijk persoon*), any direct or indirect transfer in one or a series of related transactions as a result of which (i) a majority of the voting rights of such shareholder, (ii) the de facto ability to direct the casting of a majority of the votes exercisable at general meetings of shareholders of such shareholder and/or (iii) the ability to appoint or remove a majority of the directors, executive directors or board members or executive officers of such shareholder or to direct the casting of a majority or more of the voting rights at meetings of the board of directors, governing body or executive committee of such shareholder has been transferred to a new owner, provided that no change of control shall be deemed to have occurred if (a) the transfer of ownership and/or control is an intra-group transfer under the same parent company, (b) the transfer of ownership and /or control is the result of the succession or the liquidation of assets between spouses or the inheritance, *inter vivos* donation or other transfer to a spouse or a relative up to and including the fourth degree or (c) the fair market value of the Qualifying Common Shares held by such shareholder represents less than twenty percent (20 percent) of the total assets of the Transferred Group at the time of the transfer and the Qualifying Common Shares held by such shareholder, in the sole judgment of the Company, are not otherwise material to the Transferred Group or the change of control transaction. "Transferred Group" shall mean the relevant shareholder together with its affiliates, if any, over which control was transferred as part of the same change of control transaction within the meaning of the definition of change of control.

If Ferrari is dissolved and liquidated, whatever remains of Ferrari's equity after all its debts have been discharged shall first be applied to distribute the aggregate balance of share premium reserves and other reserves (other than the special dividend reserve), to holders of Ferrari common shares in proportion to the aggregate nominal value of the Ferrari common shares held by each holder; secondly, from any balance remaining, an amount equal to the aggregate amount of the nominal value of the Ferrari common shares will be distributed to the holders of Ferrari common shares in proportion to the aggregate nominal value of Ferrari common shares held by each of them; thirdly, from any balance remaining, an amount equal to the aggregate amount of the special voting shares dividend reserve will be distributed to the holders of special voting shares in proportion to the aggregate nominal value of the special voting shares held by each of them; fourthly, from any balance remaining, the aggregate amount of the nominal value of the special voting shares will be distributed to the holders of special voting shares in proportion to the aggregate nominal value of the special voting shares held by each of them; and, lastly, any balance remaining will be distributed to the holders of Ferrari common shares in proportion to the aggregate nominal value of Ferrari common shares held by each of them.

DISCLOSURES PURSUANT TO DECREE ARTICLE 10 EU-DIRECTIVE ON TAKEOVERS

In accordance with the Dutch *Besluit artikel 10 overnamerichtlijn* (the "Decree"), the Company makes the following disclosures:

a. For information on the capital structure of the Company, the composition of the issued share capital and the existence of the two classes of shares, please refer to Note 14 to the Company Financial Statements in this Annual Report. For information on the rights attached to the common shares, please refer to the Articles of Association which can be found on the Company's website. To summarize, the rights attached to common shares comprise pre-emptive rights upon issuance of common shares, the entitlement to attend to the general meeting of Shareholders and to speak and vote at that meeting and the entitlement to distributions of such amount of the Company's profit as remains after allocation to reserves. For information on the rights attached to the special voting shares, please refer to the Articles of Association and the Terms and Conditions for the Special Voting Shares which can both be found on the Company's website and more in particular to the paragraph "Loyalty Voting Structure" of this Annual Report in the chapter "Corporate Governance". As at December 31, 2020, the issued share capital of the Company consisted of 193,923,499 common shares, representing approximately 75.38 percent of the aggregate issued share capital, and 63,349,112 special voting shares, representing approximately 24.62 percent of the aggregate issued share capital.
b. The Company has imposed no limitations on the transfer of common shares. The Articles of Association provide in Article 13 for transfer restrictions for special voting shares.
c. For information on participations in the Company's capital in respect of which pursuant to Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) notification requirements apply, please refer to the chapter "Major Shareholders" of this Annual Report. There you will find a list of Shareholders who are known to the Company to have holdings of 3 percent or more at the stated date.
d. No special control rights or other rights accrue to shares in the capital of the Company.
e. A mechanism for verifying compliance with a scheme allowing employees to subscribe for or to acquire shares in the capital of the company or a subsidiary if the employees do not arrange for such verification directly is not applicable to the Company.

f. No restrictions apply to voting rights attached to shares in the capital of the Company, nor are there any deadlines for exercising voting rights. The Articles of Association allow the Company to cooperate in the issuance of registered depositary receipts for common shares, but only pursuant to a resolution to that effect of the Board of Directors. The Company is not aware of any depository receipts having been issued for shares in its capital.

g. The Company is not aware of the existence of any agreements with Shareholders which may result in restrictions on the transfer of shares or limitation of voting rights except for the shareholders' agreement, dated December 23, 2015 between Exor (formerly Exor S.p.A.) and Piero Ferrari, which became effective upon the completion of the Separation on January 3, 2016 (the "Shareholders' Agreement"). The Shareholders' Agreement includes certain preemption rights of Exor in the event of a proposed transfer of common shares by Piero Ferrari, and certain rights of first offer of Piero Ferrari in the event of a proposed transfer of common shares by Exor, in each case subject to the exceptions set forth in the Shareholders' Agreement. The Shareholders' Agreement will remain in force until the fifth anniversary of the Separation provided that if neither of the parties to the Shareholders' Agreement terminates the Shareholders' Agreement within six months before the end of the initial term, then the Shareholders' Agreement shall be renewed automatically for another five year term.

h. The rules governing the appointment and dismissal of members of the Board of Directors are stated in the Articles of Association of the Company. All members of the Board of Directors are appointed by the general meeting of Shareholders. The term of office of all members of the Board of Directors is for a period of approximately one year after appointment, such period expiring on the day the first Annual General Meeting of Shareholders is held in the following calendar year. The general meeting of Shareholders has the power to suspend or dismiss any member of the Board of Directors at any time. The rules governing an amendment of the Articles of Association are stated in the Articles of Association and require a resolution of the general meeting of Shareholders which can only be passed pursuant to a prior proposal of the Board of Directors.

i. The general powers of the Board of Directors are stated in the Articles of Association of the Company. For a period of five (5) years from January 2, 2016, the Board of Directors has been irrevocably authorized to issue shares up to the maximum aggregate amount of shares as provided for in the Company's authorized share capital as set out in Article 4.1 of the Articles of Association, as amended from time to time. The Board of Directors has also been designated for the same period as the authorized body to limit or exclude the rights of pre-emption of shareholders in connection with the authority of the Board of Directors to issue common shares and grant rights to subscribe for common shares as referred to above. Pursuant to the resolution of the Annual General Meeting held on April 16, 2020, the Board of Directors has been authorized to issue shares in the capital of the Company and to grant rights to subscribe for shares in the capital of the Company. This authorization is limited in respect of common shares to (i) 10 percent of the issued common shares for general corporate purposes as of the date of the 2020 Annual General Meeting (i.e. April 16, 2020), which can be used for any and all purposes, plus (ii) an additional 10 percent of the issued common shares as of such date if the issuance occurs on the occasion of the acquisition of an enterprise or a corporation, or, if such issuance and/or the granting of rights to subscribe for common shares is otherwise necessary in the opinion of the Board of Directors. This authorization is limited in respect of special voting shares to a maximum aggregate amount of special voting shares as provided for in the Company's authorized share capital as set out in the Company's Articles of Association. The authorization has been granted for a period starting from the date on which the prior authorization expires and therefore from January 2, 2021 up to and including October 15, 2021. The Board of Directors has also been designated for the same period as the authorized body to limit or exclude the rights of pre-emption of shareholders in connection with the authority of the Board of Directors to issue common shares and grant rights to subscribe for common shares as referred to above. In the event of an issuance of special voting shares, shareholders have no right of pre-emption. The Company has the authority to acquire fully paid-up shares in its own share capital, provided that such acquisition is made for no consideration. Further rules governing the acquisition of shares by the Company in its own share capital are set out in article 8 of the Articles of Association.

j. The Company is not a party to any significant agreements which will take effect, will be altered or will be terminated upon a change of control of the Company as a result of a public offer within the meaning of Section 5:70 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), provided that certain of the loan agreements entered into by the Company contain clauses that, as is customary for financing agreements of similar type, may require early repayment or termination in the event of a change of control of the Company.

k. The Company did not enter into any agreement with a director or employee of the Company providing for a payment / distribution upon termination of employment as a result of a public offer within the meaning of article 5:70 of the Dutch Financial Supervision Act.

GENERAL MEETING OF SHAREHOLDERS

At least one general meeting of shareholders shall be held every year, which meeting shall be held within six months after the close of the financial year.

Furthermore, general meetings of shareholders shall be held in the case referred to in Section 2:108a of the Dutch Civil Code as often as the Board of Directors, the Chairman or the Chief Executive Officer deems it necessary to hold them or as otherwise required by Dutch law, without prejudice to what has been provided in the next paragraph hereof.

Shareholders solely or jointly representing at least ten percent (10 percent) of the issued share capital may request the Board of Directors, in writing, to call a general meeting of shareholders, stating the matters to be dealt with.

If the Board of Directors fails to call a meeting, then such shareholders may, on their application, be authorized by the interim provisions judge of the court (*voorzieningenrechter van de rechtbank*) to convene a general meeting of shareholders. The interim provisions judge (*voorzieningenrechter van de rechtbank*) shall reject the application if he is not satisfied that the applicants have previously requested the Board of Directors in writing, stating the exact subjects to be discussed, to convene a general meeting of shareholders.

General meetings of shareholders shall be held in Amsterdam or Haarlemmermeer (Schiphol Airport), the Netherlands, and shall be called by the Board of Directors, the Chairman or the Chief Executive Officer, in such manner as is required to comply with the law and the applicable stock exchange regulations, not later than on the forty-second day prior to the day of the meeting.

All convocations of general meetings of shareholders and all announcements, notifications and communications to shareholders shall be made by means of an announcement on the Company's corporate website and such announcement shall remain accessible until the relevant general meeting of shareholders. Any communication to be addressed to the general meeting of shareholders by virtue of Dutch law or the Articles of Association, may be either included in the notice, referred to in the preceding sentence or, to the extent provided for in such notice, on the Company's corporate website and/or in a document made available for inspection at the office of the Company and such other place(s) as the Board of Directors shall determine.

Convocations of general meetings of shareholders may be sent to Shareholders through the use of an electronic means of communication to the address provided by such Shareholders to the Company for this purpose.

The notice shall state the place, date and hour of the meeting and the agenda of the meeting as well as the other data required by law.

An item proposed in writing by such number of Shareholders who, by Dutch law, are entitled to make such proposal, shall be included in the notice or shall be announced in a manner similar to the announcement of the notice, provided that the Company has received the relevant request, including the reasons for putting the relevant item on the agenda, no later than the sixtieth day before the day of the meeting.

The agenda of the annual general meeting of shareholders shall contain, inter alia, the following items:

a. adoption of the annual report;
b. the remuneration report;
c. at least every four years after adoption of the remuneration policy, the remuneration policy;
d. the policy of the Company on additions to reserves and on dividends, if any;
e. granting of discharge to the Directors in respect of the performance of their duties in the relevant financial year;
f. the appointment of Directors;
g. if applicable, the proposal to pay a dividend;
h. if applicable, discussion of any substantial change in the corporate governance structure of the Company; and
i. any matters decided upon by the person(s) convening the meeting and any matters placed on the agenda with due observance of applicable Dutch law.

The Board of Directors shall provide the general meeting of shareholders with all requested information, unless this would be contrary to an overriding interest of the Company. If the Board of Directors invokes an overriding interest, it must give reasons.

When convening a general meeting of shareholders, the Board of Directors shall determine that, for the purpose of Article 19 and Article 20 of the Articles of Association, persons with the right to vote or attend meetings shall be considered those persons who have these rights at the twenty-eighth day prior to the day of the meeting (the "Record Date") and are registered as such in a register to be designated by the Board of Directors for such purpose, irrespective whether they will have these rights at the date of the meeting. In addition to the Record Date, the notice of the meeting shall further state the manner in which shareholders and other parties with meeting rights may have themselves registered and the manner in which those rights can be exercised.

The general meeting of shareholders shall be presided over by the Chairman or, in his absence, by the person chosen by the Board of Directors to act as chairman for such meeting.

One of the persons present designated for that purpose by the chairman of the meeting shall act as secretary and take minutes of the business transacted. The minutes shall be confirmed by the chairman of the meeting and the secretary and signed by them in witness thereof.

The minutes of the general meeting of shareholders shall be made available, on request, to the shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the minutes in the following three months. The minutes shall then be adopted in the manner as described in the preceding paragraph.

If an official notarial record is made of the business transacted at the meeting then minutes need not be drawn up and it shall suffice that the official notarial record be signed by the notary.

As a prerequisite to attending the meeting and, to the extent applicable, exercising voting rights, the shareholders entitled to attend the meeting shall be obliged to inform the Board of Directors in writing within the time frame mentioned in the convening notice. At the latest this notice must be received by the Board of Directors on the day mentioned in the convening notice.

Shareholders and those permitted by Dutch law to attend the general meetings of shareholders may cause themselves to be represented at any meeting by a proxy duly authorized in writing, provided they shall notify the Company in writing of their wish to be represented at such time and place as shall be stated in the notice of the meetings. For the avoidance of doubt, such attorney is also authorized in writing if the proxy is documented electronically. The Board of Directors may determine further rules concerning the deposit of the powers of attorney; these shall be mentioned in the notice of the meeting.

The Company is exempt from the proxy rules under the Exchange Act.

The chairman of the meeting shall decide on the admittance to the meeting of persons other than those who are entitled to attend.

For each general meeting of shareholders, the Board of Directors may decide that shareholders shall be entitled to attend, address and exercise voting rights at such meeting through the use of electronic means of communication, provided that shareholders who participate in the meeting are capable of being identified through the electronic means of communication and have direct cognizance of the discussions at the meeting and the exercising of voting rights (if applicable). The Board of Directors may set requirements for the use of electronic means of communication and state these in the convening notice. Furthermore, the Board of Directors may for each general meeting of shareholders decide that votes cast by the use of electronic means of communication prior to the meeting and received by the Board of Directors shall be considered to be votes cast at the meeting. Such votes may not be cast prior to the Record Date. Whether the provision of the foregoing sentence applies and the procedure for exercising the rights referred to in that sentence shall be stated in the notice.

Prior to being allowed admittance to a meeting, a shareholder and each person entitled to attend the meeting, or its attorney, shall sign an attendance list, while stating his name and, to the extent applicable, the number of votes to which he is entitled. Each shareholder and other person attending a meeting by the use of electronic means of communication and identified in accordance with the above shall be registered on the attendance list by the Board of Directors. In the event that it concerns an attorney of a shareholder or another person entitled to attend the meeting, the name(s) of the person(s) on whose behalf the attorney is acting, shall also be stated. The chairman of the meeting may decide that the attendance list must also be signed by other persons present at the meeting.

The chairman of the meeting may determine the time for which shareholders and others entitled to attend the general meeting of shareholders may speak if he considers this desirable with a view to the orderly conduct of the meeting as well as other procedures that the chairman considers desirable for the efficient and orderly conduct of the business of the meeting.

Every share (whether common or special voting) shall confer the right to cast one vote.

Shares in respect of which Dutch law determines that no votes may be cast shall be disregarded for the purposes of determining the proportion of shareholders voting, present or represented or the proportion of the share capital present or represented.

All resolutions shall be passed with an absolute majority of the votes validly cast unless otherwise specified in the

Articles of Association. Blank votes shall not be counted as votes cast.

All votes shall be cast in writing or electronically. The chairman of the meeting may, however, determine that voting by raising hands or in another manner shall be permitted.

Voting by acclamation shall be permitted if none of the shareholders present or represented objects.

No voting rights shall be exercised in the general meeting of shareholders for shares owned by the Company or by a subsidiary of the Company. Pledgees and usufructuaries of shares owned by the Company and its subsidiaries shall however not be excluded from exercising their voting rights, if the right of pledge or usufruct was created before the shares were owned by the Company or a subsidiary. Neither the Company nor any of its subsidiaries may exercise voting rights for shares in respect of which it holds a right of pledge or usufruct.

Without prejudice to the Articles of Association, the Company shall determine for each resolution passed:

a. the number of shares on which valid votes have been cast;
b. the percentage that the number of shares as referred to under a. represents in the issued share capital;
c. the aggregate number of votes validly cast; and
d. the aggregate number of votes cast in favor of and against a resolution, as well as the number of abstentions.

ISSUANCE OF SHARES

The general meeting of shareholders or alternatively the Board of Directors, if it has been designated to do so by the general meeting of shareholders, shall have authority to resolve on any issuance of shares and rights to subscribe for shares. The general meeting of shareholders shall, for as long as any such designation of the Board of Directors for this purpose is in force, no longer have authority to decide on the issuance of shares and rights to subscribe for shares.

For a period of five years from January 2, 2016 the Board of Directors has been irrevocably authorized to issue shares and rights to subscribe for shares up to the maximum aggregate amount of shares as provided for in the company's authorized share capital as set out in Article 4.1 of the Articles of Association, as amended from time to time.

The general meeting of shareholders or the Board of Directors if so designated in accordance with the Articles of Association, shall decide on the price and the further terms and conditions of issuance, with due observance of what has been provided in relation thereto in Dutch law and the Articles of Association.

If the Board of Directors is designated to have authority to decide on the issuance of shares or rights to subscribe for shares, such designation shall specify the class of shares and the maximum number of shares or rights to subscribe for shares that can be issued under such designation. When making such designation the duration thereof, which shall not be for more than five years, shall be resolved upon at the same time. The designation may be extended from time to time for periods not exceeding five years. The designation may not be withdrawn unless otherwise provided in the resolution in which the designation is made.

Pursuant to the resolution of the Annual General Meeting held on April 16, 2020, the Board of Directors has been authorized to issue shares in the capital of the Company and to grant rights to subscribe for shares in the capital of the Company. This authorization is limited in respect of common shares to (i) 10 percent of the issued common shares for general corporate purposes as of the date of the 2020 Annual General Meeting (*i.e.* April 16, 2020), which can be used for any and all purposes, plus (ii) an additional 10 percent of the issued common shares as of such date if the issuance occurs on the occasion of the acquisition of an enterprise or a corporation, or, if such issuance and/or the granting of rights to subscribe for common shares is otherwise necessary in the opinion of the Board of Directors. This authorization is limited in respect of special voting shares to a maximum aggregate amount of special voting shares as provided for in the Company's authorized share capital as set out in the Company's Articles of Association. The authorization has been granted for a period starting from the date on which the prior authorization expires and therefore from January 2, 2021 up to and including October 15, 2021.

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 percent of the seats of the Board of Directors are occupied by women and at least 30 percent by men; (b) diversity in the age of the members of the Board of Directors by having one or more members of the Board of Directors aged under 50 at the day of their nomination; provided that, in the candidate selection process, rules and generally accepted principles of non-discrimination (on grounds such as ethnic origin, race, disability or sexual orientation) will be taken into account; and (c) the nationality of the members of the Board of Directors shall be reasonably consistent with the geographic presence of the Company's business, and that no nationality should count for more than 60 percent of the members of the Board of Directors.

To ensure its correct implementation, the Diversity Policy will be taken into account in the nomination of executive Directors, and in the adoption of a profile for non-executive Directors as well as in nominating and recommending non-executive Directors. Since the financial year 2017, the targets relating to gender and age have been realized. Since 2019 also the target relating to nationality has been achieved.

COMPLIANCE WITH DUTCH CORPORATE GOVERNANCE CODE

The Company endorses the principles and best practice provisions of the Dutch Corporate Governance Code, except for the following best practice provisions which are explained below:

- *Best practice provision 2.2.4 of the Dutch Corporate Governance Code: The supervisory board should also draw up a retirement schedule in order to avoid, as much as possible, supervisory board members retiring simultaneously. The retirement schedule should be published on the company's website.*

The Company does not have a retirement schedule as referred to in best practice provision 2.2.4 of the Dutch Corporate Governance Code, because the Company's Articles of Association provide for a term of office of member of the Board of Directors for a period of approximately one year after appointment, such period expiring on the day the first annual general meeting of shareholders is held in the following calendar year. Short terms of office for board members are customary for companies listed in the U.S. As the Company is listed on the NYSE, the Company also follows certain common U.S. governance practices, one of which is the reappointment of our Directors at each annual general meeting of shareholders. In light of this term of office, the Company does not have a retirement schedule in place.

- *Best practice provision 4.1.8 of the Dutch Corporate Governance Code: Management board and supervisory board members nominated for appointment should attend the general meeting at which votes will be cast on their nomination.*

Pursuant to best practice provision 4.1.8 of the Dutch Corporate Governance Code, every executive and non-executive Director nominated for appointment should attend the general meeting at which votes will be cast on its nomination. Since, pursuant to Article 14.3 of the Articles of Association, the term of office of Directors is approximately one year, such period expiring on the day the first annual general meeting of shareholders of the Company is held in the following calendar year, all members of the Board of Directors are nominated for (re)appointment each year. By publishing the relevant biographical details and curriculum vitae of each nominee for (re)appointment, the Company ensures that the Company's general meeting of shareholders is well informed in respect of the nominees for (re)appointment and in practice only the Chairman, the Chief Executive Officer and the Vice-Chairman will therefore be present at the general meeting.

- *Best practice provision 5.1.4 of the Dutch Corporate Governance Code: Neither the audit committee nor the remuneration committee can be chaired by the chairman of the management board or by a former executive director of the company.*

Our Senior Non-Executive Director and Chair of the Board of Directors, Mr. Duca, is also the Chairperson of the Audit Committee, which is not in line with best practice provision 5.1.4 of the Dutch Corporate Governance Code. The Company believes that Mr. Duca, in light of his extensive experience with audits and his knowledge in this respect, brings a valuable contribution to the Audit Committee and therefore believes it is in Ferrari's best interest and appropriate for Mr. Duca to chair the Audit Committee.

- *Best practice provision 5.1.4 of the Dutch Corporate Governance Code: The committees referred to in best practice 2.3.2 should be comprised exclusively of non-executive directors.*

Mr. Elkann, our Executive Chairman, interim Chief Executive Officer 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 2020, 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 Director.

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 Director 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 Director 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 2020, 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 97.73 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	4/4	0	2/2	0
Louis C. Camilleri[1]	3/3	0	0	0
Piero Ferrari	4/4	0	0	1/1
Sergio Duca	4/4	9/9	0	0
Delphine Arnault	4/4	0	0	0
Francesca Bellettini	3/3	6/6	0	0
Giuseppina Capaldo[2]	1/1	3/3	1/1	1/1
Roberto Cingolani[4]	3/3	0	1/1	0
Eddy Cue[3]	3/4	0	2/2	1/1
John Galantic	3/3	0	0	0
Maria Patrizia Grieco	4/4	9/9	0	0
Adam Keswick	4/4	0	0	0
Elena Zambon[2]	1/1	0	0	0

[1] On December 10, 2020, Mr. Louis Camilleri retired with immediate effect from his role as the Company's Chief Executive Officer and as member of the Board of Directors.

[2] Mrs. Giuseppina Capaldo and Mrs. Elena Zambon were not re-appointed by the AGM held on April 16, 2020.

[3] On February 16, 2021, the Company announced that Mr. Roberto Cingolani tendered his resignation from his role as Company's non-executive Director and member of the Governance and Sustainability Committee of the Board of Directors effective as of February 13, 2021.

[4] Mr. Cue was absent in one Board meeting due to personal reasons.

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.

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 2020, the Governance and Sustainability Committee's periodic assessments took place during the meeting held on February 17. 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, 2020, 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 26, 2021

John Elkann

Executive Chairman and 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 26, 2021

Board of Directors

John Elkann
Piero Ferrari
Sergio Duca
Delphine Arnault
Francesca Bellettini
Eddy Cue
John Galantic
Maria Patrizia Grieco
Adam Keswick

NON FINANCIAL STATEMENT

FERRARI GROUP

ABOUT FERRARI

Ferrari is among the world's leading luxury brands, focused on the design, engineering, production and sale of the world's most recognizable luxury performance sports cars. Our brand symbolizes exclusivity, innovation, state-of-the-art sporting performance and Italian design and engineering heritage. Our name and history and the image enjoyed by our cars are closely associated with our Formula 1 racing team, Scuderia Ferrari, the most successful 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 are the only team which has taken part in more than 1,000 Formula 1 races. We believe our history of excellence, technological innovation and defining style transcends the automotive industry, and is the foundation of the Ferrari brand and image. We design, engineer and produce our cars in Maranello, Italy, and sell them in over 60 markets worldwide through a network of 168 authorized dealers operating 188 points of sale as of the end of 2020.

OUR STRATEGY

Our strategy focuses on maintaining our leading position in the luxury performance sports car market, while enhancing and protecting the value and exclusivity of the Ferrari brand. We focus on cost-efficiencies and aim to achieve profitable growth by pursuing the following strategies.

Controlled growth

Regular new model introductions and enhancements

Pursue excellence in racing

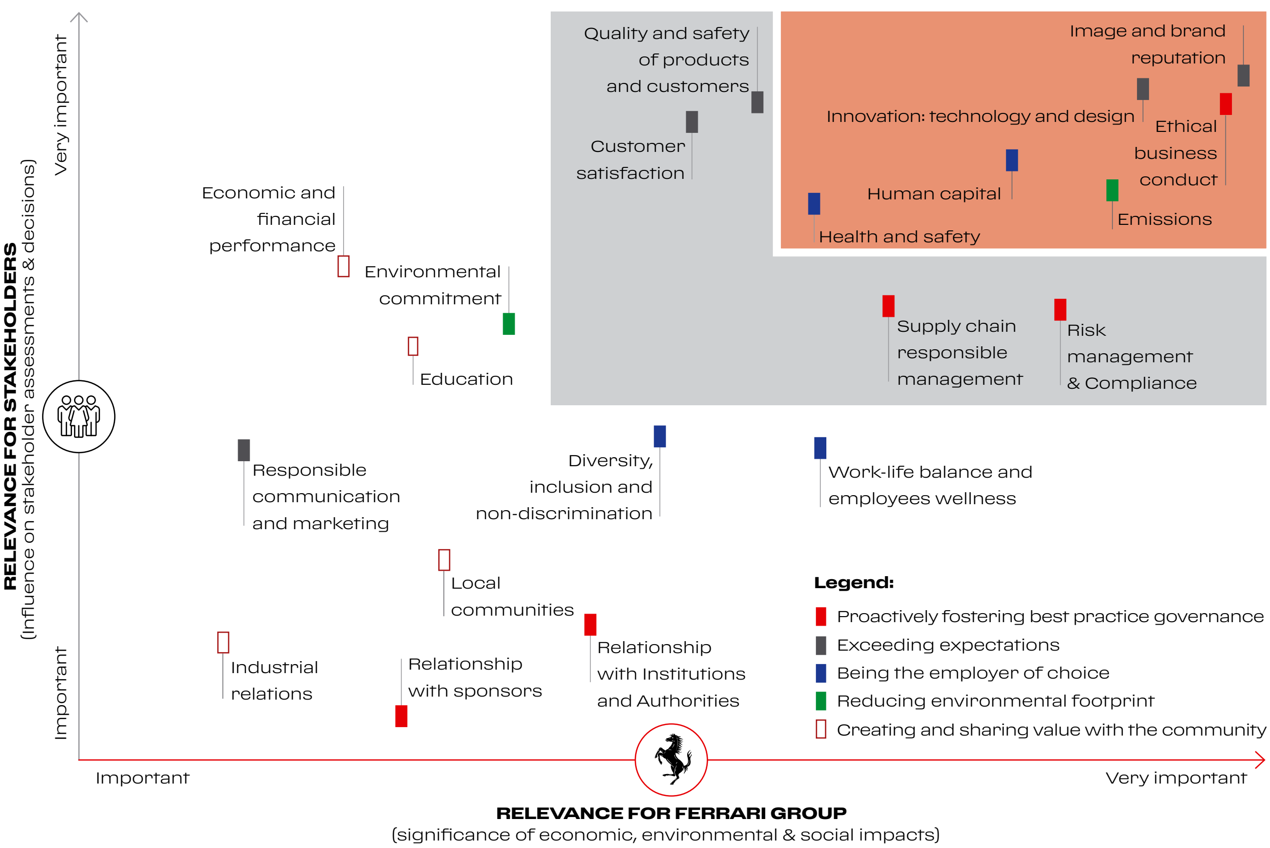
Controlled growth in adjacent luxury and lifestyle categories

MATERIALITY MATRIX AND STAKEHOLDER ENGAGEMENT

THE MATERIALITY MATRIX HIGHLIGHTS THE ASSESSED TOPICS THAT ARE MOST RELEVANT FOR THE GROUP AND OUR STAKEHOLDERS AND THEREFORE REPRESENT OUR STRATEGIC SUSTAINABILITY PRIORITIES.

In 2020, we updated the analysis of the most relevant sustainability topics[1] (materiality analysis) for the Group and our stakeholders to better reflect sustainability context developments, changes in our drivers and goals, as well as our 2019-2022 plan and our sustainability strategy, based on the following five 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 was prepared by taking into account various stakeholder engagement initiatives carried out during the year (as described in the "Stakeholder Engagement" paragraph) and by consulting Ferrari managers in order to collect valuable information on their perspectives concerning sustainability trends and their potential impacts on Ferrari's future strategies and initiatives. This process has been complemented through a qualitative analysis performed by our Senior Management Team ("SMT"), which resulted in the materiality matrix below.

MATERIALITY MATRIX OF FERRARI GROUP



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

The materiality matrix highlights the assessed topics that are most relevant for the Group and our stakeholders and therefore represent our strategic sustainability priorities.
Specifically, the most relevant topics are related to product responsibility: *Image and brand reputation* and *Innovation: technology and design* are considered a priority and are increasingly relevant to Ferrari; *Quality and safety of products and customers*, *Customer satisfaction* and *Supply chain responsible management* are also considered of the upmost importance.
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*. Compared to last year's materiality matrix, the commitment to employees' *Health and safety* and to reducing *Emissions* has increased its relevance for both Ferrari and its stakeholders.

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

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

PROACTIVELY FOSTERING BEST PRACTICE GOVERNANCE:

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

MATERIAL TOPIC

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

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

16 PEACE AND JUSTICE
17 PARTNERSHIPS FOR THE GOALS

BEING THE EMPLOYER OF CHOICE:

Provide an inclusive, educational and inspiring work environment to unleash everyone's passion, creativity and talent.

MATERIAL TOPIC

Human capital
Health and safety
Work-life balance and employees wellness
Diversity inclusion and non-discrimination

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

REDUCING ENVIRONMENTAL FOOTPRINT:

Increase our environmental awareness to continuously set and implement related programs and actions.

MATERIAL TOPIC

Emissions
Environmental commitment

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

CREATING AND SHARING VALUE WITH THE COMMUNITY:

Encourage strategic partnerships and the creation of positive externalities for all stakeholders.

MATERIAL TOPIC

Economic and financial performance
Education
Local communities
Industrial relations

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
17 PARTNERSHIPS FOR THE GOALS

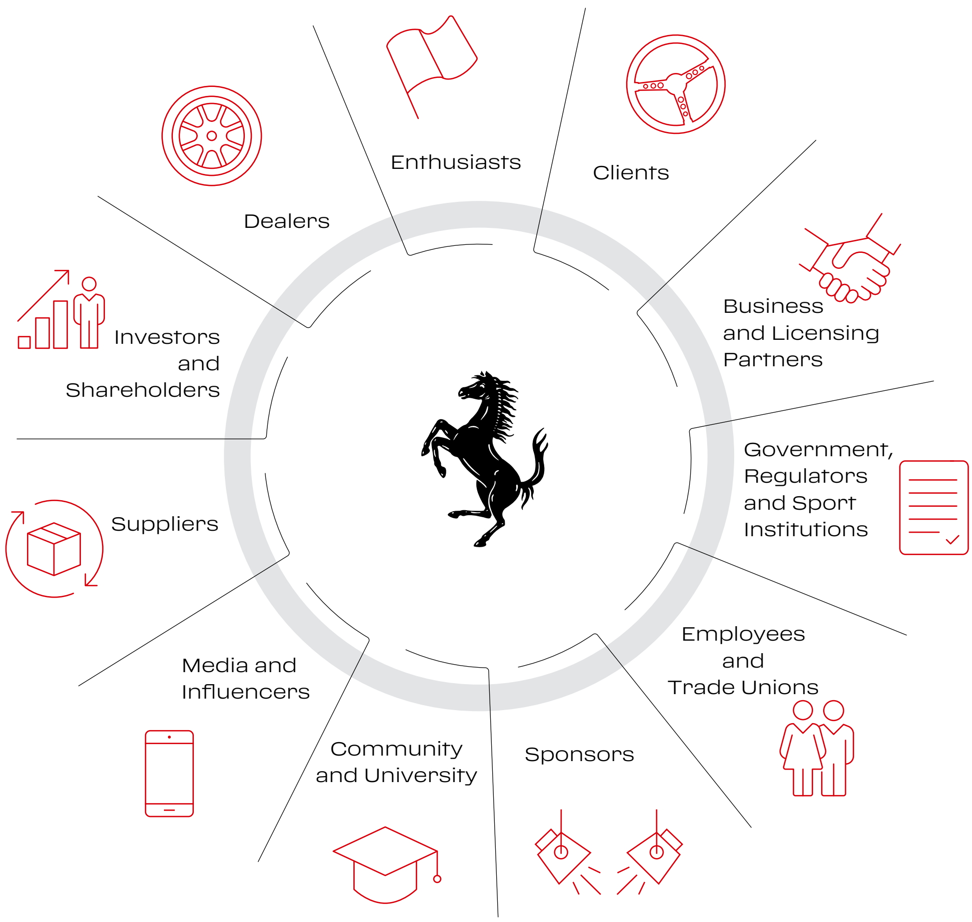
The abovementioned material topics have been linked to the Sustainable Development Goals (SDGs) that are impacted by our business. For the most material topics, the table below shows the pursued policies, the related key risks and risk trends and the relevant chapters within this Annual Report.

MOST SIGNIFICANT MATERIAL TOPICS	PURSUED POLICIES	KEY RISKS AND RISK TRENDS	RELEVANT CHAPTERS OF THIS 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; New technologies	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; New technologies	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; New technologies	Exceeding expectations
Health and safety	Enforcing a safety-first culture	Non-compliance with laws, regulations, local standards (including tax) and codes	Being the employer of choice
Supply chain responsible management	Implementing a responsible and efficient supply chain management; Encouraging the adoption of sustainable practices and sharing among our business partners and suppliers.	Non-compliance with laws, regulations, local standards (including tax) and codes; Cybersecurity including third parties vulnerabilities	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. Ferrari's approach to engaging stakeholders aims for honest, clear and effective communication and consultation, based on constant dialog. To fully understand the needs and perspectives of our stakeholders is a fundamental part of the value generation process we continuously strive to promote both inside and outside our organization.

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



Ferrari believes that building and honing effective communication and collaboration with its internal and external stakeholders is a key element of sustainable and lasting growth, with a view to conciliating interests and expectations. With this in mind, over the years we set an ongoing process of stakeholder engagement realizing initiatives with different levels of interaction and methods of involvement.

In 2020, Ferrari adopted a *Stakeholder Engagement Practice* inspired by the values and principles of the Code of Conduct that seeks to give all directors, managers and employees of the Ferrari Group, and anyone else working for it or on its behalf, guidelines on the right methods and forms of interaction with different stakeholders.

In line with the *Stakeholder Engagement Practice*, in 2020 we carried out various activities in order to enhance the voice of our stakeholders. We engaged with our employees through two face-to-face workshops that had a dual purpose: to further communicate the importance of the sustainability theme and explain what it stands for within Ferrari, as well as to collect their priorities and suggestions. Moreover, we realized ad hoc virtual workshops to engage local high schools and universities on sustainability issues. During the virtual workshops, Ferrari's journey to sustainability was presented and discussions were fostered to gather participants' perspectives. 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. In 2020, Ferrari ranked among the global leaders in environmental performance and transparency in the annual report published by CDP, the independent non-profit organization specializing in environmental reporting and in the evaluation of corporate sustainability strategies. Ferrari was awarded an A- rating, ranking significantly above both the European regional average and the sector's average, for actions implemented to combat climate change. All these activities allowed us to further strengthen our materiality analysis.

Considering the rising environmental and social changes, these engagement activities are an important part of the sustainability approach that helps us identify potential updates in our sustainability material topics, risks and opportunities, as well as supporting management in achieving the Company's objectives.

The main outcomes of the engagement activities implemented in 2020 showed an increased attention of our stakeholders toward environmental responsibility, with a focus on reducing emissions, and health and safety, also in consideration of the Covid-19 related contingencies. Education was confirmed as a key element by stakeholders involved.

Ferrari firmly believes that keeping a profitable dialog and collaboration with its stakeholders is essential and intends to continue the path of engagement undertaken, with a view to continuous improvement.

PROACTIVELY FOSTERING BEST PRACTICE GOVERNANCE

OUR 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 consists of Mr. Elkann (Chairperson), Mrs. Delphine Arnault 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. Mrs. Delphine Arnault was appointed as a member of the Governance and Sustainability Committee on February 26, 2021, filling the vacancy left by Mr. Roberto Cingolani, who resigned from his role as non-executive Director and member of the Governance and Sustainability Committee with effect from February 13, 2021.

In 2020 the Governance and Sustainability Committee met twice with 100 percent attendance of its members. 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

At Ferrari, we seek to develop a cooperative environment in which the dignity of each individual is respected and that embodies the highest ethical standards in business conduct. We are committed to maintaining a fair, secure, productive and inclusive workplace for all members of our workforce, in which everyone is valued for their unique contribution.

The foundation of Ferrari's governance model is the Code of Conduct that represents a set of values recognized, adhered to and promoted by the Company. Ferrari understands that conduct based on the principles of diligence, integrity and fairness is an important driver of social and economic development. Ferrari endorses the United Nations ("**UN**") Declaration on Human Rights, the International Labor Organization ("**ILO**") Conventions and the Organization for Economic Co-Operation and Development ("**OECD**") Guidelines for Multinational Companies. Accordingly, 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 corporate website at http://corporate.ferrari.com/en/governance/code-conduct.

Ferrari's integrity system sets the foundation for the corporate governance of Ferrari Group and includes a critical framework comprised of the following primary elements:

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

The Internal Audit Department investigates possible violations of the Code of Conduct during standard periodic audits and through specific Business Ethics and Compliance ("BEC") audits. In 2020, BEC surveys were conducted in order to measure employees' awareness on topics such as: Code of Conduct, Whistleblowing Procedure, Gift and Entertainment Expenses' Management. In light of the results, dedicated actions, such as training and awareness activities, have been implemented accordingly.

HUMAN RIGHTS

Ferrari's commitment to respect, protect and promote human rights is laid down in the *Human Rights Practice*, which is inspired by the guiding principles set forth in the Code of Conduct, and defines Ferrari's main commitments to a corporate culture dedicated to ethics and integrity. In particular, *the Human Rights Practice* sets out key principles such as the prohibition of child labor, compulsory labor and forced labor, the attention to a healthy and safe working environment for our employees, the rejection of any form of abuse, harassment and discrimination, the zero tolerance in respect of corruption and the protection of the rights of local communities.

ANTI-BRIBERY AND CORRUPTION

Ferrari Group is committed to the highest standards of integrity, honesty and fairness in all internal and external affairs and does not tolerate any kind of bribery. The laws of virtually all countries in which Ferrari operates prohibit bribery and any violation of anti-bribery and anti-corruption laws would entail serious consequences for both companies and individuals, which can result in significant fines, imprisonment of individuals and reputational damages.

Ferrari's policy is that no one - director, officer or other employee, consultant, agent, representative, supplier or business partner – shall, directly or indirectly, give, offer, request, promise, authorize, solicit or accept bribes or any other perquisite (including gifts or gratuities, with the exception of commercial items universally accepted in an international context of modest economic value, permitted by applicable laws and in compliance with the Code of Conduct and all applicable practices and procedures) in connection with their work for Ferrari at any time or for any reason.

In this respect, Ferrari has adopted the *Anticorruption Compliance Practice*, which is considered the document of reference for anti-corruption matters by all worldwide Ferrari branches and subsidiaries and is applied in each country in accordance with local legislation.
The *Anticorruption Compliance Practice* establishes the general rules of conduct that must be followed in order to prevent corruption-related crimes and ensure compliance with the anti-corruption laws to which Ferrari is subject. Such rules are further enhanced in internal Procedures regulating those specific areas deemed at risk from an anticorruption perspective.

DEALINGS WITH THIRD PARTIES

Dealing with third parties entails inherent risks, in particular in terms of potential corporate liabilities, as well as financial and reputational damages that Ferrari may suffer as a consequence of unlawful conduct carried out by third parties with which it does business ("**Third Parties**"). Hence, Ferrari strongly believes that the capability to adequately evaluate its Third Parties, as well as promptly address any threats and risk factors, represents an essential requirement for the protection of its assets, integrity and reputation in an overall and long-term vision.

Ferrari is committed to only collaborating with Third Parties that meet certain requirements both in terms of compliance with applicable laws and regulations and in relation to ethics, integrity and transparency. In this respect, Ferrari has adopted the *Third Parties Compliance Practice*, that establishes the general rules of conduct that must be followed at Group level when dealing with any Third Parties, including active and passive counterparties as well as any further Third Parties with which Ferrari may establish contractual relationships.

