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Oggetto	:	Carraro Group Condensed Consolidated Financial Statements 30.06.2022

Testo del comunicato

Vedi allegato.

CARRARO S.p.A.
Registered office in Campodarsego, Padua (Italy) – Via Olmo 37
Share Capital 41,452,543.60 euros, fully paid-up.
Tax Code/VAT No. 00202040283
Registration on the Company Register of Padua no. 84033

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE CARRARO GROUP AS AT 30 JUNE 2022

GENERAL INFORMATION

BOARD OF DIRECTORS	**ENRICO CARRARO (1)**	Chairman
In office until approval of the 2023 financial statements	**TOMASO CARRARO (1)**	Deputy Chairman
	ANDREA CONCHETTO (1)	Chief Executive Officer
	RICCARDO ARDUINI (1)	Director
	VIRGINIA CARRARO (1)	Director
	ENRICO GOMIERO (1)	Director
	ALESSANDRO GIULIANI (2)	Director
	(1) Appointments, Shareholders' Meeting of 29.06.2021	
	(2) Appointment, Shareholders' Meeting of 16.09.2021, with effect from 30.09.2021	
BOARD OF STATUTORY AUDITORS	**CARLO PESCE**	Chairman
In office until approval of the 2023 financial statements (Appointments, Shareholders' Meeting of 16.09.2021, with effect from 30.09.2021)	**MARINA MANNA**	Regular Auditor
	GUARNIERI ANTONIO	Regular Auditor
	BENETTIN SARAH	Alternate Auditor
	ANDREOLA GABRIELE	Alternate Auditor
INDEPENDENT AUDITORS	**Deloitte & Touche S.p.A.**	

CONSOLIDATED INCOME STATEMENT

(amounts in Euro thousands)	NOTES	30.06.2022
A) REVENUES FROM SALES		
1) Products		356,941
2) Services		1,406
3) Other revenues		10,924
TOTAL REVENUES FROM SALES	**1**	**369,271**
B) OPERATING COSTS		
1) Purchases of goods and materials		248,223
2) Services		60,554
3) Use of third-party goods and services		119
4) Personnel costs		54,391
5) Amortisation, depreciation and impairment of assets		12,967
5.a) depreciation of property, plant and equipment		*10,224*
5.b) amortisation of intangible fixed assets		*2,819*
5.c) impairment of fixed assets		*10*
5.d) impairment of receivables		*14*
5.e) adjustment to dep. prop., plant and equip.		*-93*
5.f) adjustment to intangible assets		*-7*
6) Changes in inventories		-18,676
7) Provision for risks and other liabilities		1,947
8) Other income and expenses		-3,088
9) Internal construction		-271
TOTAL OPERATING COSTS	**2**	**356,166**
OPERATING PROFIT/(LOSS)		**13,105**
C) GAINS/(LOSSES) ON FINANCIAL ASSETS		
10) Income and expenses from equity investments		-
11) Other financial income		463
12) Financial costs and expenses		-9,234
13) Net gains/(losses) on foreign exchange		-621
14) Value adjustments of financial assets		-
15) Income (charges) from hyperinflation		-1,131
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3**	**-10,523**
PROFIT/(LOSS) BEFORE TAXES		**2,582**
15) Current and deferred income taxes	**4**	3,660
NET PROFIT/(LOSS)		**-1,078**
16) Minority interests		-288
GROUP CONSOLIDATED PROFIT/(LOSS)		**-1,366**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(amounts in Euro thousands)	**30.06.2022**
NET PROFIT/(LOSS) FOR THE PERIOD	**-1,078**
Other income components that could be recognised in the income statement in subsequent periods:	
Change in cash-flow hedge reserve	1,014
Translation exchange differences	-458
Taxes on other comprehensive income components	-243
Total other income components that could be recognised in the income statement in subsequent periods:	**313**
Other income components that will not be recognised in the income statement in subsequent periods:	
Change in the provision for discounting employee benefits	831
Taxes on other comprehensive income components	-181
Total other income components that will not be recognised in the income statement in subsequent periods:	**650**
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS	**963**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-115**
Total comprehensive income attributable to:	
Shareholders of the parent company	-518
Profit/(loss) pertaining to minorities	403
Total comprehensive income for the period	**-115**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in Euro thousands)	NOTES	30.06.2022
A) NON-CURRENT ASSETS		
1) Property, plant and equipment	6	225,449
2) Intangible fixed assets	7	116,307
3) Real estate investments	8	825
4) Equity investments in associate companies and joint ventures	9	-
5) Financial assets	10	938
5.1) Loans and receivables		*792*
5.2) Other financial assets		146
6) Deferred tax assets	11	18,964
7) Trade receivables and other receivables	12	6,339
7.1) Trade receivables		-
7.2) Other receivables		*6,339*
TOTAL NON-CURRENT ASSETS		**368,822**
B) CURRENT ASSETS		
1) Closing inventory	13	160,383
2) Trade receivables and other receivables	12	123,042
2.1) Trade receivables		*78,826*
2.2) Other receivables		*44,217*
3) Financial assets	10	2,691
3.1) Loans and receivables		*132*
3.2) Other financial assets		*2,559*
4) Cash and cash equivalents	14	252,254
4.1) Cash		*121*
4.2) Bank current accounts and deposits		*252,133*
4.3) Other cash and cash equivalents		-
TOTAL CURRENT ASSETS		**538,371**
TOTAL ASSETS		**907,193**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in Euro thousands)	NOTES	30.06.2022
A) SHAREHOLDERS' EQUITY	15	
1) Share Capital		41,453
2) Other Reserves		35,145
3) Profits/(Losses) brought forward		-
4) Other IAS/IFRS reserves		1,071
5) Provision for discounting employee benefits		485
6) Foreign currency translation reserve		1,920
7) Result for the period pertaining to the group		-1,366
GROUP SHAREHOLDERS' EQUITY		78,708
8) Minority interests		9,929
TOTAL SHAREHOLDERS' EQUITY		**88,637**
B) NON-CURRENT LIABILITIES		
1) Financial liabilities	16	437,223
1.1) Bonds		*326,026*
1.2) Loans		*111,168*
1.3) Other financial liabilities		*29*
2) Trade payables and other payables	17	4,700
2.1) Trade payables		-
2.2) Other payables		*4,700*
3) Deferred tax liabilities	11	*27,893*
4) Provision for employee benefits/retirement	19	8,944
4.1) Provision for severance indemnity		*6,178*
4.2) Provision for retirement benefits		*2,766*
5) Provisions for risks and liabilities	20	4,877
5.1) Provision for warranties		*2,754*
5.2) Provision for legal claims		*56*
5.3) Provision for restructuring and reconversion		-
5.4) Other provisions		*2,067*
TOTAL NON-CURRENT LIABILITIES		**483,637**
C) CURRENT LIABILITIES		
1) Financial liabilities	16	42,108
1.1) Bonds		-
1.2) Loans		*37,166*
1.3) Other financial liabilities		*4,942*
2) Trade payables and other payables	17	271,846
2.1) Trade payables		*222,037*
2.2) Other payables		*49,809*
3) Current tax payables	18	8,689
4) Provisions for risks and liabilities	20	12,276
4.1) Provision for warranties		*8,624*
4.2) Provision for legal claims		*269*
4.3) Provision for restructuring and reconversion		*949*
4.4) Other provisions		*2,434*
TOTAL CURRENT LIABILITIES		**334,919**
TOTAL LIABILITIES		**818,556**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**907,193**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(amounts in Euro thousands)	Share Capital	Other reserves			Provision for discounting employee benefits	Cash flow hedge reserve	Foreign currency translation reserve		Profit/(Loss) for the period	Equity of Group	Minority interests	Total
		Capital reserves	Other reserves	Treasury stock acquired			On capital reserves	On profit reserves				
Balance as at 01.01.2022	**41,453**	**18,704**	**21,777**	**-6,666**	**-128**	**378**	**-**	**-**	**-**	**75,518**	**9,512**	**85,030**
Comprehensive income for the period					**613**	**693**		**-458**	**-1,366**	**-518**	**403**	**-115**
Transactions with shareholders:												
Hyperinflation effect (Carraro Argentina)			1,344					63		1,407		1,407
Exchange impact "capital reserves"							2,315			**2,315**		**2,315**
Other changes			-14							-14	14	-
Total transactions of the period	**-**	**-**	**1,330**	**-**	**-**	**-**	**2,315**	**63**	**-**	**3,708**	**14**	**3,722**
Balance as at 30.06.2022	**41,453**	**18,704**	**23,107**	**-6,666**	**485**	**1,071**	**2,315**	**-395**	**-1,366**	**78,708**	**9,929**	**88,637**

CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in Euro thousands)	NOTES	30.6.2022
Profit/(loss) for the period pertaining to the Group	5	-1,366
Profit/(Loss) for the period pertaining to minority interests		288
Tax for the period	4	3,660
Profit/(loss) before taxes		**2,582**
Depreciation of property, plant and equipment	2	10,224
Amortisation of intangible fixed assets	2	2,819
Adjustment deprec. property, plant and equipment		-93
Adjustment to amortisation of intangible assets		-7
Impairment of intangible assets	2	10
Provisions for risks	2	1,947
Provisions for employee benefits	2	2,487
Net gains/(losses) on foreign exchange	3	621
Financial income	3	-463
Financial expenses	3	9,234
Cash flows before changes in Net Working Capital		**29,361**
Changes in inventory	13	-18,676
Change in trade receivables	12	4,533
Change in trade payables	17	12,565
Change in other receivables/payables	13-17	1,692
Changes in receivables/payables for deferred taxation	11	406
Use of provisions for employee benefits	19	-2,729
Use of risks provisions for risks and liabilities	20	-4,378
Interest received		96
Interest paid		-7,955
Change in other financial assets and liabilities		488
Tax payments	4	-1,095
Cash flows from operating activities		**14,308**
Investments in property, plant and equipment	6	-17,994
Disinvestments and other movements in property, plant and equipment	6	36
Real estate investments	7	-70
Investments in intangible fixed assets	7	-449
Disinvestments and other movements in intangible fixed assets		-45
Net liquidity acquired/sold through business combinations		322,743
Change in financial assets	10	-200
Cash flows from investing activities		**304,021**
Change in financial liabilities	16	-69,260
Other movements of shareholders' equity		2,343
Cash flows from financing activities		**-66,917**
Total cash flows for the period		**251,412**
Opening cash and cash equivalents		-
Exchange changes in cash and cash equivalents		842
Closing cash and cash equivalents		**252,254**

EXPLANATORY AND SUPPLEMENTARY NOTES

1. Introduction

Publication of the Interim Consolidated Financial Report and Condensed Consolidated Interim Financial Statements of Carraro S.p.A. and subsidiaries (hereinafter also the "Carraro Group" or "Group"), for the period from 1 January 2022 to 30 June 2022 is authorised by resolution taken by the Board of Directors on 27 September 2022.

Carraro S.p.A. is a joint-stock company registered in Italy at the Padua Companies Register.

Carraro S.p.A. is not subject to management and coordination activities under the terms of Article 2497 and following of the Italian Civil Code.

These condensed consolidated interim financial statements are presented in Euro, as this is the currency in which most of the Group's operations are conducted. The foreign companies are included in the condensed consolidated interim financial statements in accordance with the principles described in the notes that follow.
Amounts in these financial statements are given in thousands of euros, while amounts in the notes are indicated in millions of euros (mln).

On 28 March 2021, Fly s.r.l. launched a voluntary tender offer on 21,331,916 ordinary shares (the "Shares") of Carraro S.p.A. representing approximately 26.76% of the share capital of the Issuer, with the aim, in the event of a successful outcome of the tender offer, of delisting the Shares from the Italian Stock Exchange.
At the end of the acceptance period of the tender offer, as extended, and of the subsequent re-opening of the deadline, the legal requirements for exercise of the Purchase Right were met, with reference to the remaining Shares, equal to approximately 4.72% of the share capital of the Issuer (the "Residual Shares").
On 6 August 2021, the Tenderer exercised the Purchase Right, and at the same time fulfilled the Purchase Obligation, initiating a single procedure (the "Joint Procedure"), involving all of the Residual Shares. Also from 6 August 2021, the Carraro Shares were delisted from the electronic stock market. For further details on the tender offer transaction, reference should be made to the information published on the website of Carraro SpA: https://www.carraro.com/it/investor-relations/opa-fly.

On 1 January 2022, the reverse merger by absorption of Fly S.r.l. with Carraro S.p.A., which resulted in the "transfer of control" of the latter, became effective for accounting purposes. Therefore, as set out in IFRS 3 Business Combinations, these consolidated financial statements, prepared by Carraro S.p.A. (the accounting acquiree) are described in these notes as being referred to Fly S.r.l. (accounting acquirer). Comparative data as at 31 December 2021 are not presented, because Fly S.r.l. was not required, at such date, to prepare consolidated financial statements, as it had no investments in subsidiaries.

The Carraro Group companies are principally engaged in the manufacture and marketing of drive systems developed for agricultural tractors, construction equipment, material moving machinery, light commercial vehicles and automobiles, and electronic control and power systems.

The Carraro Group is organised into two CGUs (Cash Generating Units): Carraro Drive Tech and Agritalia.