In particular, the *Third Parties Compliance Practice* underlines the importance of carrying out a "compliance evaluation" before establishing any business relationship with a Third Party in order to examine its ethical reliability and reputation, its involvement in a legitimate and lawful business, and its commitment to share Ferrari's values of integrity and fairness.

By adhering to the principles outlined in the *Third Parties Compliance Practice*, Third Parties are therefore expected not only to comply with applicable laws and Ferrari's ethical principles and standards, but also to become active parties towards their own employees and their respective third parties in order to disseminate a culture of compliance, integrity and transparency.

ANTITRUST

Ferrari Group recognizes the paramount importance of a competitive market and is committed to fully comply with antitrust and other pro-competition legislation in force in the countries where it operates ("**Antitrust Laws**"), believing that compliance with Antitrust Laws is crucial to Ferrari Group's reputation.

Ferrari defines and pursues its commercial activities and targets in autonomy and independence with respect to any competitors, operating on the basis of its own strategic and commercial decisions, and strictly rejects any form of anticompetitive conduct. The Ferrari Group and its directors, officers, and other employees shall comply with these principles and refrain from any form of action, omission or business practices that might represent an antitrust violation.

To strengthen its commitment to compliance and to a free and fair competition, Ferrari adopted the *Antitrust Compliance Practice*, which outlines - at Group level - the rules and principles that all members of Ferrari's workforce must follow, as well as the actions and controls that they shall perform in order to prevent antitrust offences and ensure compliance with Antitrust Laws.

WHISTLEBLOWING

Ferrari Group introduced the Ethics Helpline in September 2016, a preferential channel which allows all stakeholders (employees, customers, suppliers and partners) to request advice and/or report concerns about alleged situations, events, or actions which may be inconsistent with values and principles set out in the Code of Conduct, Organizational Models, laws and regulations, as well as business practices and corporate rules. Potential allegations are assessed by the relevant departments of Ferrari and managed in accordance with the procedures applied to all Ferrari Group companies, pursuant to local regulations.

The Whistleblowing Procedure has been prepared on the basis of international best practices and updated in 2020 to promote continuous improvement. The new Whistleblowing Procedure reiterates that the utmost confidentiality is guaranteed on reported subjects and facts, so that the individuals who report an alleged violation in good faith are not subject to any form of retaliation. In particular, stakeholders can also report alleged violations anonymously if permitted by local law. 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/or interpretation of the Code of Conduct by contacting the reference people included in the worldwide ethics and compliance contact list.

Internal Audit and Compliance Departments, with the support of the Legal, Human Resources Departments and other business functions possibly involved, assess 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).

In addition, in order to provide maximum transparency to the entire process, a Whistleblowing Committee has been appointed, composed by the heads of Internal Audit, Compliance, Legal and Human Resources departments. The Committee meets periodically to monitor the progress of the investigations and ensure that the concerns raised are handled appropriately.

The whistleblowing procedures are in line with the provisions of the Italian law for whistleblowing definitively adopted by means of Law n. 179/2017, which contains, among other things, provisions for the protection of reporters of crimes or irregularities that have come to light in the context of a public or private employment relationship.

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.

In this context, the reports received are an important instrument for Internal Audit and Compliance Departments to identify violations of the Code of Conduct.

WHISTLEBLOWING REPORTING AS OF DECEMBER 31, 2020

Category	Reports received in 2020	Reports closed in 2020	Reports in which a violation was confirmed
Conducting business	-	-	-
Interacting with external parties	2	1	-
Managing our assets and information	5	5	1
Protecting our workforce	6	12*	4
Total	**13**	**18**	**5**

* including 7 whistleblowing reports received in 2019

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

CYBERSECURITY, DATA PROTECTION AND PRIVACY

CYBERSECURITY

As our technology continues to evolve, we anticipate to collect and store even more data in the future, and that our IT systems will improve security countermeasures against the risks of willful and unintentional security breaches. Much of our value is derived from our confidential business information, including car design, proprietary technology and trade secrets. We also collect, retain and use certain personal information, including data we gather from clients for product development and marketing purposes, and data we obtain from employees. Any unauthorized access to our IT systems may compromise the confidentiality of Ferrari's intellectual property or the privacy of our customers' information and expose us to claims as well as reputational damage. For these reasons, Ferrari has always paid the outmost attention to cybersecurity. We have created a system of procedures, policies, services, infrastructures and training as well as awareness to address all facets of cybersecurity currently known.

The area that has been nurtured the most is information protection with a focus on preventing data breaches, which has been achieved, by providing Ferrari tested and managed PCs to all users who connect to our network, extending it to our employees as well as to third parties. The user and device authentication has strongly increased the control over the access and management of information. As experienced during the Covid-19 pandemic, this allowed people to work from home with the same level of security as if they were in the office.

All employees are provided with specific training on information security and cybersecurity. Training is also provided to external workers. This training is delivered both online and in classroom, and it is part of regularly launched training campaigns. A specific session on information security and cybersecurity is also part of the two-day induction program for new employees.

On a weekly basis, the Company internally performs a vulnerability analysis to detect areas of weakness in the information/cyber security system. Penetration tests are executed periodically by an external provider.

The Head of IT Security & Compliance is the function responsible for overseeing cybersecurity. It directly reports to the Group's CIO who, in turn, reports to the Group's CFO, who is a member of Senior Manager Team. Cybersecurity topics are discussed at Audit Committee level at least once a year.

DATA PROTECTION AND PRIVACY

We care about processing data in a safe and transparent manner and act in accordance with the current legislative framework that governs the processing of our personal data at global scale, including but not limited to the General Data Protection Regulation "GDPR" (EU Regulation no. 2016/679) and the California Consumer Privacy Act of 2018 "CCPA". The data protection legal framework has steadily developed in the recent years and has brought a new consciousness about privacy. More than ever before, data protection and privacy have become fundamental, as they have been heavily impacted by the Covid-19 pandemic. In these specific circumstances, processing of personal data is necessary in order to take appropriate measures to contain the spread of the virus and subsequently mitigate its effects.

Data protection and privacy law requires, among others, the application of increased transparency obligations, the introduction of common records of processing activities, the appointment of a Data Protection Officer "DPO", an effective response mechanism to data subjects' privacy-related requests and - where advisable - privacy impact assessments before processing personal data.

Within this context, we have adopted a progressive approach to ensure compliance with data protection and privacy law requirements, such as the implementation of new processes (e.g. system collecting consents and privacy notices adoption of a new Governance tool in order to periodically update the Records of processing activities as well as to perform privacy impact assessments), the creation of new internal procedures (e.g. appointment and management of system administrators, management of requests from data subjects etc.), the guarantee of an effective and prompt response to requests from data subjects (e.g. implementation of an online portal which will allow California consumers to make requests under the CCPA etc.), the update of privacy notices, drafting of operating instructions for authorized persons within the Company, the designation of internal privacy referents within Company departments and the creation of an internal Privacy Committee. Regular e-learning courses, aimed at raising the awareness on the data privacy regulations and requirements, are organized for and addressed to the newly hired employees who are involved in the processing of personal data.

Dedicated face-to-face trainings have been delivered to the Privacy Referents and to the Customer Care.

SUSTAINABILITY RISKS

We are committed to creating a culture of sustainability. Creating such a culture requires effective risk management, responsible and proactive decision-making, and innovation. Our efforts are aimed at minimizing the negative impacts of our business. Our risk management approach is an important business driver and it is integral to the achievement of the Group's long-term business plan. We take an integrated approach to risk management, where risk and opportunity assessment are at the core of the leadership team agenda. The Board of Directors is responsible for considering the ability to control and manage risks crucial to achieving its identified business targets, and for the continuity of the Group.

Ferrari has adopted the last publication ("Enterprise Risk Management - Integrating Strategy and Performance") of the COSO Framework (Committee of Sponsoring Organizations of the Treadway Commission) as the foundation of its enterprise risk management (ERM). 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 following key risks and risk trends are the ones related to our most material topics. Further information on sustainability risks and the related management approaches put in place by Ferrari, including in relation to Climate Change, are reported throughout this Statement.

Key Risk	Material topics
Brand Image (Reputational risk) [2]	Image and brand reputation, Innovation: technology and design, Customer satisfaction.

The preservation and enhancement of the value of the Ferrari brand is crucial in driving revenue and demand for our cars. The perception and recognition of the Ferrari brand are of strategic importance and depend on many factors such as the design, technology, performance, quality and image of our cars, as well as the appeal of our dealerships and stores, the success of our client activities, and our general profile, including our brand's image of exclusivity.

The prestige, identity and appeal of the Ferrari brand also depend on the continued success of the Scuderia Ferrari racing team in the Formula 1 World Championship.

Key Risk	Material topics
Competition (Strategic risk) [3]	Innovation: technology and design, Customer satisfaction.

We face competition in all product categories and markets in which we operate. We believe that we compete primarily thanks to our brand image, the performance and design of our cars, our reputation for quality and the driving experience we offer our customers.

Key Risk	Material topics
New technologies (Strategic risk)	Innovation: technology and design, Customer satisfaction, Emissions.

Performance cars are characterized by leading-edge technology that is constantly evolving. In particular, advances in racing technology often lead to improved technology in road cars. As technologies change, we plan to upgrade or adapt our cars and introduce new models in order to continue to provide cars with the latest technology. However, our cars may not compete effectively with our competitors' cars if we are not able to develop, source and integrate the latest technology into our cars.

Key Risk	Material topics
Attraction, development and retention of talents (Operational risk) [4]	Human Capital.

Our success depends on the ability of our senior executives and other members of management to effectively manage individual areas of the business and our business as a whole. If we are unable to attract, retain and incentivize senior executives, drivers, team managers and key employees to succeed in international competitions or devote the capital necessary to fund successful racing activities, new models and innovative technology, this may adversely affect the level of enthusiasm of Ferrari clients for the brand and their perception of our cars, which could have an adverse effect on our business, results of operations and financial condition.

(2) Reputational risks: risks which affect Ferrari's Brand image, credibility and/or integrity.

(3) Strategic risks: risks which affect or are created by Ferrari's business strategy and could affect Ferrari's long-term positioning and performance.

(4) Operational risks: risks impacting the internal processes, people, systems and/or external resources of the organization and affect Ferrari's ability to execute its business plan.

Key Risk	Material topics
Cybersecurity including third parties vulnerabilities	Supply chain responsible management.

Our IT systems architecture and industrial machinery are exposed to external cyber-attacks. In addition, we have to consider also that our third parties could be subjected to external cyber-attacks. In case the third party is connected with our system, the cyber attacker could also penetrate our IT systems.

Key Risk	Material topics
Non-compliance with laws, regulations, local standards (including tax) and codes (Compliance risk)[5]	Ethical business conduct, Emissions, Risk management and Compliance, Quality and safety of products and customers, Supply chain responsible management, Health and safety.

We are subject to comprehensive and constantly evolving laws, regulations and policies throughout the world. In Europe, United States and China, for example, significant governmental regulation is driven by environmental, fuel economy, vehicle safety and noise emission concerns, and regulatory enforcement has become more active in recent years.

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

RESPONSIBLE SUPPLY CHAIN

Our focus on excellence, in terms of luxury, quality, aesthetics and performance, requires us to implement a responsible and efficient supply chain management in order to select suppliers and partners that are able to meet our high standards. Notwithstanding the low volume of cars manufactured, our production process requires a great variety of inputs entailing a complex supply chain management to ensure continuity of production. We source a variety of components (among which transmissions, brakes, driving-safety systems and others), raw materials (such as aluminum or special steel), supplies, utilities, logistics and other services from numerous suppliers.

Ferrari encourages the adoption and sharing of sustainable practices among our business partners, suppliers and dealers. All suppliers must respect the Ferrari Code of Conduct, which includes the set of values recognized, adhered to and promoted by our Company. The Code of Conduct was updated to include specific guidelines relating to the respect of human rights and conflicts of interest. The Group made its best effort to ensure that the Code of Conduct is regarded as a best practice of business conduct and followed by third parties, including long lasting relationships and business partners such as suppliers, dealers, advisors and agents.

The selection of suppliers is based not only on the quality and competitiveness of their products and services, but also their adherence to social, ethical and environmental principles.

Relevant suppliers are assessed through a risk analysis that aims at identifying critical suppliers thanks to a mix of a financial, compliance and industrial assessments. Their growth capability is analyzed to identify where we need to support the development of our business partners to help them meet the requests of the Group. In 2020, we strengthened our suppliers' qualification and selection processes in order to verify not only their technical capability and financial solidity, but also - through a screening methodology - their reliability in terms of ethics, integrity and reputation (the so-called "Compliance Evaluation").

Before engaging a new supplier[6], the competent departments of Ferrari Group conduct an adequate Compliance Evaluation on the potential supplier in order to examine its ethical reliability and reputation, its involvement in a legitimate and lawful business, and its commitment to share Ferrari's values of integrity, fairness and compliance. The Compliance Evaluation is capable of identifying potential risks for Ferrari under

(5) Compliance risks: risks of non-compliance with laws, regulations, local standards, code of conduct, internal policies and procedures.
(6) In 2020, 100% of our new suppliers were evaluated with this screening methodology.

different perspectives, such as: anti-corruption, trade sanctions, money-laundering, conflict of interests, ethics and reputation.

CONFLICT MINERALS

Ferrari supports the goal of preventing the exploitation of minerals violating human rights. 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 2019, 94% of Ferrari's direct suppliers by purchased value submitted responses to our survey. We are strongly committed to increasing the coverage of our analysis and the response rate through targeted actions.

EXCEEDING EXPECTATIONS

Innovation is in our DNA and we will continue pushing boundaries to respond to customers' desires, always setting new standards in the "Ferrari way".

RESEARCH, INNOVATION AND TECHNOLOGY

Innovation drives products and processes, which represents one of our key differentiating factors. This is why we are focused on developing new technologies and distinctive designs.

Participation in the Formula 1 World Championship with Scuderia Ferrari is an important source of technological innovation, which is then transferred or adapted into our road cars, such as the hybrid configuration of the SF90 Stradale. Moreover, our development efforts take into account the three defining dimensions of Ferrari cars: performance, versatility and comfort, as well as driving emotions. In addition to these internally driven factors, regulation is key in determining the direction of technical innovation.

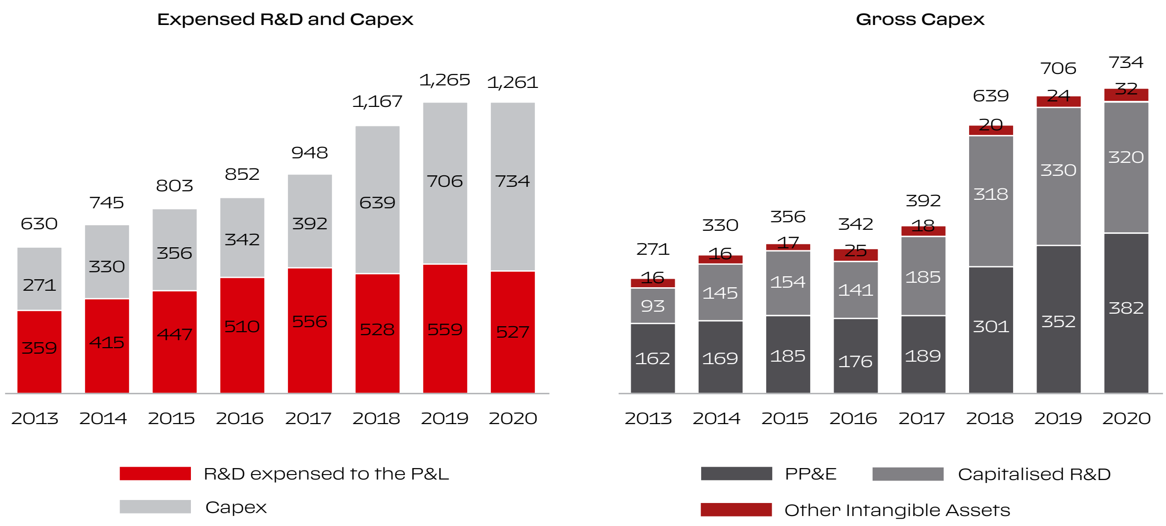
One of our other main focuses is on innovating our working methods, which involves stimulating the creativity of our employees. With this in mind, we have implemented programs designed to encourage the development of ideas and solutions that will improve products, methods and the working environment. Pole Position Evo, for instance, rewards ideas put forward by individual staff members. In 2020, we received around 8,300 suggestions from employees.

Our focus on excellence requires a strong collaboration with our suppliers, and a handful of them are considered "key strategic innovation partners". Collaborations with leading universities are also in place to foster the development of new ideas.

Technological breakthroughs are further enhanced through design. In 2010, the Ferrari Design Center was established as a best-in-class in-house design department to improve control over the design process and to ensure long-term continuity of the Ferrari style. A guiding principle of the Ferrari style is that each new model represents a clear departure from prior models and introduces new and distinctive aesthetic elements, delivering constant innovation within the furrow of tradition. Our designers, modelers and engineers work together to create car bodies that incorporate the most innovative aerodynamic solutions within the elegant and powerful lines typical of Ferrari cars.

The R&D investments and expenses to fuel the growth of the Group, as described above, are represented in the charts below[7].

R&D and CAPEX (€Mn)



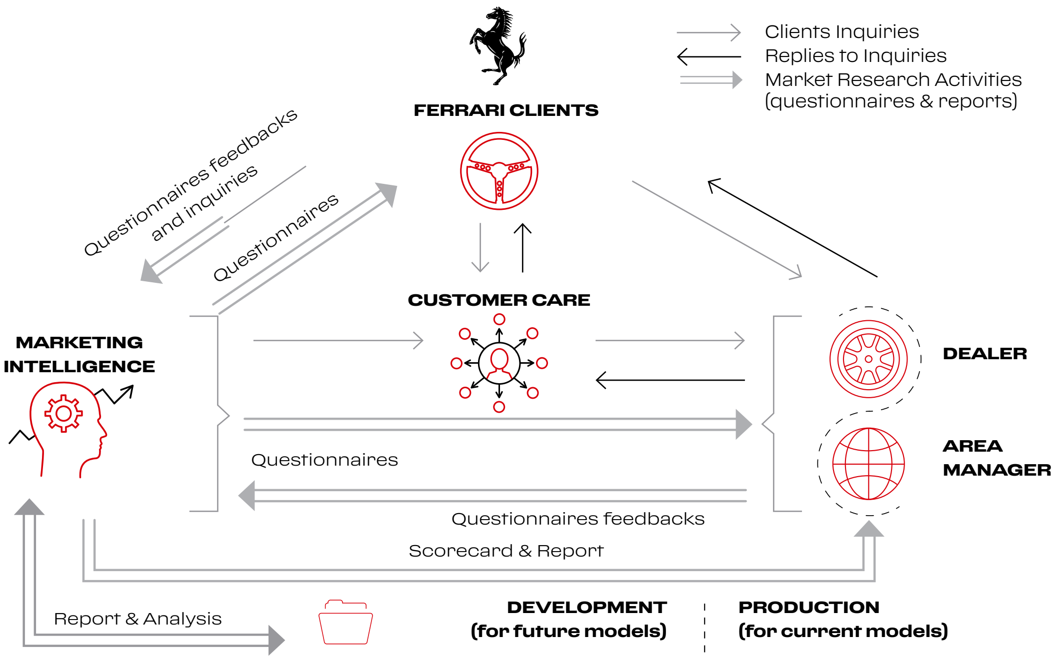
CUSTOMER SATISFACTION

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.

[7] Capital expenditures (Capex) include right-of-use assets recognized in accordance with IFRS 16 – Leases within PP&E, for approx. Euro 25 million in 2020 and for approx. Euro 13 million in 2019.

The chart below shows the flow between clients, dealers and Ferrari.



We have developed an integrated system between our customer care, dealers, marketing department and area managers to track all contacts with clients, manage inquiries and share the results of customer and dealer satisfaction analysis.

VEHICLE SAFETY

Vehicle safety is among our top priorities and Ferrari cars are always designed and manufactured with the safety of our customers and other road users in mind. Given the nature of our cars, the electronic equipment is developed with an integrated approach, ensuring the best balance between safety, control and best-in-class performance, to further enhance the Ferrari driving emotions.

All of our range models are subject to a series of tests to obtain approval from the relevant authorities. Moreover, we start assessing all our new models at an early stage of planning and design to identify areas of improvement.

To guarantee the highest level of passenger safety, we develop both passive and active safety systems.

Passive safety requirements are the initial guidelines assigned to the engineers in order to define the design of every component, from car framework to all the retain components (airbags, seat belts, etc.). Moreover, specific devices are installed in racing cars to obtain FIA (Federation International de l'Automobile) approval.

With the aim of solving issues beforehand and reducing the environmental impact of these activities, all tests are reproduced in a state-of-the-art virtual environment before conducting them with real cars.

Regarding active safety, we believe that the future developments of vehicle safety will be linked to Advanced Driver Assistance Systems (ADAS) and Human-Machine Interface (HMI), capable of preventing or mitigating crash occurrences. We are currently assessing the implementation of the most recent trends and developments in terms of simplifying and easing the interaction between the car and the driver to avoid any distraction. ADAS are included into our entire fleet and we are working to implement new solutions for our upcoming models, such as lane keeping assist and intelligent speed assist.

The SF90 Stradale, the first hybrid series-production car in Ferrari's history, encapsulates the most advanced technologies developed in Maranello, including the HMI which, with its track-derived "eyes on the road, hands on the steering wheel" philosophy, takes on a truly central role. The result is an HMI (Human-Machine Interface) that is a complete departure from previous models. The "hands-on-the-steering-wheel" philosophy has consistently driven the development of the human-machine interface in every Ferrari F1 car and its subsequent gradual transfer to our road-going sports cars. The SF90 Stradale's steering wheel completes the transfer process from racing and also ushers in a new era by introducing a series of touch commands that allow the driver to control the most important performance-related aspect of the car without ever taking their hands off the wheel. The Head Up Display is another part of the innovative HMI and allows various data to be projected onto the windshield within the driver's field of vision so that their attention is not distracted from driving. We extended this innovative HMI to the Ferrari Roma and SF90 Spider.

BEING THE EMPLOYER OF CHOICE

The high attention and care for our products is the foundation upon which Ferrari's success is built and this is feasible thanks to the efforts of the people working in Ferrari. One of the many strengths is the ability to attract, retain and develop talents. Since 1997, we have developed the "Formula Uomo" initiative, with the intention of developing a high quality working life for our employees. In 2020, we carried out all the initiatives for our people, always in accordance with the most stringent the Covid-19 pandemic related laws and protocols. Over the years, the project has become a pillar of our culture, based on redesigning the working environment, enforcing a safety-first culture, enabling individual development, enhancing teamwork and building a community now comprising 57 different nationalities.

WORKING ENVIRONMENT

We know that the best individual and team performance is only achieved if employees feel they are in the right environment. We also believe that the quality of our products cannot be separated from the lives of the people working in Ferrari.

This is why the working environment and wellbeing of the Company's employees are among our most important priorities, representing the key focus of our "Formula Uomo" initiatives.

Our complex in Maranello, a state-of-the-art work environment, was designed to reinforce the synergistic relationship between work and results. With the needs of our employees firmly in mind, our manufacturing facilities are specifically created to combine carefully designed lighting systems, projected to maximize the amount of natural light, and several external and internal green areas. Thermal comfort throughout the factory is also a crucial requirement and, since 2013, the in-plant foundry is equipped with a cooling system that makes it air-conditioned and climate controlled. Special measures aimed at reducing the environmental impact and noise through the use of advanced technologies are also in place. As an example, the design of our Machining Department is aimed at providing the workplace with maximum acoustic comfort thanks to noise reduction solutions (source and reverberation).

To promote an active lifestyle among our employees, we rely on our "Formula Benessere" program, aimed at providing preventative healthcare to employees and their children. A gym is available for all the employees at Maranello, while employees at the Modena plant have free membership in one of the city gyms, which unfortunately closed for the most of 2020 due to the Covid-19 pandemic, therefore online training was offered. 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 2020, within the "Formula Benessere" initiative a special program related to migraine and headaches was activated, with medical visits carried out by a neurologist. The visits have also been performed remotely in order to give everyone the opportunity to receive them during the Covid-19 pandemic.

Our attention to the promotion of health and safety among our employees goes beyond what is required by law and, to this effect, special workshops are organized for employees to raise awareness on the importance of these topics.

To foster a sense of belonging among employees and their families and to offer concrete support to working parents with the demanding duties of childcare during school holidays, we have launched the program "Formula Estate Junior". This initiative consists of a free day camp for employees' children aged 3 to 13, with various programs including sports, outdoor activities, excursions and workshops. The program, which has reached its 11th edition, allows children to enjoy an exciting experience with a didactic purpose: each edition of the "Formula Estate Junior" camp has an educational theme developed by 136 professional educators and is organized in collaboration with the local community. This edition, notwithstanding the Covid-19 pandemic, was organized to support our employees in these difficult times. Despite increasing available spaces and educators, this resulted in a reduced number of participants.

Education is also the focus of a series of different initiatives that provide scholarships to talented junior high, high school and university students. In 2020, our scholarship program, named after our founder "Enzo Ferrari", was awarded to 57 talented students with the awards handed out by our Chairman during an outdoor event. Moreover, in 2020 we reimbursed 698 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 within the internal branch of a local bank, special rates for housing needs and discounts at the Ferrari Museums, Ferrari Stores and at the Ferrari Company Outlet. In 2020, a new service was launched that gives the opportunity to Ferrari employees to delegate their own bureaucratic practices.

To foster the sense of belonging, the Company usually organizes multiple events, which were paused in 2020 due to the Covid-19 pandemic.

Over the last years, several culture and sport associations have been created: employees and former employees that share a common interest have the opportunity to cultivate their passions and organize sport and recreational activities together.

All these benefits are provided to all of our employees.

TRAINING AND TALENT DEVELOPMENT

Along with the need to hire, develop and retain talents, we are aware that we must manage human capital as a critical resource to achieve the best possible results.

The success, prestige and appeal of our brand depends on the ability to attract talents and retain them. In particular, top drivers, racing management, engineering talent and all the employees that make Ferrari unique have to be rewarded based on their ability, determination, and expectations. This is why we offer career progression opportunities tailored to each individual's strengths, ambitions and our Company's requirements, underpinned by substantial investments in training. A total of over 63,300 hours (up 9.9% vs. 2019) of training have been provided to the Company's employees in 2020. This result was achieved mostly thanks to online training activities, such as the Harvard Manage Mentor e-learning platform. What makes Ferrari's craftsmanship unique is the direct transfer of knowledge and expertise from senior to junior workers, which in our manufacturing process takes place directly on the job because we believe in constantly maintaining excellence through "learning by doing".

Human capital development ensures that our Company has the appropriate skill set to execute the business strategy and improve employee attraction, retention, as well as motivation, and, as a result, enhance productivity and the quest for innovation. Training requests for employees who receive a regular performance and career development review, are identified during this review process in order to address the needs of both parties.

A Training Plan with three specific objectives is in place:
– To protect and pass on the strategic and specific know-how of Ferrari

- Among all the training initiatives in Ferrari, we are very proud of our "Scuola dei mestieri", started in 2009. It is a unique, in-house, technical training project which increases the professionalism of junior talents and motivates senior employees, recognizing their competencies by asking them to become Maestri and to pass on Ferrari's unique heritage to the next generation. The initiative combines different didactic methodologies, including on the job sessions and in-classroom training, both focused on the consolidation of competencies and skills, with a particular focus on innovation. Being a Maestro is an aspirational position and key to the Company's success. To this effect, in 2020, we paid homage to all the "Maestri" of the Scuola dei Mestieri who have supported this major training project for the longest period.

  In 2020, we further consolidated the activities of 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.

  To ensure effective training opportunities to employees during the Covid-19 pandemic all the courses have been implemented through e-learning platforms and webinars. A dedicated virtual library containing all the courses was created while a number of tablets were distributed among participants to guarantee accessibility. Such an effort guaranteed all the 2020 scheduled course.

  Furthermore, within "Scuola dei mestieri" we have implemented an activity called "Scuola delle professioni", dedicated to young engineers and all employees of the purchasing department, in order to provide them with an overview of all the phases of product development and to pass on the Ferrari DNA.

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.

- To shape and prepare the future managerial class for the business, innovation, management and human capital development challenges.
  - In 2020, despite the Covid-19 pandemic, the activities concerning the Ferrari Corporate Executive MBA continued online. The objective of the master's program is to improve the management skills of the attendees, to let them gain experience on the most recent innovation trends and to convey the Ferrari leadership model. This master's degree offers a unique tailor-made program to form a critical mass within the management class that will be able to grasp the challenges of the future, while at the same time preserving the tradition of Ferrari. During the course of 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. In 2021, in addition to the third edition of this master's degree, a new one for junior employees will be launched.

  In 2020, we completed a program of managerial growth called "Fly the Flag" that involved all managers of Direzione Tecnica with individual and group activities. The objective of this program is to strengthen the peculiar characteristics of a manager: assuming responsibility, increasing accountability and enhancing teamwork. Cross-functional groups worked on integration objectives, with many proposals emerging at the end of the course.

- 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.

  Launched in 2019, we continue to offer our employees the possibility to access the Harvard Manage Mentor e-learning platform. The training provided through this platform has been customized according to our needs and the following three lines of development: to integrate this platform with the Performance and Leadership Management system; to give employees, especially newcomers, the basic managerial skills that we consider essential requirements; and to adapt professional development paths based on employees' career levels. An update on the current Covid-19 pandemic situation and its implications was included in the platform, as well as several training activities on diversity topics sustaining our Equal Salary Certification.

  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 2020, a mandatory online campaign was launched on GT Purchasing, Product Liability and Italian Legislative Decree 231/2001, regarding the principle of corporate administrative responsibility for certain types of crimes committed by qualified representatives of the Company in the interest or to the advantage of the Company itself. In 2020, further training activities were dedicated to two specific Ferrari departments. The first was a training course dedicated to all members of the purchasing department with the aim of enhancing the purchasing skills of the participants. This project was realized in partnership with the European Institute of Purchasing Management, which will provide a certification of completion to all participants. The second activity, developed in collaboration with the Luiss Business School, involved the information and communication technologies department and consisted in a training course with the aim of increasing internal expertise on key roles and processes in the organization.

In 2020, we consolidated the activities started the previous years: 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 ambitions of the future: 15 new cars between 2019-2022. All these training activities, combined with the quick transition to online platforms, resulted in an increase in the overall number of training hours provided compared to the previous year. However, due to the Covid-19 pandemic, the in person training, such as "Scuola dei mestieri", sharply decreased.

AVERAGE HOURS OF TRAINING

	2020	2019	2018
Total	13.90	13.45	13.40

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 49,000 applications during 2020, 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 such as the Motorvehicle University of Emilia-Romagna (MUNER), we also 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.
Our program includes different graduate projects: "Ferrari GT Academy" is dedicated to the recruitment of engineering, production and commercial personnel, with the aim of attracting, evaluating and hiring future talents and establishing and consolidating partnerships with leading engineering universities and companies. "Ferrari F1 Engineering Academy", active since 2015, is dedicated to the recruitment of talented engineers to be introduced to our F1 team. We regularly perform dedicated communication activities at universities, integrating on-line testing as well as dedicated assessment centers managed in Maranello to ensure that the most suitable applicants have the opportunity to join the Ferrari team.

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 2020, each employee received around Euro 5,500 on top of the additional Euro 2,650, as provided for in the Agreement of 25 September 2019.

The majority 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 career path.

In 2020, we further expanded the scope of the employee performance evaluation process: around 2,200 employees received a performance evaluation through our specific online tool, covering almost 100% of white collars and managers. This online tool allows us to track and share with employees and management the results of the assessment, including strengths and improvement areas as well as their professional aspirations and the final evaluation. On the side, Ferrari organizes assessment classes with external psychologists and HR experts with the aim of evaluating employee potential. These results are a fundamental asset for succession plans in key positions, identifying career development opportunities and defining consistent retention actions.

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

Employee category

	2020	2019	2018
Managers and Senior Managers	97%	86 %	88%
Middle Managers	99%	73 %	72%
White Collars	92%	66 %	44%
Workers	0%	0 %	0%

Thanks to our career development program, Ferrari encourages the professional growth of its employees and tries to fill key positions with talented internal candidates before tapping into the external market. The results of the analysis carried out on our key positions covered by our employees are used to develop specific succession plans, with a timeframe of 2-4 years, to ensure the competitiveness of Ferrari over time and to take advantage of our employees' talents.

In 2019, Ferrari S.p.A. started an in-depth analysis on equal remuneration which, in July 2020, led to the award of the Equal Salary Certificate for providing equal pay to men and women with the same qualifications and positions in the Company. This accreditation attested the Company's commitment to creating an inclusive and diverse working environment while fostering career development for everybody. Ferrari was the first Italian Company to receive this specific certification. The certification process included a detailed statistical analysis of compensation levels, which revealed that the Prancing Horse is one of Europe's companies having successfully eliminated the gender pay gap. Ferrari sees this certification not as an end point but as a further stage of growth and an opportunity to implement tangible actions to ensure that everyone can pursue their professional growth.

In 2020, Ferrari also joined Valore D, an association with over 200 member companies in Italy, whose commitment is to promote gender balance and an inclusive culture in organizations and across the country.

For the second year in a row, our effort to guarantee employee attraction and retention was also recognized by the Top Employers Institute in January 2021.

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[8]. Our hazard identification, risk assessment and incident investigation processes are developed in accordance with the highest international and national voluntary standards and normative requirements on health and safety. In addition to formal meetings being held with employee representatives, periodic meetings are also held with management to review safety issues. Periodic internal health and safety audits are performed to ensure compliance with our health and safety management system, current laws and best practices. Ferrari S.p.A. health and safety management system is certified ISO 45001:2018, a voluntary international standard, which specifies the requirements of an occupational health and safety management system with reference to the activities performed within the premises of the organization by its employees or external workers. Also the Mugello Circuit S.p.A. is certified ISO 45001:2018[9].

EHOURS OF HEALTH AND SAFETY TRAINING PER YEAR AND NUMBER OF PARTECIPANTS[10]

	2020	2019	2018
Training hours	18,169	22,313	21,358
Number of participants	3,089	2,927	2,439

We continue to make significant investments in safety at work: improvements in the existing structures and specific training have allowed us to achieve significant

(8) 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.

(9) Ferrari S.p.A and Mugello Circuit S.p.A include 94% of all Ferrari Group employees.

(10) The figures provided refer to all employees and external staff of Ferrari S.p.A and Mugello Circuit S.p.A.. 2018 data do not include Mugello Circuit S.p.A..

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 2020, the number of training hours is lower than in the previous two years, mainly due to the Covid-19 pandemic. Pursuant to the Italian legislation, during the consequent lockdown period all the training activities were stopped, with some of them carried out later remotely. 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. In 2020, the injury rate was 1.0, with 6 occurrences (10 in 2019) and no high-consequence work-related injuries or fatalities occurring. Each work-related injury is analyzed to determine the cause and appropriate measures to avoid recurrence are then implemented. The types of work-related injuries include lacerations, bruises and one case of fracture.

NUMBER OF INJURIES AND INJURY RATE[11]

	2020	2019	2018
Total number of injuries	**6**	**10**	**12**
of which more than 3 days of absence (excl.high-consequence injury and fatalities)[12]	4	7	8
of which high-consequence injury	0	0	1
of which fatalities	0	0	0
Total injury rate[13]	**1.0**	**1.5**	**2.2**
of which more than 3 days of absence (excl.high-consequence injury and fatalities)[14]	0.6	1.1	1.4
of which high-consequence injury	0	0	0.2
of which fatalities	0	0	0
Hours worked	**6,280,881** [15]	**6,471,529**	**5,524,896**

During the course of 2020, one injury has been recorded for an agency worker, resulting in 4 days of absence.

OUR EMPLOYEES IN NUMBERS

As of December 31, 2020, Group[16] employees were 4,556, an increase of 6.3% compared to December 31, 2019 (4,285). We expect to continue growing over the next few years in order to meet our strategic plan.

Number of employees	December 31, 2020	December 31, 2019	December 31, 2018
Total	**4,556**	**4,285**	**3,851**
of which women	14.8%	14.0%	13.0%

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

(11) 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 2020. 2018 data do not include Mugello Circuit S.p.A.. All data does not include first aid medical treatments.

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

(13) 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.

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

(15) In 2020, total hours worked decreased mainly due to the seven-week production suspension caused by the Covid-19 pandemic.

(16) In this chapter, "The Group" refers to all the legal entities indicated as consolidated line by line by Ferrari N.V. in 2020 Annual Report.

PERCENTAGE OF EMPLOYEES PER EMPLOYEE CATEGORY BY GENDER

Employee category

	December 31, 2020			December 31, 2019		
	Male	Female	Total	Male	Female	Total
Managers and Senior Managers	85.4%	14.6%	137	86.2%	13.8%	123
Middle Managers	84.1%	15.9%	603	85.5%	14.5%	566
White Collars	75.8%	24.2%	1,583	76.6%	23.4%	1,417
Workers	92.2%	7.8%	2,233	92.2%	7.8%	2,179
Total	**85.2%**	**14.8%**	**4,556**	**86.0%**	**14.0%**	**4,285**

As indicated in the table above, compared to the previous year in 2020, the percentage of female employees slightly grew from 14% to 14.8%. This was mainly due to an increase in the "Middle Managers" category.

PERCENTAGE OF EMPLOYEES BY AGE GROUP

Employee category

	December 31, 2020				December 31, 2019			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Total	**15.2%**	**66.8%**	**18.0%**	**4,556**	**16.0%**	**66.1%**	**17.9%**	**4,285**

The majority of the workforce is between the age of 30 and 50 (66.8%).

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

	2020	2019
New Hires	405	627
Departures	134	193
New Hires (%)	8.9%	14.6%
Departures (%)	2.9%	4.5%

ABSENTEEISM RATE IN ITALY[17]

	2020	2019
Employees	1.53%	1.37%

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[18] (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 780,000 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 m2 of green or tree-covered areas).

We directly operate 18 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

(17) 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.

(18) 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).

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

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 EMAS (Eco-Management and Audit Scheme). Moreover, in 2020, Mugello Circuit S.p.A. obtained the ISO 20121 certification, the international standard for sustainable event management. To date, Mugello Circuit is the first circuit in the world to obtain this certification. This standard applies to the activities related to the events hosted and is evidence of the commitment of Mugello Circuit to implement a responsible and sustainable management system.

EFFICIENT ENERGY USE

Our culture embraces a rational use of energy, which is mainly utilized for the manufacturing of cars and engines. Over the years, the Group has strived to lower its energy consumption and to minimize its environmental impact, adopting innovative solutions and using renewable energy sources for its manufacturing facilities. In 2008, we installed our first solar panels and subsequently increased capacity in 2011 and 2015. Since 2014, Ferrari S.p.A. has been purchasing electricity with Guarantee of Origin certificates.

In addition, from 2009, we started using electricity along with hot and cold water generated by the trigeneration plant[19]. In 2020, the trigeneration plant produced 81% of the electricity needed for the Maranello plant, while the remaining 19% originated from renewable sources[20].

ENERGY CONSUMPTION WITHIN THE ORGANIZATION
Unit of measurement: GJ

	2020	2019
Non-renewable fuel consumption	**1,514,543**	**1,623,478**
Natural Gas (used for trigenerator)	1,079,005	1,126,190
Natural Gas (for other uses)	375,476	433,987
Gasoline	47,408	53,701
Diesel[21]	12,654	9,600
Total electricity bought for consumption	**108,160**	**116,354**
From renewable sources	107,097	110,199
From non-renewable sources	1,063	6,155
Electricity self-produced for consumption[22]	**3,687**	**3,344**
Electricity sold	**(7,545)**	**(9,250)**
Total	**1,618,845**	**1,733,926**

(19) 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.

(20) Thanks to our photovoltaic system and the purchase of Guarantee of Origin certificates.

(21) 2020 data also include Ferrari's trucks and power generator related to F1 activities.

(22) From photovoltaic.

The total energy consumption within the Group for 2020 was 1,618,845 GJ, with a decrease of 6.6% from 2019 (1,733,926GJ). This decrease was mainly due to seven-week production suspension caused by the Covid-19 pandemic.

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 2020, we continued on the construction of the new building related to new GT sport activities, that will be completed in 2021.

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 88,380 tCO_{2eq} in 2020, compared to 94,615 tCO_{2eq} in 2019, 91,773 tCO_{2eq} in 2018, 92,609 tCO_{2eq} in 2017 and 93,086 tCO_{2eq} in 2016[23].

DIRECT AND ENERGY INDIRECT GHG EMISSIONS

Unit of measurement: tCO_{2eq}

	2020	2019	2018	2017	2016
Scope 1[24]	88,242	93,789	91,001	91,789	92,319
Scope 2 (market-based method)[25]	138	826	772	820	767
Scope 2 (location-based method)[26]	10,095	11,603	9,219	9,822	9,105

GHG Protocol (WRI, WBCSD) definitions

In 2020, our Scope 1 decreased compared to 2019, mostly due to the seven-week production suspension caused by the Covid-19 pandemic. Our Scope 2 market-based GHG emissions were 138 tons CO_{2eq}. This reduction was achieved thanks to the purchase of renewable energy by the Mugello racing circuit starting June 2020. If Ferrari had not purchased Guarantee of Origin certificates these emissions would have been higher by 13,863 tons[27].

Other significant air emissions are mainly related to volatile organic compounds (VOCs) released during vehicle manufacturing. In addition, NO_X, SO_X and dust emissions are constantly monitored.