Reporting criteria and accounting principles

The consolidated financial statements are drawn up in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and with the measures issued implementing Article 9 of Legislative Decree 38/2005. The term IFRS also includes the revised International Accounting Standards (IAS) and all interpretations of the *International Financial Reporting Interpretations Committee* (IFRIC) previously known as the *Standard Interpretation Committee* (SIC).
These condensed consolidated interim financial statements have been drawn up in abridged form in compliance with IAS 34 "Interim Financial Reporting". As such, they do not include all the information required by the consolidated annual financial statements.
The accounting policies explained in section 3.2, herein, were used in preparing these condensed consolidated interim financial statements.

The Condensed Consolidated Interim Financial Statements were prepared assuming that the company is a going concern.

2. Structure and content of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and to this end the figures of financial statements of the consolidated companies have been reclassified and adjusted appropriately.

This document contains a number of "alternative performance indicators" not envisaged by the IFRS accounting standards:
- EBITDA: understood as the sum of operating profit/loss, amortisation, depreciation (including any adjustments) and impairment of fixed assets. The directors consider EBITDA to be a useful, alternative performance indicator for understanding the Group's operating result;
- EBIT: understood as operating profit/loss in the income statement. The directors consider EBITDA to be a significant indicator for understanding the Group's operating result;
- NET WORKING CAPITAL OF OPERATIONS: the difference between Trade Receivables, Net Inventories and Trade Payables in the balance sheet. The directors consider net working capital of operations to be significant, as it is representative of the Group's financial performance in operative terms.
- NET FINANCIAL POSITION: ESMA Net Debt determined in accordance with the provisions of recommendations contained in the ESMA document no. 32-382-1138 of 2021, deducting, where applicable, non-current financial receivables and assets, in addition to the effects arising from the first-time adoption of IFRS 16. The directors consider the net financial position to be a significant indicator for the purposes of representing the Group's overall debt situation.

2.1 Format of the consolidated financial statements

With regard to the format of consolidated accounting schedules, the Company opted to present the following accounting statements.

Income Statement
Items on the consolidated income statement are classified by their nature.
The income statement separately indicates the effects of non-recurrent positive and negative income components relative to non-recurrent events or transactions, or transactions or events that are not repeated frequently in carrying out normal activities.

Statement of Comprehensive Income
The statement of comprehensive income includes items of income and costs that are not posted in the period income statement, as required or permitted by the IFRS, such as changes to the cash flow hedge reserve, changes to the provision for employee benefits, actuarial gains and losses, changes to the translation reserve and the result of financial assets available for sale.

Statement of financial position
The consolidated interim statement of financial position is presented with separate disclosure of Assets, Liabilities and Shareholders' Equity.
Assets and Liabilities are illustrated in the Consolidated Financial Statements according to their classification as current and non-current.

Statement of Changes in Shareholders' Equity
The statement of changes in shareholders' equity is presented in accordance with the requirements of the international accounting standards, showing the comprehensive income for the period and all changes generated from transactions with shareholders.

Statement of Cash Flows
The consolidated statement of cash flows illustrates the changes in cash and cash equivalents (as presented in the statement of financial position) divided by cash generating area in accordance with the "indirect method", as permitted by IAS 7.

Accounting schedules of transactions with related parties
With reference to the reporting of related-party transactions in the financial statements, balances of a significant amount are specifically indicated, to facilitate understanding of the assets and liabilities, financial position and results of the Group, in the table of section 8 below concerning related party transactions.

2.2 Content of the Condensed Consolidated Interim Financial Statements

Basis of consolidation

The Condensed Consolidated Interim Financial Statements of the Carraro Group include the financial statements of Carraro S.p.A. and companies it directly or indirectly controls.

Subsidiaries are companies in which the Company exercises control. The Company controls another company when it is exposed, or has rights, to the variability of the subsidiary's results, based on its involvement with the subsidiary, and can influence those results by exercising its power.
Control may be exercised through directly or indirectly holding the majority of shares with voting rights, or on the basis of contractual or legal agreements, also regardless of shareholding relations. The existence of potential voting rights that may be exercised at the reporting data is considered for the purposes of determining control.
In general, the existence of control is assumed when the Parent Company holds, directly or indirectly, more than half the voting rights.
Subsidiaries are consolidated on a line-by-line basis, starting from the date when control is actually acquired and stop being consolidated at the date when control is transferred to third parties.

The following companies are consolidated using the line-by-line method:

Name	Based in	Currency	Nominal value Share capital	Group stake
Parent company:				
Carraro S.p.A.	Campodarsego (Padua)	EUR	41,452,544	
Italian subsidiaries:				
Carraro Drive Tech Italia S.p.A.	Campodarsego (Padua)	EUR	5,000,000	100.00%
Siap Spa	Maniago (Pordenone)	EUR	18,903,000	76.76%
Driveservice S.r.l.	Campodarsego (Padua)	EUR	30,000	100.00%
Carraro International S.E.	Campodarsego (Padua)	EUR	13,500,000	100.00%
Foreign subsidiaries:				
Carraro Technologies India Pvt. Ltd.	Pune (India)	INR	18,000,000	100.00%
Carraro Argentina S.A.	Haedo (Argentina)	ARS	57,930,828	99.95%
Carraro China Drive System	Tsingtao (China)	CNY	168,103,219	100.00%
Carraro India Ltd.	Pune (India)	INR	568,515,380	100.00%
Carraro North America Inc.	Norfolk (USA)	USD	1,000	100.00%
Mini Gears Inc	Virginia Beach (USA)	USD	8,910,000	100.00%
Carraro Finance SA	Luxembourg	EUR	4,280,000	100.00%

Associate companies are consolidated using the net equity method.
A breakdown of the equity investments is given below:

Name	Based in	Currency	Nominal value Share capital	Group stake
Enertronica Santerno S.p.A.	Milan	EUR	785,036	20.24%

Changes in the scope of consolidation and other operations of company reorganisation

Reverse merger through absorption of Fly Srl with Carraro Spa
On 1 January 2022, the reverse merger by absorption of Fly S.r.l. with Carraro S.p.A., which resulted in the "transfer of control" of the latter, became effective legally and for accounting purposes. Consequently, the Merger must be treated according to provisions concerning Business Combinations contained in IFRS 3. Due to the effect of the principle of substance prevailing over form, according to IFRS 3, in the case of a reverse merger, «for accounting purposes» the company identified as the acquirer is the company which in "legal" terms was acquired (Fly S.r.l.), while the company recognised as being acquired is the company identified as the incorporating entity in legal terms (Carraro S.p.A.). To recognise the cost incurred by the incorporated entity Fly S.r.l. (acquirer) for the acquisition of Carraro S.p.A. (acquiree), the Purchase Price Allocation ("PPA") was identified as the fair value of the assets and liabilities of the acquiree Carraro S.p.A., appointing some experts to evaluate the current value of the acquiree's net equity.
As regards this process, the accounting standard establishes that the purchase price allocation may be made over a maximum time frame of twelve months. Any adjustments, compared to the initial temporary allocation, that arise following the final allocation, shall be recognised retroactively, as if they had been recognised at the date of acquisition.
For the purposes of preparing the interim financial statements, this evaluation has been completed, and all values identified have been considered as final and included in the financial statements, with the exception of the part concerning the tangible assets of the Indian and Chinese subsidiaries, whose final data will be included in the second half of the year, due to limitations on movement caused by the pandemic, which prevented experts carrying out analyses at the foreign sites.
Therefore the values in the PPA as at 30 June 2022, regarding these foreign subsidiaries, refer to an estimate made by the experts based on previous knowledge of these sites.
For further details, see section 5 "Non-recurring transactions and other extraordinary events".

3. Consolidation criteria and accounting standards

3.1 Consolidation criteria

The figures are consolidated using the line by line method, that is assuming the entire amount of the assets, liabilities, costs and revenues of the individual companies, regardless of the stock held in the company.
Foreign subsidiaries are consolidated using financial statement formats in line with the layout adopted by the parent company and compiled in accordance with common accounting standards, as applied for Carraro S.p.A.
The carrying amount of consolidated equity investments, held by Carraro S.p.A. or by other companies within the scope of consolidation, was offset by the relevant amount of shareholders' equity in the subsidiary companies.
The amount of shareholders' equity and the net profit/(loss) of these third-party shareholders are shown in the Consolidated Statement of Financial Position and Income Statement respectively.
Payable and receivables, income and expenditure and all operations undertaken between the companies included within the scope of consolidation have been eliminated, including dividends distributed within the Group.
Profits not yet realised and capital gains and losses deriving from operations between companies of the Group have also been eliminated.
Intra-group losses that indicate impairment are recognised in the consolidated financial statements.
Financial statements denominated in foreign currencies are translated into euros using the period-end exchange rates for assets and liabilities, historical exchange rates for equity items and average exchange rates for the period for the income statement, except for investments in hyperinflationary economies, for which the period-end exchange rates required by IAS 21, paragraph 42.b, were also used to translate the income statement.
Exchange differences resulting from this conversion method are shown in a specific shareholders' equity item entitled "Foreign currency translation reserve".

The exchange rates applied for the translation of balances presented in foreign currencies were as follows:

Currency	Average exchange 01.01.22 30.06.22	Exchange as at 30.06.22
Indian rupee	83.318	82.113
US dollar	1.093	1.039
Chinese renminbi	7.082	6.962
Argentine peso	129.899	129.899

3.2 Accounting standards and measurement criteria

IFRS accounting standards, amendments and interpretations adopted since 1 January 2022:

On 14 May 2020, the IASB published the following amendments called:

Amendments to IFRS 3 "Business Combinations"

The purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in its revised version, without changing the requirements of IFRS 3.

Amendments to IAS 16 "Property, Plant and Equipment"

The purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of tangible assets. These sales revenues and related costs will therefore be recognised in the income statement.

Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

The amendment clarifies that when estimating the possible onerous nature of a contract, all costs directly attributable to the contract must be taken into account. Consequently, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the company cannot avoid due to the fact that it has entered into the contract (such as, for example, the share of personnel costs and depreciation of machinery used to perform the contract).

Annual Improvements 2018-2020:
The amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The adoption of these amendments had no effect on the Group consolidated financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted in advance by the Group as at 30 June 2022:

Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" and Amendments to IAS 8 "Definition of Accounting Estimates"
(published on 12 February 2021)

The amendments are intended to improve the disclosure on accounting policies so as to provide more useful information to investors and other primary users of financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies.The amendments will apply from 1 January 2023, but early application is permitted. The directors do not expect a significant effect in the consolidated financial statements of the Group from the adoption of these amendments.

IFRS standards, amendments and interpretations not yet endorsed by the European Union:

Amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"
(published on 23 January 2020)

The purpose of the document is to clarify how to classify short-term and long-term payables and other liabilities. The amendments will enter into force on 1 January 2023. At the moment, the directors are considering the possible impacts of this amendment on the Group consolidated financial statements.

Amendments to IAS 12 "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction"
(published on 7 May 2021)

The document clarifies how deferred tax assets should be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will apply from 1 January 2023, but early application is permitted. The directors do not expect a significant effect in the consolidated financial statements of the Group from the adoption of this amendment.

Business Combinations and Goodwill

Business combinations are accounted for according to the purchase method. This requires the recognition at fair value of the identifiable assets (including intangible fixed assets previously not recognised) and identifiable liabilities (including potential liabilities and excluding future restructuring) of the business acquired.
The goodwill acquired through a business combination is initially measured at cost, represented by the amount by which the cost of the business combination exceeds the share attributable to the Group of the net fair value of the identifiable assets, liabilities and potential liabilities (of the business acquired). In order to analyse appropriateness, goodwill acquired in a merger is allocated at the date of acquisition, to the individual cash generating units of the Group or to groups of cash generating units, which should benefit from the synergies of the combination, irrespective of whether other Group assets or liabilities are allocated to such units or groups of units.
Each unit or group of units to which the goodwill is allocated:

- represents the lowest level, within the Group, at which the goodwill is monitored for internal management purposes; and
- is no larger than the business segments identified on the basis of the Group's primary or secondary schedule of presentation of the segment reporting, determined on the basis of the indications of IFRS 8 - "Operating Segments".

When the goodwill represents part of a cash generating unit (or group of cash generating units) and part of the asset internal to that unit is transferred, the goodwill associated with the asset transferred is included in the carrying amount of the asset in order to determine the profit or loss generated by the transfer. Goodwill transferred in such cases is calculated on the basis of the values relating to the asset transferred and of the portion of the unit maintained in existence.
When the transfer concerns a subsidiary, the difference between the selling price and the net assets plus the accumulated translation differences and goodwill is recognised in the income statement.
Acquisitions of additional equity interests after achieving control
IAS 27 Revised states that, once control of an entity has been obtained, transactions in which the controlling entity buys or sells further minority interests without affecting the control exercised over the subsidiary are transactions with owners and therefore must be recognised in shareholders' equity. It follows that the carrying amount of the controlling and the minority interests must be adjusted to reflect the change in the equity investment in the subsidiary and any difference between the amount of the adjustment made to the minority interests and the fair value of the price paid or received in this transaction is recognised directly in shareholders' equity and is attributed to the owners of the parent company. There will be no adjustments to the value of goodwill and profits or losses recognised in the income statement. Any ancillary expenses deriving from these transactions, moreover, must be recognised in shareholders' equity in accordance with the provisions of IAS 32, paragraph 35.