OTHER SIGNIFICANT AIR EMISSIONS

Unit of measurement: Kg

	2020	2019
NOX	59,293	43,991
SOX	1,086	1,073
Volatile Organic Compounds (VOCs)	46,439	43,393
Dusts	3,090	2,155

(23) 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".

(24) Direct greenhouse gas emissions, measured in tons of CO_2 equivalent, were calculated using emission factors indicated in "Emission Factors from Cross-Sector Tools; March 2017" and "Global Warming Potential Values Guidance; May 2015", published by The Greenhouse Gas Protocol. Gases included in the calculation of the Scope 1 GHG emissions: CO_2, CH_4, N_2O, HFCs and other refrigerant gases.

(25) Market-based indirect greenhouse gas emissions, measured in tons of CO_2, were calculated using the Residual Mix emission factors indicated in "2019 European Residual Mixes, V.1.1", published by AIB. The Group purchases Guarantee of Origin (GO) certificates in order to reduce the impact of CO_2 emissions in the atmosphere.

(26) Location-based indirect greenhouse gas emissions, measured in tons of CO_2, were calculated using the emission factor indicated in "Confronti internazionali; 2018", published by Terna.

(27) Calculated using the market-based method and considering an alternative scenario in which Ferrari does not purchase Guarantee of Origin certificates for electricity

WASTE MANAGEMENT

We acknowledge that rational use of raw materials, together with careful waste management, helps reduce the environmental impact of the manufacturing process. In addition, innovative solutions and advanced technical processes minimize waste and negative environmental impact. The reuse of production scraps in our manufacturing process also has the objective of reducing waste.

To achieve this target, a series of initiatives in the different phases of the manufacturing process have been implemented. As an example, aluminum scraps are melted in the foundry to avoid waste, this is particularly important considering that aluminum is the first raw material (by weight) used in our manufacturing process. Other projects aimed at reducing waste are undergoing a feasibility analysis. In particular, according to the concept of the circular economy, in some cases our production scraps can be used for our manufacturing processes (e.g. processed sand used in the foundry, aluminum that cannot be smelted).

WASTE BY TYPE[28]

NON HAZARDOUS WASTE

Unit of measurement: tons

	2020	2019
Total	**7,664.1**	**8,498.8**

HAZARDOUS WASTE

Unit of measurement: tons

	2020	2019
Total	**2,121.0**	**2,676.6**

Total waste for 2020 was equal to 9,785.1 tons, with a decrease of 12% compared to 2019, mainly due to the production suspension. The quantity of discarded sand from the foundry decreased due to the reduction in supply of engines to Maserati compared to previous years. This sand is no longer sold to a third party but is reused in the production cycle.

LOGISTICS

We produce all of our vehicles and spare parts in our Maranello and Modena plants, however, our network of third party dealers comprises 188 point of sales around the world. A meticulous work is constantly carried out to optimize logistical operations with the aim of reducing the environmental impact and associated air emissions.

WATER MANAGEMENT

We are well aware of the importance of a responsible management of water and, even if our plants are not located in areas exposed to high or extremely high overall water risks[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. This commitment was reinforced by introducing the adiabatic cooling system in our New Technical Center, a new technology which allows us to save more water compared to traditional methods. Moreover, we collect and reuse rainwater and condensation for domestic use.

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[30]

Unit of measurement: ML

	2020		2019	
	All areas	of which areas with water stress[31]	All areas	of which areas with water stress[32]
Groundwater	496.0	18.4	460.2	33.3
Third-party water	205.4	0.0	166.0	0.0
Total water withdrawal[33]	**701.4**	**18.4**	**626.2**	**33.3**

(28) 2020 data includes waste generated by Ferrari S.p.A. in the plants of Maranello and Modena and warehouses and Mugello Circuit S.p.A.: 2019 data do not include waste of Mugello racing circuit that had an impact of less than 2% of the total waste produced by the Group.

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

(30) The data does not include rainwater collected. This amount has an impact of less than 2% of the total water withdrawal.

(31) 2020 data refers to Mugello racing circuit.

(32) 2019 data refers to Mugello racing circuit.

(33) Total water withdrawal refers to freshwater (≤1,000 mg/L Total Dissolved Solids).

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

	2020	2019
Effluents / Water bodies	0	0
Public sewer system	371,039	369,426
Total	**371,039**	**369,426**

VEHICLE 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.

VEHICLE EMISSIONS

We are subject to a variety of laws and regulations that, among others, are related to car emissions and fuel consumption. Ferrari vehicles must comply with extensive regional, national and local laws and regulations, as well as industry self-regulations (including those that regulate vehicle safety). However, we currently benefit from certain regulatory exemptions because we qualify as a Small Volume Manufacturer or similar designation in most of the jurisdictions where we sell our cars (for more details refer to the "Regulatory Matters" paragraph of 2020 Annual Report).

We continue focusing on researching technologies that further reduce 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 technology, in 2014, we introduced hybrid power units in our F1 cars and, in 2019, we launched the SF90 Stradale, our first hybrid series-production car.

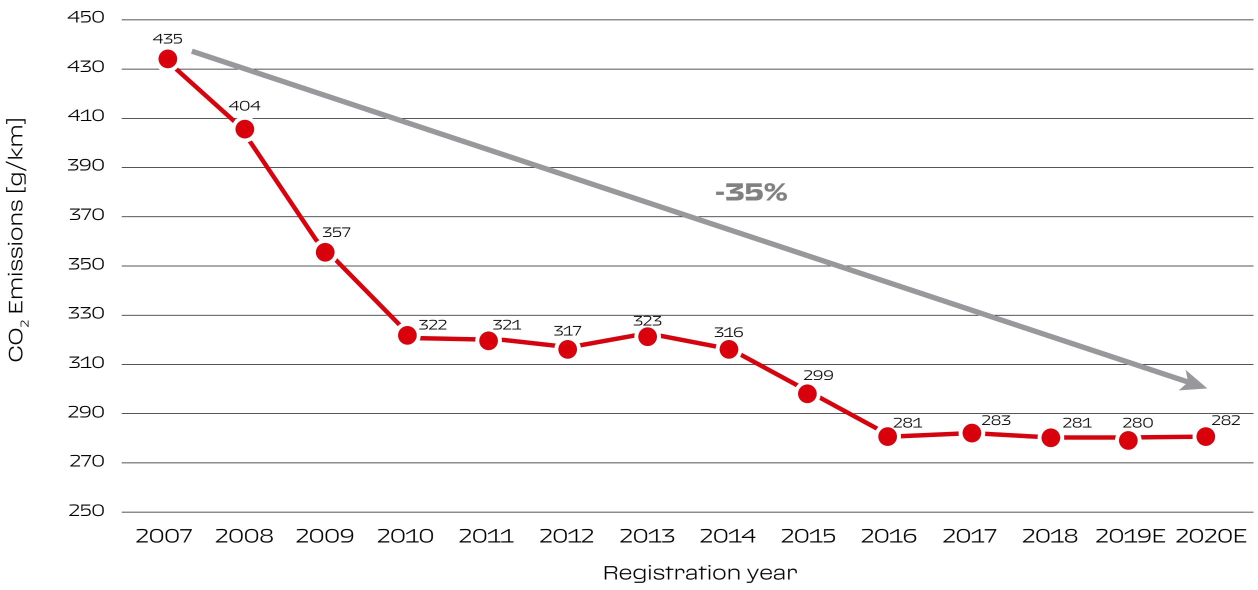
Through innovations in areas such as turbochargers, engine downsizing, transmission, electric steering and hybrid technology we reduced our 2020 CO_2 emissions by 12%[34] (compared to 2014) on our entire fleet. However, as a consequence of the impact of Covid-19 pandemic on Ferrari's supply chain and the resulting delay in the industrialization phase of the SF90 Stradale, our first hybrid series-production car, this achievement is below our 15% reduction target. Consistent with our mission to develop cutting edge sports and GT cars, product development efforts continually focus on improving core components such as the powertrain, car dynamics and the use of materials such as special aluminum alloys and carbon fiber. The expertise acquired in these fields has recently enhanced our efforts to combine improved performance with reductions in CO_2 emissions.

We have undertaken an important program to develop hybrid and electric technology. One of the more relevant topics of this generation, the concept of the car in an era of climate change, will likely be an opportunity for us. Innovation runs within Ferrari, so the challenge of building a Ferrari for a low-emissions future is one that we are already embracing.

In 2020, we achieved a 35% reduction in CO_2 emissions (compared to 2007) for our European fleet through improvements in car's energy efficiency.

(34) Total water withdrawal refers to freshwater (≤1,000 mg/L Total Dissolved Solids).

AVERAGE SPECIFIC CO_2 EMISSIONS (FERRARI EU FLEET[35])
(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.

FURTHER CLIMATE-RELATED DISCLOSURES ("TCFD")

Ferrari is conscious of the risks and opportunities related to climate change, as one of the more relevant defining factors for long-term value creation.

The following section aims at providing a transparent disclosure on climate change-related matters, in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). The following paragraphs summarize how Ferrari is tackling climate-change risks and opportunities in the areas of Governance, Strategy, Risk, Management as well as Metrics and Targets. For further details, please see the TCFD correspondence table at the end of this section.

We are committed to progressively develop our environmental governance, strategy, metrics and goals, in line with best practices and TCFD guidelines.

GOVERNANCE:

The Board of Directors, as a whole, is responsible for the overall strategy of the Company, including in relation to sustainability and climate change topics.

On these matters, within the Board of Directors, the 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: monitoring and evaluating reports on the Group's sustainable development policies and practices, management standards, strategy, performance and governance globally; and reviewing, assessing and making recommendations as to strategic guidelines for sustainability, including climate change-related issues.

At management level, in Ferrari, sustainability and climate-related issues concern all Company functions. As the decision-making body led by the CEO and composed of the heads of the operating segments and certain central functions, the Senior Management Team ("SMT") is therefore the corporate body responsible for these topics.

[35] The percentage considers the Group's type-approved shipments and the CO_2 emissions values according to requirements set by the European Union.

Our Chief Financial Officer, a member of the SMT, is responsible for the Sustainability function that is involved in coordinating the activities within the Group with regard to sustainability, promoting the discussion between different teams and functions, and aiming at identifying risks and opportunities regarding sustainability and climate change.

STRATEGY:

Ferrari is aware of the challenges and opportunities posed by climate change.

Recently, Ferrari made significant and substantial strides on its journey to sustainability. This progress was driven by a sustainability strategy designed around five pillars. One of these pillars is "Reducing environmental footprint: increase our environmental awareness to continuously set and implement related programs and actions". Our business strategy is also influenced by climate change-related commitments and developments at the international, regional and national level, such as the Paris Agreement and Sustainable Development Goals (SDGs). In particular, we take into consideration GHG-related normative requirements and, as in many parts of the world, significant governmental regulation is driven by environmental, fuel economy and emissions concerns.

In this context, our most significant environmental efforts are deployed through a program for the reduction of polluting and GHG emissions, both at manufacturing and product level. In particular, we are currently working on developing hybrid powertrains and other innovations to meet specific regulatory requirements and preparing for a low-emission future thanks to our DNA based on innovation.

Climate change is a key megatrend for Ferrari. In the coming years, we are planning to carry out the scenario analysis as well as setting scientific -based targets.

RISK MANAGEMENT:

Our risk management approach is an important business driver and it is integral to the achievement of the Group's long-term business plan. We take an integrated approach to risk management, where risk and opportunity assessment are at the core of the leadership team agenda. Ferrari has adopted the last publication of the COSO Framework as the foundation of its enterprise risk management (ERM), which also integrates the analysis and assessment of socio-environmental risks, including climate related risks.

The Board of Directors is responsible for considering the ability to control and manage risks crucial to achieving its identified business targets, and for the continuity of the Group.

The SMT is responsible for identifying, prioritizing and mitigating risks and for the establishment and maintenance of a risk management system across our business functions. The SMT reviews the risk management framework and the Company's key global risks on a regular basis. At least annually, our risk management framework and risks are discussed with the Group's Audit Committee.

Our CFO, who directly reports to the CEO, is responsible for the risk management function that is involved, among the other risks, in the assessment, monitoring and management of climate related risks. Operating areas represent the first line of defense, they identify and assess climate-related risks and in collaboration with the central function of risk management those risks are assessed, monitored and managed at corporate level.

METRICS AND TARGETS:

Ferrari is committed to becoming carbon neutral over the longer term.

We are in the process of determining our total carbon footprint. In addition to Scope 1 and Scope 2, in 2020 we implemented specific carbon footprint analysis on four of our key car models and in relation to our 2019 Formula 1 activities. These studies allow us to focus on elements to reduce our carbon footprint. For example, through innovations in our vehicles, we continue to target reductions in CO_2 emissions of our fleet. At production site level, our purpose is to minimize our environmental impact by implementing energy efficiency activities and by continuing to purchase Guarantee of Origin certificates in order to increase the percentage of energy consumed by Ferrari derived from renewable sources, thus reducing the corresponding CO_2 emissions.

In our Sustainability Report we disclose our impacts and performance according to the requirements of the GRI Standards. Moreover, we report two indicators to monitor our economic growth and its climate impact: the Carbon on net revenues ratio and the Carbon on Adj. EBITDA ratio. These two indicators show that Ferrari managed to decouple its economic growth from its environmental impact. In other words, we keep on growing our business activities while at the same time maintaining almost stable our CO_2 emissions.

TCFD REFERENCE TABLE

For further details, please refer to the documents mentioned in the table below.

TCFD AREA	RECOMMENDED TCFD DISCLOSURE	FURTHER REFERENCES
Governance: Disclose the organization's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	• Annual Report: Board Report/ Corporate Governance. • Sustainability Report: Proactively fostering best practice governance/ Our Governance. • CDP Climate Change Questionnaire: C1 –Governance.
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	• Annual Report: Board Report/ Corporate Governance. • Sustainability Report: Proactively fostering best practice governance/ Our Governance. • CDP Climate Change Questionnaire: C1 – Governance.
Strategy: Disclose the actual and potential impacts of climate related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	• Annual Report: Board Report/Risk Factors; Risk, Risk Management and Control Systems. • Sustainability Report: Materiality matrix and stakeholder engagement/ Materiality matrix of Ferrari Group; Proactively fostering best practice governance/ Our Governance. • CDP Climate Change Questionnaire: C2 - Risks and Opportunities; C3 -Business strategy.
	b) Describe the impact of climate-related risks and opportunities on theorganization's businesses, strategy, and financial planning.	• Annual Report: Board Report/Risk Factors; Risk, Risk Management and Control Systems. • Sustainability Report: Materiality matrix and stakeholder engagement/ Materiality matrix of Ferrari Group; Proactively fostering best practice governance/ Our Governance; Reducing environmental footprint/ vehicles environmentalimpact. • CDP Climate Change Questionnaire: C2 - Risks and Opportunities; C3 -Business strategy.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• CDP Climate Change Questionnaire: C3 -Business strategy.
Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks	a) Describe the organization's processes for identifying and assessing climate-related risks.	• Annual Report: Board Report/ Risk, Risk Management and Control Systems. • Sustainability Report: Proactively fostering best practice governance/ Our Governance. • CDP Climate Change Questionnaire: C2 - Risks and Opportunities.
	b) Describe the organization's processes for managing climate-related risks.	• Annual Report: Board Report/Risk Factors; Risk, Risk Management and Control Systems. • Sustainability Report: Proactively fostering best practice governance/ Our Governance/ Sustainability Risks; Reducing environmental footprint/ Our environmental responsibility, Plants and circuits, Vehicles environmental impacts. • CDP Climate Change Questionnaire: C2 - Risks and Opportunities.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	• Annual Report: Board Report/ Risk, Risk Management and Control Systems. • Sustainability Report: Proactively fostering best practice governance/ Our Governance. • CDP Climate Change Questionnaire: C2 - Risks and Opportunities.
Metrics & Targets: Disclose the metrics and targets used to assess and manage relevant climate related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	• Annual Report: Board Report/ Non financial statement. • Sustainability Report: Reducing environmental footprint/ Plants and circuits, Vehicles environmental impacts. • CDP Climate Change Questionnaire: C4 - Targets and performance; C6 -Emissions data; C7 – Emissions breakdowns; C8 – Energy.
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	• Annual Report: Board Report/ Non financial statement. • Sustainability Report: Reducing environmental footprint/ Plants and circuits. • CDP Climate Change Questionnaire: C6 -Emissions data; C7 – Emissions breakdowns.
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	• Annual Report: Board Report/ Non financial statement. • Sustainability Report: Reducing environmental footprint/ Plants and circuits, Vehicles environmental impacts. • CDP Climate Change Questionnaire: C4 - Targets and performance.

CREATING AND SHARING VALUE WITH THE COMMUNITY

Our goal is to create and share long-term value with our stakeholders. On the one side, the economic value generated and distributed provides an indication on how we created wealth, on the other, there are plenty of intangible resources and initiatives that contribute to the value creation processes. In this context, community engagement and involvement with the local territory are of fundamental importance to us, with particular reference to Maranello and Modena, where all our cars are manufactured. To maintain alive the spirit of Ferrari and the story of its founder Enzo Ferrari, two different museums have been established, attracting every year thousands of visitors from all over the world to the heart of the Italian "Motor Valley".

FERRARI & EDUCATION

We are aware of our responsibility towards the community and our efforts are directed to support its development, mainly through collaborations with local universities and 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 by establishing long-term relationships with technical schools in Maranello, such as the *istituti tecnici superiori*, 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 between the universities of Modena and Reggio Emilia, Bologna, Ferrara and Parma along with car companies (Lamborghini, Dallara, Ducati, HaasF1Team, HPE COXA, Marelli, Maserati, Pagani, Scuderia AlphaTauri) in the region that represent the excellence of Italian brands, which of course includes Ferrari.

FERRARI MUSEUM MARANELLO & MUSEO ENZO FERRARI (MEF)

The Ferrari Museum Maranello invites visitors to experience the Prancing Horse dream first-hand, offering them a journey through the Group's history, values and automotive world.

The Museo Enzo Ferrari is built around the house in which Enzo Ferrari was born in 1898. The MEF tells the story of Enzo Ferrari as a young boy discovering the irresistible allure of the world of motor racing, his career as a driver in 1920s, as the driving force behind the Scuderia Ferrari in the 1930s, and then as Ferrari, the Constructor, from 1947 onwards.

SCUDERIA FERRARI CLUB

We strive to maintain and enhance the power and passion we inspire in customers and the broader community of automotive enthusiasts by continuing our rigorous production and distribution model, promoting hard-to-satisfy demand and scarcity value in our cars. We also support our brand value by enabling a strong connection between Ferrari and our community of enthusiasts.

Scuderia Ferrari Club is a non-profit consortium company founded in 2006 by Ferrari S.p.A. to coordinate the activities of the Scuderia's many fans who have founded clubs around the world. Today the Company has over 209 officially-recognised Clubs in 24 countries. An incredible mix of different nationalities, cultures and lifestyles is united by one enduring passion for Ferrari. Scuderia Ferrari Club also works with the Clubs to support the organization of their events. Before joining Scuderia Ferrari Club, an organisation must demonstrate a significant track record and engage in a conduct in line with Ferrari's values.

METHODOLOGY AND SCOPE

Through this Non-Financial Statement, we aim to provide our stakeholders with non-financial information, illustrate our sustainability strategy and our corporate social responsibility initiatives in 2020 (from January 1st, 2020 to December 31st, 2020) 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	INTERNAL REFERENCE – CHAPTER / PARAGRAPH
Business model	• Our Business
Policies and due diligence	• Corporate Governance • Proactively fostering best practice governance / Integrity of Business Conduct • Being the employer of choice / Working environment • Being the employer of choice / Training and talent development • Being the employer of choice / Occupational health and safety • Reducing environmental footprint / Environmental management systems
Principal risks and their management	• Risk Factors • Proactively fostering best practice governance / Sustainability Risks • Risk, Risk Management and Control Systems
Thematic aspects	
Environmental matters	• Reducing environmental footprint / Plants and circuits; • Reducing environmental footprint / Vehicles environmental impact • Reducing environmental footprint /Further Climate-related Disclosures (TCFD)
Social matters	• Our Business • Proactively fostering best practice governance / Integrity of Business Conduct • Proactively fostering best practice governance / Responsible supply chain • Exceeding expectations / Research innovation technology • Exceeding expectations / Customer Satisfaction • Exceeding expectations / Vehicle safety • Creating and sharing value with the community / Ferrari & education
Employee matters	• Being the employer of choice / Working environment • Being the employer of choice / Training and talent development • Being the employer of choice / Talent recruitment and Employee Retention • Being the employer of choice / Occupational Health and Safety • Being the employer of choice / Our employees in numbers
Respect for human rights	• Proactively fostering best practice governance / Integrity of Business Conduct • Proactively fostering best practice governance / Responsible supply chain • Being the employer of choice / Talent recruitment and Employee Retention • Being the employer of choice / Occupational Health and Safety • Being the employer of choice / Our employees in numbers
Fight against corruption and bribery	• Proactively fostering best practice governance / Integrity of Business Conduct
Supply Chain	• Proactively fostering best practice governance / Integrity of Business Conduct • Proactively fostering best practice governance /Responsible Supply Chain
Conflict minerals	• Proactively fostering best practice governance / Integrity of Business Conduct • Proactively fostering best practice governance / Responsible Supply Chain

This Statement is an extract of our Sustainability Report, that is prepared in accordance with the GRI Standards: Core option. This Statement also includes further climate-related disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). 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 this Statement.

Directly measurable quantities have been included, while limiting, as far as possible, the use of estimates. Any estimated data is indicated accordingly, additionally certain totals in the tables included in this document may not add due to rounding.

During the reporting period, we did not face any significant change concerning the organization's size, structure, ownership or supply chain.

RISK MANAGEMENT PROCESS AND INTERNAL CONTROL SYSTEMS

Our risk management approach is an important business driver and it is integral to the achievement of the Group's long-term business plan. We take an integrated approach to risk management, where risk and opportunity assessment are at the core of the leadership team agenda. The Board of Directors is responsible for considering the ability to control and manage risks crucial to achieving its identified business targets, and for the continuity of the Group. For this reason, Ferrari has developed varying appetites to achieve different strategic objectives, focusing attention at all relevant risk levels, from risk management to internal control.

Ferrari has adopted the last publication ("Enterprise Risk Management - Integrating Strategy and Performance") of the COSO Framework (Committee of Sponsoring Organizations of the Treadway Commission) as the foundation of its enterprise risk management (ERM). 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.

FERRARI'S ENTERPRISE RISK MANAGEMENT PROCESS

The Ferrari Enterprise Risk Management system is oriented by and structured in six different components:

1. **Risk Governance**: A structure through which our organization directs, manages and reports its risk management activities. The Risk Governance structure encompasses clearly defined roles and responsibilities, decision-making powers, a risk operating model and reporting lines.
2. **Risk Culture**: The values and the attitude consistent with our risk management culture are communicated to and understood at all levels of the organization.
3. **Risk Strategy & Appetite**: Our risk management principles are intended to enable the achievement of our business plan, goals and strategic objectives. Our risk appetite is balanced by risk tolerance, limits and associated protocols in case of a breach to control risk levels within our organization.
4. **Risk Assessment & Measurement**: Established activities that allow Ferrari to identify, assess and quantify potential risks on regular basis. This activity allows Ferrari to consider the potential impact that events may have on the achievement of the Company's objectives.
5. **Risk Management & Monitoring**: Management's response to manage, mitigate or accept risk. Risk management efforts create value through the use of information on risks and controls, in order to improve business performance. Systematically monitoring the identified risks and management activities against established metrics permits timely proactive response where warranted.
6. **Risk Reporting**: Reporting of risk and related information (e.g. mitigation activities) provide genuine insight into the strengths and weaknesses of the risk management activity. Disclosure of risk management information to key internal and external stakeholders, also supporting the decision-making processes.

RISK APPETITE

The risk appetite of Ferrari, (i.e. the level of risk that Ferrari is willing to accept to achieve its objectives), has been defined based on the parameters identified below and will be applied to our strategy, Code of Conduct, company values and policies. Ferrari does not rank by importance the individual types of risk reported in this section because it believes such ranking would be an arbitrary exercise as all risks mentioned have relevance for the Group and the business. The types of risk identified are as follows:

RISK CATEGORY	RISK DESCRIPTION		RISK APPETITE STATEMENT
Strategic risks (S)	Risks which affect or are created by Ferrari's business strategy and could affect Ferrari's long-term positioning and performance.	Moderate	Ferrari is willing to accept moderate risks in order to achieve its strategic objectives. Ferrari recognizes the need of continuing to invest in research and development to design and build technically innovative, aesthetically iconic and highly performing cars able to deliver the most "fun to drive" experience and feature design excellence. Strategic risks are taken in a responsible way considering 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 including areas such as valuation, currency, liquidity, commodity and impairment risks.	Low	Ferrari has a cautious approach with respect to financial risks. Ferrari continuously seeks to improve and strengthen its financial position to generate the required cash to finance its operations and reward its stakeholders.
Compliance risks (C)	Risks of non-compliance with laws, regulations, local standards, code of conduct, internal policies and procedures.	Zero tolerance	Ferrari does not tolerate infringements and abides to all applicable laws and regulations through the implementation of preventive measures, the rigorous enforcement of its internal Code of Conduct to ensure that ethics and integrity are respected and the promotion of its values.
Reputational risks (R)	Risks which affect Ferrari's Brand image, credibility and/or integrity.	Zero tolerance	Ferrari strives to protect and enhance its reputation by mitigating all the potential threats that could impact the organization's reputation, credibility and the operational integrity, while constantly increasing its brand awareness.
Health, Safety and Environmental risk (H)	Risks which affect health and safety and the environment.	Zero Tolerance	Ferrari does not tolerate risks that could have effect on its employees or clients as well as on the environment of the surrounding world.

KEY RISKS AND RISK TRENDS

Ferrari assesses risks according to their potential impact, likelihood and the entity's preparedness, which, properly combined, determine an overall risk exposure to prioritize risks and focus the efforts on the most important ones. Ferrari expects that the risk responses which have been implemented or that will be deployed when activated by ad-hoc triggers, will mitigate the risks up to the level defined within the risk appetite. Below we identify and discuss our key Company-specific risks. The risks listed and the response plans are not exhaustive and may be adjusted from time to time.

BRAND IMAGE (S/R)

The preservation and enhancement of the value of the Ferrari brand is crucial in driving revenue and demand for our cars. The perception and recognition of the Ferrari brand are of strategic importance and depend on many factors such as the design, technology, performance, quality and image of our cars, as well as the appeal of our dealerships and stores, the success of our client activities, and our general profile, including our brand's image of exclusivity.

The prestige, identity and appeal of the Ferrari brand also depend on the continued success of the Scuderia Ferrari racing team in the Formula 1 World Championship.

KEY ASPECTS	RESPONSE PLANS:
Preserving brand value Success of the Formula 1 team Social Media management	Selective licensing of the Ferrari brand
	Monitor and maximize residual value of Ferrari cars
	Selective choice of franchising partners
	Dealer score cards
	Ferrari Academy (in-house training center for dealers)
	Close monitoring of social media and Ferrari perception
	Adoption of a Ferrari Social Media Practice

UNFAVORABLE GLOBAL ECONOMIC CONDITIONS (S)

Deteriorating general economic conditions may affect disposable income and reduce consumer wealth, which in turn may impact client demand, particularly for luxury goods, which may negatively impact our profitability and put downward pressure on our prices and volumes. Furthermore, during recessionary periods, social acceptability of luxury purchases may decrease and higher taxes may be more likely to be imposed on certain luxury goods including our cars.

In general, although our sales have historically been comparatively resilient in periods of economic turmoil, sales of luxury goods tend to decline during recessionary periods when the level of disposable income tends to be lower or when consumer confidence is low.

KEY ASPECTS	RESPONSE PLANS:
Dependency on mature economies, particularly in EMEA and the United States Global economic development	Expanding in emerging markets, diversifying and monitoring economic trends; developing growth plans in line with growth in number of High Net Worth Individuals and Ultra High Net Worth Individuals
	Closely monitoring all market developments and continuously reviewing the countries in which we do business and their geo-political events
	Monitoring budget and timing of capital expenditures
	Monitoring customers' orders and waiting lists

COMPETITION (S)

We face competition in all product categories and markets in which we operate. We compete with other international luxury performance car manufacturers which own and operate well-known brands of high-quality cars. Some of them are part of larger automotive groups and may have greater financial resources and bargaining power with suppliers than us, particularly in light of our policy to maintain low volumes in order to preserve and enhance the exclusivity of our cars. We believe that we compete primarily thanks to our brand image, the performance and design of our cars, our reputation for quality and the driving experience we offer our customers.

Several global luxury automotive manufacturers have increased competitive pressure for luxury cars particularly in EMEA and the United States. Considering that these are mature markets, we anticipate that existing market participants will try to aggressively protect or increase their market share. Increased competition may result in pricing pressure, reduction of marginality and our inability to meet our shipment targets, which could have a material adverse effect on our results of operations and financial condition.

KEY ASPECTS	RESPONSE PLANS:
Margin pressure	Focus on client relationships, including Maranello Experience, selected participation for new model launches and Ferrari clubs
Shipments	Close contact with dealers and client programs
Order book and residual value management	Indirectly support residual values through financial services products for pre-owned cars
	Personalization services (Atelier and Tailor Made)

NEW TECHNOLOGIES (S)

Performance cars are characterized by leading-edge technology that is constantly evolving. In particular, advances in racing technology often lead to improved technology in road cars. Although we invest heavily in research and development, we may be unable to maintain our leading position in high performance car technology and, as a result, our competitive position may suffer. As technologies change, we plan to upgrade or adapt our cars and introduce new models in order to continue to provide cars with the latest technology. However, our cars may not compete effectively with our competitors' cars if we are not able to develop, source and integrate the latest technology into our cars.

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

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

We expect to increase R&D spending in the medium term particularly on hybrid and electric technology-related projects. This transformation of our car technology creates risks and uncertainties such as the impact on driver experience, and the impact on the cars' residual value over time, both of which may be met with an unfavorable market reaction. Other manufacturers of luxury sports cars may be more successful in implementing hybrid and electric technology.

KEY ASPECTS	RESPONSE PLANS:
Increase of complexity of products and components	Close monitoring of market and technological evolution
New dominant design/ technologies	Continuous alignment between R&D department and Product Marketing department
	Structured dealership network in order to offer a close after sales services to the clients
Increase of complexity in after sales activity	Global RRR (Retain-Recruit-Reward) project dedicated to dealerships in order to increase the efficiency and effectiveness of dealership network

DELAY IN PRODUCTS LAUNCH (O)

Our growth depends on the continued success of our existing cars, as well as the successful and timely introduction of new cars. Our ability to create new cars and to sustain existing car models is affected by whether we can successfully anticipate and respond to consumer preferences and car trends. The failure to develop successful new cars or delays in their launch that could result in others bringing new products and leading-edge technologies to the market first, could compromise our competitive position and hinder the growth of our business.

Our growth strategy may expose us to new business risks that we may not have the expertise, capability or the systems to manage. This strategy will also place significant demands on us by requiring us to continuously evolve and improve our operational, financial and internal controls. Continued expansion and continuous increasing of complexity of our car models also could increases the challenges involved in maintaining high levels of quality, management and client satisfaction, recruiting, training and retaining sufficient skilled management, technical and marketing personnel, supplying new components from our suppliers.

If we are unable to manage these risks or meet these demands, our growth prospects and our business, results of operations and financial condition could be adversely affected. In detail, we may have potential delay in new products launch resulting in lower revenues volumes than planned.

KEY ASPECTS	RESPONSE PLANS:
Delay in product launch	Close monitoring of business strategy, its results and adoption of timely corrective actions
	Structured internal process with assigned roles and responsibilities and defined activities for every product development project
	Project Management team in charge to define timing and monitoring every product development project

DELAYS IN BRAND DIVERSIFICATION STRATEGY EXECUTION (O/R)

The pandemic conditions could influence our capacity to correctly and timely execute our Brand Diversification strategy announced in 2019, which is centered on the strengthening the deployment of our brand in non-car products and experiences. Our brand activities across different jurisdictions have been, and may continue to be, adversely impacted, due to the temporary closure of the Ferrari stores, museums and theme parks to comply with government orders, with an adverse impact on the our revenues originating from such activities. Our stores and museums were closed from mid-March, gradually reopening in May, with in-store traffic and museum visitors significantly lower after reopening compared to pre-pandemic levels.

Furthermore, our capacity to recruit new business partners, in the current pandemic conditions, may be impacted resulting a potential delay in our strategy expansion.

If we are unable to manage the current conditions, monitor on a regular basis the achievement of the milestones and the potential misalignment between results and milestones and put in place promptly the necessary corrective actions, this may adversely affect our ability to achieve our strategy and prevent our investments from generating the volumes and revenues estimated. In addition, if our strategy is not successful, our brand image may be weakened or tainted.

KEY ASPECTS	RESPONSE PLANS:
Brand diversification strategies Relationship with business partners (e.g. licensees, franchisees, theme parks, etc.)	Close monitoring of business strategy, its results and adoption of timely corrective actions
	Assessment, qualification and monitoring of business partners
	ICT/online tools and activities to engage customers and potential new partners
	Social Audit procedures and supporting tools for conducting risk assessments and social audits to check compliance to the Minimum Required Ethical Standards

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.

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 extent of possible damage from earthquakes
Production and operations suspension	High quality reputable suppliers assessed by the Supplier Risk Management
Single source suppliers for components	Identifying alternative suppliers for critical components
Dependence on limited number of suppliers for raw materials	IT disaster recovery plans
	Insurance coverage

ATTRACTION, DEVELOPMENT AND RETENTION OF TALENTS (O)

Our success and our innovation capacity 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 level of enthusiasm of Ferrari clients for the brand and their perception of our cars, which could have an adverse effect on our business, results of operations and financial condition.

KEY ASPECTS	RESPONSE PLANS:
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
Management potential	Talent reviews and succession plans
Labor unions	Retention plans
	Training and development

FORMULA 1 REVENUES (O)

Revenues from our Formula 1 activities depend principally on the income from our sponsorship agreements and on our share of Formula 1 revenues from broadcasting and other sources.

If we are unable to renew our existing sponsorship agreements or if we enter into new or renewed sponsorship agreements with less favorable terms, our revenues would decline. Our capacity to renew our existing sponsorship agreements and to have other more competitive sponsorship agreements also depends on our performance in Formula 1 activities and our ability to win Formula 1 championships, both drivers and constructors.

Furthermore, the COVID-19 pandemic has significantly impacted the 2020 Formula 1 season, resulting in a reduced number of Formula 1 races and corresponding lower revenue accrual.

In addition, our share of profits related to Formula 1 activities may decline if either our team's performance worsens compared to other competing teams, or if the overall Formula 1 business suffers, including potentially as a result of increasing popularity of the FIA Formula E championship.

Moreover, in order to compete effectively on track we have been investing significant resources in research and development and competitively to compensate the best available drivers and other racing team members. These expenses also vary based on changes in Formula 1 regulations that require modification to our racing engines and cars. These expenses are expected to continue, and may grow further, including as a result of any changes in Formula 1 regulations, which would negatively affect our results of operations and consequently our capacity to attract new business sponsorships.

KEY ASPECTS	RESPONSE PLANS:
F1 sponsorship revenues **F1 financial regulation**	Internal organizational unit dedicated to F1 business partners
	Negotiation of new sponsorship contracts or renewal of current sponsorship contracts
	Defining new services and custom experience and different activities to provide to our sponsors
	Participation in Formula 1 Strategic Group
	Continuous monitoring and implementation of required changes in the F1 regulations and identification of early remediation plans

CYBERSECURITY INCLUDING THIRD PARTIES VULNERABILITIES (O)

Our IT systems architecture and industrial machinery are exposed to external cyber-attacks. The number and sophistication of attacks have dramatically increased in recent years. Furthermore, external cyber organizations are currently better structured and organized than in the past and can more effectively perform cyber-attacks.

Also in the next years, we expect to increase the connectivity features of our cars. These new features may increase the cyber security risk of our cars with the chance that an external attack may occur. In this case, potential impact may occur on road users in term of safety, operational conditions of cars, financial impact and privacy damage. Furthermore, the reputation and the integrity and value of our brand may be damaged and our business, operating results and financial condition may be materially and adversely affected.

In addition, we have to consider also that our third parties could be subjected to external cyber-attacks. In case the third party is connected with our system, the cyber attacker could penetrate also our IT systems.

If we are unable to protect our system IT systems architecture and industrial machinery, to design a well-functioning security architecture for our cars and to promote good practices with our third parties, we are exposed to the risk that both our internal sensitive data and customers' data stored in the cars can be stolen and disseminated externally. Alternatively, the data can be encrypted and a ransom could be requested (*ransomware practices*).

KEY ASPECTS	RESPONSE PLANS:
Increased sophistication of Cyber Attacks Third Parties cybersecurity Remote working impact on IT Security Cars connectivity	Increasing our employees' awareness on phishing activities and other ways to perform an external cyber attacks
	Continuous monitoring of potential external cyber attacks and remediation plans
	Assessment of internal vulnerability level (vulnerability assessment) and implementation of further technical actions where necessary
	Assessment and monitoring the cyber security maturity level of third parties (suppliers and dealers) and promotion of good practices
	Ferrari started gathering insights in Cyber Security and Connected Experience with different streams and internal projects

NON-COMPLIANCE WITH LAWS, REGULATIONS, LOCAL STANDARDS (INCLUDING TAX) AND CODES (C)

We are subject to comprehensive and constantly evolving laws, regulations and policies throughout the world. We expect the legal and regulatory requirements affecting our business and our costs of compliance to keep increasing significantly in scope and complexity in the future. In Europe, United States and China, for example, significant governmental regulation is driven by environmental, fuel economy, vehicle safety and noise emission concerns, and regulatory enforcement has become more active in recent years. Evolving regulatory requirements could significantly affect our product development plans and may limit the number and types of cars we sell and where we sell them, which may adversely affect our revenue and operating results.

Our compliance controls, policies, and procedures may not protect us in every instance from acts committed by our employees, agents, contractors or collaborators that would violate the laws or regulations of the jurisdictions in which we operate, including employment, foreign corrupt practices, environmental, competition, and other laws and regulations. In particular, our business activities may be subject to anticorruption laws, regulations or rules of other countries in which we operate. If we fail to comply with any of these regulations, it could adversely impact our operating results, financial condition and reputation.

KEY ASPECTS	RESPONSE PLANS:
Technical regulatory requirements regarding our cars HSE (Health, Safety and Environment) Tax Human Resources Legal Anti-Bribery & Corruption Code of Conduct	Increasing knowledge and awareness of laws, regulations, standards and codes
	Monitoring, reviewing, reporting and adapting to relevant changes in rules and regulations
	Specific project teams activated in case of new requirements to put in place the required organizational and process changes
	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 at the subsidiary level
	Communicating and implementing business conduct standards internally
	Maintaining a global whistle blower procedure

EXCHANGE RATE FLUCTUATIONS, INTEREST RATE CHANGES, COMMODITY PRICES, CREDIT RISK AND OTHER MARKET RISKS (F)

Ferrari operates in numerous markets worldwide and is exposed to market risks stemming from fluctuations in currency and 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.

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 2020, 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 up to 90 percent of the principal exposures to foreign currency exchange risk , typically for a period of up to twelve months. Derivatives financial instruments are executed for hedging purposes only.

Several subsidiaries are located in countries that are outside the Eurozone exposing Ferrari to translational exchange risk, in particular the United States, China, Japan, Australia and Singapore. The Group monitors its principal exposure to translational exchange risk, although there was no specific hedging in this respect at the reporting date because the relative exposure is not material.

In addition, foreign exchange movements might also negatively affect the relative purchasing power of our clients which could also have an adverse effect on our revenues and results of operations.

Ferrari has a positive cash flow that almost offsets the exposure to liquidity risk. The Group uses various forms of financing to cover the funding requirements of its industrial activity and for financing offered to customers and dealers. The terms of these financings, which include bank facilities (committed and uncommitted), access to capital markets and private placements, are intended to limit the Group exposure to interest rate fluctuation. Approximately 29 percent of the Group's total debt bears floating interest rates and Ferrari enters into interest rate caps as requested by certain of its asset-backed financing agreements for its financial services activities. Considering the current capital structure of the Group, Ferrari has not entered into any interest rate derivatives other than the interest rate caps mentioned, however, the exposure is regularly monitored.

Ferrari's most important financial asset is cash. It is held on bank and deposit accounts with primary financial institutions and money market funds. Our group policy requires us to continuously monitor counterparty risk and limit concentration of financial assets to a maximum of 25% of the total with a single financial counterpart. Ferrari owns a financial services portfolio secured on the titles of cars or other guarantees, spread over more than 4,200 clients that are mainly in the US. Impairment risk mainly relates to the financial services portfolio which is evaluated on an individual basis for material or overdue credit positions. The amount of any write-down is based on an estimate of the recoverable cash flows, their timing, recovery costs and the fair value of any guarantees received.

In addition, an increase of certain commodity prices can have a negative impact on Ferrari's results. Ferrari uses derivative financial instruments (primarily commodity swaps) to hedge a portion of certain exposure to commodity price risk.

Further information is included in Note 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
Exposure to commodity price	Commodity hedging instruments defined and authorized for specific commodities' price exposure risk
Credit risk of default or insolvency	Credit approval policies applied to dealers and retail clients. Bank guarantees, pre-payments (also title of the vehicle for the financial services business

INTERNAL CONTROL OVER FINANCIAL 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).