The measurement criteria and accounting standards are illustrated below for the most significant items.

Property, plant and equipment
Property, plant and equipment items are recognised at their historical cost, minus the related accumulated depreciation and cumulative impairment losses. This cost includes expenses for replacing parts of machinery and plant at the time they are incurred if this is in accordance with the recognition criteria.
Depreciation is calculated on a straight-line basis with reference to the estimated useful life of the assets.
Property, plant and equipment items are derecognised at the time of sale or once future economic benefits are no longer expected from their use or disposal. Any losses or profits (calculated as the difference between the net income on the sale and the carrying amount) are recognised in the income statement during the year of elimination as above.
Assets held under leases, through which substantially all the risks and rewards of ownership are transferred to the Group, are recognised as assets of the Group at their current value or, if lower, at the present value of the minimum lease payments due.
The corresponding liability to the lessor is included in the financial statements under financial payables. Leases where the lessor substantially retains all the risks and benefits of ownership are classified as operating leases and the related costs are recognised in the income statement over the term of the contract.
The asset's residual value, its useful life and the methods applied are reviewed annually and adjusted if necessary, at the end of each accounting period. On average the useful life, in years, is as follows:

Category	**Useful Life**
INDUSTRIAL BUILDINGS	20-50
PLANT	15-25
MACHINERY	15-18
EQUIPMENT	3-15
DIES AND MODELS	5-8
FURNITURE AND FITTINGS	15
OFFICE MACHINES	5-10
MOTOR VEHICLES	5-15

Real estate investments
Real estate investments are recognised at fair value and are not depreciated.

Intangible fixed assets
Intangible assets are recognised in the accounts only if they can be identified and checked, are expected to generate future economic benefits, and their cost can be reliably determined.
Intangible fixed assets with a limited life are carried at purchase or production cost net of amortisation and accumulated impairment losses.
Amortisation is calculated in relation to their anticipated useful life and starts when the asset becomes available for use.

Goodwill
Goodwill represents the surplus of the purchase cost compared to the acquirer's interest in the fair value (referred to the identifiable net values of the assets or liabilities of the entity acquired).
After initial recognition, goodwill is carried at cost, less any cumulative impairment losses.
Goodwill is subject, at least once a year, to an impairment test, to identify any impairment losses. In order to perform a correct fair value analysis, the goodwill is allocated to each of the units generating financial flows that will benefit from the effects deriving from the acquisition.

Research and development costs
The costs of research are charged to the income statement when incurred, in accordance with IAS 38.
Again in compliance with IAS 38, development costs relating to specific projects are recorded among the assets only if all the following conditions are fulfilled:
- the asset can be identified;
- the technical feasibility of completing the intangible asset so that it will be available for use or sale exists;
- the intention to complete the intangible asset and use or sell it exists;
- the ability to use or sell the intangible asset exists;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset exists;
- it is likely that the asset created will generate future financial benefits;
- the costs of the development of the asset can be reliably measured.

Such intangible assets are amortised on a straight-line basis over their useful lives.

Licences, trademarks and similar rights
Trademarks and licences are stated at cost, net of amortisation and accumulated impairment losses.
The cost is amortised over the shorter of the duration of the contract and the limited useful life.

Software
The cost of software licences, inclusive of ancillary expenses, is capitalised and recognised net of amortisation and of any accumulated impairment losses.
Such intangible assets are amortised on a straight-line basis over their useful lives.

Impairment losses
Where there are specific signs of impairment, tangible and intangible fixed assets are subject to an impairment test, estimating the recoverable value of the assets and comparing it with their net carrying amount. The recoverable value is the greater of the fair value of an asset net of selling costs and its value in use, which is determined as the present value of the cash flows that the company estimates will derive from the continuous use of the asset and from its disposal at the end of its useful life.
This recoverable value is determined for each individual asset except when the asset does not generate cash flows which are fully dependent on those generated by other assets.
If the recoverable value is lower than the carrying amount, the latter is reduced accordingly. This reduction represents an impairment loss, which is recognised in the income statement.
If there is no longer any reason for an impairment loss previously recognised to be maintained, with the exception of goodwill and of intangible assets with an unlimited useful life, the carrying amount is reinstated to the new value deriving from the estimate, provided that this value does not exceed the net carrying amount which the asset would have had, if no impairment had ever been made and net of amortisation that would have accumulated. The value written back is also recorded in the income statement.
Impairment tests are carried out annually in the case of goodwill and of intangible fixed assets with an unlimited useful life.
Impairment tests are also carried out on all assets with independent flows that show evidence of impairment.

Equity investments in associate companies
An associated company is an entity over which the Group is able to exercise significant influence, but does not have control or joint control, via the equity investment, over the financial and operating policies of the subsidiary.
The income, expenses, assets and liabilities of associate companies are shown in the consolidated financial statements using the net equity method.

Equity investments in other companies and other securities
In accordance with IFRS 9 and IAS 32, equity investments in companies other than subsidiaries and associates are classified as financial assets available for sale (hold to collect contractual cash flow and sell), and are carried at fair value except in cases where it is not possible to determine the market price or the fair value: in this case the cost method is used.
Profits and losses deriving from value adjustments are recognised in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve.

In the presence of permanent impairment losses or in the event of a sale, profits and losses recognised up to that moment in shareholders' equity are recognised in the income statement.

Financial assets

The standard IFRS 9 sets out the following types of financial instruments: financial assets at amortised cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income. Initially, all financial assets are recognised at fair value, increased, in the case of assets other than those at fair value, by any ancillary expenses. The company establishes the classification of its financial assets at initial registration and, where appropriate and permitted, revises the classification at the end of each financial year.
All standardised (regular way) purchases and sales of financial assets are recognised at the trade date, or at the date on which the company undertakes to acquire the asset. Standardised purchases and sales means all purchase/sale transactions on financial assets which require the handing over of the assets in the period generally envisaged by the regulations and by the practices of the market on which the trade occurs.

Financial assets measured at amortised cost

Financial assets that meet both of the following conditions are measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This amortised cost is calculated as the value initially recognised, less the repayment of the principal, plus or minus the amortisation accumulated using the effective interest rate method on any difference between the value initially recognised and the amount at maturity. This calculation includes all the fees or points paid between the parties, which form an integral part of the effective interest rate, the transaction costs and other premiums or discounts. For investments measured at their amortised cost, profits and losses are recognised in the income statement at the moment in which the investment is derecognised or in the event of an impairment loss, as well as by means of the amortisation process.

Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On disposal of the financial asset, amounts previously recognised in other comprehensive income are reversed to the income statement, unless the financial asset was an equity instrument not held for trading, in which case they are not expected to be recycled on disposal and the other comprehensive income reserves accumulated over time are reversed directly to other available reserves.

Financial assets at fair value through profit or loss

If a financial asset is not measured at amortised cost or at fair value through other comprehensive income, it must be measured at fair value and any changes in fair value are recognised in the income statement for the period in which they arise.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, if applicable, part of a financial asset or parts of a group of similar financial assets) is derecognised when:

- the right to receive the cash flows from the asset has expired;
- the Group maintains the right to receive cash flows from the asset, but has undertaken a contractual commitment to pay them in full and without delay to a third party;
- the Group has transferred the rights to receive cash flows from the asset and (a) has essentially transferred all the risks and benefits of the ownership of the financial asset or (b) has not transferred or essentially withheld all the risks and benefits of the asset, but has transferred control of the same.

In cases where the Group has transferred the rights to receive cash flows from an asset and has not essentially transferred or withheld all the risks and benefits or has not lost control over the same, the asset is recorded in the Group's financial statements to the extent of the latter's residual involvement in this asset. The residual involvement, which takes the form of a guarantee on the asset transferred, is measured at the lower of the initial carrying amount of the asset and the maximum amount which the Group could be obliged to pay.
In cases where the residual involvement takes the form of an option issued and/or acquired on the asset transferred (including options settled in cash or similar), the extent of the Group's involvement corresponds to the amount of the asset transferred which the company could re-acquire; however, in the case of a put option issued on an asset measured at fair value (including options settled in cash or by means of similar provisions), the extent of the Group's residual involvement is limited to the lower of the fair value of the asset transferred and the exercise price of the option.

Financial liabilities
A financial liability is derecognised when the underlying obligation is discharged, cancelled or fulfilled.
In cases where an existing financial liability is replaced by another of the same lender, under essentially different conditions, or the conditions of an existing liability are essentially changed, this change or amendment is treated as derecognition of the original liability and recognition of a new liability. Any difference between the carrying amounts are recognised in the income statement.

Impairment losses on financial assets
The Group assesses whether a financial asset or group of financial assets has undergone a loss in value at the end of each accounting period.

Assets measured on the basis of amortised cost
If there is objective evidence that a loan or receivable recognised at amortised cost has suffered an impairment loss, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future receivable losses not yet incurred) discounted at the original effective interest rate of the financial asset (that is the effective interest rate calculated at the date of initial recognition). The carrying amount of the asset is reduced both directly and by setting aside provisions. The amount of the loss will be recognised in the income statement.
The Group assesses first of all the existence of objective evidence of impairment at the individual level. In the absence of objective evidence of an impairment loss for a financial asset measured individually, whether significant or otherwise, this asset is included in a group of financial assets with similar credit risk features and the group is subject to assessment for impairment losses in a collective manner. Assets assessed at the individual level, for which an impairment loss is seen or continues to be seen, will not be included in collective valuation.
If, in a subsequent accounting period, the amount of an impairment loss decreases and this reduction can objectively be traced back to an event which took place after the impairment loss was recognised, the value previously written down is reinstated. Any subsequent write-backs are recognised in the income statement, provided that the carrying amount of the asset does not exceed the amortised cost at the date of the reversal.

Assets recognised at cost
If objective evidence exists of the loss in value of an unlisted instrument representing equity which is not recognised at fair value because its value cannot be measured reliably, or of a derivative instrument which is linked to this equity instrument and must be settled by means of the consignment of the instrument, the amount of the impairment loss is given as the difference between the carrying amount of the asset and the present value of the expected future cash flows and discounted at the current market rate of return for a similar financial asset.

Financial assets at fair value with changes recognised in the income statement or other comprehensive income
In the event of an impairment loss of a financial asset measured at fair value, with changes recognised in other comprehensive income, a value equal to the difference between its cost (net of repayment of the principal and amortisation) and its current fair value, net of any impairment previously recognised in the income statement, is transferred from the statement of comprehensive income to the income statement. Writebacks relating to equity instruments classified at fair value are not recognised in the income statement. Writebacks relating to debt instruments are recognised in the income statement if the increase in the fair value of the instrument can be objectively traced back to an event which took place after the loss was recognised in the income statement.

Inventories
Inventories are measured at the lower of the average purchase or production cost for the period, and market value. Production cost includes materials, labour and direct and indirect manufacturing costs. Obsolete or slow-moving stocks are written down appropriately, as well as in consideration of their anticipated future use and their realisation value.

Works in progress to order
Works in progress are recognised based on the progress method (or percentage of completion) according to which costs, revenues and the margin are recognised based on the progress of production activities. The Group adopts the percentage of completion method. Job order revenues include sums paid under the contract, sums for changes in works and price revisions. Job order costs include all costs that refer directly to the job order, costs which may be attributable to job order activities in general and that may be allocated to the job order, in addition to any other cost that may be specifically charged to the client based on contract clauses.
If a loss is expected from completion of a job order, this is entirely recognised in the year in which it is reasonably foreseeable.

Trade receivables and other receivables
Trade receivables and other receivables are included among current assets, with the exception of those falling due more than 12 months after the reporting date, which are classified as non-current assets. These assets are valued at amortised cost on the basis of the effective interest rate method.
Receivables which mature at more than one year, are interest-free or that earn less interest than the market, are discounted using market rates. Trade receivables are discounted when they have longer payment terms than the average term of extension granted.
If there is objective evidence of elements indicating an impairment loss, the asset is reduced by an amount that returns the discounted value of the cash flows obtainable in the future. Impairment losses are recognised in the income statement. Where reasons for previous write-downs are not maintained into subsequent trading periods, the value of the asset is reinstated until it corresponds to the value that would have derived from application of the amortised cost.
In addition to the valuation referred to in the previous paragraph with reference to impairment, the estimate of losses on receivables is supplemented by an analysis of expected losses.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and cash deposits and investments maturing within three months of the original date of acquisition.

Loans and bonds
Loans are initially recognised at the fair value of the price received net of the related loan acquisition costs. After initial recognition, loans are carried on the basis of their amortised cost calculated by means of the application of the effective interest rate. The amortised cost is calculated taking into account the issue costs and any discounts or premium provided for at the time of settlement.

Allowances and provisions

Provision for risks and liabilities
Provisions for risks and liabilities are made when the Group must meet a current legal or implicit obligation deriving from a past event, a sacrifice of resources is likely in order to deal with this obligation and it is possible to make a reliable estimate of its amount. When the Group considers that a provision for risks and liabilities will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the indemnity is recognised separately among the assets if, and only if, it is practically certain. In this case, the cost of the possible related provisions, net of the amount recognised for the indemnity, is presented in the income statement. If the effect of discounting to the present the value of the money is significant, the provisions are discounted back using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the discounting is carried out, the increase of the provision due to the passage of time is recognised as a financial expense.