Our shares' listing on regulated markets involves being compliant with the related securities regulations and listing rules. In particular, publicly traded companies filing financial statements with the US Securities and Exchange Commission are required to comply with the Sarbanes Oxley Act requirements, in particular sections 302, 404 and 906 that involve a periodical management assessment of internal controls and CEO and CFO Certifications of Periodic Financial Reports and SEC Filings. In addition, our independent registered public accounting firm is also required to report on the effectiveness of the internal control over financial reporting.

Under the COSO Internal Control-Integrated Framework, according to which the internal control system is defined as a set of rules, procedures and tools designed to provide reasonable assurance of the achievement of corporate objectives, Ferrari has developed an Internal Control System over the Financial Reporting in order to assure completeness, accuracy and reliability of the group financial reporting.

Within the above mentioned context, identification and evaluation of the risk of misstatements which could have material effects on financial reporting is carried out through a risk assessment process that uses a top-down approach to identify the organizational entities, processes and the related accounts, in addition to specific activities that could potentially generate significant errors. Under the methodology adopted by the Company, risks and related controls are associated with the accounting and business processes upon which accounting information is based.

Significant risks identified through the assessment process require definition and evaluation of key controls that address those risks, thereby mitigating the possibility that financial reporting will contain any material misstatements.

In accordance with international best practices, the Group has two principal types of control in place:

- controls that operate at Group or subsidiary level, such as delegation of authorities and responsibilities, separation of duties, and assignment of access rights to IT systems; and
- controls that operate at process level, such as authorizations, reconciliations, verification of consistencies, etc. This category includes controls for operating processes, controls for financial closing processes and controls carried out by specific service providers. These controls can be preventive (i.e., designed to prevent errors or fraud that could result in misstatements in financial reporting) or detective (i.e., designed to reveal errors or fraud that have already occurred). These controls may also be classified as manual or automatic, such as application-based controls relating to the technical characteristics and configuration of IT systems supporting business activities.

An assessment of the design and operating effectiveness of key controls is carried out through tests performed periodically during the year, both at Group and subsidiary level, using sampling techniques recognized as best practices internationally.

The assessment of the controls may require the definition of compensating controls and plans for remediation and improvement. The results of monitoring are subject to periodic review by the manager responsible for the Company's financial reporting and communicated by him to senior management and to the Audit Committee.

REMUNERATION OF DIRECTORS

INTRODUCTION

The description below summarizes the guidelines and the principles followed by Ferrari in order to define and implement the remuneration policy applicable to the executive directors and non-executive directors of the Company, and members of the SMT. In addition, this section provides the remuneration paid to these individuals for the year ended December 31, 2020. The form and amount of compensation received by the directors of Ferrari for the year ended December 31, 2020 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 give them 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 2020, Ferrari confirmed these remuneration features through the positive vote expressed by shareholders in the 2020 AGM.
   Our current remuneration strategy further strengthens the alignment with shareholders' interests and long-term sustainability of our business, adopting certain updates to reflect developing best practices in the Dutch Corporate Governance Code.

2. Implementation of remuneration strategy: details how remuneration features have been implemented during the 2020 financial year and actual remuneration received by each executive and non-executive director. In 2020, there was no deviation from the remuneration policy.

1. REMUNERATION STRATEGY FOR THE 2020 FINANCIAL YEAR

REMUNERATION PRINCIPLES

The main goal of Ferrari's remuneration strategy is to develop a system which consistently supports the business strategy and value creation for all shareholders, establishing a compensation structure that allows us to attract and retain the most highly qualified executive talent and motivate such executives to achieve business and financial goals that create long-term value for shareholders in a manner consistent with our core business and leadership values and taking into account the social context around the Company.

In defining the remuneration strategy, the Compensation Committee has taken into account certain principles which characterize Ferrari's remuneration policy, such as:

1. The identity, mission and values of the Company, to attract, retain and reward skilled women and men who constitute the soul of the Company. Their passion, courage, creativity, ambition and pride constitute the essence of Ferrari and fuel its legend to ever greater heights. Being Ferrari means being part of a unique future-focused team in which people are the most valuable resource. Together with all our employees we've crafted the vision, mission and values that are the very essence of being part of Ferrari and which guide our employees as we tackle our day-to-day challenges;

2. The provision of statutory requirements, with specific focus on the Shareholder Rights Directive (Directive (EU) 2017/828) and the implementation thereof into Dutch law;

3. International competitive remuneration market trends, based on the idea that it is becoming increasingly challenging to attract and retain employees in today's tight market. For our executive directors and members of SMT, fixed remuneration, short-term incentives and long-term incentives are calculated based on the position and responsibilities assigned to each, taking into account average remuneration levels on the market for positions with similar levels of responsibility and managerial

complexity in large international companies, in order to maintain high levels of competitiveness and engagement;

4. Corporate governance and executive remuneration best practices as expressed by institutional investor guidelines, developing a remuneration policy compliant with the Dutch Corporate Governance Code and the interest of Ferrari's shareholders. We analyze any gaps in each of our remuneration components in order to guarantee a high level of alignment with the main guidelines of our stakeholders;

5. The societal context around and social support in respect of the Company, developing a specific focus on trends in sustainability among our employees. We are committed to provide a healthy and safe workplace for all employees and stakeholders by implementing a high level of safety standards to avoid potential risks to people, assets or the environment, in order to guarantee an optimal working environment for all employees and attract the best talents. Our results in this field reflect, once again, our strategic commitment to protecting the environment and ensuring personal safety;

6. The views of the Board of Directors, members of SMT, other senior leaders and all employees, in order to make the health and safety of the Company's employees essential to the successful conduct and future growth of the Company. In this respect and in line with the Dutch Corporate Governance Code, the internal pay ratio is an important input for determining the remuneration for the Board of Directors; and

7. The centrality for Ferrari of value creation and the interest of our shareholders, the importance of which is recognized through the use of Total Shareholder Return (TSR) as a performance metric in the Company's long-term incentive plans. The Compensation Committee considers that the use of relative TSR remains one of the most appropriate measures of long-term performance for Ferrari. Our stock performance since the time of listing shows the centrality of this factor, enabling also a strong correlation between pay and performance for our Executives.

The main principles of Ferrari's remuneration policy are outlined in the chart below:

1 ALIGNMENT WITH FERRARI'S STRATEGY	Compensation is strongly linked to the achievement of targets aligned with the Company's 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 are aligned to the long-term interests of shareholders
5 COMPLIANCE	Ferrari compensation policies and plans are designed to comply with applicable laws and corporate governance requirements

OVERVIEW OF REMUNERATION ELEMENTS

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 Annual General Meeting of shareholders held on April 16, 2020 (the "2020 AGM") approved the directors' 2019 remuneration report and Ferrari's remuneration policy. The 2019 remuneration report was approved by 89.6% of votes cast, while the remuneration policy was approved by 77.3% of votes cast. This year we enhanced the disclosure of our remuneration as compared to our disclosure last year, including the full list of peers that we used to benchmark our executive compensation program and the level of achievement of the short-term incentives by members of the SMT.

The total remuneration paid in 2020 is aligned with the remuneration policy: no deviations or derogations were applied. The Compensation Committee regularly reviews the directors' remuneration policy against the best corporate governance practices adopted by institutional shareholders and the recommendations of the main proxy advisors, considering also the view of the stakeholders on the remuneration policy and main features of the remuneration report.

The remuneration for the financial year 2020, as described in this report, is subject to a consultative vote at the Annual General Meeting of Shareholders scheduled for April 2021.

Louis Camilleri resigned from the Board as Chief Executive Officer in December 2020 for personal reasons. Our Executive Chairman, John Elkann, has taken on the position of interim CEO, while the Board of Directors is in the process of identifying the successor of Mr. Camilleri.

Ferrari's remuneration policy provides that a substantial portion of the compensation of our executive directors and members of the SMT should be "at-risk", meaning that each will receive a certain percentage of his or her total compensation only to the extent Ferrari and the executive accomplish short and long-term goals established by the Compensation Committee.

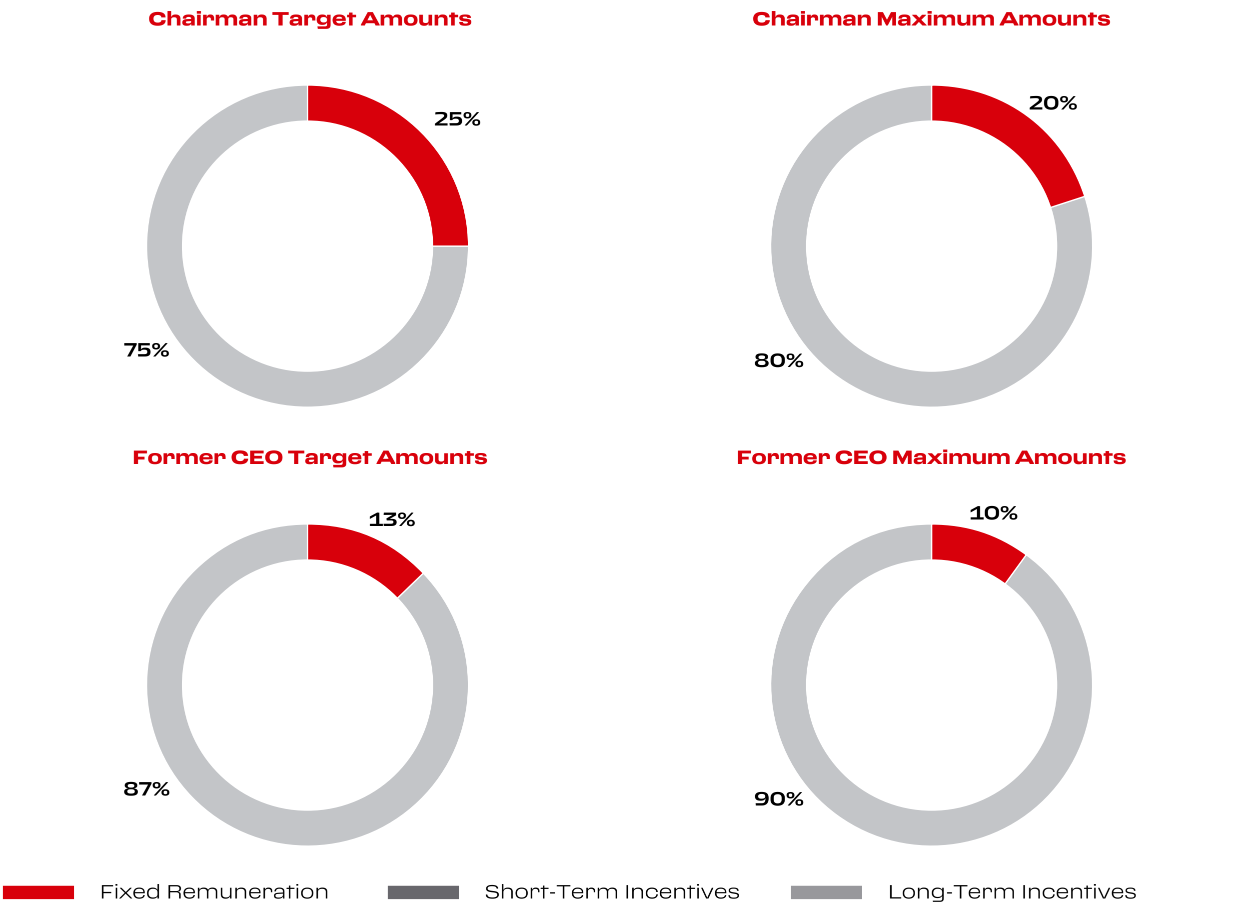
The purpose and features of the different elements of our remuneration structure for 2020 are outlined in the table below:

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

COMPONENT	PURPOSE	TERMS AND CONDITIONS	AMOUNTS
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 • Former 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: the fixed remuneration is related to the position held and the responsibilities attributed, as well as the experience and strategic nature of the resources, in line with reference market offering for roles of similar responsibility and complexity	• Executive Chairman: €250,000 annually • Former 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, in line with reference market offering for roles of similar responsibility and complexity
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	2020 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 2020 did not include any short-term incentives • Former CEO: The former CEO compensation package for 2020 did not include any 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 instalments • PSUs: 50% linked to TSR compared to Peer Group, 30% linked to EBITDA; 20% linked to a qualitative factor related to the sustainability and innovation of business	• 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 • Former 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
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 counselling
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 former 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 former CEO's compensation packages are structured as follows:



As shown in the charts above, our compensation structure places an appropriate amount of compensation opportunities for our Executive Chairman and former CEO at risk based on long-term results. At-risk compensation is based on financial and non-financial performance measures and relative TSR. A significant portion of the compensation opportunities is delivered in equity, the vesting and value of which are intended to align the executive's interests with shareholder returns. The Chairman and the former CEO compensation packages for 2020 did not include any 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.

2020 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 or, for our Executive Chairman and former CEO, based solely on 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 support Ferrari's strategy, long-term interests and sustainability. We establish target compensation levels using a market-based approach and we monitor compensation levels and trends in the market. We also periodically benchmark our executive compensation program against peer companies.

In 2020 Ferrari conducted a benchmarking for the position of Chief Executive Officer and of Executive Chairman considering for the role of CEO an ad hoc peer group composed of 15 companies, representing the reference panel, which is comprised of companies with comparable business and labor market. Ferrari benchmarked its Chief Executive Officer's total remuneration with those of listed companies deemed comparable with Ferrari in light of some or all of the following criteria: a) operating in the same business as Ferrari (Automotive); b) acting in similar sectors (car / motorcycle components); c) representing excellence and luxury in their respective sectors, d) presenting overall a similar Market Cap, Revenues and number of Employees with Ferrari. The companies in the peer group used for the CEO compensation benchmarking are listed below:

CHIEF EXECUTIVE OFFICER PEER GROUP

Aston Martin Lagoonda	Brembo
Bayerische Motoren Worke	Burberry
Compagnie Financiere Richemont	Daimler
Harley-Davidson	Hermes International
Kering	LVMH
Moncler	Pirelli
Renault	The Estée Lauder Companies
Volkswagen	

The current market position for the former CEO's target compensation is below the 25th percentile of the above peer group. Target compensation consists of fixed and variable compensation (target value of short-term incentive and long-term incentive fair value), excluding fringe benefits and social contributions.

The Executive Chairman's peer group comprises the companies of the CEO's peer group which have a Chairman with powers and delegations comparable to Ferrari (5 Companies out of 15 of those inserted in CEO peer group), along with two additional peer companies (added in order to benchmark a statistically significant number of peers and determined based on companies that have a chairman with powers and authority comparable to the powers and authority of the Executive Chairman). The companies forming part of the Peer Group for the Executive Chairman target compensation benchmarking are listed below:

EXECUTIVE CHAIRMAN PEER GROUP

Aston Martin Lagoonda	Brembo
Compagnie Financiere Richemont	Ford Motors
Hermes International	Salvatore Ferragamo
The Estèe Lauder Companies	

The target compensation of the Executive Chairman of Ferrari is positioned far below the 25th percentile of the above peer group. Target compensation consists of fixed and variable compensation (target value of short-term incentive and long-term incentive fair value), excluding fringe benefits and social contributions.

On the basis of the remuneration policy objectives, compensation of executive directors and SMT members consists, inter alia, of the elements discussed below. Only the long-term incentives element of variable compensation was applicable to executive directors in 2020.

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

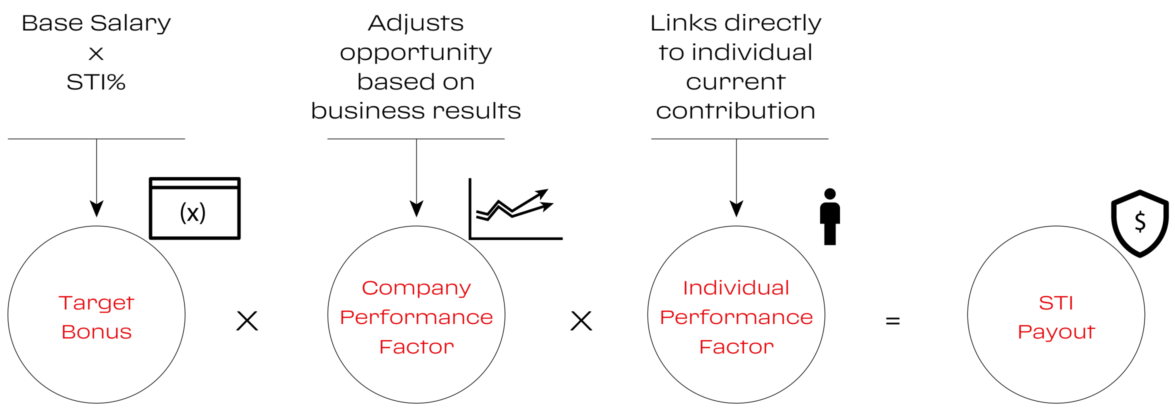
Executive directors and SMT members are also eligible to receive variable compensation subject to the achievement of pre-established financial and other identified performance targets. The short and long-term components of executive directors' and SMT members' variable remuneration are linked to predetermined, assessable targets in order to create long-term value for the shareholders.

Our variable compensation programs are designed to recruit, motivate and reward executive directors and members of the SMT delivering operational and strategic performance over time. The provisions and financial objectives of our variable compensation programs are evaluated on an annual basis and modified in accordance with industry and business conditions.

SHORT-TERM INCENTIVES

The primary objective of our performance-based short-term variable cash-based incentives is to incentivize the members of the SMT to focus on the business priorities for the current or next year. The short-term incentive plan is designed to motivate its beneficiaries to achieve challenging targets, by recognizing individual contributions to the Group's results on an annual basis. The Compensation Committee believes that it is appropriate to use a balance of corporate financial targets, strategic objectives and individual performance objectives.

The methodology for Short Term Incentive Calculation is the following:



The target level for both the Company Performance Factor and the Individual Performance Factor is 100%, reaching a possible maximum level which is equal to the 150% of target set level.

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 2020, the Compensation Committee defined the Company Performance Factor by reference to four metrics:

- Net Revenues (20%)
- Consolidated Adjusted EBIT (20%)
- Consolidated Adjusted EBITDA Margin (20%)
- Industrial Free Cash Flow (40%)

The Compensation Committee established challenging goals for each metric, each of which pays out independently. There is no minimum bonus payout; as a result, if none of the threshold objectives are satisfied, there is no bonus payment.

In addition, upon proposal of the Compensation Committee, the non-executive directors have authority to grant special bonuses for specific transactions that are deemed exceptional in terms of strategic importance and effect on Ferrari's results. 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. No special bonuses were awarded to the executive directors or members of the SMT for 2020.

As described above, our executive directors (Executive Chairman and former CEO) were not included in the Short-Term Incentive Plan in 2020, 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 executive directors and members of the SMT to increasing shareholder value.

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 restricted share units ("RSUs"), each representing the right to receive one Ferrari common share, were awarded to the Executive Chairman and the former CEO of the Company (approved by Annual General Meeting on April 12, 2019), as well as to members of the SMT and other key employees of the Group.

EQUITY INCENTIVE PLAN 2020-2022

On February 17, 2020, the Board of Directors approved a new equity incentive plan covering a performance period from 2020 to 2022. The Equity Incentive Plan 2020-2022 is consistent with the Company's business plan presented at the Capital Markets Day in September 2018. Under the Equity Incentive Plan 2020-2022, a combination of "PSUs" and "RSUs", each representing the right to receive one Ferrari common share, have been awarded to the Executive Chairman, as well as to members of the SMT and other key employees of the Group. The former CEO was not eligible for the Equity Incentive Plan 2020-2022.

The Equity Incentive Plan 2020-2022 has the same features of the Equity Incentive Plan 2019-2021, as described below.

The PSU awards are earned based on the level of achievement of defined key performance indicators relating to: i) a relative total shareholder return ("TSR") target (which is relative to the TSR of a peer group), ii) an EBITDA target, and iii) an innovation target. Each target is measured independently of the other targets and relates to separate portions of the aggregate awards. The RSU awards are service-based and vest conditional on the executive directors' continued employment with the Company at the time of vesting.

Details of the equity long-term incentives granted to the Executive Chairman (Interim CEO) are summarized below:

	TYPE OF EQUITY LONG-TERM INCENTIVE VEHICLE	PROPORTION OF EQUITY LONG-TERM GRANT	VESTING CYCLE	PERFORMANCE METRICS (WEIGHTING) OR VESTING CONDITION
Executive Chairman (Interim CEO)	Equity Incentive Plan 2019-2021 Performance Share Units (PSUs)	67%	Vest at the end of 3-years Rolling Plan	1) TSR (50%) 2) EBITDA (30%) 3) Innovation Performance Goal (20%)
	Equity Incentive Plan 2019-2021 Retention Restricted Share Units (RSUs)	33%	Vest at the end of 3-years Rolling Plan	Conditional on continued employment

	TYPE OF EQUITY LONG-TERM INCENTIVE VEHICLE	PROPORTION OF EQUITY LONG-TERM GRANT	VESTING CYCLE	PERFORMANCE METRICS (WEIGHTING) OR VESTING CONDITION
Executive Chairman (Interim CEO)	Equity Incentive Plan 2019-2021 Performance Share Units (PSUs)	67%	Vest at the end of 3-years Rolling Plan	1) TSR (50%) 2) EBITDA (30%) 3) Innovation Performance Goal (20%)
	Equity Incentive Plan 2019-2021 Retention Restricted Share Units (RSUs)	33%	Vest at the end of 3-years Rolling Plan	Conditional on continued employment

The number of PSU awards earned is determined based on the level at which the three performance criteria described below are achieved. At the end of the vesting period, the total number of PSUs earned is equal to the sum of:

- the number of PSUs earned under the TSR payout factor; plus
- the number of PSUs earned under the EBITDA payout factor; plus
- the number of PSUs earned under the Innovation Performance Goal.

METRICS (WEIGHT)	METRICS (TYPE)	BENCHMARK	RATIONALE	LINK BETWEEN PAY AND PERFORMANCE	
				RANKING	**%OF TARGET AWARDS**
TSR (50%)	Financial criteria	Peer Group (8 companies: Ferrari, Aston Martin, Burberry, Hermes, Kering, LVMH, Moncler, Richemont)	TSR is tracked for both Ferrari and the companies in the defined Peer Group calculating starting and ending prices as an average of the 30 calendar days prior to grant and award date	1°	150%
				2°	120%
				3°	100%
				4°	75%
				6°	50%
				6° 7° 8°	0%
				RANKING	**%OF TARGET AWARDS**
EBITDA (30%)	Financial criteria	5-year Business Plan	Earnings before interest, taxes, depreciation and amortization takes a company's earnings, and subtracts its cost of debt, cost of goods sold and operating expenses and taxes, resulting in an indicator of Ferrari's profitability	+10%	140%
				+5%	120%
				5 Years Plan	100%
				-5%	80%
				<-5%	0%
Innovation Performance Factor (20%)	Non-financial criteria	Critical project milestones	The Innovation Performance Factor focuses on the new product launches in line with Ferrari's plan and on technological innovation. It is measured in terms of product launches (milestones, volumes and contribution margin), for a weight of 70%, and key technological projects, for the remaining 30%, to be achieved during the performance period.		

Our non-financial criterion, the Innovation Performance Factor, is included in the Equity Incentive Plans in order to have a performance indicator directly linked to the long-term sustainability and technological innovation of our business.

The TSR peer group was updated during the course of 2019 in order to consider more strategically relevant comparable companies for Ferrari and remained the same in 2020.

In relation to the vesting of the PSUs awarded to the former 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 would have been earned and vested even in case of performance above 100% of the target level of performance. Only at the end of the last interim performance period, ending on December 31, 2021, would any performance above 100% of the target level of performance result in a payout higher than 100% of the target award.

In relation to the vesting of the PSUs awarded to the Executive Chairman, the vesting of all units under each plan will occur after the end of the relevant performance period (i.e., December 31, 2021 and December 31, 2022), to the extent that the conditions for vesting are satisfied.

The performance period for the Equity Incentive Plan 2019-2021 PSUs commenced on January 1, 2019. 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.

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

KEY ASSUMPTIONS	PSU AWARDS GRANTED TO THE CHAIRMAN AND THE FORMER CEO IN 2019
Grant date share price	€122.90
Expected volatility	26.5%
Dividend yield	0.9%
Risk-free rate	0%

The performance period for the Equity Incentive Plan 2020-2022 PSUs commenced on January 1, 2020. The fair value of the awards used for accounting purposes was measured at the grant date using a Monte Carlo Simulation model. The fair value of the PSUs that were granted to Mr. Elkann in 2020 is €136.06 per share.

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

KEY ASSUMPTIONS	PSU AWARDS GRANTED TO THE CHAIRMAN
Grant date share price	€142.95
Expected volatility	26.6%
Dividend yield	0.8%
Risk-free rate	0%

The expected volatility was based on the observed volatility of the defined peer group. The risk-free rate was based on the iBoxx sovereign Eurozone yield.

While the RSUs granted to Mr. Camilleri under the Equity Incentive Plan 2019-2021 would have been eligible to vest in 2020, 2021 and 2022 subject to continued employment with the Company, the RSUs granted to Mr. Elkann under the Equity Incentive Plan 2019-2021 and under the Equity Incentive Plan 2020-2022 have a three-years cliff vesting period and will vest in 2022 and 2023 subject to continued employment with the Company. The fair value of the RSUs that were granted to Mr. Elkann in 2019 is €119.54 per share, the fair value of the RSUs that were granted to Mr. Elkann in 2020 is €139.39 per share and the fair value of the RSUs that were granted to Mr. Camilleri in 2019 is €120.56 per share.

OTHER BENEFITS

Executive directors may also be entitled to customary fringe benefits such as personal use of aircraft, company cars and drivers, personal/home security, medical insurance, accident insurance, tax preparation and financial counselling. The Compensation Committee may grant other benefits to the executive directors in particular circumstances.

SEVERANCE

The terms of service of the former CEO provided that, if the Company terminated his services for reasons other than for cause (as defined) or if he terminated his services for good reason (as defined), the Company would 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 were terminated by the Company (other than for cause), or were terminated by the CEO for good reason, the CEO would be 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 2020 we chose to show two different internal pay ratios:

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

Using the former CEO's fixed remuneration provided for 2020 (€700,000[36]), the resulting former CEO pay ratio versus the median employee base salary was 21.3 (in 2019: 22) and 16.1 (in 2019: 16.4) versus the average employee base salary. Please note that our CEO decided to waive the entirety of his base salary from April to the end of the year, which is not considered in the above pay ratio. Similarly, the Chairman pay ratio calculated using the Chairman's fixed remuneration (€250,000[1]) versus the median employee base salary was 7.6 for 2020 (in 2019: 7.9) and 5.8 (in 2019: 5.9) versus the average employee base salary. Please note that our Executive Chairman decided to waive the entirety of his base salary from April to the end of the year, which is not considered in the above pay ratio.

[36] Target fixed remuneration

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

Using the former CEO's target annual compensation of €5.2 million, the resulting former CEO pay ratio versus the median employee was 129.2 (in 2019: 138) and 95.9 (in 2019: 96.3) versus the average employee total compensation target. The change in the CEO pay ratio is primarily caused by the increase of the median and the average employee's compensation, since no changes were applied to our former CEO compensation package in 2020. Similarly, the resulting Executive Chairman pay ratio using the Executive Chairman's targeted annual compensation of €1.0 million versus the median employee was 24.9 (in 2019: 26.5) and 18.4 (in 2019: 18.5) versus the average employee total compensation target. Also in this case, no changes were applied to our Executive Chairman compensation package in 2020.

		FORMER CEO		CHAIRMAN	
		MEDIAN	AVERAGE	MEDIAN	AVERAGE
Fixed Pay Ratio	2020	21.3	16.1	7.6	5.8
	2019	22	16.4	7.9	5.9
Total Target Pay Ratio	2020	129.2	95.9	24.9	18.4
	2019	138	96.3	26.5	18.5

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 starting from 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, the Equity Incentive Plan 2019-2021 and the Equity Incentive Plan 2020-2022) include a claw back clause, which allows the Company to claim the refund of part or all of the variable component of remuneration awarded or paid on the basis of information or data that subsequently prove manifestly incorrect, if the Board of Directors determines that circumstances that would have constituted "cause" (as defined) existed while the remuneration remained unvested or due to the beneficiaries' fraud or negligence (each, a "Recovery Event").

In particular, if a Recovery Event occurs within two years after the payment of cash or delivery of any shares in respect of the PSUs or RSUs, a participant will be required to repay the net amount received, as determined by the Board of Directors in its discretion.

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 2020 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 former 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 above listed covered employees are required to achieve the applicable ownership threshold within five years, through acquisitions of Ferrari common shares as a result of the vesting of PSUs or RSUs until the required ownership level has been met, excluding any shares sold to pay taxes in connection with the granting of those shares.

In addition to the stock ownership guidelines, the Executive Chairman and the former Chief Executive Officer are each required to retain one hundred percent (100%) of the number of shares of common stock issued, on a net, after-tax basis, upon vesting and settlement of any equity awards granted to such individual until the fifth anniversary of the grant date of such award other than death, termination of service due to total disability, approved leave of absence or retirement.

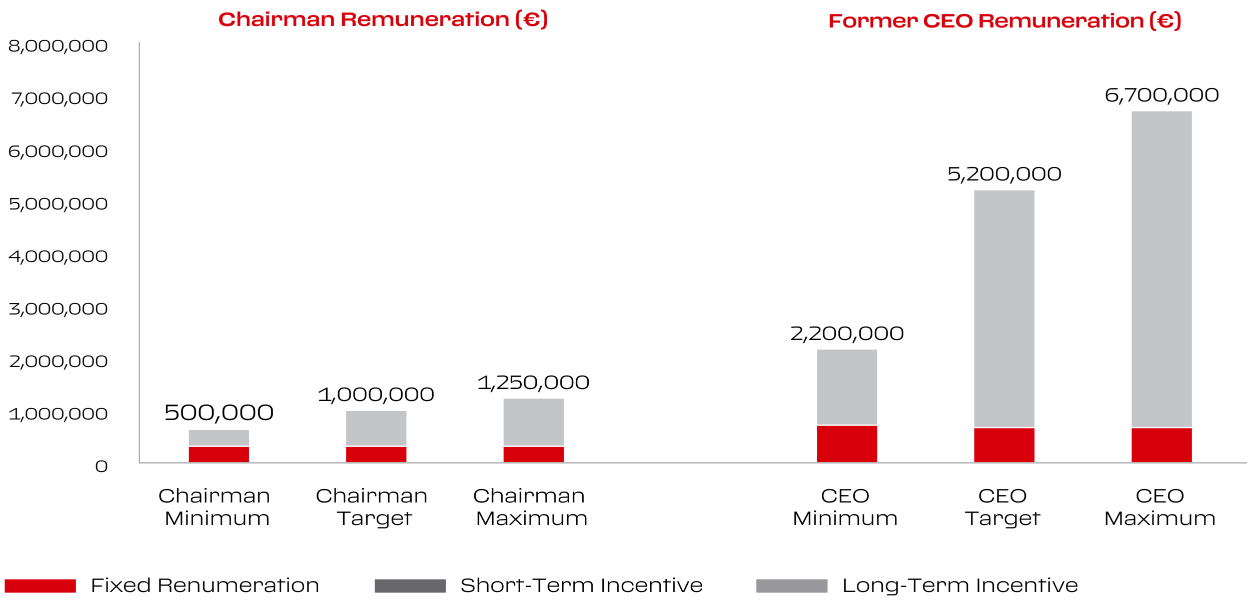
SCENARIO ANALYSIS

On an annual basis, the non-executive directors, upon proposal of the Compensation Committee, examine the relationship between the performance criteria chosen and the possible outcomes for the variable remuneration of our executive directors (scenario analysis). To date, the non-executive directors believe the remuneration policy has proven effective in terms of establishing a correlation between Ferrari's strategic goals and the chosen performance criteria, as the main key performance criteria of our executive directors' long-term incentive plan (i.e. the TSR, EBITDA and Innovation Performance Factor), which represents a significant part of the Chairman's and the former CEO's compensation package, supports both Ferrari's business strategy and value creation for our shareholders.
The Compensation Committee evaluates the mix of variable compensation linked to financial and non-financial performance, as well as shareholder returns, taking also into account the wages and employment conditions of our employees. Our incentive plans are based on peer and market benchmarked performance metrics.

In the event that specific long-term threshold performance targets are not achieved, there will be no variable pay vesting or payout for executive directors for the relevant period.

The following table and chart describe compensation levels that the Executive Chairman could receive and the former CEO could have received 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 is €250,000 and the former CEO salary was €700,000
Short-term Incentive Plan	The Chairman and the former 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). Former 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 Chairman and the former CEO's actual 2020 remuneration are included in section 2. Implementation of remuneration policy in 2020.

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 16, 2020) is shown in the table below:

NON-EXECUTIVE DIRECTOR COMPENSATION	U.S. $
Annual cash retainer	$ 75,000
Additional retainer for Audit Committee member	$ 10,000
Additional retainer for Audit Committee Chairman	$ 20,000
Additional retainer for Compensation Committee member	$ 5,000
Additional retainer for Compensation Committee Chairman	$ 15,000
Additional retainer for Governance and Sustainability Committee member	$ 5,000
Additional retainer for Governance and Sustainability Committee Chairman	$ 15,000
Additional retainer for the senior non-executive Director	$ 25,000

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

2. IMPLEMENTATION OF REMUNERATION STRATEGY IN 2020

INTRODUCTION

This section sets out the implementation of Ferrari's remuneration strategy for the year ended December 31, 2020. The remuneration granted in the year ended December 31, 2020 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.

2020 COMPENSATION FOR THE FERRARI BOARD OF DIRECTORS AND SMT

In response to the healthcare crisis caused by the COVID-19 pandemic, the Board of Directors pledged their full cash compensation from April 2020 to the end of the year to help fund Company initiatives to support the communities in which Ferrari operates, with the Senior Management Team donating 25 percent of their salaries for the same period. Thanks to these contributions, which amounted to nearly Euro 2,000,000, Ferrari funded a number of initiatives in the Emilia Romagna region initially concentrated in the communities of Maranello, Fiorano and Formigine.

Aid to the different towns includes some initiatives which were coordinated directly with the local authorities including (i) purchasing of COVID-19 test kits and diagnostic equipment for the Policlinico di Modena and the hospital of Baggiovara and Sassuolo, (ii) distributing food in Maranello, (iii) acquiring an emergency medical service vehicle in support of the local communities and computer equipment for schools.

Moreover, to help employees in light of the impact of COVID-19, we took several measures during the course of 2020 in order to prevent the spread of COVID-19 at our facilities, implementing the "Back on Track program", in order to protect the health and well-being of our workforce and customers. We also implemented screening activities and offered on a voluntary basis a flu vaccination campaign to our employees, their family members and our suppliers representatives.

DIRECTORS' COMPENSATION

The following table summarizes the remuneration received by the members of the Board of Directors for the year ended December 31, 2020 from Ferrari and its subsidiaries.

			Fixed remuneration				
Name	**Office held**	**Annual fee (€)**	**Fringe benefits (€)**	**Variable remuneration (€)**	**Extraordinary items (€)**	**Pension expense (€)**	**Total remuneration [4] (€)**
John Elkann [1]	Chairman and Executive Director	65,904	11,886[3]	—[*]	—	—	77,790
Louis C. Camilleri [2]	Chief Executive Officer and Executive Director	363,960	11,886[3]	—[*]	—	—	375,846
Total	**Executive Directors**	**429,864**	**23,772**	**—**	**—**	**—**	**453,610 [5]**
Piero Ferrari	Vice Chairman and Non-Executive Director	18,155	11,886[3]	—	—	—	30,041
Sergio Duca	Senior Non-Executive Director	27,233	—	—	—	—	27,233
Delphine Arnault	Non-Executive Director	17,020	—	—	—	—	17,020
Francesca Bellettini [6]	Non-Executive Director	—	—	—	—	—	—
Giuseppina Capaldo [7]	Non-Executive Director	23,829	—	—	—	—	23,829
Roberto Cingolani [8]	Non-Executive Director	—	—	—	—	—	—
Eddy Cue	Non-Executive Director	19,290	—	—	—	—	19,290
John Galantic [6]	Non-Executive Director	—	—	—	—	—	—
Maria Patrizia Grieco	Non-Executive Director	19,290	—	—	—	—	19,290
Adam Keswick	Non-Executive Director	17,020	—	—	—	—	17,020
Elena Zambon [7]	Non-Executive Director	17,020	—	—	—	—	17,020
Total	**Non-Executive Directors**	**158,857**	**11,886**	**—**	**—**	**—**	**169,504 [5]**

[1] From 01/01/2020 to 12/15/2020: Chairman and Executive Director. From 12/15/2020 to 12/31/2020: Chairman, CEO and Executive Director.
[2] Mr. Camilleri was CEO until 12/10/2020.
[3] Relate to car benefits provided to Mr. Camilleri, Mr. Elkann and Mr. Ferrari in accordance with the remuneration policy.
[4] Certain amounts have been translated from U.S. Dollars to Euro.
[5] In response to the healthcare crisis caused by the COVID-19 pandemic, the Board of Directors waived their full cash compensation from April to the end of the year to help fund Company initiatives to support the communities in which Ferrari operates.
[6] Mrs. Francesca Bellettini and Mr. John Galantic were Non-Executive Directors from 04/16/2020.
[7] Mrs. Elena Zambon and Mrs. Giuseppina Capaldo were Non-Executive Directors from 01/01/2020 to 04/16/2020.
[8] Mr. Roberto Cingolani was Non-Executive Director from 04/16/2020 to 02/13/2021.
(*) For information regarding equity-based variable compensation see Share- Based Compensation of Executive Directors below.

The following table summarizes the remuneration received by the members of the Board of Directors for the year ended December 31, 2019 from Ferrari and its subsidiaries.

		Fixed remuneration					
Name	Office held	Annual fee (€)	Fringe benefits[2] (€)	Variable remuneration (€)	Extraordinary items (€)	Pension expense (€)	Total remuneration in 2019[4] (€)
John Elkann[1]	Chairman and Executive Director	211,666	11,920	—	—	—	223,586
Louis C. Camilleri	Chief Executive Officer and Executive Director	700,000	3,668	—[(*)]	183,587	—	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	—	—	—	83,472
Sergio Duca[3]	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[5]	Non-Executive Director	18,627	—	—	—	—	18,627
Amedeo Felisa[5]	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] Certain amounts have been translated from U.S. Dollars to Euro.
[4] The amount includes an extraordinary lump sum to compensate the Italian taxation impact on the CEO's relocation to Italy.
[5] Mr. Lapo Elkann and Mr. Amedeo Felisa were Non-Executive Directors from 01/01/2019 to 04/12/2019.
[(*)] For information regarding equity-based variable compensation see Share-Based Compensation of Executive Directors below.

The following table shows a comparison of the total remuneration of directors over the last five years, based on Ferrari directors who served as directors in 2020.

DIRECTORS' TOTAL REMUNERATION (€)

		2020	2019	2018	2017	2016
John Elkann	Chairman and Executive Director	77,790	223,586[1]	92,579[2]	115,317	142,864
Louis C. Camilleri	Chief Executive Officer and Executive Director	375,846[3]	887,255	270,412[4]	133,021	214,987
Piero Ferrari	Vice Chairman and Non-Executive Director	30,041	83,472	80,546	111,919	193,610
Sergio Duca	Senior Non-Executive Director	27,233	109,810	94,890[5]	119,743	212,506
Delphine Arnault	Non-Executive Director	17,020	67,080	63,889	97,614	130,637
Francesca Bellettini [6]	Non-Executive Director	—	—	—	—	—
Giuseppina Capaldo [7]	Non-Executive Director	23,829	86,465	73,781	106,465	195,162
Roberto Cingolani [8]	Non-Executive Director	—	—	—	—	—
Eddy Cue	Non-Executive Director	19,290	73,542	68,149	102,039	186,170
John Galantic [6]	Non-Executive Director	—	—	—	—	—
Maria Patrizia Grieco	Non-Executive Director	19,290	76,024	72,408	106,465	136,750
Adam Keswick	Non-Executive Director	17,020	67,080	63,889	97,614	130,637
Elena Zambon [7]	Non-Executive Director	17,020	74,535	72,030	102,039	189,138
COMPANY PERFORMANCE (€ million)						
Adjusted EBITDA	Non-Executive Director	1,143	1,269	1,114	1,036	880
Average Ferrari Share Price		155.98	131.44	105.49	79.93	41.62
MEDIAN OF FIXED REMUNERATION ON A FULL-TIME EQUIVALENT BASIS OF EMPLOYEES[*] (€)						
Median fixed remuneration of employees	Non-Executive Director	32,876	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] Chief Executive Officer and Executive Director until 12/10/2020.
[4] 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.
[5] From 07/21/2018 to 12/31/2018: Senior Non-Executive Director.
[6] Mrs. Francesca Bellettini and Mr. John Galantic were Non-Executive Directors from 04/16/2020.
[7] Mrs. Elena Zambon and Mrs. Giuseppina Capaldo were Non-Executive Directors from 01/01/2020 to 04/16/2020.
[8] Mr. Roberto Cingolani was Non-Executive Director from 04/16/2020 to 02/13/2021.

SHARE-BASED COMPENSATION OF EXECUTIVE DIRECTORS

The following table provides an overview of the outstanding equity incentive plans provided to Ferrari Executive Directors in 2020:

	MAIN CONDITIONS OF SHARE AWARD PLANS				MOVEMENTS IN SHARE AWARDS DURING 2020				
Name, position	**Plan**	**Performance period**	**Grant date**	**Vesting date**	**Number of unvested shares at January 1, 2020**	**Shares awarded**	**Shares vested**	**Number of unvested shares at December 31, 2020**	**of which are subject to performance conditions**
John Elkann, Executive Chairman	Equity Incentive Plan 2019-2021	2019 - 2021	April 2019	March 2022	20,703	—	—	20,703	*13,802*
	Equity Incentive Plan 2020-2022	2020 - 2022	April 2020	March 2023	—	4,829	—	4,829	*3,219*
Louis C. Camilleri, Former Chief Executive Officer	Equity Incentive Plan 2019-2021	2019 - 2021	April 2019	March 2020 March 2021 March 2022	124,218	—	23,739	100,479	*72,876*

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 former Chief Executive Officer of the Company, Mr. Louis C. Camilleri, was the beneficiary of PSU and RSU awards under the Equity Incentive Plan 2019-2021. Under the terms and conditions of the applicable award agreement, the number of PSUs and RSUs awarded to Mr. Camilleri is equal to the target number of vested and unvested units of the whole first installment for the performance period ending December 31, 2019, the whole second installment for the performance period ending December 31, 2020, and the whole third installment for the performance period ending December 31, 2021. In 2020, 9,937 PSUs and 13,802 RSUs vested for the former Chief Executive Officer in relation to the first installment. As a result of the former Chief Executive Officer's decision to resign from his role as Chief Executive Officer and member of the Board of Directors in December 2020 for personal reasons, under the terms and conditions of the applicable award agreement the remaining target number of 72,876 PSUs and 27,604 RSUs vested in February 2021, not considering the possible over-achievement of performance indicators for the PSU awards (relative TSR, EBITDA and Innovation Performance Factors).

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 second tranche of the PSU awards under the Equity Incentive Plan 2016-2020, which cover the performance period from 2017 to 2019, Ferrari ranked second in TSR within the defined industry-specific peer group applicable to the plan, corresponding to the vesting of 120 percent of the target PSUs awarded for the related period. As a result, in 2020 210,000 PSU awards previously granted to Mr. Marchionne under the Equity Incentive Plan 2016-2020 vested. A further 150,000 PSU awards previously awarded under the plan remain outstanding at December 31, 2020 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 2020.

COMPENSATION OF THE MEMBERS OF THE SMT

The compensation paid to or accrued during the year ended December 31, 2020 by Ferrari and its subsidiaries to the members of the SMT (excluding the CEO) amounted to €14.2 million in aggregate, considering the voluntary reduction of the salary as outline above, €2.2 million for short-term incentives (which is linked to the FY 2020 performance and represents nearly around the half of target set levels), €0.2 million for the Group's contributions to pension funds and €5.3 million for share-based compensation in relation to PSUs and RSUs granted under the Group's equity incentive plans. The PSU and RSU awards that will vest in March 2022, subject to continued employment and, for the PSU awards, to the achievement of performance conditions related to TSR, EBITDA and Innovation, as described above. Given Ferrari's second place positioning in the TSR ranking against the Peer Group (corresponding to the vesting of 120 percent of the target PSUs awarded) for the second tranche of the Equity Incentive Plan 2016-2020, which covers the performance period from 2018 to 2020, ending at December 31, 2020, 48,856 PSUs and 19,812 RSUs had vested for SMT members (excluding the former CEO).

DIRECTOR AND OFFICER OVERLAPS

There are overlaps among the directors and officers of Stellantis (formerly FCA) and our directors and officers. These individuals owe duties both to us and to the other companies that they serve as officers and/or directors. This may raise certain conflicts of interest as, for example, these individuals review opportunities that may be appropriate or suitable for both Ferrari and such other companies, or business transactions are pursued in which both Ferrari and such other companies have an interest, such as Ferrari's arrangement to supply engines for Maserati cars. For example, Mr. John Elkann our Chairman and interim Chief Executive Officer, is also the Chairman of Stellantis and the Chairman and Chief Executive Officer of Exor. At February 15, 2021, Exor held approximately 24.05 percent of our outstanding common shares and approximately 35.82 percent of the voting power in the Company, while it holds approximately 14.4 percent of the outstanding common shares in Stellantis, based on SEC filings. The percentages of ownership and voting power above are calculated based on the number of outstanding shares net of treasury shares. See "*Risk Factors – Risks related to our Common Shares – We may have potential conflicts of interest with Stellantis and Exor and its related companies*".

FINANCIAL STATEMENTS

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(€ thousand)

		For the years ended December 31,		
	Note	2020	2019	2018
Net revenues	4	3,459,790	3,766,615	3,420,321
Cost of sales	5	1,686,324	1,805,310	1,622,905
Selling, general and administrative costs	6	336,126	343,179	327,341
Research and development costs	7	707,385	699,211	643,038
Other expenses, net	8	18,475	4,991	3,195
Result from investments		4,647	3,522	2,665
EBIT		**716,127**	**917,446**	**826,507**
Net financial expenses	9	49,092	42,082	23,563
Profit before taxes		**667,035**	**875,364**	**802,944**
Income tax expense	10	58,155	176,656	16,317
Net profit		**608,880**	**698,708**	**786,627**
Net profit attributable to:				
Owners of the parent		*607,817*	*695,818*	*784,678*
Non-controlling interests	*3*	*1,063*	*2,890*	*1,949*
Basic earnings per common share (in €)	12	**3.29**	**3.73**	**4.16**
Diluted earnings per common share (in €)	12	**3.28**	**3.71**	**4.14**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(€ thousand)

		For the years ended December 31,		
	Note	**2020**	**2019**	**2018**
Net profit		**608,880**	**698,708**	**786,627**
Items that will not be reclassified to the consolidated income statement in subsequent periods:				
Gains/(Losses) on remeasurement of defined benefit plans	20	34	(2,078)	385
Related tax impact	20	1	456	(88)
Total items that will not be reclassified to the consolidated income statement in subsequent periods		**35**	**(1,622)**	**297**
Items that may be reclassified to the consolidated income statement in subsequent periods:				
Gains/(Losses) on cash flow hedging instruments	20	40,109	(2,272)	(13,034)
Exchange differences on translating foreign operations	20	(11,731)	2,652	5,986
Related tax impact	20	(11,291)	610	3,608
Total items that may be reclassified to the consolidated income statement in subsequent periods		**17,087**	**990**	**(3,440)**
Total other comprehensive income/(loss), net of tax		**17,122**	**(632)**	**(3,143)**
Total comprehensive income		**626,002**	**698,076**	**783,484**
Total comprehensive income attributable to:				
Owners of the parent		*625,053*	*695,075*	*781,585*
Non-controlling interests		*949*	*3,001*	*1,899*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2020 AND 2019

(€ thousand)

	Note	At December 31, 2020	At December 31, 2019
Assets			
Goodwill	13	785,182	785,182
Intangible assets	14	979,290	837,938
Property, plant and equipment	15	1,226,630	1,069,652
Investments and other financial assets	16	42,841	38,716
Deferred tax assets	10	152,221	73,683
Total non-current assets		**3,186,164**	**2,805,171**
Inventories	17	460,617	420,051
Trade receivables	18	184,260	231,439
Receivables from financing activities	18	939,607	966,448
Current tax receivables	18	12,438	21,078
Other current assets	18	76,471	92,830
Current financial assets	19	40,084	11,409
Cash and cash equivalents		1,362,406	897,946
Total current assets		**3,075,883**	**2,641,201**
Total assets		**6,262,047**	**5,446,372**
Equity and liabilities			
Equity attributable to owners of the parent		1,785,186	1,481,290
Non-controlling interests	3	4,018	5,998
Total equity	20	**1,789,204**	**1,487,288**
Employee benefits	22	59,985	88,116
Provisions	23	155,335	165,572
Deferred tax liabilities	10	113,474	82,208
Debt	24	2,724,745	2,089,737
Other liabilities	25	687,462	800,015
Other financial liabilities	19	2,140	14,791
Trade payables	26	713,807	711,539
Current tax payables		15,895	7,106
Total equity and liabilities		**6,262,047**	**5,446,372**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(€ thousand)

	For the years ended December 31,		
	2020	2019	2018
Cash and cash equivalents at beginning of the year	**897,946**	**793,664**	**647,706**
Cash flows from operating activities:			
Profit before taxes	667,035	875,364	802,944
Amortization and depreciation	426,637	351,946	288,748
Provision accruals	25,805	14,253	15,573
Result from investments	(4,647)	(3,522)	(2,665)
Net finance costs	49,092	42,082	23,563
Other non-cash expenses, net	38,949	38,563	33,012
Net gains on disposal of property, plant and equipment and intangible assets	124	424	(283)
Change in inventories	(67,797)	(40,627)	(4,638)
Change in trade receivables	44,477	(22,377)	26,890
Change in trade payables	8,594	53,940	40,317
Change in receivables from financing activities	(69,376)	(76,694)	(107,353)
Change in other operating assets and liabilities	(137,313)	145,547	(83,013)
Finance income received	2,109	3,274	2,657
Finance costs paid	(54,427)	(42,600)	(13,966)
Income tax paid	(91,051)	(33,480)	(87,745)
Total	**838,211**	**1,306,093**	**934,041**
Cash flows used in investing activities:			
Investments in property, plant and equipment	(357,018)	(352,154)	(300,794)
Investments in intangible assets	(351,978)	(353,458)	(337,542)
Proceeds from the sale of property, plant and equipment and intangible assets	969	4,539	1,392
Total	**(708,027)**	**(701,073)**	**(636,944)**
Cash flows used in financing activities:			
Proceeds from the issuance of bonds and notes	640,073	298,316	—
Repayment of bonds and notes	—	(315,395)	—
Proceeds from securitizations, net of repayments	44,126	92,173	94,709
Net change in bank borrowings	(1,740)	(3,516)	(3,584)
Net change in lease liabilities	(20,035)	(3,896)	—
Net change in other debt	18,081	12,322	(7,988)
Dividends paid to owners of the parent	(208,100)	(192,664)	(133,095)
Dividends paid to non-controlling interest	(2,929)	(2,120)	(2,040)
Share repurchases	(129,793)	(386,749)	(100,093)
Total	**339,683**	**(501,529)**	**(152,091)**
Translation exchange differences	(5,407)	791	952
Total change in cash and cash equivalents	**464,460**	**104,282**	**145,958**
Cash and cash equivalents at end of the year	**1,362,406**	**897,946**	**793,664**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(€ 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, 2018	**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 income/(loss)	—	—	(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 income/(loss)	—	—	(1,662)	2,541	(1,622)	**(743)**	111	**(632)**
Dividends to owners of the parent	—	(193,238)	—	—	—	**(193,238)**	—	**(193,238)**
Dividends to non-controlling interests	—	—	—	—	—	**—**	(2,120)	**(2,120)**
Share repurchases	—	(386,749)	—	—	—	**(386,749)**	—	**(386,749)**
Share-based compensation	—	17,480	—	—	—	**17,480**	—	**17,480**
Special voting shares issuance [1]	69	(69)	—	—	—	**—**	—	**—**
At December 31, 2019	**2,573**	**1,452,720**	**(4,654)**	**40,391**	**(9,740)**	**1,481,290**	**5,998**	**1,487,288**
Net profit	—	607,817	—	—	—	**607,817**	1,063	**608,880**
Other comprehensive income/(loss)	—	—	28,818	(11,617)	35	**17,236**	(114)	**17,122**
Dividends to owners of the parent	—	(208,765)	—	—	—	**(208,765)**	—	**(208,765)**
Dividends to non-controlling interests	—	—	—	—	—	**—**	(2,929)	**(2,929)**
Share repurchases	—	(129,793)	—	—	—	**(129,793)**	—	**(129,793)**
Share-based compensation	—	17,401	—	—	—	**17,401**	—	**17,401**
At December 31, 2020	**2,573**	**1,739,380**	**24,164**	**28,774**	**(9,705)**	**1,785,186**	**4,018**	**1,789,204**

1) See Note 20 "Equity" for additional details.

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

FERRARI N.V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2020 AND 2019

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 168 authorized dealers operating 188 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 18 Ferrari-owned stores and 18 franchised stores (including 14 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 a core element of Ferrari marketing and promotional activities and an important source of innovation to support the technological advancement of Ferrari range models.

BASIS OF PREPARATION

AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS AND COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

These consolidated financial statements of Ferrari N.V. were authorized for issuance by the Board of Directors on February 26, 2021.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, as well as IFRS as adopted by the European Union. There is no effect on these consolidated financial statements resulting from differences between IFRS as issued by the IASB and IFRS as adopted by the European Union. The designation IFRS also includes International Accounting Standards ("IAS") as well as all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC" and "SIC").

The consolidated financial statements 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 Board of Directors (the Group's "Chief Operating Decision Maker" as defined in IFRS 8 – Operating Segments) 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, 2020

The following new amendments that are applicable on or subsequent to January 1, 2020 were adopted by the Group for the preparation of these Consolidated Financial Statements.

AMENDMENTS TO IFRS 3 – BUSINESS COMBINATIONS

The Group adopted narrow scope amendments to IFRS 3 – Business Combinations. The amendments aim to help companies determine whether an acquisition made is of a business or a group of assets, emphasizing 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. There was no effect from the adoption of these amendments.

AMENDMENTS TO IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8 – ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The Group adopted amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The amendments 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. There was no effect 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

The Group adopted 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. There was no effect from the adoption of these amendments.

REVIEW OF THE CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

The Group adopted the changes envisaged by the review of the Conceptual Framework for Financial Reporting, which applies to companies that use the Conceptual Framework to develop accounting policies when no IFRS standard applies to a particular transaction. 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. There was no immediate effect from adoption, however the Group will apply the changes to develop accounting policies when no IFRS standard applies to a particular transaction in the future.

AMENDMENT TO IFRS 16 – LEASES

In May 2020 the IASB issued an amendment to IFRS 16 – Leases for COVID-19-related Rent Concessions. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The Group adopted this amendment from its effective date of June 1, 2020 and there was no significant effect from the adoption of this amendment.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") that will have mandatory application in 2021 or subsequent years are listed below:

In May 2017 the IASB issued *IFRS 17 – Insurance Contracts*, which establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued as well as guidance relating to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020 the IASB issued amendments to IFRS 17 aimed at helping companies implement IFRS 17 and make it easier for companies to explain their financial performance. The new standard and amendments are effective on or after January 1, 2023. The Group does not expect any material impact from the adoption of these amendments.

In January 2020 the IASB issued amendments to *IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* to clarify how to classify debt and other liabilities as current or non-current, and in particular how to classify liabilities with an uncertain settlement rate and liabilities that may be settled by converting to equity. These amendments are effective on or after January 1, 2023. The Group does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued amendments to *IFRS 3 – Business combinations* to update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. These amendments are effective on or after January 1, 2022. The Group does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued amendments to *IAS 16 – Property, Plant and Equipment*. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company should recognize such sales proceeds and the related cost in the income statement. These amendments are effective on or after January 1, 2022. The Group does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued amendments to *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets*, which specify which costs a company includes when assessing whether a contract will be loss-making. These amendments are effective on or after January 1, 2022. The Group does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued *Annual Improvements to IFRSs 2018 - 2020 Cycle*. The improvements have amended four standards with effective date January 1, 2022: i) IFRS 1 – First-time Adoption of International Financial Reporting Standards in relation to allowing a subsidiary to measure cumulative translation differences using amounts reported by its parent, ii) IFRS 9 – Financial Instruments in relation to which fees an entity includes when applying the '10 percent' test for derecognition of financial liabilities, iii) IAS 41 – Agriculture in relation to the exclusion of taxation cash flows when measuring the fair value of a biological asset, and iv) IFRS 16 – Leases in relation to an illustrative example of reimbursement for leasehold improvements. The Group does not expect any material impact from the adoption of these amendments.

In June 2020 the IASB issued amendments to *IFRS 4 – Insurance Contracts* which defer the expiry date of the temporary exemption from applying IFRS 9 to annual periods beginning on or after January 1, 2021. The Group does not expect any impact from the adoption of these amendments.

In August 2020 the IASB issued a package of amendments to *IFRS 9 – Financial Instruments*, *IAS 39 – Financial Instruments: Recognition and Measurement*, *IFRS 7 – Financial Instruments: Disclosures*, *IFRS 4 – Insurance Contracts* and *IFRS 16 – Leases* in response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks. The amendments are aimed at helping companies to provide investors with useful information about the effects of the reform on those companies' financial statements. These amendments complement amendments issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. The new amendments relate to:

- changes to contractual cash flows – a company will not be required to derecognize or adjust the carrying amount of financial instruments for changes required by the interest rate benchmark reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the interest rate benchmark reform if the hedge meets other hedge accounting criteria; and
- disclosures – a company will be required to disclose information about new risks that arise from the interest rate benchmark reform and how the company manages the transition to alternative benchmark rates.

These amendments are effective on or after January 1, 2021, with early adoption permitted. The Group does not expect any material impact from the adoption of these amendments.

In February 2021 the IASB issued amendments to *IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies* which require companies to disclose their material accounting policy information rather than their significant accounting policies and provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments are effective on or after January 1, 2023. The Group does not expect any material impact from the adoption of these amendments.

In February 2021 the IASB issued amendments to *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* which clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. These amendments are effective on or after January 1, 2023. The Group does not expect any material impact from the adoption of these amendments.

BASIS OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries are entities over which the Group has control. Control is achieved when the Group has power over the investee, when it is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are consolidated on a line by line basis from the date on which the Group achieves control. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Group recognizes any non-controlling interests ("NCI") in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's share of the recognized amounts of the acquiree's identifiable net assets. Net profit or loss and each component of other comprehensive income/(loss) are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income/(loss) of subsidiaries is attributed to owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intra-group balances and transactions and any unrealized gains and losses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

Subsidiaries are deconsolidated from the date when control ceases. When the Group ceases to have control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts, derecognizes the carrying amount of non-controlling interests in the former subsidiary and recognizes the fair value of any consideration received from the transaction. Any retained interest in the former subsidiary is then remeasured to its fair value.

In 2016 the Group sold a majority stake in Ferrari Financial Services GmbH. From such date, the Group's remaining interest has been remeasured at fair value and accounted for using the equity method.

INTERESTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without having control or joint control over those policies. Associates are accounted for using the equity method of accounting from the date significant influence is obtained.

Under the equity method, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit/(loss) and other comprehensive income/(loss) of the investee. The Group's share of the investee's profit/(loss) is recognized in the consolidated income statement. Distributions received from an investee reduce the carrying amount of the investment. Post-acquisition movements in other comprehensive income/(loss) are recognized in other comprehensive income/(loss) with a corresponding adjustment to the carrying amount of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Group's share of the losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method from the date the investment ceases to be an associate or when it is classified as available-for-sale.

INTERESTS IN JOINT OPERATIONS

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When the Group undertakes its activities under joint operations, it recognizes in relation to its interest in the joint operation: (i) its assets, including its share of any assets held jointly, (ii) its liabilities, including its share of any liabilities incurred jointly, (iii) its revenue from the sale of its share of the output arising from the joint operation, (iv) its share of the revenue from the sale of the output by the joint operation, and (v) its expenses, including its share of any expenses incurred jointly.

FOREIGN CURRENCY TRANSACTIONS

The functional currency of the Group's entities is the currency of their primary economic environment. In individual companies, transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign currency exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements are recognized in the consolidated income statement.

CONSOLIDATION OF FOREIGN ENTITIES

All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the closing rates at the date of the consolidated statement of financial position. Income and expenses are translated into Euro at the average foreign currency exchange rate for the period. Translation differences resulting from the application of this method are classified as currency translation differences within other comprehensive income/(loss) until the disposal of the investment. Average foreign currency exchange rates for the period are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

Goodwill, assets acquired and liabilities assumed arising from the acquisition of entities with a functional currency other than the Euro are recognized in the Consolidated Financial Statements in the functional currency and translated at the foreign currency exchange rate at the acquisition date. These balances are translated at subsequent balance sheet dates at the relevant foreign currency exchange rate.

The principal foreign currency exchange rates used to translate other currencies into Euro were as follows:

	2020		2019		2018	
	Average	At December 31,	Average	At December 31,	Average	At December 31,
U.S. Dollar	1.1422	1.2271	1.1195	1.1234	1.1810	1.1450
Pound Sterling	0.8897	0.8990	0.8778	0.8508	0.8847	0.8945
Swiss Franc	1.0705	1.0802	1.1124	1.0854	1.1550	1.1269
Japanese Yen	121.8458	126.4900	122.0058	121.9400	130.3959	125.8500
Chinese Yuan	7.8747	8.0225	7.7355	7.8205	7.8081	7.8751
Australian Dollar	1.6549	1.5896	1.6109	1.5995	1.5797	1.6220
Canadian Dollar	1.5300	1.5633	1.4855	1.4598	1.5294	1.5605
Singapore Dollar	1.5742	1.6218	1.5273	1.5111	1.5926	1.5591
Hong Kong Dollar	8.8587	9.5142	8.7715	8.7473	9.2559	8.9675

INTANGIBLE ASSETS

GOODWILL

Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

DEVELOPMENT COSTS

Development costs for car project production and related components, engines and systems are recognized as an asset if, and only if, both of the following conditions under IAS 38 – *Intangible Assets* are met: that development costs can be measured reliably and that the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Capitalized development costs include all direct and indirect costs that may be directly attributed to the development process. All other research and development costs are expensed as incurred, net of any government grants received.

Capitalized development costs are amortized on a straight-line basis from the start of production over the estimated lifecycle of the model or the useful life of the related components or other assets (generally between four and eight years).

The Group incurs significant research and development costs through the Formula 1 racing activities. These costs are considered fundamental to the development of the range and track car models and prototypes. Technological developments and changes in the regulations of the Formula 1 World Championship generally require the Group to design, develop and construct a new racing car to be used for one year only. The costs incurred for the design, development and construction of a new racing car are generally expensed as incurred unless the technology will be used for more than one year and the costs meet the capitalization criteria in IAS 38.

PATENTS, CONCESSIONS AND LICENSES

Separately acquired patents, concessions and licenses are initially recognized at cost. Patents, concessions and licenses acquired in a business combination are initially recognized at fair value. Patents, concessions and licenses are amortized on a straight-line basis over their useful economic lives, which is generally between three and five years.

OTHER INTANGIBLE ASSETS

Other intangible assets mainly relate to the registration of trademarks and have been recognized in accordance with IAS 38 – *Intangible Assets*, where it is probable that the use of the asset will generate future economic benefits for the Group and where the cost of the asset can be measured reliably. Other intangible assets are measured at cost less any impairment losses and amortized on a straight-line basis over their estimated life, which is generally between three and five years.

PROPERTY, PLANT AND EQUIPMENT

COST

Property, plant and equipment is initially recognized at cost which comprises the purchase price, any costs directly attributable to bringing the assets to the location and condition necessary to be capable of operating in the manner intended by management, capitalized borrowing costs and any initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Self-constructed assets are initially recognized at production cost. Subsequent expenditures and the cost of replacing parts of an asset are capitalized only if they increase the future economic benefits embodied in that asset. All other expenditures are expensed as incurred. When such replacement costs are capitalized, the carrying amount of the parts that are replaced is recognized as a loss in the period of replacement in the consolidated income statement.

DEPRECIATION

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	Depreciation rates
Industrial buildings	3% - 20%
Plant, machinery and equipment	5% - 22%
Other assets	12% - 25%

Land is not depreciated.

If the asset being depreciated consists of separately identifiable components whose useful lives differ from that of the other parts making up the asset, depreciation is charged separately for each of its component parts through application of the 'component approach'.

LEASES

With the adoption of IFRS 16, the Group recognizes a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use. Each lease payment is allocated between the principal liability and finance costs. Finance costs are charged to the income statement over the lease period using the effective interest rate method. The right-of-use asset is depreciated on a straight-line basis over the lease term.

Right-of-use assets are measured at cost comprising the following: (i) the amount of the initial measurement of lease liability; (ii) any lease payments made at or before the commencement date less any lease incentives received; (iii) any initial direct costs and, if applicable, (iv) restoration costs. Payments associated with short-term leases and leases of low-value assets are recognized as an expense in the income statement on a straight-line basis.

Lease liabilities are measured at the net present value of the following: (i) fixed lease payments, (ii) variable lease payments that are based on an index or a rate and, if applicable, (iii) amounts expected to be payable by the lessee under residual value guarantees, and (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option. Lease liabilities do not include any non-lease components that may be included in the related contracts.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Some lease contracts contain variable payment terms that are linked to sales generated from Ferrari stores. Variable lease payments that depend on sales are recognized in the income statement in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in a number of leases related to Ferrari stores, warehouses and machinery and equipment of the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are expensed in net financial expenses if related to the Group's industrial activities or cost of sales if related to the Group's financial services activities in the consolidated income statement, as incurred.

IMPAIRMENT OF ASSETS

The Group continuously monitors its operations to assess whether there is any indication that its intangible assets (including development costs) and its property, plant and equipment may be impaired. Goodwill is tested for impairment annually or more frequently, if there is an indication that an asset may be impaired.

If indications of impairment are present, the carrying amount of the asset is reduced to its recoverable amount, which is the higher of fair value less costs of disposal and its value in use. The recoverable amount is determined for the individual asset, unless the asset does not generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets, in which case the asset is tested as part of the cash-generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In assessing the value in use of an asset or CGU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the recoverable amount is lower than the carrying amount.

Where an impairment loss for assets other than goodwill, subsequently no longer exists or has decreased, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognized. The reversal of an impairment loss is recognized in the consolidated income statement immediately.

FINANCIAL INSTRUMENTS

PRESENTATION

Current financial assets include trade receivables, receivables from financing activities, derivative financial instruments, other current financial assets and cash and cash equivalents.

Investments and other financial assets include investments accounted for using the equity method as well as other securities and non-current financial assets.

Financial liabilities include debt (which primarily includes bonds, notes, asset-backed financing (securitizations) and borrowings from banks), trade payables and other financial liabilities, which mainly include derivative financial instruments.

MEASUREMENT

Financial assets, other than investments accounted for using the equity method, and financial liabilities are measured in accordance with IFRS 9 – *Financial Instruments*.

Except for investments accounted for using the equity method, the Group initially measures financial assets at fair value plus, in the case of financial assets not measured at fair value through profit or loss, transaction costs.

Equity instruments held by the Group are recognized at fair value through profit or loss. When market prices are not directly available, the fair value is measured using appropriate valuation techniques (e.g. discounted cash flow analysis based on market information available at the balance sheet date). As permitted by IFRS 9, equity investments for which there is no quoted market price in an active market and there is insufficient financial information in order to determine fair value may be measured at cost as an estimate of fair value.

Trade receivables and receivables from financing activities are originated in the ordinary course of business and held within a business model with the objective to hold the receivables in order to collect contractual cash flows that meet the 'solely payments of principal and interest' criterion under IFRS 9, therefore they are measured at amortized cost using the effective interest rate method. Receivables with maturities greater than one year are discounted to present value. Assessments are made regularly as to whether there is any objective evidence that a financial asset or group of financial assets may be impaired. 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 financial risks and in particular, foreign currency risks. Derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured at fair value.

When derivative financial instruments qualify for hedge accounting, the following accounting treatments apply:

Cash flow hedges - Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecasted transaction and could affect the consolidated income statement, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in other comprehensive income/(loss). The cumulative gain or loss is reclassified from other comprehensive income/(loss) to the consolidated income statement at the same time as the economic effect arising from the hedged item affects the consolidated income statement. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in the consolidated income statement immediately within net financial income/expenses. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains in other comprehensive income/(loss) and is recognized in the consolidated income statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in other comprehensive income/(loss) is recognized in the consolidated income statement immediately.

The Group does not use fair value hedges or hedges of a net investment.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately within financial expenses.

TRANSFERS OF FINANCIAL ASSETS

The Group sells certain of its receivables from financing activities under securitization programs. Securitization transactions involve the sale of a financial receivables portfolio to a special purpose vehicle, which in turn finances the purchase of such financial receivables by issuing asset-backed securities in the form of notes whose repayment of principal and interest depends on the cash flows generated by the related financial receivables. The receivables sold as part of securitization programs are consolidated until collection from the customer as they do not meet the requirements for derecognition in accordance with IFRS 9.

The Group may also sell certain of its trade receivables through factoring transactions without recourse. The Group derecognizes the financial assets when, and only when, the contractual rights and risks to the cash flows arising from the related financial assets are no longer held or the Group has transferred the financial assets. In the case of a transfer of financial assets, if the Group transfers substantially all the risks and rewards of ownership of the financial assets, it derecognizes such assets and separately recognizes as assets or liabilities any rights and obligations created or retained in the transfer. On derecognition of financial assets, the difference between the carrying amount of the assets and the consideration received or receivable for the transfer of the assets is recognized within cost of sales in the consolidated income statement.

TRADE RECEIVABLES

Trade receivables are amounts due from clients for goods sold or services provided in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less any provision for allowances.

INVENTORIES

Inventories of raw materials, semi-finished products and finished goods are stated at the lower of cost and net realizable value, cost being determined on a first-in first-out (FIFO) basis. The measurement of inventories includes the direct costs of materials, labor and indirect costs (variable and fixed). Purchase costs include ancillary costs. Prototypes are recognized at their estimated realizable value, if lower than production cost. Provision is made for obsolete and slow-moving raw materials, finished goods, spare parts and other supplies based on their expected future use and realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for sale and distribution.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PLANS

Costs arising from defined contribution plans are expensed as incurred.

DEFINED BENEFIT PLANS

The Group's net obligations are determined separately for each plan by estimating the present value of future benefits that employees have earned in the current and prior periods, and deducting the fair value of any plan assets. The present value of the defined benefit obligation is measured using actuarial techniques and actuarial assumptions that are unbiased and mutually compatible and attributes benefits to periods in which the obligation to provide post-employment benefits arise by using the Projected Unit Credit Method.

The components of the defined benefit cost are recognized as follows:

- the service costs are recognized in the consolidated income statement by function and presented in the relevant line items (cost of sales, selling, general and administrative costs, research and development costs, etc.);
- the net interest on the defined benefit liability is recognized in the consolidated income statement as net financial income /(expenses), and is determined by multiplying the net liability/(asset) by the discount rate used to discount obligations taking into account the effect of contributions and benefit payments made during the year; and
- the remeasurement components of the net obligations, which comprise actuarial gains and losses and any change in the effect of the asset ceiling are recognized immediately in other comprehensive income/(loss). These remeasurement components are not reclassified in the consolidated income statement in a subsequent period.

OTHER LONG-TERM EMPLOYEE BENEFITS

The Group's obligations represent the present value of future benefits that employees have earned in return for their service during the current and prior periods. Remeasurement components on other long-term employee benefits are recognized in the consolidated income statement in the period in which they arise.

SHARE-BASED COMPENSATION

The Group has implemented equity incentive plans that provide for the granting of share-based compensation to the Chairman, the Chief Executive Officer, all other members of the 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 a Monte Carlo simulation model, which requires the input of subjective assumptions, including the expected volatility of the Company's common stock, the dividend yield, interest rates and a correlation coefficient between the common stock and the relevant market index. The fair value of the awards which are conditional only on a recipient's continued service to the Company is measured using the share price at the grant date adjusted for the present value of future distributions which employees will not receive during the vesting period.

Share-based compensation expense relating to the equity incentive plans is recognized over the service period within selling, general and administrative costs or cost of sales in the consolidated income statement depending on the function of the employee, with an offsetting increase to equity.

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 models) are sold with a scheduled maintenance program to ensure that the cars are maintained to the highest standards to meet the Group's strict requirements for performance and safety. Amounts attributable to the maintenance program are not recognized as income immediately, but are deferred over the maintenance program term. The amount of the deferred income related to this program, is based on the estimated fair value of the service to be provided.

ADVANCES

Advances relate to amounts received from or billed to customers in advance of having delivered the related cars or provided the related services.

REVENUE RECOGNITION

Revenue is recognized when control over a product or service is transferred to a customer. Revenue is measured at the transaction price which is based on the amount of consideration that the Group expects to receive in exchange for transferring the promised goods or services to the customer and excludes any sales incentives as well as taxes collected from customers that are remitted to government authorities. The transaction price will include estimates of variable consideration to the extent it is probable that a significant reversal of revenue recognized will not occur. The Group enters into contracts that may include both products and services, which are generally capable of being distinct and accounted for as separate performance obligations.

The Group generates revenue from the sale of cars, spare parts and engines as well as from sponsorship, commercial and brand activities. The Group accounts for a contract with a customer when there is a legally enforceable contract between the Group and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. Payments from customers are typically due within 30 and 40 days of invoicing.

The Group does not recognize any assets associated with the incremental costs of obtaining a contract with a customer that are expected to be recovered. The majority of revenue is recognized at a point-in-time or over a period of one year or less, and the Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that would otherwise be recognized is one year or less.

CARS, SPARE PARTS AND ENGINES

The sales of cars, spare parts and engines have multiple performance obligations that include products, services, or a combination of products and services as contracts may include maintenance programs and extended warranties that are separately priced or not separately priced. Contracts may also include variable consideration for discounts such as sales incentives and performance based bonuses and product returns. The cost of incentives is estimated at the inception of a contract at the expected amount that will ultimately be paid and is recognized as a reduction to revenue at the time of the sale. Revenues recognized are limited to the amount of consideration the Group expects to receive. The Group allocates the transaction price to the performance obligations based on the stand alone selling prices (SSP) for each obligation. When the SSP does not exist, the Group estimates the SSP based on the adjusted market approach.

Revenues for the sale of cars, spare parts and engines are recognized at a point in time when control of the cars, spare parts or engines is transferred to the customer based on shipping terms, which generally corresponds to the date when the cars, spare parts and engines are released to the carrier responsible for transportation to dealers or Maserati. Revenues relating to the maintenance program 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.

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, 2020, 2019 and 2018.

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, 2020 and 2019 was as follows:

			At December 31, 2020		At December 31, 2019	
Name	**Country**	**Nature of business**	**Shares held by the Group**	**Shares held by NCI**	**Shares held by the Group**	**Shares held by NCI**
Directly held interests						
Ferrari S.p.A.	Italy	Manufacturing	100%	— %	100 %	— %
Indirectly held through Ferrari S.p.A.						
Ferrari North America Inc.	USA	Importer and distributor	100%	— %	100%	— %
Ferrari Japan KK	Japan	Importer and distributor	100%	— %	100%	— %
Ferrari Australasia Pty Limited	Australia	Importer and distributor	100%	— %	100%	— %
Ferrari International Cars Trading (Shanghai) Co. L.t.d.	China	Importer and distributor	80%	20%	80%	20%
Ferrari (HK) Limited	Hong Kong	Importer and distributor	100%	— %	100%	— %
Ferrari Far East Pte Limited	Singapore	Service company	100%	— %	100%	— %
Ferrari Management Consulting (Shanghai) Co. L.t.d.	China	Service company	100%	— %	100%	— %
Ferrari South West Europe S.a.r.l.	France	Service company	100%	— %	100%	— %
Ferrari Central Europe GmbH	Germany	Service company	100%	— %	100%	— %
G.S.A. S.A.	Switzerland	Service company	100%	— %	100%	— %
Mugello Circuit S.p.A.	Italy	Racetrack management	100%	— %	100%	— %
Ferrari Financial Services Inc.	USA	Financial services	100%	— %	100%	— %
Indirectly held through other Group entities						
Ferrari Auto Securitization Transaction LLC (1)	USA	Financial services	100%	— %	100%	— %
Ferrari Auto Securitization Transaction - Lease, LLC (1)	USA	Financial services	100%	— %	100%	— %
Ferrari Auto Securitization Transaction - Select, LLC (1)	USA	Financial services	100%	— %	100%	— %
Ferrari Financial Services Titling Trust (1)	USA	Financial services	100%	— %	100%	— %
410, Park Display, Inc. (2)	USA	Retail	100%	— %	100%	— %

1) Shareholding held by Ferrari Financial Services Inc.

2) Shareholding held by Ferrari North America Inc.

NON-CONTROLLING INTERESTS

The non-controlling interests at December 31, 2020 and 2019 and the net profit attributable to non-controlling interests for the years ended December 31, 2020, 2019 and 2018 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,	
	2020	2019
Equity attributable to non-controlling interests	4,018	5,998

(€ thousand)

	For the years ended December 31,		
	2020	2019	2018
Net profit attributable to non-controlling interests	1,063	2,890	1,949

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, 2020 amounted to €55,566 thousand (€115,182 thousand at December 31, 2019).

Cash collected from the settlement of receivables under securitization programs is subject to certain restrictions regarding its use and is principally applied to repay principal and interest of the related funding. Such cash amounted to €36,935 thousand at December 31, 2020 (€27,524 thousand at December 31, 2019).

SEGMENT REPORTING

The Group has determined that it has one operating and one reportable segment based on the information reviewed by the Board of Directors (the Group's "Chief Operating Decision Maker" as defined in IFRS 8 – Operating Segments) in making decisions regarding the allocation of resources and to assess performance.

USE OF ESTIMATES

The Consolidated Financial Statements are prepared in accordance with IFRS which require the use of estimates, judgments and assumptions that affect the carrying amount of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of income and expenses recognized. The estimates and associated assumptions are based on elements that are known when the financial statements are prepared, on historical experience and on any other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed periodically and continuously by the Group. If the items subject to estimates do not perform as assumed, then the actual results could differ from the estimates, which would require adjustment accordingly. The effects of any changes in estimate are recognized in the consolidated income statement in the period in which the adjustment is made, or prospectively in future periods.

The items requiring estimates for which there is a risk that a material difference may arise in respect of the carrying amounts of assets and liabilities in the future are discussed below.

RECOVERABILITY OF NON-CURRENT ASSETS WITH DEFINITE USEFUL LIVES

Non-current assets with definite useful lives include property, plant and equipment and intangible assets. Intangible assets with definite useful lives mainly consist of capitalized development costs.

The Group periodically reviews the carrying amount of non-current assets with definite useful lives when events and circumstances indicate that an asset may be impaired. Impairment tests are performed by comparing the carrying amount and the recoverable amount of the cash-generating unit ("CGU"). The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

For the period covered by these Consolidated Financial Statements, the Group has not recognized any impairment charges for non-current assets with definite useful lives.

RECOVERABILITY OF GOODWILL

In accordance with *IAS 36 – Impairment of Assets*, goodwill is not amortized and is tested for impairment annually or more frequently if facts or circumstances indicate that the asset may be impaired.

As the Group is composed of one operating segment, goodwill is tested at the Group level, which represents the lowest level within the Group at which goodwill is monitored for internal management purposes in accordance with IAS 36. The impairment test is performed by comparing the carrying amount (which mainly comprises property, plant and equipment, goodwill and capitalized development costs) and the recoverable amount of the CGU. The recoverable amount of the CGU is the higher of its fair value less costs of disposal and its value in use.

For the period covered by these Consolidated Financial Statements, the Group has not recognized any impairment charges for goodwill.

DEVELOPMENT COSTS

Development costs are capitalized if the conditions under *IAS 38 – Intangible Assets* have been met. The starting point for capitalization is based upon the technological and commercial feasibility of the project, which is usually when a product development project has reached a defined milestone according to the Group's established product development model. Feasibility is based on management's judgment which is formed on the basis of estimated future cash flows. Capitalization ceases and amortization of capitalized development costs begins on start of production of the relevant project.

The amortization of development costs requires management to estimate the lifecycle of the related model or assets. Any changes in such assumptions would impact the amortization charge recorded and the carrying amount of capitalized development costs. The periodic amortization charge is derived after determining the expected lifecycle of the related model or assets and, if applicable any expected residual value at the end of its life. Increasing an asset's expected lifecycle or its residual value would result in a reduced amortization charge in the consolidated income statement.

The useful lives and residual values of the Group's models are determined by management at the time of capitalization and reviewed annually for appropriateness and recoverability. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology. Historically changes in useful lives and residual values have not resulted in material changes to the Group's amortization charge or estimated recoverability of the related assets.

PRODUCT WARRANTY LIABILITIES

The Group establishes reserves for product warranties at the time the sale is recognized. The Group issues various types of product warranties under which the performance of products delivered is generally guaranteed for a certain period or term, which is generally defined by the legislation in the country where the car is sold. The reserve for product warranties includes the expected costs of warranty obligations imposed by law or contract, as well as the expected costs for policy coverage. The estimated future costs of these actions are principally based on assumptions regarding the lifetime warranty costs of each car line and each model year of that car line, as well as historical claims experience for the Group's cars. In addition, the number and magnitude of additional service actions expected to be approved, and policies related to additional service actions, are taken into consideration. Due to the uncertainty and potential volatility of these estimated factors, changes in the assumptions used could materially affect the results of operations.

The Group periodically initiates voluntary service actions to address various client satisfaction, safety and emissions issues related to cars sold. Included in the reserve is the estimated cost of these services and recall actions. The estimated future costs of these actions are based primarily on historical claims experience for the Group's cars and the cost of parts and services to be incurred in the specified activities, and are recognized at the time when they are probable and reasonably estimable. Estimates of the future costs of these actions are inevitably imprecise due to several uncertainties, including the number of cars affected by a service or recall action. It is reasonably possible that the ultimate cost of these service and recall actions may require the Group to make expenditures in excess of (or less than) established reserves over an extended period of time. The estimate of warranty and additional service obligations is periodically reviewed during the year.