Employee and similar benefits
According to IAS 19, employee benefits to be paid out subsequent to the termination of the employment relationship and other long-term benefits (including the provision for severance indemnity) are subjected to actuarial valuations which have to take into account a series of variables (such as mortality, the provisions of future salary changes, the anticipated rate of inflation, etc.).
Following this method, the liability recognised represents the current value of the obligation, net of any plan assets, adjusted for any actuarial losses or profits not accounted for.
As provided for by IAS 19 Revised, actuarial gains and losses were recognised directly in the income statement, without using the corridor approach.
Following the adoption of IAS 19 Revised, actuarial gains/losses are no longer directly recognised in the income statement, but are directly recognised in a reserve of shareholders' equity with immediate recognition in the Statement of Comprehensive Income. Interest cost is classified under Financial income/expenses and no longer under the item Personnel Costs.

Recognition of revenues and other positive income components

1. Recognition of revenues (as required by IFRS 15, paragraphs 31, 46, 47 and 119)
The revenues recognised by the Group mainly refer to the following types:
- Revenues from the sale of products (axles, transmissions, spare parts, agricultural tractors, gears and components);
- Revenues from holding, financing and processing activities and logistics on behalf of third parties.

1.1 Revenues from the sale of products (axles, transmissions, spare parts, tractors, gears and components)
The companies belonging to the Group sell axles, integrated power transmission systems, spare parts, agricultural tractors, gears and other components to other companies operating in the international construction of agricultural machinery, earthmoving machinery, industrial transport equipment, material handling and power tools sectors, thus operating in the B2B sector.
The guarantees related to the sale are aligned in terms of duration to those required by law and/or in accordance with commercial practice in the sector. Therefore, the company accounts for compliance guarantees in accordance with IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets".
Revenues as described above include a single performance obligation concerning the sale of the product, not including in the sale of services or ancillary products which, in accordance with the standard, should constitute separate performance obligations.

As far as the recognition of revenues is concerned, these are recorded at the time of the transfer of control of the goods on which processing has been carried out (at a point in time), this condition depends on what has been established with the customer, in most cases this transfer of control occurs when the goods are taken over by the carrier (which may alternatively be a carrier or a ship). After the transfer of control, the customer has full discretion on the good, on its processing, on the method of distribution of the goods and on the sales price to be applied, has full responsibility for its use within its products and assumes the risks of obsolescence and possible loss of the goods.

Group companies recognise the receivable when control is transferred, as indicated in the previous paragraph, as it represents the moment when the right to the consideration becomes unconditional, since the due date of the invoice is the only prerogative that identifies when payment is due.
According to the standard contractual conditions applied by the company, the fee is certain and there are no variable parts. In addition, there are no contractually agreed sales with a right of return.
Returns are only made if there is an error in quality or delivery and therefore the goods sold have not been produced with the technical characteristics agreed with the customer at the time of ordering. For quality problems, the Guarantee Fund set aside in accordance with IAS 37 will be used.

1.2 Revenues from holding, financing and processing activities and logistics on behalf of third parties.
Some of the companies belonging to the Group carry out holding activities and therefore deal with the purchase, management, possession and sale of shares, bonds and other quotas or similar securities, as well as shareholdings or interests in other companies. They also finance subsidiaries and associates and coordinate their technical and financial activities within the limits and in compliance with the law.
The companies of the Group also carry out work on moulds, gears and mechanical work as well as road haulage services and logistics in general on behalf of third parties.
The guarantees related to the sale are aligned in terms of duration to those required by law and/or in accordance with commercial practice in the sector. Therefore, the company accounts for compliance guarantees in accordance with IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets".
Revenues as described above include a single performance obligation concerning the provision of the service, not including in the sale any services or ancillary products which, in accordance with the standard, should constitute separate performance obligations.
Group companies recognise the receivable when control is transferred, as indicated in the previous paragraph, as it represents the moment when the right to the consideration becomes unconditional, since the due date of the invoice is the only prerogative that identifies when payment is due.
According to the standard contractual conditions applied by the company, the fee is certain and there are no variable parts.

2. Recognition of other positive income components
Interest income is recognised in accordance with the accruals concept, on the basis of the amount financed and the effective interest rate applicable, which represents the rate that discounts future collections estimated over the expected life of the financial asset so as to take them back to the carrying amount of the asset itself.
Revenues from dividends are recorded when the right to collection arises, which normally corresponds to the resolution of the shareholders' meeting approving distribution of the dividends. Dividends to shareholders are recognised as payable at the time of the distribution resolution.

Public grants
Public grants are recognised when reasonable certainty exists that they will be received and all the related conditions are satisfied. When the grants are associated with cost elements, they are recorded as revenues, but they are systematically spread over the accounting periods so that they are commensurate with the costs they are intended to offset. If the grant is linked to an asset, the fair value is suspended in long-term liabilities and the release to the income statement takes place progressively over the expected useful life of the asset concerned on a straight-line basis.

Taxes
Taxation for the year represents the sum total of the current and deferred income taxes.

Current taxes
Current income taxes have been provided for on the basis of an estimate of the taxable income for the consolidated companies, in accordance with the provisions issued or essentially issued at the reporting date and taking any applicable exemptions into account.

Deferred taxes
Deferred taxes are determined on the basis of the taxable temporary differences existing between the carrying amount of assets and liabilities and their value for tax purposes; they are classified under non-current assets and liabilities.
Deferred tax assets are provided for only to the extent that future tax burdens will probably exist, against which this asset balance can be used.
The value of deferred tax assets which can be recognised is subject to an annual assessment and is written down to the extent that it is not likely that sufficient income for tax purposes will be available in the future so as to permit all or part of this credit to be used. Unrecognised deferred tax assets are reviewed annually at the reporting date and are recognised to the extent that it has become likely that income for tax purposes will be sufficient to permit these deferred tax assets to be recovered.

Deferred tax assets and liabilities are determined with reference to the tax rates which are expected to be applied in the period in which these deferments will be realised, taking into account the rates in force or those which it is known will be subsequently issued.
Deferred tax assets and liabilities are offset, if a legal right exists to offset the current tax assets with current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

Value added tax
Revenues, costs, assets and liabilities are recognised net of value added tax, except when:
the tax applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;
it refers to trade receivables and payables recorded including the value of the tax.

Translation of foreign currency balances
Functional currency
The companies of the Group provide their financial statements in the currency used in the individual country.
The Group's functional currency is the euro, which represents the currency in which the consolidated financial statements are drawn up and published.