In addition, the Group makes provisions for estimated product liability costs arising from property damage and personal injuries including wrongful death, and potential exemplary or punitive damages alleged to be the result of product defects. By nature, these costs can be infrequent, difficult to predict, and have the potential to vary significantly in amount. Costs associated with these provisions are recorded in the consolidated income statement and any subsequent adjustments are recorded in the period in which the adjustment is determined.

SHARE-BASED COMPENSATION

The Group accounts for 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 a Monte Carlo simulation model, which requires the input of subjective assumptions, including the expected volatility of our common stock, the dividend yield, interest rates and the correlation coefficient between our common stock and the relevant market index. The probability that the Group will achieve a certain level of Total Shareholder Return performance compared to the defined peer group 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,		
	2020	2019	2018
Cars and spare parts	2,835,170	2,925,721	2,535,245
Engines	150,655	198,308	284,546
Sponsorship, commercial and brand	390,002	538,238	505,701
Other	83,963	104,348	94,829
Total net revenues	**3,459,790**	**3,766,615**	**3,420,321**

Other net revenues primarily relate to financial services activities, management of the Mugello racetrack and other sports-related activities.

Interest and other financial income from financial services activities included within net revenues in 2020, 2019 and 2018 amounted to €65,878 thousand, €66,386 thousand and €52,702 thousand, respectively.

5. COST OF SALES

Cost of sales in 2020, 2019 and 2018 amounted to €1,686,324 thousand, €1,805,310 thousand and €1,622,905 thousand, respectively, consisting mainly of the cost of materials, components and labor 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, as well as warranty and product-related costs, which are estimated and recorded at the time of shipment.

Interest and other financial expenses from financial services activities included within cost of sales in 2020, 2019 and 2018 amounted to €36,628 thousand, €45,083 thousand and €33,828 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 2020, 2019 and 2018 amounted to €171,900 thousand, €173,512 thousand and €167,819 thousand, respectively, consisting mainly of costs for sales personnel, marketing and events, and retail stores. Costs for marketing and events primarily relate to 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 2020, 2019 and 2018 amounted to €164,226 thousand, €169,667 thousand and €159,522 thousand, respectively, consisting mainly of administration and other general expenses, including for personnel, that are not directly attributable to manufacturing, sales or research and development activities.

7. RESEARCH AND DEVELOPMENT COSTS

Research and development costs are as follows:

(€ thousand)

	For the years ended December 31,		
	2020	2019	2018
Research and development costs expensed during the year	526,831	559,582	527,847
Amortization of capitalized development costs	180,554	139,629	115,191
Total research and development costs	**707,385**	**699,211**	**643,038**

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 for the year ended December 31, 2020 are presented net of technology-related government incentives recognized in the first half of 2020.

8. OTHER EXPENSES, NET

Other expenses, net are as follows:

(€ thousand)

	For the years ended December 31,		
	2020	2019	2018
Other expenses	25,067	14,288	18,257
Other income	(6,592)	(9,297)	(15,062)
Other expenses, net	**18,475**	**4,991**	**3,195**

Other expenses primarily include indirect taxes, provisions and other miscellaneous expenses. Other income primarily includes rental income, gains on the disposal of property plant and equipment and other miscellaneous income. Other expenses, net in 2019 includes the positive effects of a change in estimate of the risk and related provision associated with a legal dispute based on developments that occurred in the first quarter of 2019, and other expenses, net in 2018 includes the effects of a favorable ruling on a prior year's legal dispute.

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,		
	2020	**2019**	**2018**
Financial income:			
Interest income from bank deposits	*610*	*1,690*	*1,445*
Other interest income and financial income	*517*	*4,116*	*677*
Interest income and other financial income	1,127	5,806	2,122
Finance income from financial services activities	65,878	66,386	52,702
Total financial income	**67,005**	**72,192**	**54,824**
Total financial income relating to:			
Industrial activities (A)	1,127	5,806	2,122
Financial services activities (reported in net revenues)	65,878	66,386	52,702
Financial expenses:			
Capitalized borrowing costs	*2,591*	*2,671*	*2,884*
Other interest and financial expenses	*(3,258)*	*(2,427)*	*(1,046)*
Interest expenses and other financial expenses	(667)	244	1,838
Interest expenses from banks	(14,330)	(27,432)	(21,486)
Interest and other finance costs on bonds and notes	(20,116)	(20,703)	(12,386)
Write-downs of financial receivables	(9,502)	(4,739)	(3,326)
Other financial expenses	(14,580)	(13,949)	(8,494)
Total financial expenses	**(59,195)**	**(66,579)**	**(43,854)**
Net expenses from derivative financial instruments and foreign currency exchange rate differences	(27,652)	(26,392)	(15,659)
Total financial expenses and net expenses from derivative financial instruments and foreign currency exchange rate differences	**(86,847)**	**(92,971)**	**(59,513)**
Total financial expenses and net expenses from derivative financial instruments and foreign currency exchange rate differences relating to:			
Industrial activities (B)	(50,219)	(47,888)	(25,685)
Financial services activities (reported in cost of sales)	(36,628)	(45,083)	(33,828)
Net financial expenses relating to industrial activities (A+B)	**(49,092)**	**(42,082)**	**(23,563)**

Interest and other finance costs on bonds and notes for the year ended December 31, 2019 includes costs of €8,142 thousand for the partial repurchase of bonds following a cash tender offer in July 2019 (in particular the repurchase price and premium incurred, as well as previously unamortized issuance costs).

10. INCOME TAXES

Income tax expense is as follows:

(€ thousand)

	For the years ended December 31,		
	2020	2019	2018
Current tax expense	120,115	137,303	95,076
Deferred tax (benefit)/expense	(62,474)	32,145	66,325
Taxes relating to prior periods	514	7,208	(145,084)
Total income tax expense	**58,155**	**176,656**	**16,317**

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

In the fourth quarter of 2020, Ferrari benefited from the measures introduced in Italy by the art. 110 of the Law Decree n. 104/2020, converted in the Law n. 126/2020, enacting "Urgent measures to support and relaunch the economy", which reopened the voluntary step up of tangible and intangible assets, with the application of a substitute tax at a rate of 3 percent. In particular, Ferrari S.p.A. benefited from the one-time partial step-up of its trademark for tax purposes, which resulted in the recognition in 2020 of deferred tax assets for €83,700 thousand and a substitute tax liability for €9,000 thousand, resulting in a net tax benefit of €74,700 thousand. The deferred tax asset will be utilized over a 20-year period and the substitute tax will be paid in three equal annual installments starting in 2021. There was no cash effect in 2020.

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 related to the five-year period from 2015 to 2019. The Patent Box tax benefit relating to the years 2015 to 2017 amounted to approximately €141 million and was recorded within taxes relating to prior periods in 2018. The Group is applying the Patent Box tax regime for the period from 2020 to 2024, in line with currently applicable tax regulations in Italy. Starting in 2020 Ferrari self-determines the income eligible for the Patent Box regime and will recognize the Patent Box tax benefit in three equal annual installments in 2020, 2021 and 2022.

In addition to the Patent Box tax benefit relating to the years 2015 to 2017 which was recorded within taxes relating to prior periods in 2018 as mentioned above, taxes relating to prior periods are primarily attributable to the agreements reached with the Italian Revenue Agency for the settlement of claims relating to prior years.

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, 2020, 2019 and 2018.

(€ thousand)

	For the years ended December 31,		
	2020	2019	2018
Theoretical income tax expense, net of IRAP	160,088	210,088	192,706
Tax effect on:			
Permanent and other differences	(129,016)	(76,187)	(58,877)
Effect of changes in tax rates and tax regulations	800	733	—
Differences between foreign tax rates and the theoretical Italian tax rate and tax holidays	1,734	3,457	1,216
Taxes relating to prior years	514	7,208	(145,084)
Withholding tax on earnings	1,373	3,360	1,514
Total income tax expense/(benefit), net of IRAP	**35,493**	**148,659**	**(8,525)**
Effective tax rate, net of IRAP	*5.3 %*	*17.0%*	*(1.1)%*
IRAP (current and deferred)	22,662	27,997	24,842
Total income tax expense	**58,155**	**176,656**	**16,317**

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, 2020, 2019 and 2018.

The decrease in the effective tax rate net of IRAP from 17.0 percent in 2019 to 5.3 percent in 2020 was primarily attributable to the tax benefits from the measures introduced in Italy by the art. 110 of the Law Decree No. 104/2020, converted in the Law n. 126/2020, enacting "Urgent measures to support and relaunch the economy", which reopened the voluntary step up of tangible and intangible assets, with the application of a substitutive tax rate (3%), and to a lesser extent, the effects of deductions for eligible research and development costs. The net benefit, which amounted to €74,700 thousand, is included within "permanent and other differences" for 2020 in the tax rate reconciliation above. The negative effective tax rate of 1.1 percent in 2018 was primarily attributable to the Group's application of the Patent Box tax regime starting in the third quarter of 2018, including 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" and the Patent Box benefit relating to 2020, 2019 and 2018 is included within "permanent and other differences" for the respective years in the tax rate reconciliation above.

The analysis of deferred tax assets and deferred tax liabilities at December 31, 2020 and 2019, is as follows:

(€ thousand)

	At December 31,	
	2020	2019
Deferred tax assets:		
To be recovered after 12 months	95,209	16,445
To be recovered within 12 months	57,012	57,238
	152,221	**73,683**
Deferred tax liabilities:		
To be realized after 12 months	(96,179)	(77,334)
To be realized within 12 months	(17,295)	(4,874)
	(113,474)	**(82,208)**
Net deferred tax assets/(liabilities)	**38,747**	**(8,525)**

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, 2019	Recognized in consolidated income statement	Charged to equity	Translation differences and other changes	At December 31, 2020
Deferred tax assets arising on:					
Provisions	100,298	(8,748)	—	(887)	90,663
Deferred income	53,843	(1,602)	—	—	52,241
Employee benefits	2,930	—	1	—	2,931
Foreign currency exchange rate differences	1,437	(920)	—	(1)	516
Cash flow hedge reserve	1,786	—	(1,786)	—	—
Inventory obsolescence	51,972	10,032	—	(278)	61,726
Allowances for doubtful accounts	5,407	239	—	(3)	5,643
Depreciation	17,564	(10)	—	(3)	17,551
Trademark step-up	—	83,700	—	—	83,700
Patent box	—	27,902	—	—	27,902
Other	17,695	(8,298)	—	(3,370)	6,027
Total deferred tax assets	**252,932**	**102,295**	**(1,785)**	**(4,542)**	**348,900**
Deferred tax liabilities arising on:					
Depreciation	(8,881)	764	—	567	(7,550)
Capitalization of development costs	(224,851)	(39,238)	—	2	(264,087)
Employee benefits	(750)	(94)	—	—	(844)
Foreign currency exchange rate differences	(399)	(160)	—	—	(559)
Cash flow hedge reserve	—	—	(9,505)	—	(9,505)
Tax on undistributed earnings	(13,983)	(1,878)	—	—	(15,861)
Other	(12,593)	785	—	61	(11,747)
Total deferred tax liabilities	**(261,457)**	**(39,821)**	**(9,505)**	**630**	**(310,153)**
Total net deferred tax assets/(liabilities)	**(8,525)**	**62,474**	**(11,290)**	**(3,912)**	**38,747**

(€ 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	**21,602**	**(32,145)**	**1,066**	**952**	**(8,525)**

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, 2020, 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 €164,803 thousand (€151,990 thousand at December 31, 2019).

11. OTHER INFORMATION BY NATURE

Personnel costs in 2020, 2019 and 2018 amounted to €389,927 thousand, €385,182 thousand and €323,936 thousand, respectively. These amounts include costs that were capitalized in connection with product development activities. In 2020, 2019 and 2018 the Group had an average number of employees of 4,428, 4,164 and 3,651, respectively.

Depreciation amounted to €217,952 thousand, €191,482 thousand and €156,384 thousand for the years ended December 31, 2020, 2019 and 2018, respectively, and amortization amounted to €208,685 thousand, €160,464 thousand and €132,364 thousand for the years ended December 31, 2020, 2019 and 2018, 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 issued and outstanding during the period.

The following table provides the amounts used in the calculation of basic earnings per share for the years ended December 31, 2020, 2019 and 2018:

		For the years ended December 31,		
		2020	2019	2018
Profit attributable to owners of the Company	€ thousand	607,817	695,818	784,678
Weighted average number of common shares for basic earnings per common share	thousand	184,806	186,767	188,606
Basic earnings per common share	**€**	**3.29**	**3.73**	**4.16**

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 the potential common shares that would have been issued under the Group's equity incentive plans (assuming 100 percent of the related awards vested). See Note 21 for additional details relating to the equity incentive plans of the Group.

The following table provides the amounts used in the calculation of diluted earnings per share for the years ended December 31, 2020, 2019 and 2018:

		For the years ended December 31,		
		2020	2019	2018
Profit attributable to owners of the Company	€ thousand	607,817	695,818	784,678
Weighted average number of common shares(1) for diluted earnings per common share	thousand	185,379	187,535	189,394
Diluted earnings per common share	**€**	**3.28**	**3.71**	**4.14**

13. GOODWILL

At December 31, 2020 and 2019 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 2021 through 2024 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 2020 (2.0 percent in 2019 and 2018).
- 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 2020 (6.8 percent in 2019 and 7.0 percent in 2018). 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, 2019	**1,324,040**	**592,070**	**183,614**	**50,348**	**2,150,072**
Additions	243,040	86,919	17,606	5,893	353,458
Reclassifications	—	—	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**
Additions	236,913	83,190	26,867	5,008	351,978
Reclassifications	—	—	3,337	(3,337)	—
Translation differences and other movements	—	(1,846)	(98)	2	(1,942)
Balance at December 31, 2020	**1,803,993**	**760,333**	**237,597**	**50,276**	**2,852,199**
Accumulated amortization at January 1, 2019	**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**
Amortization	139,546	41,008	26,048	2,083	208,685
Translation differences and other movements	—	—	(2)	1	(1)
Balance at December 31, 2020	**1,173,914**	**451,937**	**202,347**	**44,711**	**1,872,909**
Carrying amount at:					
January 1, 2019	**393,484**	**216,958**	**25,698**	**9,657**	**645,797**
December 31, 2019	**532,712**	**268,060**	**31,190**	**5,976**	**837,938**
December 31, 2020	**630,079**	**308,396**	**35,250**	**5,565**	**979,290**

Additions of €351,978 thousand in 2020 (€353,458 thousand in 2019) primarily relate to externally acquired and internally generated development costs for new and existing models.

15. PROPERTY, PLANT AND EQUIPMENT

(€ thousand)

	Land	Industrial buildings	Plant, machinery and equipment	Other assets	Advances and assets under construction	Total
Gross carrying amount at January 1, 2019	**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)
Reclassifications	—	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**
Additions	5,805	22,210	114,839	24,445	214,706	382,005
Divestitures	—	(791)	(11,423)	(5,048)	(127)	(17,389)
Reclassifications	—	2,795	79,937	3,500	(86,232)	—
Translation differences and other movements	(23)	(2,417)	(36)	(1,881)	—	(4,357)
Balance at December 31, 2020	**29,391**	**430,455**	**2,544,837**	**213,544**	**329,743**	**3,547,970**
Accumulated amortization at January 1, 2019	**—**	**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**
Depreciation	—	17,778	180,868	19,306	—	217,952
Divestitures	—	(602)	(10,654)	(2,713)	—	(13,969)
Translation differences and other movements	—	(138)	1,426	(1,990)	—	(702)
Balance at December 31, 2020	**—**	**184,170**	**1,995,479**	**141,691**	**—**	**2,321,340**
Carrying amount at:						
January 1, 2019	**23,574**	**218,469**	**362,901**	**30,415**	**215,191**	**850,550**
December 31, 2019	**23,609**	**241,526**	**537,681**	**65,440**	**201,396**	**1,069,652**
of which right-of use assets under IFRS 16	—	*15,834*	*7,612*	*34,319*	—	*57,765*
December 31, 2020	**29,391**	**246,285**	**549,358**	**71,853**	**329,743**	**1,226,630**
of which right-of use assets under IFRS 16	—	*25,574*	*5,041*	*29,127*	—	*59,742*

Additions to property, plant and equipment mainly related to car production and engine assembly lines (including those for models to be launched in future years), industrial tools used for the production of cars and our personalization programs, as well as the acquisition of tracts of land adjacent to the facilities in Maranello as part of the Group's expansion plans (more than €60 million in 2020 plus directly attributable transaction-related costs).

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 the previous lease standard IAS 17.

For the year ended December 31, 2020 depreciation of right-of-use assets amounted to €20,159 thousand and interest expense on lease liabilities amounted to €943 thousand (€17,067 thousand and €1,172 thousand, respectively, for the year ended December 31, 2019).

The following table summarizes the changes in the carrying amount of right-of-use assets for the year ended December 31, 2020:

(€ thousand)

	Industrial buildings	Plant, machinery and equipment	Other assets	Total
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 January 1, 2020	**15,834**	**7,612**	**34,319**	**57,765**
Additions	16,214	2,578	6,194	24,986
Disposals	—	(24)	(2,303)	(2,327)
Depreciation	(6,564)	(5,159)	(8,436)	(20,159)
Translation differences and other movements	90	34	(647)	(523)
Balance at December 31, 2020	**25,574**	**5,041**	**29,127**	**59,742**

Amounts recognized in the income statement in relation to leases for the year ended December 31, 2020 and 2019 were as follows:

(€ thousand)

	For the year ended December 31,	
	2020	**2019**
Depreciation of right-of-use assets	20,159	17,067
Interest expense on lease liabilities	943	1,172
Variable lease payments not included in the measurement of lease liabilities	1,190	1,143
Expenses relating to short-term leases and leases of low-value assets	4,312	4,635
Total expenses recognized	**26,604**	**24,017**

At December 31, 2020, the Group had contractual commitments for the purchase of property, plant and equipment amounting to €101,361 thousand (€105,335 thousand at December 31, 2019).

16. INVESTMENTS AND OTHER FINANCIAL ASSETS

(€ thousand)

	At December 31, 2020	At December 31, 2019
Investments accounted for using the equity method	34,663	30,012
Other securities and financial assets	8,178	8,704
Total investments and other financial assets	**42,841**	**38,716**

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method relate entirely to the Group's investment in Ferrari Financial Services GmbH ("FFS").

Changes in the carrying amount of the investment were as follows:

(€ thousand)

Balance at January 1, 2019	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**
Proportionate share of net profit for the year ended December 31, 2020	4,647
Proportionate share of remeasurement of defined benefit plans	4
Balance at December 31, 2020	**34,663**

Summarized financial information relating to FFS GmbH at and for the years ended December 31, 2020 and 2019 is presented below:

(€ thousand)

	At December 31, 2020	At December 31, 2019
Assets		
Non-current assets	3,390	2,436
Receivables from financing activities	782,880	660,883
Other current assets	4,130	8,565
Cash and cash equivalents	5,406	6,471
Total assets	**795,806**	**678,355**
Equity and liabilities		
Equity	67,352	58,049
Debt	653,748	604,643
Other liabilities	74,706	15,663
Total equity and liabilities	**795,806**	**678,355**

(€ thousand)

	For the years ended December 31,		
	2020	2019	2018
Net revenues	37,764	34,680	29,446
Cost of sales	14,864	15,655	12,183
Selling, general and administrative costs	8,494	8,892	8,720
Other expenses/(income), net	1,213	(963)	239
Profit before taxes	**13,193**	**11,096**	**8,304**
Income tax expense	3,898	3,010	2,974
Net profit	**9,295**	**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 €7,163 thousand at December 31, 2020 (€7,674 thousand at December 31, 2019).

17. INVENTORIES

(€ thousand)

	At December 31,	
	2020	2019
Raw materials	96,900	85,155
Semi-finished goods	94,619	91,119
Finished goods	269,098	243,777
Total inventories	**460,617**	**420,051**

Finished goods primarily includes cars and spare parts. The increase in finished goods and raw materials at December 31, 2020 reflects efforts to mitigate potential supply chain issues as a result of the COVID-19 pandemic.

The accrual to the provision for slow moving and obsolete inventories recognized within cost of sales during 2020 was €21,155 thousand (€14,512 thousand in 2019 and €11,062 thousand in 2018).

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

(€ thousand)

	2020	2019
At January 1,	**83,673**	**73,426**
Provision	21,155	14,512
Use and other changes	(8,121)	(4,265)
At December 31,	**96,707**	**83,673**

18. CURRENT RECEIVABLES AND OTHER CURRENT ASSETS

(€ thousand)

	At December 31,	
	2020	**2019**
Trade receivables	184,260	231,439
Receivables from financing activities	939,607	966,448
Current tax receivables	12,438	21,078
Other current assets	76,471	92,830
Total	**1,212,776**	**1,311,795**

TRADE RECEIVABLES

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

(€ thousand)

	At December 31,	
	2020	**2019**
Trade receivables due from:		
Dealers	62,301	74,589
FCA Group(*) companies	37,906	49,782
Sponsorship and commercial activities	31,917	46,375
Brand activities	21,886	24,937
Other	30,250	35,756
Total	**184,260**	**231,439**

(*) FCA N.V., the parent company of the FCA Group, was renamed Stellantis N.V. in January 2021 following the merger of Peugeot S.A. with and into FCA N.V..

Trade receivables due from dealers relate to receivables for the sale of cars across the dealer network and are generally settled within 30 to 40 days from the date of invoice.

Trade receivables due from FCA (renamed Stellantis in January 2021 following the merger of Peugeot S.A. with and into FCA N.V.) 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 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,	
	2020	2019
Trade receivables denominated in:		
Euro	111,191	127,226
U.S. Dollar	51,295	75,138
Pound Sterling	6,560	7,238
Chinese Yuan	1,398	2,101
Japanese Yen	8,921	11,018
Other	4,895	8,718
Total	**184,260**	**231,439**

Trade receivables are shown net of an allowance for doubtful accounts determined on the basis of insolvency risk and historical experience, adjusted for forward-looking factors specific to the receivables and the economic environment. Additional provisions to the allowance for doubtful accounts are recorded within selling, general and administrative costs in the consolidated income statement.

Changes in the allowance for doubtful accounts of trade receivables during the year were as follows:

(€ thousand)

	2020	2019
At January 1,	**27,171**	**24,346**
Additional provisions	4,148	2,976
Utilization and other changes	(3,007)	(151)
At December 31,	**28,312**	**27,171**

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)

	2020	2019
Client financing	925,878	950,842
Dealer financing	13,729	15,606
Total receivables from financing activities	**939,607**	**966,448**

Receivables from financing activities are shown net of an allowance for doubtful accounts determined on the basis of insolvency risks, adjusted for forward-looking factors specific to the receivables and the economic environment. Additional provisions to the allowance for doubtful accounts are recorded within cost of sales in the consolidated income statement.

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

(€ thousand)

	2020	2019
At January 1,	**7,480**	**6,457**
Additional provisions	9,502	4,739
Utilization and other changes	(3,787)	(3,716)
At December 31,	**13,195**	**7,480**

CLIENT FINANCING

Client financing relates to financing provided by the Group to Ferrari clients to finance their car acquisitions. During 2020 the average contractual duration at inception of such contracts was approximately 67 months (67 months in 2019) and the weighted average interest rate was approximately 5.5 percent (approximately 6.0 percent in 2019). 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

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 2020 these receivables were interest bearing at a rate between 4.6 percent and 6.2 percent (between 4.5 percent and 7.0 percent in 2019), with the exception of an initial limited, non-interest bearing period. The contractual terms governing the relationships with the dealer network may vary and payment terms generally range from 1 to 6 months, although longer term financing may be offered in limited circumstances. Receivables on dealer financing are generally secured by the titles of the related cars or other collateral.

OTHER CURRENT ASSETS

Other current assets are detailed as follows:

(€ thousand)

	At December 31,	
	2020	**2019**
Italian and foreign VAT credits	31,620	48,719
Prepayments	38,826	39,856
Other	6,025	4,255
Total other current assets	**76,471**	**92,830**

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

At December 31, 2020, the Group had provided guarantees through third parties amounting to €169,186 thousand (€95,304 thousand at December 31, 2019), principally to (i) banks for a U.S. Dollar denominated credit facility of FFS Inc. and (ii) tax authorities for 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, 2020				
	Due within one year	Due between one and five years	Due beyond five years	Overdue	Total
Trade receivables	137,564	69	—	46,627	184,260
Receivables from financing activities	159,778	657,073	57,202	65,554	939,607
Client financing	*156,154*	*646,968*	*57,202*	*65,554*	*925,878*
Dealer financing	*3,624*	*10,105*	—	—	*13,729*
Current tax receivables	10,314	2,124	—	—	12,438
Other current assets	36,971	247	180	247	37,645
Total	**344,627**	**659,513**	**57,382**	**112,428**	**1,173,950**

(€ 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**

19. CURRENT FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

(€ thousand)

	At December 31,	
	2020	2019
Financial derivatives	38,636	9,423
Other financial assets	1,448	1,986
Current financial assets	**40,084**	**11,409**

Current financial assets and other financial liabilities mainly relate to foreign exchange derivatives. The following table sets further the analysis of derivative assets and liabilities at December 31, 2020 and 2019.

(€ thousand)

	At December 31,			
	2020		2019	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Cash flow hedges:				
Foreign currency derivatives	37,214	(2,060)	8,039	(14,547)
Commodities	271	—	—	—
Interest rate caps	497	—	87	—
Total cash flow hedges	**37,982**	**(2,060)**	**8,126**	**(14,547)**
Other foreign currency derivatives	654	(80)	1,294	(244)
Interest rate caps	—	—	3	—
Total	**38,636**	**(2,140)**	**9,423**	**(14,791)**

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 Group's 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:

(€ thousand)

	At December 31, 2020		At December 31, 2019	
	Fair Value	Notional Amount	Fair Value	Notional Amount
Currencies:				
U.S. Dollar	31,474	1,363,667	2,826	1,338,800
Pound Sterling	450	118,795	(4,639)	175,247
Japanese Yen	3,533	197,170	923	272,183
Swiss Franc	535	76,282	(1,716)	87,632
Chinese Yuan	490	37,644	55	57,094
Other(1)	14	105,159	(2,817)	106,491
Total amount	**36,496**	**1,898,717**	**(5,368)**	**2,037,447**

(1) Other mainly includes the Australian Dollar, the Hong Kong Dollar and the Canadian Dollar.

At December 31, 2020 and 2019, substantially all derivative financial instruments had a maturity of twelve months or less.

CASH FLOW HEDGES

The effects recognized in the consolidated income statement mainly relate to currency risk management and in particular the exposure to fluctuations in the Euro/U.S. Dollar exchange rate for sales in U.S. Dollars.

The policy of the Group for managing foreign currency risk normally requires hedging of a portion of projected future cash flows from trading activities and orders acquired (or contracts in progress) in foreign currencies that will occur within the following 12 months. Derivatives relating to foreign currency risk management are treated as cash flow hedges where the derivative qualifies for hedge accounting. The amounts recorded in the cash flow hedge reserve within other comprehensive income will be recognized in the consolidated income statement according to the timing of the flows of the underlying transactions. Management believes that substantially all of the hedging effects arising from these derivative contracts and recorded in the cash flow hedge reserve will be recognized in the consolidated income statement within the following 12 months from the reporting date.

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

(€ thousand)

	For the years ended December 31,		
	2020	**2019**	**2018**
Net revenues/(costs)	19,557	(22,055)	3,777
Income tax (expense)/benefit	(5,456)	6,153	(1,054)
Total recognized in the consolidated income statement	**14,101**	**(15,902)**	**2,723**

The ineffectiveness of cash flow hedges was not material for the years 2020, 2019 and 2018.

20. EQUITY

SHARE CAPITAL

At December 31, 2020 the fully paid up share capital of the Company was €2,573 thousand, consisting of 193,923,499 common shares and 63,349,112 special voting shares, all with a nominal value of €0.01 (€2,573 thousand at December 31, 2019 consisting of 193,923,499 common shares and 63,349,111 special voting shares, all with a nominal value of €0.01). At December 31, 2020, the Company had 9,175,609 common shares and 2,190 special voting shares held in treasury, while at December 31, 2019, the Company had 8,640,176 common shares and 2,190 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. On March 30, 2020 the Company elected to temporarily suspend its share repurchase program.

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, 2020:

	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
Other changes (3)	—	6,854,047	6,854,047
Outstanding shares at December 31, 2019	**185,283,323**	**63,346,921**	**248,630,244**
Common shares repurchased under share repurchase program (4)	(819,483)	—	(819,483)
Common shares assigned under equity incentive plans (5)	284,050	—	284,050
Other changes	—	1	1
Outstanding shares at December 31, 2020	**184,747,890**	**63,346,922**	**248,094,812**

(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.

(4) Includes shares repurchased between January 1, 2020 and December 31, 2020 based on the transaction trade date, for a total consideration of €119,771 thousand, including transaction costs.

(5) On March 16, 2020, 366,199 common shares, which were previously held in treasury, were assigned to participants of the equity incentive plans as a result of the vesting of certain performance share unit and retention restricted share unit awards. On March 17, 2020, the Company purchased 82,149 common shares, for a total consideration of €10,022 thousand, from a group of those employees who were assigned shares in order to cover the individual's taxable income as is standard practice ("Sell to Cover") in an over-the-counter transaction. See Note 21 "Share-Based Compensation" for additional details relating to the Group's equity incentive plans.

THE LOYALTY VOTING STRUCTURE

The purpose of the loyalty voting structure is to reward ownership of the Company's common shares and to promote stability of the Company's shareholder base by granting long-term shareholders of the Company with special voting shares. Following the separation of Ferrari from the FCA Group (renamed Stellantis in January 2021 following the merger of Peugeot S.A. with and into FCA N.V.) in 2016, Exor N.V. ("Exor") and Piero Ferrari participate in the Company's loyalty voting program and, therefore, effectively hold two votes for each of the common shares they hold. Investors who purchase common shares may elect to participate in the loyalty voting program by registering their common shares in the loyalty share register and holding them for three years. The loyalty voting program will be affected by means of the issue of special voting shares to eligible holders of common shares. Each special voting share entitles the holder to exercise one vote at the Company's shareholder meetings. Only a minimal dividend accrues to the special voting shares allocated to a separate special dividend reserve, and the special voting shares do not carry any entitlement to any other reserve of the Group. The special voting shares have only immaterial economic entitlements and, as a result, do not impact the Company's earnings per share calculation.

RETAINED EARNINGS AND OTHER RESERVES

Retained earnings and other reserves includes:

- a share premium reserve of €5,768,544 thousand at December 31, 2020 (€5,768,544 thousand at December 31, 2019).
- a legal reserve of €19 thousand at December 31, 2020 and €65 thousand at December 31, 2019, determined in accordance with Dutch law.
- a treasury reserve of €616,629 thousand at December 31, 2020 and €486,892 thousand at December 31, 2019.
- a share-based compensation reserve of €43,482 thousand at December 31, 2020 and €46,539 thousand at December 31, 2019.

Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 16, 2020, a dividend distribution of €1.13 per common share was approved, corresponding to a total distribution of €208,765 thousand (of which €208,100 thousand was paid in 2020). The distribution was made from the retained earnings reserve.

Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 12, 2019, a dividend distribution of €1.03 per common share was approved, corresponding to a total distribution of €193,328 thousand (of which €192,664 thousand was paid in 2019). The distribution was made from the retained earnings reserve.

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 COMPREHENSIVE INCOME/(LOSS)

The following table presents other comprehensive income/(loss):

(€ thousand)

	For the years ended December 31,		
	2020	2019	2018
Items that will not be reclassified to the consolidated income statement in subsequent periods:			
Gains/(Losses) on remeasurement of defined benefit plans (1)	34	(2,078)	385
Total items that will not be reclassified to the consolidated income statement in subsequent periods	**34**	**(2,078)**	**385**
Items that may be reclassified to the consolidated income statement in subsequent periods:			
Gains/(Losses) on cash flow hedging instruments arising during the period	59,666	(24,327)	(9,257)
(Gains)/Losses on cash flow hedging instruments reclassified to the consolidated income statement	(19,557)	22,055	(3,777)
Gains/(Losses) on cash flow hedging instruments	**40,109**	**(2,272)**	**(13,034)**
Exchange differences on translating foreign operations	(11,731)	2,652	5,986
Total items that may be reclassified to the consolidated income statement in subsequent periods	**28,378**	**380**	**(7,048)**
Total other comprehensive income/(loss)	**28,412**	**(1,698)**	**(6,663)**
Related tax impact	(11,290)	1,066	3,520
Total other comprehensive income/(loss), net of tax	**17,122**	**(632)**	**(3,143)**

(1) For the year ended December 31, 2020 includes a gain of €4 thousand (a loss of €3 thousand for the year ended December 31, 2019) related to the Group's proportionate share of the remeasurement of defined benefit plans of FFS GmbH, for which the Group holds a 49.9 percent interest.

Gains and losses on the remeasurement of defined benefit plans include actuarial gains and losses arising during the period and are offset against the related net defined benefit liabilities.

The tax effects relating to other comprehensive income/(loss) are summarized in the following table:

(€ thousand)

	For the years ended December 31,								
	2020			2019			2018		
	Pre-tax balance	Related tax impact	Net balance	Pre-tax balance	Related tax impact	Net balance	Pre-tax balance	Related tax impact	Net balance
Gains/(Losses) on remeasurement of defined benefit plans	34	1	35	(2,078)	456	(1,622)	385	(88)	297
Gains/(Losses) on cash flow hedging instruments	40,109	(11,291)	28,818	(2,272)	610	(1,662)	(13,034)	3,608	(9,426)
Exchange (losses)/gains on translating foreign operations	(11,731)	—	(11,731)	2,652	—	2,652	5,986	—	5,986
Total other comprehensive (loss)/income	**28,412**	**(11,290)**	**17,122**	**(1,698)**	**1,066**	**(632)**	**(6,663)**	**3,520**	**(3,143)**

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, 2020, 2019 or 2018.

POLICIES AND PROCESSES FOR MANAGING CAPITAL

The Group's objectives when managing capital are to create value for shareholders as a whole, safeguard business continuity and support the sustainable growth of the Group. As a result, the Group endeavors to maintain a satisfactory economic return for its shareholders and guarantee economic access to external sources of funds.

21. SHARE-BASED COMPENSATION

The Group has several equity incentive plans under which a combination of performance share units ("PSUs") and retention restricted share units ("RSUs"), which each represent the right to receive one Ferrari common share, have been awarded to the Executive Chairman, the Chief Executive Officer ("CEO"), members of the Senior Management Team ("SMT") and other key employees of the Group.

EQUITY INCENTIVE PLAN 2016 - 2020

Under the Equity Incentive Plan 2016-2020 the Company awarded approximately 237 thousand 2016-2020 PSUs to the SMT (excluding the previous former CEO) and other key employees of the Group and approximately 450 thousand 2016-2020 PSUs to the previous former CEO in 2017. An additional total of approximately 21 thousand 2016-2020 PSUs were awarded to the successor and now former CEO in 2018. Additionally, the Company awarded members of the SMT and key leaders a total of approximately 119 thousand 2016-2020 RSUs in 2017, and an additional 10 thousand 2016-2020 RSUs were awarded in 2018. The PSUs and RSUs cover the five-year performance and service periods from 2016 to 2020.

2016-2020 PSU AWARDS

The awards 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") ranking within the defined industry-specific peer group applicable to the plan. 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 assigned upon vesting of the PSU awards depends on the level of achievement of the defined TSR target.

For the first tranche, which covers a performance period from 2016 to 2018, Ferrari ranked third in TSR within the defined peer group, resulting in the vesting of 100 percent of the target awards. As a result, 230,282 awards vested and an equal number of common shares were assigned to plan participants in 2019. For the second tranche, which covers a performance period from 2016 to 2019, Ferrari ranked second in TSR within the defined peer group, resulting in the vesting of 120 percent of the target awards and the trigger of the catch-up feature as a result of the over-achievement in the performance period. In total, 213,020 awards vested and 298,225 common shares were assigned to plan participants in 2020. For the third and final tranche, which covers a performance period from 2016 to 2020, Ferrari ranked third in TSR within the defined peer group, resulting in the vesting of 100 percent of the target awards. As a result, 212,243 awards vested in the first quarter of 2021 and an equal number of common shares will be assigned to plan participants.

2016-2020 RSU AWARDS

The awards vest in three equal tranches in 2019, 2020 and 2021, subject to the recipient's continued employment with the Company at the time of vesting.

For the first tranche, which covers a service period from 2016 to 2018, 40,087 awards vested and an equal number of common shares were assigned to plan participants in 2019. For the second tranche, which covers a service period from 2016 to 2019, 31,510 awards vested and an equal number of common shares were assigned to plan participants in 2020. For the third tranche and final tranche, which covers a service period from 2016 to 2020, 31,120 awards vested in the first quarter of 2021 and an equal number of common shares will be assigned to plan participants.

EQUITY INCENTIVE PLAN 2019-2021

Under the Equity Incentive Plan 2019-2021 the Company awarded approximately 174 thousand 2019-2021 PSUs and approximately 111 thousand 2019-2021 RSUs to the Executive Chairman, the former CEO, members of the SMT and other key employees of the Group. The PSUs and RSUs cover the three-year performance and service periods from 2019 to 2021.

2019-2021 PSU AWARDS

The vesting of the awards is based on the achievement of defined key performance indicators as follows:

i) TSR Target - 50 percent vest based on the achievement of the TSR ranking of Ferrari compared to an industry specific peer group of eight;
ii) EBITDA Target - 30 percent vest based on the achievement of an EBITDA target determined by comparing Adjusted EBITDA to the Adjusted EBITDA targets derived from the business plan;
iii) Innovation Target - 20 percent vest based on the achievement of defined objectives for technological innovation and the development of the new model pipeline over the performance period.

Each target is settled independently of the others targets. The total number of shares assigned upon vesting of the PSU awards depends on the level of achievement of the targets. The awards vest in 2022, except for the awards to the former CEO which vest in three tranches of 12 percent, 12 percent and 76 percent in 2020, 2021 and 2022, respectively.

Ferrari ranked third in the TSR ranking within the defined peer group for the TSR Target and met the EBITDA Target and the Innovation Target for the performance period covering 2019, resulting in the vesting of 100 percent of the target awards. As a result 17,572 awards vested and an equal number of common shares were assigned under the plan in 2020. For the performance period covering 2019 to 2020, Ferrari ranked third in the TSR ranking within the defined peer group for the TSR Target and met the EBITDA Target and the Innovation Target, resulting in the vesting of 100 percent of the target awards. As a result 80,510 awards vested in the first quarter of 2021 and an equal number of common shares will be assigned to plan participants.

2019-2021 RSU AWARDS

The awards vest in 2022, except for those awarded to the former CEO, which vest in three equal tranches in 2020, 2021 and 2022. All of the awards are subject to the recipient's continued employment with the Company at the time of vesting.

During 2020, 18,892 awards vested and an equal number of common shares were assigned under the plan. For the service period covering 2019 to 2020, 32,694 awards vested in the first quarter of 2021 and an equal number of common shares will be assigned to plan participants.

EQUITY INCENTIVE PLAN 2020-2022

Under the Equity Incentive Plan 2020-2022 the Company awarded approximately 60 thousand 2020-2022 PSUs and approximately 48 thousand 2020-2022 RSUs to the Executive Chairman, members of the SMT and other key employees of the Group. The PSUs and RSUs cover the three-year performance and service periods from 2020 to 2022.

2020-2022 PSU AWARDS

The vesting of the awards is based on the achievement of defined key performance indicators as follows:

i) TSR Target - 50 percent vest based on the achievement of the TSR ranking of Ferrari compared to an industry specific peer group of eight;
ii) EBITDA Target - 30 percent vest based on the achievement of an EBITDA target determined by comparing Adjusted EBITDA to the Adjusted EBITDA targets derived from the business plan;
iii) Innovation Target - 20 percent vest based on the achievement of defined objectives for technological innovation and the development of the new model pipeline over the performance period.

Each target is settled independently of the other targets. The awards vest in 2023 and the total number of shares assigned upon vesting depends on the level of achievement of the targets.

2020-2022 RSU AWARDS

The awards vest in 2023, subject to the recipient's continued employment with the Company at the time of vesting.

Supplemental information relating to the equity incentive plans is summarized below.

TSR TARGET

The number of PSUs with a TSR Target that vest under the equity incentive plans is based on the Company's TSR performance over the relevant performance period compared to an industry-specific peer group as summarized below.

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

(*) The PSUs awarded to members of the SMT (excluding the CEO) and other key employees of the Group under the Equity Incentive Plan 2016-2020 did not vest if the TSR ranking was below third compared to the peer group.

The defined peer groups (including the Company) for the TSR Target are presented below.

Equity Incentive Plan 2016-2020	Ferrari	Burberry	Hermes	LVMH
	Moncler	Richemont	Brunello Cucinelli	Ferragamo
Equity Incentive Plan 2019-2021 / Equity Incentive Plan 2020-2022	Ferrari	Burberry	Hermes	LVMH
	Moncler	Richemont	Kering	Aston Martin

EBITDA TARGET

The number of PSUs with an EBITDA Target that vest under the Equity Incentive Plan 2019-2021 and the Equity Incentive Plan 2020-2022 is determined by comparing Adjusted EBITDA to the Adjusted EBITDA targets derived from the Group's business plan, as summarized below.

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

FAIR VALUES AND KEY ASSUMPTIONS

The fair value of the PSU awards used for accounting purposes was measured at the grant date using a Monte Carlo Simulation model. The fair value of the RSU awards was measured using the share price at the grant date adjusted for the present value of future distributions which employees will not receive during the vesting period.

The fair value of the PSUs and RSUs that were awarded under the equity incentive plans, which is determined based on actuarial calculations that apply certain assumptions and take into consideration the specific characteristics of the awards granted, is summarized in the following table.

Equity Incentive Plan	2016-2020		2019-2021	2020-2022
	Granted in 2017	Granted in 2018		
PSUs	€59.36 - €72.06	€61.30 - €111.92	€110.57 - €111.64	€136.06
RSUs	€63.00 - €64.64	€110.76 - €112.99	€119.54 - €120.56	€139.39

The key assumptions utilized to calculate the grant-date fair values of the PSUs that were awarded under the equity incentive plans are summarized below:

Equity Incentive Plan	2016-2020		2019-2021	2020-2022
	Granted in 2017	Granted in 2018		
Grant date share price	€66.85	€113.70	€122.60	€142.95
Expected volatility	17.4%	16.7%	26.5%	26.6%
Dividend yield	1.2%	0.9%	0.83%	0.8
Risk-free rate	0%	0%	0%	0%

The expected volatility was based on the observed volatility of the defined peer group applicable to each equity incentive plan. The risk-free rate was based on the iBoxx sovereign Eurozone yield.

OUTSTANDING SHARE AWARDS

Changes to the outstanding number of PSU and RSU awards under all equity incentive plans of the Group are as follows:

(number of awards)	Outstanding PSU Awards	Outstanding RSU Awards
Balance at January 1, 2018	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**
Granted (3)	48,173	39,780
Forfeited	(1,461)	(1,460)
Vested	(230,592)	(50,402)
Balance at December 31, 2020	**414,839**	**159,063**

(1) Granted under the Equity Incentive Plan 2016-2020.
(2) Granted under the Equity Incentive Plan 2019-2021.
(3) Grander under the Equity Incentive Plan 2020-2022.

SHARE-BASED COMPENSATION EXPENSE

For the years ended December 31, 2020, 2019 and 2018, the Company recognized €17,401 thousand, €17,480 thousand and €22,491 thousand, respectively, as share-based compensation expense and an increase to other reserves within equity in relation to the PSU awards and RSU awards. At December 31, 2020, unrecognized compensation expense amounted to €12,998 thousand and is expected to be recognized over the remaining vesting periods through 2022.

22. EMPLOYEE BENEFITS

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

(€ thousand)

	At December 31,	
	2020	**2019**
Present value of defined benefit obligations:	19,825	21,795
Italian employee severance indemnity (TFR)	105	134
Pension plans	19,930	21,929
Total present value of defined benefit obligations	**19,930**	**21,929**
Other provisions for employees	40,055	66,187
Total provisions for employee benefits	**59,985**	**88,116**

DEFINED CONTRIBUTION PLANS

The Group recognizes the cost for defined contribution plans over the period in which the employee renders service and classifies this by function in cost of sales, selling, general and administrative costs and research and development costs. The total income statement expense for defined contributions plans in the years ended December 31, 2020, 2019 and 2018 was €15,727 thousand, €13,650 thousand and €11,930 thousand, respectively.

DEFINED BENEFIT OBLIGATIONS

ITALIAN EMPLOYEE SEVERANCE INDEMNITY (TFR)

Trattamento di fine rapporto or "TFR" relates to the amounts that employees in Italy are entitled to receive when they leave the company and is calculated based on the period of employment and the taxable earnings of each employee. Under certain conditions the entitlement may be partially advanced to an employee during the employee's working life.

The Italian legislation regarding this scheme was amended by Law 296 of 27 December 2006 and subsequent decrees and regulations issued in the first part of 2007. Under these amendments, companies with at least 50 employees are obliged to transfer the TFR to the "Treasury fund" managed by the Italian state-owned social security body ("INPS") or to supplementary pension funds. Prior to the amendments, accruing TFR for employees of all Italian companies could be managed by the company itself. Consequently, the Italian companies' obligation to INPS and the contributions to supplementary pension funds take the form, under IAS 19 revised, of "Defined contribution plans" whereas the amounts recorded in the provision for employee severance pay retain the nature of "Defined benefit plans". Accordingly, the provision for employee severance indemnity in Italy consists of the residual obligation for TFR until December 31, 2006. This is an unfunded defined benefit plan as the benefits have already been almost entirely earned, with the sole exception of future revaluations. Since 2007 the scheme has been classified as a defined contribution plan, and the Group recognizes the associated cost, being the required contributions to the pension funds, over the period in which the employee renders service.

PENSION PLANS

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

The expected future benefit payments for the defined benefit obligations as of December 31, 2020 are as follows:

(€ thousand)

	Expected benefit payments	
	TFR	**Pension plans**
2021	1,634	2
2022	1,488	2
2023	1,746	2
2024	1,391	2
2025	1,328	2
2026 - 2030	5,490	619
Total	**13,077**	**629**

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

(€ thousand)

	TFR liability	Pension plans	Total
Amounts at December 31, 2018	**21,195**	**485**	**21,680**
Recognized in the consolidated income statement	—	(492)	(492)
Recognized in other comprehensive loss/(income) (*)	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**
Recognized in the consolidated income statement	25	—	25
Recognized in other comprehensive loss/(income) (*)	2	(32)	(30)
Other	(1,997)	3	(1,994)
Benefits paid	*(1,842)*	—	*(1,842)*
Other changes	*(155)*	*3*	*(152)*
Amounts at December 31, 2020	**19,825**	**105**	**19,930**

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

Amounts recognized in the consolidated income statement are as follows:

(€ thousand)

	For the years ended December 31,								
	2020			2019			2018		
	TFR	Pension plans	Total	TFR	Pension plans	Total	TFR	Pension plans	Total
Current service cost	—	—	—	—	26	26	—	55	55
Interest expense	25	—	25	—	—	—	—	—	—
Past service adjustments	—	—	—	—	(518)	(518)	—	—	—
Total recognized in the consolidated income statement	**25**	**—**	**25**	**—**	**(492)**	**(492)**	**—**	**55**	**55**

Past service adjustments relate to gains recognized in the consolidated income statement due to plan amendments and curtailments.

The discount rates used for the measurement of the Italian TFR obligation are based on yields of high-quality (AA- rated) fixed income securities for which the timing and amounts of payments match the timing and amounts of the projected benefit payments. For this plan, the single weighted average discount rate that reflects the estimated timing and amount of the scheme future benefit payments for 2020 is equal to 0.4 percent (0.7 percent in 2019 and 1.7 percent in 2018). The average duration of the Italian TFR is approximately 8 years. Retirement or employee leaving rates are developed to reflect actual and projected Group experience and legal requirements for retirement in Italy.

The discount rates used for the measurement of the pension plan obligations (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 defined benefit pension plan payments, which for 2020 was equal to approximately zero percent (zero percent in 2019 and 0.8 percent in 2018). The average duration of the obligations is approximately 13 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 obligations to changes in the weighted principal assumptions is:

(€ thousand)

	At December 31,			
	2020		2019	
	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	(1,446)	1,656	(1,695)	1,951

The above sensitivity analysis is based on an assumed change in the discount rate while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the defined benefit liability recognized in the statement of the financial position.

OTHER PROVISIONS FOR EMPLOYEES

Other provisions for employees consist of the expected future amounts payable to employees in connection with other remuneration schemes, which are not subject to actuarial valuation, including long-term bonus plans.

At December 31, 2020, other provisions for employees comprised short-term bonus benefits amounting to €36,723 thousand (€62,890 thousand at December 31, 2019) and jubilee benefits granted to certain employees by the Group in the event of achieving 30 years of service amounting to €3,332 thousand (€3,297 thousand at December 31, 2019).

23. PROVISIONS

Changes in provisions were as follows:

(€ thousand)

	At December 31, 2019	Additional provisions	Utilization	Releases	Translation differences and other	At December 31, 2020
Warranty and recall campaigns	107,811	36,135	(30,589)	(6,044)	(371)	106,942
Legal proceedings and disputes	27,097	4,392	(1,610)	(4,149)	619	26,349
Other risks	30,664	7,526	(2,635)	(12,078)	(1,433)	22,044
Total provisions	**165,572**	**48,053**	**(34,834)**	**(22,271)**	**(1,185)**	**155,335**

WARRANTY AND RECALL CAMPAIGNS

The provision for warranty and recall campaigns represents the best estimate of commitments given by the Group for contractual, legal, or constructive obligations arising from product warranties given for a specified period of time. Such provisions are recognized upon shipment.

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.

Following an industry-wide recall in 2016, the Group initiated a global recall campaign on cars mounted with Takata airbags manufactured using non-desiccated phase stabilized ammonium nitrate. Due to the uncertainty of recoverability of the costs from Takata, the Group recognized an aggregate provision of €36,994 thousand in 2016 within cost of sales. At December 31, 2020, the provision amounted to €6,831 thousand (€15,519 thousand at December 31, 2019). The gradual decrease in the provision reflects the performance of recall activities by the Group.

LEGAL PROCEEDINGS AND DISPUTES

The provision for legal proceedings and disputes represents management's best estimate of the expenditures expected to be required to settle or otherwise resolve legal proceedings and disputes. This class of claims relates to allegations by contractual counterparties that the Group has violated the terms of the arrangements, including by terminating the applicable relationships. Judgments in these proceedings may be issued in 2021 or beyond, although any such judgments may remain subject to ongoing judicial review. While the outcome of these proceedings is uncertain, any losses in excess of the provisions recorded are not expected to be material to the Group's financial condition or results of operations.

Additions to the provision for legal proceedings and disputes are recognized within other expenses, net.

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 releases of the provision for other risks primarily relates to favorable developments in emissions regulations, mainly due to more favorable pricing of emissions certificates as well as favorable developments in emissions regulations received by the National Highway Traffic Safety Administration.

The following table presents where the additional provisions to other risks recognized for the years ended December 31, 2020, 2019 and 2018 were recorded within the consolidated income statement.

(€ thousand)

	For the years ended December 31,		
	2020	2019	2018
Recorded in the consolidated income statement within:			
Cost of sales	6,352	9,563	11,420
Selling, general and administrative costs	1,174	2,830	—
Total	**7,526**	**12,393**	**11,420**

24. DEBT

(€ thousand)

	Balance at December 31, 2019	Proceeds from borrowings	Repayments of borrowings	Interest accrued/(paid) and other (*)	Translation differences	Balance at December 31, 2020
Bonds and notes	1,185,470	640,073	—	9,479	—	1,835,022
Asset-backed financing (Securitizations)	788,269	266,333	(222,207)	(979)	(70,252)	761,164
Lease liabilities	60,496	—	(20,035)	22,659	(830)	62,290
Borrowings from banks	32,946	—	(1,740)	(17)	(2,636)	28,553
Other debt	22,556	37,811	(19,730)	—	(2,921)	37,716
Total debt	**2,089,737**	**944,217**	**(263,712)**	**31,142**	**(76,639)**	**2,724,745**

(*) Other changes in lease liabilities primarily relate to non-cash movements for the recognition of additional lease liabilities in accordance with IFRS 16.

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

(€ thousand)

	At December 31,							
	2020				2019			
	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	500,417	1,034,605	300,000	1,835,022	7,260	879,834	298,376	1,185,470
Asset-backed financing (Securitizations)	306,169	454,995		761,164	338,366	449,903	—	788,269
Lease liabilities	16,373	29,932	15,985	62,290	20,195	25,894	14,407	60,496
Borrowings from banks	28,553	—	—	28,553	32,946	—	—	32,946
Other debt	37,716	—	—	37,716	22,556	—	—	22,556
Total debt	**889,228**	**1,519,532**	**315,985**	**2,724,745**	**421,323**	**1,355,631**	**312,783**	**2,089,737**

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, and a yield to maturity of 1.656 percent. The net proceeds were used, together with additional cash held by the Company, to fully repay a €500 million bank loan. The bond is unrated and was admitted to trading on the regulated market of the Euronext Dublin (formerly the Irish Stock Exchange). Following a cash tender offer, on July 16, 2019 the Company executed the repurchase of these notes for an aggregate nominal amount of €115,395 thousand. The amount outstanding at December 31, 2020 was €386,814 thousand and includes accrued interest of €4,567 thousand (€385,776 thousand including accrued interest of €4,567 thousand at December 31, 2019).

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, and yield to maturity of 0.391 percent. The net proceeds were primarily used to repay a €700 million bank loan. The bond is unrated and was admitted to trading on the regulated market of the Euronext Dublin (formerly the Irish Stock Exchange). Following a cash tender offer, on July 16, 2019 the Company executed the repurchase of these notes for an aggregate nominal amount of €200,000 thousand. The amount outstanding at December 31, 2020 was €501,151 thousand and includes accrued interest of €1,199 thousand (€499,824 thousand including accrued interest of €1,199 thousand at December 31, 2019). On January 18, 2021 the Company fully repaid the 2021 Bond for a total consideration of €501,250 thousand, of which €1,250 thousand related to accrued interest.

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, 2020 and 2019, 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 the yields to maturity, on an annual basis, equal the nominal coupon rates of the Notes. The Notes are primarily used for general corporate purposes, including the funding of capital expenditures.

The amounts outstanding of the 2029 Notes at December 31, 2020 was €149,971 thousand, including accrued interest of €700 thousand (€149,891 thousand, including accrued interest of €700 thousand at December 31, 2019). The amount outstanding of the 2031 Notes at December 31, 2020 was €150,044 thousand, including accrued interest of €794 thousand (€149,979 thousand including accrued interest of €794 thousand at December 31, 2019).

2025 BOND

On May 27, 2020 the Company issued 1.5 percent coupon notes due May 2025 ("2025 Bond"), having a principal of €650 million. The notes were issued at a discount for an issue price of 98.898 percent, resulting in net proceeds of €640,073 thousand, after related expenses, and a yield to maturity of 1.732 percent. The bond was admitted to trading on the regulated market of Euronext Dublin. The amount outstanding of the 2025 Bond at December 31, 2020 was €647,042 thousand, including accrued interest of €5,850 thousand.

ASSET-BACKED FINANCING (SECURITIZATIONS)

As a means of diversifying its sources of funds, the Group sells certain of its receivables originated by its financial services activities in the United States through asset-backed financing or securitization programs (the terms asset-backed financing and securitization programs are used synonymously throughout this document), without transferring the risks typically associated with such receivables. As a result, the receivables sold through securitization programs are still consolidated until collection from the customer. As of December 31, 2020, the following revolving securitization programs were in place:

- revolving securitization program for funding of up to $700 million, which was renewed in December 2020 for a tenor of 24 months, by pledging retail financial receivables in the United States as collateral. The notes bear interest at a rate per annum equal to the aggregate of a synthetic base rate substantially replicating the LIBOR plus a margin of 75 basis points. As of December 31, 2020 total proceeds net of repayments from the sales of financial receivables under the program amounted to $629 million ($547 million at December 31, 2019). The securitization agreement requires the maintenance of an interest rate cap.
- revolving securitization program for funding of up to $275 million, which was renewed in October 2020 for a tenor of 24 months, by pledging leasing financial receivables in the United States as collateral. The notes bear interest at a rate per annum equal to the aggregate of LIBOR plus a margin of 80 basis points. As of December 31, 2020 total proceeds net of repayments from the sales of financial receivables under the program amounted to $244 million ($238 million at December 31, 2019). The securitization agreement requires the maintenance of an interest rate cap.
- revolving securitization program for funding of up to $110 million, which was renewed in March 2019 for a tenor of 24 months, 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, 2020 total proceeds net of repayments from the sales of financial receivables under the program amounted to $61 million ($101 million at December 31, 2019).

The consolidated total amount of the revolving securitization programs has been progressively increased since inception as the underlying receivables portfolios have increased.

Cash collected from the settlement of receivables under securitization programs is subject to certain restrictions regarding its use and is primarily applied to repay principal and interest of the related funding. Such cash amounted to €36,935 thousand at December 31, 2020 (€27,524 thousand at December 31, 2019).

LEASE LIABILITIES

The Group recognizes lease liabilities in relation to right-of-use assets in accordance with *IFRS 16 – Leases*. At December 31, 2020 lease liabilities amounted to €62,290 thousand (€60,496 thousand at December 31, 2019).

BORROWINGS FROM BANKS

Borrowings from banks at December 31, 2020 relates to financial liabilities of FFS Inc to support the financial services activities, and in particular €28,553 thousand (€31,211 thousand at December 31, 2019) relating to a U.S. Dollar denominated credit facility for up to $50 million (drawn down for $35 million at December 31, 2020) and bearing interest at LIBOR plus a range of between 60 and 65 basis points. Borrowings from banks at December 31, 2019 included other borrowings from banks of €1,735 thousand relating to various short and medium term credit facilities.

REVOLVING CREDIT FACILITY AND OTHER COMMITTED CREDIT LINES

In December 2019, the Company negotiated a €350 million unsecured committed revolving credit facility (the "RCF"), which is intended for general corporate and working capital purposes. The RCF has a 5 year-tenor with two further one-year extension options, exercisable on the first and second anniversary of the signing date on the Company's request and the approval of each participating bank. The first one-year extension option was exercised by the Company and approved by all participating banks.

In April 2020, additional committed credit lines of €350 million were secured with tenors ranging from 18 to 24 months, doubling total committed credit lines available to €700 million.

At December 31, 2020 all of the above mentioned committed credit facilities were undrawn. At December 31, 2019 the RCF was undrawn.

OTHER DEBT

Other debt mainly relates to other funding for operating and financing activities of the Group.

25. OTHER LIABILITIES

An analysis of other liabilities is as follows:

(€ thousand)

	At December 31,	
	2020	2019
Deferred income	270,826	275,439
Advances and security deposits	253,442	348,899
Accrued expenses	60,788	85,965
Payables to personnel	33,127	28,272
Social security payables	23,261	20,334
Other	46,018	41,106
Total other liabilities	**687,462**	**800,015**

Deferred income primarily includes amounts received under maintenance and power warranty programs of €214,153 thousand at December 31, 2020 and €219,209 thousand at December 31, 2019, which are deferred and recognized as revenues over the length of the maintenance program. Of the total liability related to maintenance and power warranty programs at December 31, 2020, the Group expects to recognize in net revenues approximately €49 million in 2021, €46 million in 2022, €37 million in 2023 and €82 million in periods subsequent to 2023. 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, 2020 and at December 31, 2019 primarily include advances received from clients for the purchase of hypercars, limited edition cars and Icona cars. Upon shipment of the cars, the advances are recognized as revenue. The decrease primarily relates to shipments of the Ferrari Monza SP1 and SP2.

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

(€ thousand)

	At January 1, 2020	Additional amounts arising during the period	Amounts recognized within revenue	Other changes	At December 31, 2020
Maintenance and power warranty programs	219,209	64,730	(69,786)	—	214,153
Advances from customers	341,223	340,399	(432,286)	170	249,506

An analysis of other liabilities (excluding accrued expenses and deferred income) by due date is as follows:

(€ thousand)

	At December 31,							
	2020				2019			
	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)	315,026	35,251	5,571	355,848	422,462	10,083	6,066	438,611

26. TRADE PAYABLES

Trade payables of €713,807 thousand at December 31, 2020 (€711,539 thousand at December 31, 2019) are entirely due within one year. The carrying amount of trade payables is considered to be equivalent to their fair value.

27. FAIR VALUE MEASUREMENT

IFRS 13 - Fair Value Measurement establishes a 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.

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, 2020 and 2019:

(€ thousand)

		At December 31, 2020			
	Note	Level 1	Level 2	Level 3	Total
Investments and other financial assets - Liberty Media Shares	16	7,163	—	—	7,163
Current financial assets	19	—	38,636	—	38,636
Total assets		**7,163**	**38,636**	**—**	**45,799**
Other financial liabilities	19	—	2,140	—	2,140
Total liabilities		**—**	**2,140**	**—**	**2,140**

(€ thousand)

		At December 31, 2019			
	Note	Level 1	Level 2	Level 3	Total
Investments and other financial assets - Liberty Media Shares	16	7,674	—	—	7,674
Current financial assets	19	—	9,423	—	9,423
Total assets		7,674	9,423	—	17,097
Other financial liabilities	19	—	14,791	—	14,791
Total liabilities		**—**	**14,791**	**—**	**14,791**

There were no transfers between fair value hierarchy levels between 2019 and 2020.

The fair value of current financial assets and other financial liabilities relates to derivative financial instruments and is measured by taking into consideration market parameters at the balance sheet date, using widely-accepted valuation techniques. In particular, the fair value of foreign currency derivatives (forward contracts, currency swaps and options) and interest rate caps is determined by taking the prevailing foreign currency exchange 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,			
		2020		2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Receivables from financing activities	18	939,607	939,607	966,448	966,448
Client financing		*925,878*	*925,878*	*950,842*	*950,842*
Dealer financing		*13,729*	*13,729*	*15,606*	*15,606*
Total		**939,607**	**939,607**	**966,448**	**966,448**
Debt	**24**	**2,724,745**	**2,755,516**	**2,089,737**	**2,103,871**

28. RELATED PARTY TRANSACTIONS

Pursuant to IAS 24, the related parties of the Group are all entities and individuals capable of exercising control, joint control or significant influence over the Group and its subsidiaries, Fiat Chrysler Automobiles N.V. ("FCA"[*], and together with its subsidiaries the "FCA Group"), 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 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 (now the Stellantis Group) until May 2, 2019 when FCA (now Stellantis) 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, procurement of insurance coverage and sponsorship revenues.

TRANSACTIONS WITH EXOR GROUP COMPANIES (EXCLUDING FCA GROUP COMPANIES)

- the Group incurs rental costs from Iveco S.p.A., a company belonging to CNHI Group, related to the rental of trucks used by the Formula 1 racing team;
- the Group earns sponsorship revenue from Iveco S.p.A.

TRANSACTIONS WITH OTHER RELATED PARTIES

- the purchase of components for Formula 1 racing cars from COXA S.p.A.;
- consultancy services provided by HPE S.r.l.;
- sponsorship agreement relating to Formula 1 activities with Ferretti S.p.A.;
- sale of cars to certain members of the Board of Directors of Ferrari N.V. and Exor.

In accordance with IAS 24, transactions with related parties also include compensation to Directors and managers with strategic responsibilities.

(*) FCA N.V., the parent company of the FCA Group, was renamed Stellantis N.V. in January 2021 following the merger of Peugeot S.A. with and into FCA N.V..

The amounts of transactions with related parties recognized in the consolidated income statement are as follows:

(€ thousand)

	For the years ended December 31,								
	2020			2019			2018		
	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	100,389	2,981	—	143,091	6,275	—	217,922	3,982	—
FCA US LLC	—	13,323	—	—	17,954	—	—	28,486	—
Magneti Marelli [2]	—	—	—	352	10,444	—	1,589	40,343	—
Other FCA Group companies	9,102	6,057	2,207	8,637	8,028	1,965	12,106	7,193	1,370
Total FCA Group companies	**109,491**	**22,361**	**2,207**	**152,080**	**42,701**	**1,965**	**231,617**	**80,004**	**1,370**
Exor Group companies (excluding the FCA Group)	150	1,665	2	281	368	4	311	179	—
Other related parties	549	12,977	10	610	13,906	31	1,707	12,651	—
Total transactions with related parties	**110,190**	**37,003**	**2,219**	**152,971**	**56,975**	**2,000**	**233,635**	**92,834**	**1,370**
Total for the Group	**3,459,790**	**2,040,925**	**49,092**	**3,766,615**	**2,153,480**	**42,082**	**3,420,321**	**1,953,441**	**23,563**

(1) Costs include cost of sales, selling, general and administrative costs and other expenses/(income), net.

(2) FCA N.V., the parent company of the FCA Group, was renamed Stellantis N.V. in January 2021 following the merger of Peugeot S.A. with and into FCA N.V..

(3) 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,							
	2020				2019			
	Trade receivables	Trade payables	Other current assets	Other liabilities	Trade receivables	Trade payables	Other current assets	Other liabilities
FCA Group [*] companies								
Maserati	37,662	4,555	—	16,955	48,617	5,449	—	21,821
FCA US LLC	—	1,893	—	—	—	4,636	—	—
Other FCA Group companies	244	2,512	104	94	1,165	3,598	203	581
Total FCA Group companies	**37,906**	**8,960**	**104**	**17,049**	**49,782**	**13,683**	**203**	**22,402**
Exor Group companies (excluding the FCA Group)	183	396	108	139	350	9	237	207
Other related parties	643	3,558	1,496	1,759	147	2,565	1,295	1,835
Total transactions with related parties	**38,732**	**12,914**	**1,708**	**18,947**	**50,279**	**16,257**	**1,735**	**24,444**
Total for the Group	**184,260**	**713,807**	**76,471**	**687,462**	**231,439**	**711,539**	**92,830**	**800,015**

(1) FCA N.V., the parent company of the FCA Group, was renamed Stellantis N.V. in January 2021 following the merger of Peugeot S.A. with and into FCA N.V..

There were no other financial assets or financial liabilities originating from related party transactions at December 31, 2020 or 2019.

EMOLUMENTS TO DIRECTORS AND KEY MANAGEMENT

In response to the healthcare crisis caused by the COVID-19 pandemic, the Board of Directors pledged their full cash compensation from April 2020 to the end of the year to help fund Company initiatives to support the communities in which Ferrari operates, with the Senior Management Team donating 25 percent of their salaries for the same period.

The fees of the Directors of Ferrari N.V. are as follows:

(€ thousand)

	For the years ended December 31,		
	2020	2019	2018
Directors of Ferrari N.V.	8,151	10,260	17,043

The aggregate compensation to Directors of Ferrari N.V. for year ended December 31, 2020 was €8,151 thousand (€10,260 thousand in 2019 and €17,043 thousand in 2018), inclusive of the following:

- €624 thousand for salary and other short-term benefits (€1,786 thousand in 2019 and €1,080 thousand in 2018); and
- €7,527 thousand for share-based compensation awarded under the Company's equity incentive plans, (€8,474 thousand in 2019 and €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)). See Note 21 *"Share-based compensation"* for additional information related to the Company's equity incentive plans. There was no equity-settled compensation for Non-Executive Directors for the years ended December 31, 2020, 2019 and 2018.

The aggregate compensation for members of the SMT (excluding the CEO) in 2020 was €14,199 thousand (€19,839 thousand in 2019 and €16,674 thousand in 2018), inclusive of the following:

- €6,486 thousand for salary and short-term incentives (€14,671 thousand in 2019 and €13,915 thousand in 2018);
- €5,270 thousand for share-based compensation awarded under the Company's equity incentive plans (€5,168 thousand in 2019 and €2,759 thousand in 2018); and
- €222 thousand for pension contributions.

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, 2020 were as follows:

(€ thousand)

	At December 31, 2020				
	Due within one year	Due between one and three years	Due between three and five years	Due beyond five years	Total
Minimum purchase obligations	67,668	54,485	16,900	—	139,053

NON-CANCELLABLE LEASE AGREEMENTS

The future aggregate minimum lease payments under non-cancellable leases, primarily relating to the lease of stores and industrial buildings, are as follows:

(€ thousand)

	At December 31, 2020				
	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	17,447	20,295	11,796	16,319	65,857

30. QUALITATIVE AND QUANTITATIVE INFORMATION ON FINANCIAL RISKS

The Group is exposed to the following financial risks connected with its operations:

- financial market risk (principally relating to foreign currency exchange rates and to a lesser extent, interest rates and commodity price), as the Group operates internationally in different currencies;
- liquidity risk, with particular reference to the availability of funds and access to the credit markets, should the Group require, and to financial instruments in general;
- credit risk, arising both from normal commercial relations with final clients and dealers, as well as the Group's financing activities.

These risks could significantly affect the Group's financial position, results of operations and cash flows, and for this reason the Group identifies and monitors these risks, in order to detect potential negative effects in advance and take the necessary action to mitigate them, primarily through the Group's operating and financing activities and if required, through the use of derivative financial instruments.

The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the Group. The quantitative data reported in the following section does not have any predictive value. In particular, the sensitivity analysis on 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 and commodity price risk.

The Group's exposure to foreign currency exchange rate risk arises from the geographic distribution of the Group's shipments, as the Group generally sells its models in the currencies of the various markets in which the Group operates, while the Group's industrial activities are all based in Italy, and primarily denominated in Euro.

The Group's exposure to interest rate risk arises from the need to fund certain activities and the necessity to deploy surplus funds. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

The Group has in place various risk management policies, which primarily relate to foreign exchange, interest rate and liquidity risks. The Group's risk management policies permit derivatives to be used for managing such exposures. Counterparties to these agreements are major financial institutions. Derivative financial instruments can only be executed for hedging purposes.

In particular, the Group used derivative financial instruments as cash flow hedges primarily for the purpose of limiting the negative impact of foreign currency exchange rate fluctuations on forecasted transactions denominated in foreign currencies. Accordingly, as a result of applying risk management policies with respect to foreign currency exchange exposure, the Group's results of operations have not been fully exposed to fluctuations in foreign currency exchange rates. However, despite these risk management policies and hedging transactions, sudden adverse movements in foreign currency exchange rates could have a significant effect on the Group's earnings and cash flows.

The Group also enters into interest rate caps as required by certain of its securitization agreements.

Information on the fair value of derivative financial instruments held is provided in Note 19.

INFORMATION ON FOREIGN CURRENCY EXCHANGE RATE RISK

The Group is exposed to risks resulting from changes in foreign currency exchange rates, which can affect its earnings and equity. In particular:

- Where a Group company incurs costs in a currency different from that of its revenues, any change in foreign currency exchange rates can affect the operating results of that company. In 2020, the total trade flows exposed to foreign currency exchange rate risk amounted to the equivalent of 58 percent of the Group's net revenues (53 percent in 2019 and 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 2020, the value of commercial activity exposed to fluctuations in the Euro/U.S. Dollar exchange rate accounted for approximately 53 percent (53 percent in 2019 and 57 percent in 2018) of the total currency risk from commercial activity. In 2020 and 2019, the commercial activities exposed to the Euro/Japanese Yen exchange rate and to the Euro/Pound Sterling exchange rate exceeded 10 percent (in 2018 only the 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: Chinese Renminbi, Swiss Franc, Canadian Dollar and Australian Dollar. None of these exposures, taken individually, exceeded 10 percent of the Group's total foreign currency exchange rate exposure for commercial activity in 2020, 2019 and 2018. It is the Group's policy to use derivative financial instruments (primarily forward currency contracts and currency options) to hedge up to 90 percent of the principal exposures to foreign currency exchange risk, typically for a period of up to twelve months.
- Several subsidiaries are located in countries that are outside the Eurozone, in particular the United States, the United Kingdom (branch), Switzerland, Mainland China, Hong Kong, Japan, Australia and Singapore. As the Group's reporting currency is the Euro, the income statements of those companies are translated into Euro using the average exchange rate for the period and, even if revenues and margins are unchanged in local currency, changes in exchange rates can impact the amount of revenues, costs and profit as 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 the Group did not engage in any specific hedging activities in relation to translation exchange risk for the periods presented.

Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the consolidated income statement within the net financial income/(expenses) line item or as cost of sales for charges arising from financial services companies. The Group uses specific financial derivatives to hedge these exposures.

The impact of foreign currency exchange rate differences recorded within financial income/(expenses) for the year ended December 31, 2020, including the costs of hedging foreign currency exchange rate risk, amounted to net losses of €27,029 thousand (net losses of €24,237 thousand and €13,293 thousand for the years ended December 31, 2019 and 2018, 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 was zero in all periods presented.

Except as noted above, there have been no substantial changes in 2020 in the nature or structure of exposure to foreign currency exchange rate risks or in the Group's hedging policies.

The potential decrease in fair value of derivative financial instruments held by the Group at December 31, 2020 to hedge against foreign currency exchange rate risks, which would arise in the case of a hypothetical, immediate and adverse change of 10 percent in the exchange rates of the major foreign currencies with the Euro, would be approximately €102,674 thousand (€74,700 thousand at December 31, 2019). 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, 2020 were cash and cash equivalents and certain receivables from financing activities (related to client and dealer financing), while 29 percent of the Group's gross debt bears floating rates of interest. At December 31, 2020, 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 €652 thousand on an annual basis (a decrease of €205 thousand at December 31, 2019). The analysis is based on the assumption that floating rate financial assets and debt which expire during the projected 12-month period will be renewed or reinvested in similar instruments, bearing the hypothetical short-term interest rates.

LIQUIDITY RISK

Liquidity risk arises if the Group is unable to obtain the funds needed to carry out its operations and meet its obligations. The main determinant of the Group's liquidity position is the cash generated by or used in operating and investing activities.

From an operating point of view, the Group manages liquidity risk by monitoring cash flows and keeping an adequate level of funds 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 arrangements
- maintaining a conservative level of available liquidity
- diversifying sources of funding
- obtaining adequate credit lines
- monitoring future liquidity requirements on the basis of business planning

Intercompany financing between Group entities is not restricted other than through the application of covenants requiring that transactions with related parties be conducted at arm's length terms.

Details on the maturity profile of the Group's financial assets and liabilities and on the structure of derivative financial instruments are provided in Notes 19 and 24. Details of the repayment of derivative financial instruments are provided in Note 19.

To preventively and prudently manage potential liquidity or refinancing risks in the foreseeable future, the Group increased its available liquidity, mainly through securing additional undrawn committed credit lines of €350 million in April 2020, doubling the total committed credit lines available and undrawn, which amounted to €700 million at December 31, 2020 compared to €350 million at December 31, 2019.

The Group believes that its total available liquidity (defined as cash and cash equivalents plus undrawn committed credit lines), in addition to funds that will be generated from operating activities, will enable Ferrari to satisfy the requirements of its investing activities and working capital needs fulfill its obligations to repay its debt and ensure an appropriate level of operating and strategic flexibility. The Group therefore believes there is no significant risk of a lack of liquidity.

CREDIT RISK

Credit risk is the risk of economic loss arising from the failure to fully collect receivables. Credit risk encompasses the direct risk of default and the risk of a deterioration of the creditworthiness of the counterparty.

The maximum credit risk to which the Group is theoretically exposed at December 31, 2020 is represented by the carrying amounts of the financial assets presented in the consolidated statement of financial position sheet and the nominal value of the guarantees provided.

Dealers and clients are subject to a specific evaluation of their creditworthiness. Additionally, it is Group practice to obtain financial guarantees against risks associated with credit granted for the purchase of cars and parts. These guarantees are further strengthened, where possible, by retaining title on cars subject to financing agreements.

Credit positions of material significance are evaluated on an individual basis. Where objective evidence exists that they are uncollectible, in whole or in part, specific write-downs are recognized. The amount of the write-down is based on an estimate of the recoverable cash flows, the timing of those cash flows, the cost of recovery and the fair value of any guarantees received.

Receivables from financing activities amounting to €939,607 thousand at December 31, 2020 (€966,448 thousand at December 31, 2019) are shown net of the allowance for doubtful accounts amounting to €13,195 thousand (€7,480 thousand at December 31, 2019). After considering the allowance for doubtful accounts, €65,554 thousand of receivables were overdue (€59,448 thousand at December 31, 2019). 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 €184,260 thousand at December 31, 2020 (€231,439 thousand at December 31, 2019) are shown net of the allowance for doubtful accounts amounting to €28,312 thousand (€27,171 thousand at December 31, 2019). After considering the allowance for doubtful accounts, €46,627 thousand of receivables were overdue (€46,778 thousand at December 31, 2019).

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,		
	2020	2019	2018
Italy	360,500	363,779	449,312
Rest of EMEA	1,620,515	1,636,831	1,400,443
Americas [(1)]	856,546	1,010,204	922,639
Mainland China, Hong Kong and Taiwan	190,911	350,330	274,268
Rest of APAC [(2)]	431,318	405,471	373,659
Total net revenues	**3,459,790**	**3,766,615**	**3,420,321**

(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,					
	2020			2019		
	Property, plant and equipment	Goodwill	Intangible assets	Property, plant and equipment	Goodwill	Intangible assets
Italy	1,199,325	785,182	979,022	1,043,821	785,182	837,682
Rest of EMEA	5,809	—	—	6,309	—	—
Americas [(1)]	14,497	—	—	14,803	—	—
Mainland China, Hong Kong and Taiwan	4,120	—	—	1,574	—	—
Rest of APAC [(2)]	2,879		268	3,145	—	256
Total	**1,226,630**	**785,182**	**979,290**	**1,069,652**	**785,182**	**837,938**

(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 26, 2021, which is the date the Consolidated Financial Statements were authorized for issuance.

Mr. Roberto Cingolani resigned from his role as non-executive Director and member of the Governance and Sustainability Committee of the Board of Directors with effect from February 13, 2021, following his appointment as a Minister of the Italian Government.

On February 22, 2021 Ferrari and Richard Mille signed a multi-year partnership agreement, which will see the Haute Horlogerie brand become sponsor and licensee for the Prancing Horse.

On February 26, 2021, the Board of Directors of Ferrari N.V. recommended to the Company's shareholders that the Company declare a dividend of €0.867 per common share, totaling approximately €160 million. The proposal is subject to the approval of the Company's shareholders at the Annual General Meeting to be held on April 15, 2021.

INDEX TO COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT/ STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(€ thousand)

		For the years ended December 31,	
	Note	**2020**	**2019**
Net revenues	3	180	603
Other income	3	10,040	6,447
Dividend income	4	—	595,000
Cost of sales		1,759	1,451
Selling, general and administrative costs	5	27,437	28,207
Net financial expenses	6	26,771	30,287
(Loss)/Profit before taxes		**(45,747)**	**542,105**
Income tax benefit	7	10,748	5,337
Net and comprehensive (loss)/income		**(34,999)**	**547,442**

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(€ thousand)

		December 31,	
	Note	2020	2019
Assets			
Property, plant and equipment	8	2,218	2,617
Investments in subsidiaries	9	8,778,123	8,778,123
Financial receivables	10	22,905	22,587
Deferred tax assets	7	1,094	1,373
Total non-current assets		**8,804,340**	**8,804,700**
Trade receivables	10	12,084	5,923
Tax receivables	7	8,309	17,413
Other current assets	10	26,402	44,186
Ferrari Group cash management pools	11	5,976	4,571
Cash and cash equivalents	12	194,191	56,542
Total current assets		**246,962**	**128,635**
Total assets		**9,051,302**	**8,933,335**
Equity and liabilities			
Share capital		2,573	2,573
Share premium		5,768,544	5,768,544
Other reserves		(550,717)	(438,277)
Retained earnings		285,310	529,074
Total equity	**13**	**5,505,710**	**5,861,914**
Debt (Non-Current)	15	1,336,792	1,180,438
Employee benefits		1,389	2,070
Total non-current liabilities		**1,338,181**	**1,182,508**
Debt (Current)	15	2,180,773	1,866,100
Trade payables	16	11,337	9,419
Tax payables	7	1,024	2,549
Other current liabilities	17	14,277	10,845
Total current liabilities		**2,207,411**	**1,888,913**
Total liabilities		**3,545,592**	**3,071,421**
Total equity and liabilities		**9,051,302**	**8,933,335**

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

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(€ thousand)

		For the years ended December 31,	
	Note	2020	2019
Cash and cash equivalents at beginning of the year		**56,542**	**75,615**
Cash flows from operating activities:			
(Loss)/Profit before taxes		(45,747)	542,105
Depreciation	8	373	422
Net financial expenses	6	26,771	30,287
Other non-cash income and expenses		24,205	14,441
Change in inventories		—	676
Change in trade receivables		(6,338)	1,317
Change in trade payables		1,663	(6,652)
Change in other operating assets and liabilities		38,431	(28,011)
Interest paid		(24,225)	(24,066)
Total		**15,133**	**530,519**
Cash flows used in investing activities:			
Investments in property, plant and equipment		(111)	(75)
Total		**(111)**	**(75)**
Cash flows used in financing activities:			
Proceeds from issuance of bonds	15	640,073	298,316
Repayments of bonds	15	—	(315,395)
Net (repayments)/proceeds from financial liabilities with related parties	15	(178,000)	48,114
Change in Ferrari Group cash management pools	11	(1,405)	(953)
Change in lease liabilities	15	(148)	(186)
Dividends paid to owners		(208,100)	(192,664)
Share repurchases		(129,793)	(386,749)
Total		**122,627**	**(549,517)**
Total change in cash and cash equivalents		**137,649**	**(19,073)**
Cash and cash equivalents at end of the year		**194,191**	**56,542**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(€ thousand)

	Share capital	Share premium	Other reserves	Retained earnings	Total Equity
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	—	(1,173)	—	(1,104)
At December 31, 2019	**2,573**	**5,768,544**	**(438,277)**	**529,074**	**5,861,914**
Comprehensive loss	—	—	—	(34,999)	(34,999)
Dividends to owners	—	—	—	(208,765)	(208,765)
Share repurchases	—	—	(129,793)	—	(129,793)
Share-based compensation	—	—	17,401	—	17,401
Other changes	—	—	(48)	—	(48)
At December 31, 2020	**2,573**	**5,768,544**	**(550,717)**	**285,310**	**5,505,710**

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, 2020 were authorized for issuance on February 26, 2021.

BASIS OF PREPARATION

The Company Financial Statements are prepared on a going concern basis using the historical cost method, modified as required for the measurement of certain financial instruments.

STATEMENT OF COMPLIANCE

The Company Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS") and with Part 9 of Book 2 of the Dutch Civil Code.

MEASUREMENT BASIS

The Company Financial Statements were prepared using the same accounting policies as set out in the notes to the consolidated financial statements at December 31, 2020 (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, 2020 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, 2020

The following new standards, interpretations and amendments were effective on or subsequent to January 1, 2020 and were adopted by the Company for the purpose of the preparation of the Company Financial Statements:

- *Amendments to IFRS 3 — Business Combinations*
- *Amendments to IAS 1 — Presentation of Financial Statements and IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors*
- *Amendments to IFRS 9 — Financial Instruments, IAS 39 — Financial Instruments: Recognition and Measurement and IFRS 7 — Financial Instruments: Disclosures*
- *Review of the Conceptual Framework for Financial Reporting*
- *Amendment to IFRS 16 — Leases*

There were no significant effects from the adoption of these amendments. Further information on these standards is provided in Note 2 of the Consolidated Financial Statements.

NEW STANDARDS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD ("IASB") AND ENDORSED BY THE EUROPEAN UNION ("EU") BUT NOT YET EFFECTIVE

The standards, amendments and interpretations issued by the IASB that will have mandatory application in 2021 or subsequent years are listed below:

In June 2020 the IASB issued amendments to *IFRS 4 – Insurance Contracts* which defer the expiry date of the temporary exemption from applying IFRS 9 to annual periods beginning on or after January 1, 2021. The Company does not expect any impact from the adoption of these amendments.

In August 2020 the IASB issued a package of amendments to *IFRS 9 – Financial Instruments*, *IAS 39 – Financial Instruments: Recognition and Measurement*, *IFRS 7 – Financial Instruments: Disclosures*, *IFRS 4 – Insurance Contracts* and *IFRS 16 – Leases* in response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks. The amendments are aimed at helping companies to provide investors with useful information about the effects of the reform on those companies' financial statements. These amendments complement amendments issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. The new amendments relate to:

- changes to contractual cash flows – a company will not be required to derecognize or adjust the carrying amount of financial instruments for changes required by the interest rate benchmark reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the interest rate benchmark reform if the hedge meets other hedge accounting criteria; and
- disclosures – a company will be required to disclose information about new risks that arise from the interest rate benchmark reform and how the company manages the transition to alternative benchmark rates.

These amendments are effective on or after 1 January 2021, with early adoption permitted. The Company does not expect any impact from the adoption of these amendments.

NEW STANDARDS, AMENDMENTS, CLARIFICATIONS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET ENDORSED BY THE EU

In May 2017 the IASB issued *IFRS 17 – Insurance Contracts*, which establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued as well as guidance relating to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020 the IASB issued amendments to IFRS 17 aimed at helping companies implement IFRS 17 and make it easier for companies to explain their financial performance. The new standard and amendments are effective on or after January 1, 2023. The Company does not expect any 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 rate and liabilities that may be settled by converting to equity. These amendments are effective on or after January 1, 2023. The Company does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued amendments to *IFRS 3 – Business combinations* to update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. These amendments are effective on or after January 1, 2022. The Company does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued amendments to *IAS 16 – Property, Plant and Equipment*. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company should recognize such sales proceeds and the related cost in the income statement. These amendments are effective on or after January 1, 2022. The Company does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued amendments to *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets*, which specify which costs a company includes when assessing whether a contract will be loss-making. These amendments are effective on or after January 1, 2022. The Company does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued *Annual Improvements to IFRSs 2018 - 2020 Cycle*. The improvements have amended four standards with effective date January 1, 2022: i) IFRS 1 – First-time Adoption of International Financial Reporting Standards in relation to allowing a subsidiary to measure cumulative translation differences using amounts reported by its parent, ii) IFRS 9 – Financial Instruments in relation to which fees an entity includes when applying the '10 percent' test for derecognition of financial liabilities, iii) IAS 41 – Agriculture in relation to the exclusion of taxation cash flows when measuring the fair value of a biological asset, and iv) IFRS 16 – Leases in relation to an illustrative example of reimbursement for leasehold improvements. The Company does not expect any material impact from the adoption of these amendments.

In February 2021 the IASB issued amendments to *IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies* which require companies to disclose their material accounting policy information rather than their significant accounting policies and provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments are effective on or after January 1, 2023. The Company does not expect any material impact from the adoption of these amendments.

In February 2021 the IASB issued amendments to *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* which clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. These amendments are effective on or after January 1, 2023. The Company does not expect any material impact from the adoption of these amendments.

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.

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, 2020 amounted to losses of €47 thousand (gains of €39 thousand at December 31, 2019). The principal foreign currency exchange rates used to translate other currencies into Euro were as follows:

	2020		2019	
	Average	At December 31,	Average	At December 31,
U.S. Dollar	1.1422	1.2271	1.1195	1.1234
Pound Sterling	0.8897	0.8990	0.8778	0.8508

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognized at cost net of accumulated depreciation and, if applicable, impairment. Depreciation is calculated on a straight line basis over the useful lives of the assets as follows:

Asset Category	Depreciation Rates
Buildings	10%
Office equipment	20% - 22%
Other assets	20% - 25%

LEASES

The Company recognizes a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use. Each lease payment is allocated between the principal liability and finance costs. Finance costs are charged to the income statement over the lease period using the effective interest rate method. The right-of use asset is depreciated on a straight-line basis over the lease term.

Right-of-use assets are measured at cost comprising the following: (i) the amount of the initial measurement of lease liability; (ii) any lease payments made at or before the commencement date less any lease incentives received; (iii) any initial direct costs and, if applicable, (iv) restoration costs. Payments associated with short-term leases and leases of low-value assets are recognized as an expense in the income statement on a straight-line basis.

Lease liabilities are measured at the net present value of the following: (i) fixed lease payments, (ii) variable lease payments that are based on an index or a rate and, if applicable, (iii) amounts expected to be payable by the lessee under residual value guarantees, and (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option. Lease liabilities do not include any non-lease components that may be included in the related contracts.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

TRADE RECEIVABLES

Trade receivables are amounts due for goods sold or services provided in the ordinary course of business. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, less any provision for allowances.

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.

TRADE PAYABLES

Trade payables are amounts payable for services, legal and professional fees and other expenses incurred. Trade payables are all due within one year.

DEFERRED INCOME

Deferred income relates to amounts received in advance under certain agreements, primarily relating to marketing-related events hosted for third party dealers, which are reliant on the future performance of a service or other act of the Company. Deferred income is recognized as net revenues or other income when the Company has fulfilled its obligations under the terms of the various agreements. Deferred income is recorded on the statement of financial position within "other liabilities".

NET REVENUES

Net revenues relate to the sale of demo vehicles and spare parts to third party dealers as well as revenues generated for marketing-related events hosted by the Company on behalf of third party dealers, such as new car launches. Revenue is recognized when control over a product or service is transferred to the customer. Revenue is measured at the transaction price which is based on the amount of consideration that the Company expects to receive in exchange for transferring the promised goods or services to the customer and excludes any sales incentives as well as taxes collected from customers that are remitted to government authorities. The transaction price includes estimates of variable consideration to the extent it is probable that a significant reversal of revenue recognized will not occur. The Company enters into contracts that may include both products and services, which are generally capable of being distinct and accounted for as separate performance obligations where appropriate. The Company accounts for a contract with a customer when there is a legally enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable.

OTHER INCOME

Other income primarily relates to services performed by the Company on behalf of its subsidiaries for certain corporate services rendered and other recharge fees.

INCOME TAXES

Current and deferred taxes are recognized as income tax benefit or income tax expense and are included in the income statement for the period, except tax arising from a transaction or event which is recognized, in the same or a different period, either in other comprehensive income/(loss) or directly in equity. The Company accounts for tax uncertainties in accordance with IFRIC 23.

DIVIDENDS

Dividends payable by the Company are reported as a change in equity in the period in which they are approved by the shareholders as applicable under local rules and regulations. Dividend income is recognised in the income statement on the date that the right to receive payment is established.

SHARE-BASED COMPENSATION

The Company has implemented equity incentive plans that provide for the granting of share-based compensation to the Chairman, the former 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 compensation based on fair value of awards granted. Share-based compensation for the equity-settled awards containing market performance conditions is measured at the grant date fair value of the award using a Monte Carlo simulation model, which requires the input of subjective assumptions, including the expected volatility of the Company's common stock, the dividend yield, interest rates and a correlation coefficient between the common stock and the relevant market index. The fair value of the awards which are conditional only on a recipient's continued service to the Company is measured using the share price at the grant date adjusted for the present value of future distributions which employees will not receive during the vesting period.

Share based compensation is recognized over the service period. Pursuant to an agreement between the Company and various subsidiaries of the Group, the Company recharges subsidiaries for share-based compensation relating to equity instruments awarded to employees of the subsidiaries under the equity incentive plans. The Company's portion of the share-based compensation for the equity incentive plans is recognized as an expense within selling, general and administrative costs or cost of sales in the income statement depending on the function of the employee with an offsetting amount recorded as an increase to equity, whilst share-based compensation recharged to the subsidiaries of the Group is recognized as a financial receivable with an offsetting amount 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, 2020 amounted to €180 thousand (€603 thousand for the year ended December 31, 2019) and primarily related to marketing-related events hosted on behalf of third party dealers and other customers. The decrease was primarily attributable to impacts of the COVID-19 pandemic, which resulted in a reduced number of events hosted in 2020. For further information on the impacts of the COVID-10 pandemic, see " Result of Operations" and "COVID-19 Pandemic Update" included within this Annual Report.

Other income for the year ended December 31, 2020 amounted to €10,040 thousand (€6,447 thousand for the year ended December 31, 2019) 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.

5. SELLING, GENERAL AND ADMINISTRATIVE COSTS

Selling, general and administrative costs consisted of the following:

(€ thousand)

	For the years ended December 31,	
	2020	2019
Personnel expenses	11,783	16,804
Shared services provided by Ferrari S.p.A.	4,494	2,834
Legal and professional services	4,530	4,532
Insurance	6,046	2,616
Other expenses	584	1,421
Total selling, general and administrative costs	**27,437**	**28,207**

Personnel expenses include costs related to the equity incentive plans (see Note 14), compensation for directors and employees. Detailed information on Board of Directors and key officer compensation is included in the "Corporate Governance" and "Remuneration of Directors" sections to the Annual Report.

At December 31, 2020 the Company had 24 full time equivalent employees, 14 of which relate to the UK Branch and 10 of which relate to the Italian Branch (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). All employees work outside of the Netherlands.

Shared service costs mainly relate to services provided by Ferrari S.p.A. for human resources, payroll, tax, legal, accounting and treasury.

Legal and professional services mainly relate to listing fees and expenses for legal, financial and other consulting services.

The increase in insurance costs in 2020 compared to 2019 is primarily related to insurance costs incurred on behalf of and recharged to subsidiaries. The recharged amount is included as "Other income".

6. NET FINANCIAL EXPENSES

Net financial expenses consisted of the following:

(€ thousand)

	For the years ended December 31,	
	2020	**2019**
Interest expenses:	25,689	28,330
of which:		
Interest and other finance costs on bonds and notes	20,116	20,703
Interest on intercompany borrowings	5,406	7,510
Interest on leases	167	117
Foreign exchange rate differences	247	376
Other financial expenses	971	1,614
Other financial income	(136)	(33)
Net financial expenses	**26,771**	**30,287**

Other financial expenses primarily include bank fees and charges and other financial income primarily includes interest income on cash and cash equivalents held with banks.

7. INCOME TAXES

Income taxes for the years ended December 31, 2020 and 2019 are summarised below:

(€ thousand)

	For the years ended December 31,	
	2020	2019
Current income tax benefit	11,023	4,356
Deferred income tax (expense)/benefit	(275)	981
Total income tax benefit	**10,748**	**5,337**

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, 2020 and 2019:

(€ thousand)

	For the years ended December 31,	
	2020	2019
(Loss)/Profit before tax	(45,747)	542,105
Theoretical income tax (benefit)/expense	10,979	(130,105)
Tax effect on:		
Non-taxable dividends	—	135,660
Non-deductible costs	(155)	(125)
Other permanent differences	(76)	(93)
Total income tax benefit	**10,748**	**5,337**

The following table provides a summary of tax receivables and tax payables for the years ended December 31, 2020 and 2019:

(€ thousand)

	At December 31,	
	2020	2019
Tax receivables	8,309	17,413
Tax payables	1,024	2,549
Net tax receivables	**7,285**	**14,864**

Tax receivables of €8,309 thousand at December 31, 2020 (€17,413 thousand at December 31, 2019) primarily relate to amounts due from the tax authorities for the Group tax consolidation in Italy. The decrease in tax receivables is mainly due to the utilization of tax credits for Italian corporate taxes.

Tax payables of €1,024 thousand at December 31, 2020 (€2,549 thousand at December 31, 2019) primarily relate to amounts due to related parties for the Group tax consolidation in Italy.

The following table summarises deferred tax assets at December 31, 2020 and 2019:

(€ thousand)

	At December 31,	
	2020	2019
Deferred tax assets		
To be recovered after 12 months	600	820
To be recovered within 12 months	494	553
Net deferred tax assets	**1,094**	**1,373**

8. PROPERTY, PLANT AND EQUIPMENT

(€ thousand)

	At December 31,	
	2020	2019
Cost	3,924	3,115
Accumulated depreciation	(1,706)	(498)
Total income tax expense	**2,218**	**2,617**

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 2020 of €2,073 thousand (€2,500 thousand at December 31, 2019). There are no liens, pledges, collateral or restrictions on use over property, plant and equipment. Depreciation charges of €373 thousand for the year ended December 31, 2020 (€422 thousand for the year ended December 31, 2019) were recorded within selling, general and administrative costs, of which €306 thousand related to right-of-use assets (€363 thousand in 2019). See Note 15 "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, 2020 and December 31, 2019, and included investments in Ferrari S.p.A. amounting to €8,778,000 thousand and New Business 33 S.p.A. amounting to €123 thousand.

IMPAIRMENT TESTING

At December 31, 2020, the market capitalization of Ferrari N.V. amounted to approximately €34.9 billion (€27.4 billion at December 31, 2019). Considering the share price of the Company at December 31, 2020 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. TRADE RECEIVABLES, FINANCIAL RECEIVABLES AND OTHER CURRENT ASSETS

TRADE RECEIVABLES

(€ thousand)

	At December 31,	
	2020	2019
Trade receivables	12,084	5,923
Financial receivables	22,905	22,587
Other current assets	26,402	44,186
Total	**61,391**	**72,696**

Trade receivables at December 31, 2020 included €9,983 thousand due from Ferrari S.p.A. for corporate services rendered and fees charged and €2,101 thousand due from third parties for marketing-related events (€4,945 thousand and €978 thousand respectively at December 31, 2019). The increase in trade receivables is mainly due to insurance costs recharged to subsidiaries.

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,	
	2020	2019
Trade receivables denominated in:		
Euro	8,343	2,782
Pound Sterling	3,741	3,141
Total	**12,084**	**5,923**

FINANCIAL RECEIVABLES

At December 31, 2020, non-current financial receivables of €22,905 thousand (€22,587 thousand at December 31, 2019) related to receivables from subsidiaries, mainly Ferrari S.p.A. and primarily for recharges of share-based compensation relating to equity instruments awarded to employees of the subsidiaries of the Group under the Group's equity incentive plans, pursuant to an intercompany agreement.

OTHER CURRENT ASSETS

Other current assets of €26,402 thousand at December 31, 2020 (€44,186 thousand at December 31, 2019) primarily include VAT credits and prepaid expenses. The decrease in 2020 primarily related to VAT reimbursements.

11. FERRARI GROUP CASH MANAGEMENT POOLS

Ferrari Group cash management pools relate to the Company's participation in a group-wide cash management system that is managed centrally by Ferrari S.p.A.. At December 31, 2020, the Company had a net asset of €5,976 thousand (€4,571 thousand at December 31, 2019). Amounts in cash management pools at December 31, 2020 and 2019 were entirely denominated in Pound Sterling.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to €194,191 thousand at December 31, 2020 (€56,542 thousand at December 31, 2019) and were primarily denominated in Euro.

The carrying amount of cash and cash equivalents is deemed to be in line with their fair value. There was no restricted cash at December 31, 2020 and 2019. Credit risk associated with cash and cash equivalents is considered limited as the counterparties are leading national and international banks.

13. EQUITY

SHARE CAPITAL

At December 31, 2020 the fully paid up share capital of the Company was €2,573 thousand, consisting of 193,923,499 common shares and 63,349,112 special voting shares, all with a nominal value of €0.01 per share (€2,573 thousand at December 31, 2019 consisting of 193,923,499 common shares and 63,349,111 special voting shares, all with a nominal value of €0.01). At December 31, 2020, the Company had 9,175,609 common shares and 2,190 special voting shares held in treasury, while at December 31, 2019, the Company had 8,640,176 common shares and 2,190 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. On March 30, 2020 the Company elected to temporarily suspend its share repurchase program.

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, 2020:

	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
Other changes (3)	—	6,854,047	6,854,047
Outstanding shares at December 31, 2019	**185,283,323**	**63,346,921**	**248,630,244**
Common shares repurchased under share repurchase program (4)	(819,483)	—	(819,483)
Common shares assigned under equity incentive plans (5)	284,050	—	284,050
Other changes	—	1	1
Outstanding shares at December 31, 2020	**184,747,890**	**63,346,922**	**248,094,812**

(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" to the Consolidated Financial Statements 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.

(4) Includes shares repurchased between January 1, 2020 and December 31, 2020 based on the transaction trade date, for a total consideration of €119,771 thousand, including transaction costs.

(5) On March 16, 2020, 366,199 common shares, which were previously held in treasury, were assigned to participants of the equity incentive plans as a result of the vesting of certain performance share unit and retention restricted share unit awards. On March 17, 2020, the Company purchased 82,149 common shares, for a total consideration of €10,022 thousand, from a group of those employees who were assigned shares in order to cover the individual's taxable income as is standard practice ("Sell to Cover") in an over-the-counter transaction. See Note 21 "Share-Based Compensation" to the Consolidated Financial Statements for additional details relating to the Group's equity incentive plans.

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, 2020 and December 31, 2019.

RETAINED EARNINGS

Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 16, 2020, a dividend distribution of €1.13 per common share was approved, corresponding to a total distribution of €208,765 thousand (of which €208,100 thousand was paid in 2020). The distribution was made from the retained earnings reserve.

Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 12, 2019, a dividend distribution of €1.03 per common share was approved, corresponding to a total distribution of €193,328 thousand (of which €192,664 thousand was paid in 2019). The distribution was made from the retained earnings reserve.

OTHER RESERVES

Other reserves includes, among others:

- a treasury reserve of €616,629 thousand at December 31, 2020 and €486,839 thousand at December 31, 2019;
- a share-based compensation reserve of €43,482 thousand at December 31, 2020 and €46,539 thousand at December 31, 2019;
- a legal reserve of €19 thousand at December 31, 2020 and €65 thousand at December 31, 2019, 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, 2020, the legal and non-distributable reserves of the Company amounted to €19 thousand (€65 thousand at December 31, 2019) 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, 2020, the cumulative translation reserve amounted to €13 thousand (€59 thousand at December 31, 2019).
- The Company records a statutory non-distributable reserve equal to 1 percent of the nominal value of the special voting shares. At December 31, 2020 and 2019, this reserve amounted to €6 thousand.

RECONCILIATION OF EQUITY AND NET (LOSS)/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,	
	2020	**2019**
Equity attributable to owners of the parent in the Consolidated Financial Statements of Ferrari N.V.	**1,785,186**	**1,481,290**
Intra-group restructuring	5,969,427	5,969,427
OCI reserves in the Consolidated Financial Statements	(43,233)	(25,997)
Cumulative results of subsidiaries in the Consolidated Financial Statements in prior years	(2,576,312)	(1,832,936)
Results of subsidiaries in the Consolidated Financial Statements	(642,816)	(743,376)
Cumulative dividends in prior years	1,016,700	421,700
Other changes	(3,242)	(3,194)
Dividends	—	595,000
Equity in the Company Financial Statements of Ferrari N.V	**5,505,710**	**5,861,914**

The reconciliation of net (loss)/profit as per the Consolidated Financial Statements to net profit as per the Company Financial Statements is provided below:

(€ thousand)

	At December 31,	
	2020	**2019**
Net profit attributable to owners of the parent in the Consolidated Financial Statements of Ferrari N.V.	**607,817**	**695,818**
Results of subsidiaries in the Consolidated Financial Statements	(642,816)	(743,376)
Dividends	—	595,000
Net (loss)/profit in the Company Financial Statements of Ferrari N.V.	**(34,999)**	**547,442**

14. SHARE-BASED COMPENSATION

The Group has several equity incentive plans under which a combination of performance share units ("PSUs") and retention restricted share units ("RSUs"), which each represent the right to receive one Ferrari common share, have been awarded to the Executive Chairman, the Chief Executive Officer ("CEO"), members of the Senior Management Team ("SMT") and other key employees of the Group.

EQUITY INCENTIVE PLAN 2016 - 2020

Under the Equity Incentive Plan 2016-2020 the Company awarded approximately 237 thousand 2016-2020 PSUs to the SMT (excluding the previous former CEO) and other key employees of the Group and approximately 450 thousand 2016-2020 PSUs to the previous former CEO in 2017. An additional total of approximately 21 thousand 2016-2020 PSUs were awarded to the successor and now former CEO in 2018. Additionally, the Company awarded members of the SMT and key leaders a total of approximately 119 thousand 2016-2020 RSUs in 2017, and an additional 10 thousand 2016-2020 RSUs were awarded in 2018. The PSUs and RSUs cover the five-year performance and service periods from 2016 to 2020.

EQUITY INCENTIVE PLAN 2019-2021

Under the Equity Incentive Plan 2019-2021 the Company awarded approximately 174 thousand 2019-2021 PSUs and approximately 111 thousand 2019-2021 RSUs to the Executive Chairman, the former CEO, members of the SMT and other key employees of the Group. The PSUs and RSUs cover the three-year performance and service periods from 2019 to 2021.

EQUITY INCENTIVE PLAN 2020-2022

Under the Equity Incentive Plan 2020-2022 the Company awarded approximately 60 thousand 2020-2022 PSUs and approximately 48 thousand 2020-2022 RSUs to the Executive Chairman, members of the SMT and other key employees of the Group. The PSUs and RSUs cover the three-year performance and service periods from 2020 to 2022.

OUTSTANDING SHARE AWARDS

Changes to the outstanding number of PSU and RSU awards under all equity incentive plans of the Group are as follows:

(number of awards)	Outstanding PSU Awards	Outstanding RSU Awards
Balance at January 1, 2019	**686,526**	**118,264**
Granted (1)	175,307	110,968
Forfeited	(32,832)	(18,000)
Vested	(230,282)	(40,087)
Balance at December 31, 2019	**598,719**	**171,145**
Granted (2)	48,173	39,780
Forfeited	(1,461)	(1,460)
Vested	(230,592)	(50,402)
Balance at December 31, 2020	**414,839**	**159,063**

(1) Granted under the Equity Incentive Plan 2019-2021.
(2) Grander under the Equity Incentive Plan 2020-2022.

SHARE-BASED COMPENSATION EXPENSE

For the years ended December 31, 2020 and 2019, the Company recognized €17,401 thousand and €17,480 thousand, respectively, as share-based compensation expense and an increase to other reserves within equity in relation to 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 2020, €7,405 thousand was recognized as an expense in cost of sales and selling, general and administrative costs, and €9,996 thousand was recorded as financial receivables in relation to share-based compensation recharged to subsidiaries (€7,807 thousand and €9,673 thousand respectively for the year ended December 31, 2019).

At December 31, 2020, unrecognized compensation expense amounted to €12,998 thousand and is expected to be recognized over the remaining vesting periods through 2022. 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.

15. DEBT

(€ thousand)

	Balance at January 1, 2020	Proceeds from borrowings	Repayments of borrowings	Net interest accrued/ (paid) and other	Balance at December 31, 2020
Bonds	1,185,470	640,073	—	9,479	1,835,022
Financial liabilities with related parties	1,858,478	1,770,000	(1,948,000)	(242)	1,680,236
Lease liabilities	2,590	—	(148)	(135)	2,307
Total	**3,046,538**	**2,410,073**	**(1,948,148)**	**9,102**	**3,517,565**

(€ 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	**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, 2020 and 2019 by nature and by maturity is as follows:

(€ thousand)

	At December 31,							
	2020				2019			
	Due within one year	Due between two and five years	Due beyond five years	Total	Due within one year	Due between two and five years	Due beyond five years	Total
Bonds	500,417	1,034,605	300,000	1,835,022	7,260	879,834	298,376	1,185,470
Financial liabilities with related parties	1,680,236	—	—	1,680,236	1,858,478	—	—	1,858,478
Lease liabilities	120	1,201	986	2,307	362	1,260	968	2,590
Total	**2,180,773**	**1,035,806**	**300,986**	**3,517,565**	**1,866,100**	**881,094**	**299,344**	**3,046,538**

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, and a yield to maturity of 1.656 percent. The net proceeds were used, together with additional cash held by the Company, to fully repay a €500 million bank loan. The bond is unrated and was admitted to trading on the regulated market of the Euronext Dublin (formerly the Irish Stock Exchange). Following a cash tender offer, on July 16, 2019 the Company executed the repurchase of these notes for an aggregate nominal amount of €115,395 thousand. The amount outstanding at December 31, 2020 was €386,814 thousand and includes accrued interest of €4,567 thousand (€385,776 thousand including accrued interest of €4,567 thousand at December 31, 2019).

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, and yield to maturity of 0.391 percent. The net proceeds were primarily used to repay a €700 million bank loan. The bond is unrated and was admitted to trading on the regulated market of the Euronext Dublin (formerly the Irish Stock Exchange). Following a cash tender offer, on July 16, 2019 the Company executed the repurchase of these notes for an aggregate nominal amount of €200,000 thousand. The amount outstanding at December 31, 2020 was €501,151 thousand and includes accrued interest of €1,199 thousand (€499,824 thousand including accrued interest of €1,199 thousand at December 31, 2019). On January 18, 2021 the Company fully repaid the 2021 Bond for a total consideration of €501,250 thousand, of which €1,250 thousand related to accrued interest.

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, 2020 and 2019, 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 the yields to maturity, on an annual basis, equal the nominal coupon rates of the Notes. The Notes are primarily used for general corporate purposes, including the funding of capital expenditures.

The amounts outstanding of the 2029 Notes at December 31, 2020 was €149,971 thousand, including accrued interest of €700 thousand (€149,891 thousand, including accrued interest of €700 thousand at December 31, 2019). The amount outstanding of the 2031 Notes at December 31, 2020 was €150,044 thousand, including accrued interest of €794 thousand (€149,979 thousand including accrued interest of €794 thousand at December 31, 2019).

2025 BOND

On May 27, 2020 the Company issued 1.5 percent coupon notes due May 2025 ("2025 Bond"), having a principal of €650 million. The notes were issued at a discount for an issue price of 98.898 percent, resulting in net proceeds of €640,073 thousand, after related expenses, and a yield to maturity of 1.732 percent. The bond was admitted to trading on the regulated market of Euronext Dublin. The amount outstanding of the 2025 Bond at December 31, 2020 was €647,042 thousand, including accrued interest of €5,850 thousand.

FINANCIAL LIABILITIES WITH RELATED PARTIES

Financial liabilities with related parties at December 31, 2020 are broken down as follows:

(€ thousand) Counterparty	Currency	Total amount outstanding at December 31, 2020	Due date	Interest Rate
Ferrari S.p.A.	Euro	70,002	March 2021	EURIBOR 3M + 60bps
Ferrari S.p.A.	Euro	150,028	March 2021	EURIBOR 6M + 60bps
Ferrari S.p.A.	Euro	160,027	March 2021	EURIBOR 6M + 60bps
Ferrari S.p.A.	Euro	800,146	October 2021	EURIBOR 6M + 60bps
Ferrari S.p.A.	Euro	500,033	November 2021	EURIBOR 3M + 60bps
Total		**1,680,236**		

Financial liabilities with related parties at December 31, 2019 are broken down as follows:

(€ thousand) Counterparty	Currency	Total amount outstanding at December 31, 2019	Due date	Interest Rate
Ferrari S.p.A.	Euro	148,052	April 2020	EURIBOR 3M+ 60Bps
Ferrari S.p.A.	Euro	500,095	May 2020	EURIBOR 3M+ 60Bps
Ferrari S.p.A.	Euro	710,236	October 2020	EURIBOR 6M+ 60Bps
Ferrari S.p.A.	Euro	500,095	November 2020	EURIBOR 3M+ 60Bps
Total		**1,858,478**		

During 2020, certain debt agreements with Ferrari S.p.A. were renewed. Net payments from financial liabilities with related parties amounted to €178,000 thousand in 2020 (net proceeds of €48,114 thousand in 2019).

At December 31, 2020 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 €1,680 thousand on an annualized basis (decrease of €1,858 thousand at December 31, 2019).

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 of December 31, 2020 lease liabilities amount to €2,307 thousand (€2,590 thousand at December 31, 2019).

REVOLVING CREDIT FACILITIES

In December 2019, the Company negotiated a €350 million unsecured committed revolving credit facility (the "RCF"), which is intended for general corporate and working capital purposes. The RCF has a 5 year-tenor with two further one-year extension options, exercisable on the first and second anniversary of the signing date on the Company's request and the approval of each participating bank. The first one-year extension option was exercised by the Company and approved by all participating banks.

In April 2020, additional committed credit lines of €350 million were secured with tenors ranging from 18 to 24 months, doubling total committed credit lines available to €700 million.

At December 31, 2020 all of the above mentioned committed credit facilities were undrawn. At December 31, 2019 the RCF was undrawn.

CONTRACTUAL OBLIGATIONS

The following table summarizes payments due under our significant commitments at December 31, 2020:

(€ million)

	Payments due by period				
	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years	Total
Long-term debt [1]	500	385	650	300	1,835
Interest on long-term debt [2]	19	34	21	16	90
Lease liabilities	—	1	1	—	2
Total contractual obligations	**519**	**420**	**672**	**316**	**1,927**

(1) Amounts presented relate to the principal amounts of long-term debt, excluding lease liabilities and the related interest expense that will be paid when due. The table above does not include short-term debt obligations.

(2) Amounts include interest payments based on contractual terms and current interest rates on our long-term debt. Interest rates based on variable rates included above were determined using the current rates in effect at December 31, 2020.

16. TRADE PAYABLES

(€ thousand)

	2020	2019
Due to related parties	9,157	3,157
Due to third parties	2,180	6,262
Total trade payables	**11,337**	**9,419**

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)

	2020	2019
Euro	6,235	4,809
Pound Sterling	5,102	4,610
Total trade payables	**11,337**	**9,419**

Trade payables are due within one year and their carrying amount at the reporting date is deemed to approximate their fair value.

17. OTHER CURRENT LIABILITIES

Other current liabilities amounted to €14,277 thousand at December 31, 2020 (€10,845 thousand at December 31, 2019) 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.

18. EARNINGS PER SHARE

Earnings per share information is provided in Note 12 to the Consolidated Financial Statements.

19. 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)

	2020	2019
Audit fees	1,160	1,150
Audit-related fees	321	139
Total	**1,481**	**1,289**

Audit fees of Ernst & Young Accountants LLP amounted to €80 thousand in 2020 and €80 thousand in 2019 and are included in the table above.

20. 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.

21. COMMITMENTS AND CONTINGENCIES

At December 31, 2020 and 2019, the Company provided guarantees over certain debt of its subsidiary Ferrari Financial Services Inc. The book value of the related debt at December 31, 2020 and 2019 was €28,553 thousand and €31,211 thousand, respectively.

For intercompany financial guarantees issued by the Company, there is no expected default and therefore the financial guarantees are not recognised.

22. 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.

23. ORGANIZATIONAL STRUCTURE

The following table sets forth the Company's subsidiaries and associates at December 31, 2020. During 2020, no changes occurred in the organizational structure.

Name	Country	Nature of business	Shares held by the Group
Directly held interests			
Ferrari S.p.A.	Italy	Manufacturing	100%
New Business 33 S.p.A.	Italy	Holding company	100%
Indirectly held through Ferrari S.p.A.			
Ferrari North America Inc.	USA	Importer and distributor	100%
Ferrari Japan KK	Japan	Importer and distributor	100%
Ferrari Australasia Pty Limited	Australia	Importer and distributor	100%
Ferrari International Cars Trading (Shanghai) Co. L.t.d.	China	Importer and distributor	80%
Ferrari (HK) Limited	Hong Kong	Importer and distributor	100%
Ferrari Far East Pte Limited	Singapore	Service company	100%
Ferrari Management Consulting (Shanghai) Co. L.t.d.	China	Service company	100%
Ferrari South West Europe S.a.r.l.	France	Service company	100%
Ferrari Central Europe GmbH	Germany	Service company	100%
G.S.A. S.A.	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(1)	USA	Financial services	100%
Ferrari Auto Securitization Transaction - Lease, LLC(1)	USA	Financial services	100%
Ferrari Auto Securitization Transaction - Select, LLC(1)	USA	Financial services	100%
Ferrari Financial Services Titling Trust(1)	USA	Financial services	100%
410, Park Display Inc.(2)	USA	Retail	100%
Associated companies valued at cost			
Fondazione Casa di Enzo Ferrari	Italy	Service company	25%
Branches			
UK Branch	UK	Sales and after sales support	

(1) Shareholding held by Ferrari Financial Services Inc.

(2) Shareholding held by Ferrari North America Inc.

24. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 26, 2021, which is the date the Company Financial Statements were authorized for issuance.

Mr. Roberto Cingolani resigned from his role as non-executive Director and member of the Governance and Sustainability Committee of the Board of Directors with effect from February 13, 2021, following his appointment as a Minister of the Italian Government.

On February 22, 2021 Ferrari and Richard Mille signed a multi-year partnership agreement, which will see the Haute Horlogerie brand become sponsor and licensee for the Prancing Horse.

On February 26, 2021, the Board of Directors of Ferrari N.V. recommended to the Company's shareholders that the Company declare a dividend of €0.867 per common share, totaling approximately €160 million. The proposal is subject to the approval of the Company's shareholders at the Annual General Meeting to be held on April 15, 2021.

February 26, 2021

Board of Directors
John Elkann
Piero Ferrari
Sergio Duca
Delphine Arnault
Francesca Bellettini
Eddy Cue
John Galantic
Maria Patrizia Grieco
Adam Keswick

S F
1000GP
5
HUBLOT
Ray-Ban
V-Power
kaspersky

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 23 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 2020 FINANCIAL STATEMENTS INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements for the year ended December 31, 2020 of Ferrari N.V. (herein referred to as "the company" and together with its subsidiaries "the group"), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Ferrari N.V. as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:
- The consolidated and company statement of financial position as at 31 December 2020
- The following statements for 2020: 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 Ferrari group is structured in group entities and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, 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. In 2020 and the beginning of 2021 we were forced to perform our procedures to a greater extent remotely due to the Covid-19 measures. This limits our observations and increases the risk of missing certain signals. In order to compensate for the limitations related to physical contact and direct observation, we performed alternative procedures to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

MATERIALITY	
Materiality	€33 million (2019: €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 financial 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 €1,65 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

SCOPE OF THE GROUP AUDIT

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.

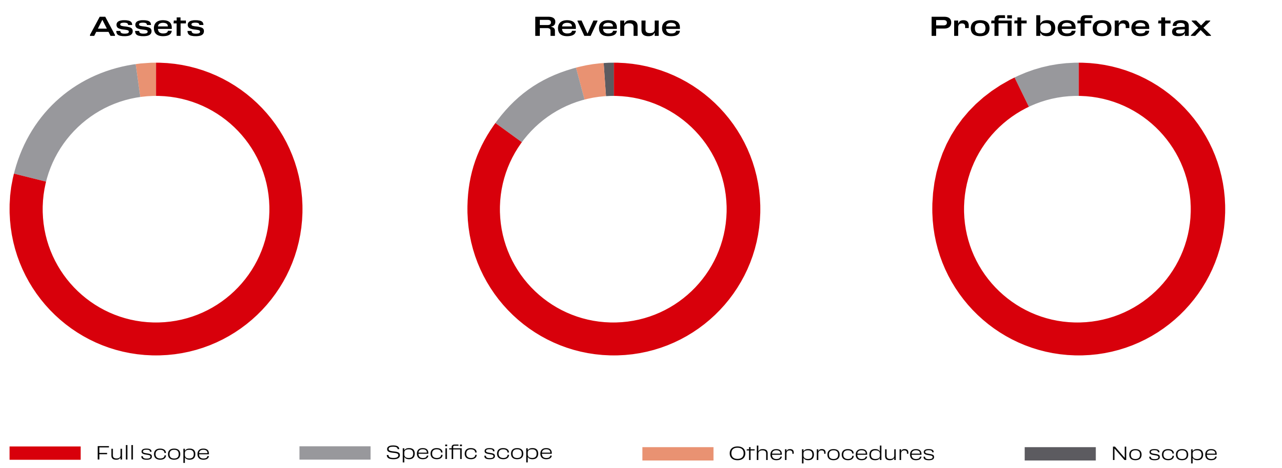
All group entities were included in the scope of our group audit. We identified Ferrari S.p.A. and Ferrari North America Inc. as two group entities, which, in our view, required an audit of their complete financial information. Specific scope audit procedures on certain balances and transactions were performed on four 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, and by component auditors from Ernst & Young Global member firms and operating under our coordination and supervision. We have performed the following procedures:

- We have had regular virtual team meetings with EY Italy, all component auditors and management and reviewed the audit work performed on the group consolidation, financial statements and related disclosures, assessed the effect of Covid-19 and the key audit matter related to Ferrari S.p.A.: warranty and recall campaigns provision. We reviewed the audit files of the component auditor and determined the sufficiency and appropriateness of the work performed.
- Other component auditors included in the group audit scope received detailed instructions, including key risks and audit focus areas, and we determined the sufficiency and appropriateness of the work performed.

Because of the (international) travel restrictions and social distancing due to the Covid-19 pandemic, we needed to restrict or have been unable to visit management and/or component auditors. Due to these restrictions we intensified communication with significant component teams in terms of virtual sessions to ensure we obtained sufficient audit evidence to conclude on our audit.

The entities included in the group audit scope represent 98% of the group's total assets, 97% of net revenues and 100% 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.

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.

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.

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, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

In our process of identifying fraud risks, we considered whether the Covid-19 pandemic gives rise to specific fraud risk factors resulting from a dilution in the effectiveness of controls as a result of the general disruption associated with remote working, illness and workforce reductions, supply chain failures and pressure to make emergency procurements, management overrides and workarounds becoming the norm, manual invoicing and manual payments, abuse of government schemes intended to support companies during the pandemic.

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. Our audit procedures to address the assessed fraud risks did not result in a key audit matter.

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 board of directors, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

GOING CONCERN

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of the board of directors' use of the going concern basis of accounting. The board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months . We discussed and evaluated the assessment with the board of directors exercising professional judgment and maintaining professional skepticism, and specifically focusing on the process followed by the board of directors to make the assessment, management bias that could represent a risk, the impact of current events and conditions have on the company's operations and forecasted cash flows, with a focus on whether the company will have sufficient liquidity to continue to meet its obligations as they fall due. We consider 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.

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 the board of directors
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

OUR KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the audit committee. The key audit matter is not a comprehensive reflection of all matters discussed.

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.

Warranty and recall campaigns provision
Note 2 and Note 23 in the annual report

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 recall campaigns to address various client satisfaction, safety and emissions issues related to cars sold. The provision includes the management's estimate of the expected cost to fulfill the obligations over the contractual warranty or campaign period. Such estimate is developed using assumptions related to expected costs to be incurred based on the group's historical claims or costs experience, including the cost of parts and services. As at December 31, 2020, the warranty and recall campaigns provision amounted to €107 million. Future costs of these actions are subject to numerous uncertainties, including the enactment of new laws and regulations, the number of vehicles affected by warranty actions or recall campaigns and the nature of the corrective action that may result in the reassessment of the established provision. The costs related to this provision are recognized within cost of sales. Auditing the warranty and recall campaign provision was complex in consideration of the judgment required to develop assumptions around future costs to be incurred for warranty and recall campaigns, especially for newly launched models or vehicles, and the complexity of the calculation involved.
Our audit approach	The procedures performed to address the matter in our audit included, among others, obtaining an understanding of the warranty and recall campaign provisioning process and evaluating the group's accounting policy thereon. We also assessed the design and operating effectiveness of internal controls relevant to this area, specifically related to the management's assumptions developed to estimate future costs to be incurred. We evaluated the methodology, including calculation, and assumptions used by the management in estimating future costs for warranty programs and recall campaigns, and assessed any changes, or the lack thereof, from the prior year. We tested the completeness and accuracy of the underlying data and the journal entries recorded by the management. We further completed analytical procedures over the accrued provision and retrospective analyses comparing the provisions recorded by the group against actual spending for warranty and recall service costs to evaluate the cost assumptions used by the management. Lastly, we assessed the adequacy of the warranty and recall campaign disclosures included in the notes to the consolidated financial statements.
Key observations	We concur with the assessment and recording of the warranty and recall campaigns provision and the related disclosures as included in the notes to the consolidated financial statements.

REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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 report on 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 Sections 2:135b and 2:145 subsection 2 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.

The board of directors 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 Sections 2:135b and 2:145 subsection 2of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

ENGAGEMENT

We were engaged by the audit committee as auditor of Ferrari N.V. on September 29, 2015, as of the audit for the year 2015 and have operated as statutory auditor ever since that date.

NO PROHIBITED NON-AUDIT SERVICES

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The "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.

We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, February 26, 2021

Ernst & Young Accountants LLP

signed by O.E.D. Jonker