Accounting transactions and entries
Transactions carried out in a foreign currency are initially recognised using the exchange rates at the transaction date.
At the reporting date, the monetary assets and liabilities denominated in a foreign currency are re-translated on the basis of the exchange rate in force at that date.
Non-monetary foreign currency items measured at historical cost are translated using the exchange rate in force at the date of the transaction.
Non-monetary items recognised at fair value are translated using the exchange rate in force at the date of determination of the value.

Derivative financial instruments and hedging transactions
The Group's financial risk management strategy conforms to the company objectives set out in the policies approved by the Board of Directors of the parent company. In particular, it aims to minimise interest rate and exchange rate risk and optimise the cost of debt.
These risks are managed in accordance with the principles of prudence and market best practices and all risk management transactions are centrally managed.

The main objectives indicated by the policy are as follows:
A) Exchange-rate risks:
1) to hedge all commercial and financial transactions against the risk of fluctuation;
2) to apply the "currency balancing" method of hedging the risk, where possible, favouring the offsetting of revenues and expenses and payables and receivables in foreign currencies in order to engage in hedging solely for the excess balance not offset;
3) not to permit the use and ownership of derivatives or similar instruments for mere trading purposes;
4) to permit only the use of instruments traded on regulated markets for hedging transactions.
B) Interest-rate risks:
1) to hedge financial assets and liabilities against the risk of changes in interest rates;
2) in hedging against risk, to comply with the general criteria for balancing lending and borrowing set at the Group level by the Board of Directors of the parent company when it approves long-term plans and budgets (fixed and floating interest rates, proportions at short term and medium/long term);
3) to permit only the use of instruments traded on regulated markets for hedging transactions.

The Group uses derivative financial instruments such as currency futures contracts and interest rate swaps to hedge the risks deriving mainly from fluctuations in interest and exchange rates. These derivative financial instruments are initially recognised at their fair value at the date they were entered into; this fair value is periodically reviewed. They are accounted for as assets when the fair value is positive and as liabilities when it is negative.
Any profits or losses emerging from the changes in the fair value of derivatives not eligible for hedge accounting are charged directly to the income statement during the accounting period.
The fair value of currency futures contracts is determined with reference to the current forward exchange rates for contracts with a similar maturity profile. The fair value of interest rate swap agreements is determined with reference to the market value for similar instruments.

For hedge accounting purposes, hedges are classified as:

- fair value hedges, if they hedge the risk of change in the fair value of an underlying asset or liability;
- cash flow hedges, if they hedge the risk of change in the cash flows deriving from existing assets and liabilities or from future transactions;
- hedges of a net investment in a foreign operation (net investment hedges).

A transaction hedging the exchange-rate risk relating to an irrevocable commitment is accounted for as a cash flow hedge.
When implementing a hedging transaction, the Group formally designates and documents the hedging relationship to which it is intended to apply the hedge accounting, its risk management objectives and the strategy pursued. The documentation identifies the hedging instrument, the element or transaction subject to the hedge, the nature of the risk

and the methods by means of which the entity intends to assess the effectiveness of the hedge in offsetting exposure to changes in the fair value of the element hedged or the cash flows attributable to the hedged risk.
These hedges are expected to be highly effective in offsetting exposure of the element hedged to changes in the fair value or in the cash flows attributable to the hedged risk. The assessment of whether these changes are in fact highly effective is carried out on an ongoing basis during the accounting periods in which they were designated.
Transactions which meet the criteria for hedge accounting are accounted for as follows:
Fair-value hedges
The Group may use fair value hedging transactions against exposure to changes in the fair value of accounting assets and liabilities or of an off-balance sheet irrevocable commitment, as well as an identified part of the said assets, liabilities or irrevocable commitments, attributable to a particular risk, which could have an impact on the income statement. As far as fair-value hedges are concerned, the carrying amount of the element being hedged is adjusted to reflect the profits and losses attributable to the risk subject to the hedge, the derivative instrument is re-determined at fair value and the profits and losses of both are booked to the income statement.
With regard to fair value hedges referring to elements recognised on the basis of amortised cost, the adjustment of the carrying amount is amortised in the income statement over the period remaining until maturity. Any adjustments to the carrying amount of the hedged financial instrument to which the effective interest rate method is applied are amortised in the income statement.
The amortisation can start as soon as an adjustment exists but not after the date when the hedged element ceases to be adjusted due to the changes in its fair value attributable to the hedged risk.
When an unrecognised irrevocable commitment is designated as a hedged item, subsequent cumulative changes in its fair value attributable to the hedged risk are recognised as assets or liabilities and the corresponding profits and losses are recognised in the income statement. Changes in the fair value of a hedging instrument are also booked to the income statement.
An instrument is no longer recognised as a fair value hedge when it matures or is sold, discharged or exercised, when the hedge no longer meets the requirements for hedge accounting purposes, or when the Group revokes its designation. Any adjustments to the carrying amount of the hedged financial instrument to which the effective interest rate method is applied are amortised in the income statement. The amortisation can start as soon as an adjustment exists but not after the date when the hedged element ceases to be adjusted due to changes in its fair value attributable to the hedged risk.
Cash flow hedges
Cash flow hedges are transactions hedging the risk of fluctuations in cash flows attributable to a specific risk, associated with a recognised asset or liability or with a highly likely future transaction which could influence the financial outcome. Profits or losses deriving from the hedging instrument are recognised in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve for the efficient part, while the remaining (inefficient) portion is recognised in the income statement.
The profit or loss booked to shareholders' equity is reclassified in the income statement during the period when the transaction being hedged influences the income statement (for example, when the financial income or expense is recognised or when an anticipated sale or purchase takes place). When the element being hedged is the cost of a non-financial asset or liability, the amounts recognised in shareholders' equity are transferred at the initial carrying amount of the asset or liability.
If the transaction is no longer expected to take place, the amounts initially accumulated in shareholders' equity are transferred to the income statement. If the hedging instrument matures or is sold, cancelled or exercised without being replaced, or if its designation as a hedge is revoked, the amounts previously accumulated in shareholders' equity remain recognised therein until the expected transaction takes place. If it is believed that this will no longer happen, the amounts are transferred to the income statement.
Hedges of a net investment in a foreign operation
Hedges of a net investment in a foreign operation, including hedges of a monetary item recognised as part of a net investment, are recognised on a similar basis to cash flow hedges. Profits or losses deriving from the hedging instrument are recognised in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve for the efficient part of the hedge, while for the remaining (inefficient) portion they are recognised in the income statement. On disposal of the foreign operation, the cumulative value of these profits or losses booked to shareholders' equity is transferred to the income statement.

Discretionary assessments and significant accounting estimates

Estimates and assumptions
In the application of the Group's accounting standards, the directors have not made decisions based on discretionary evaluations (excluding those which involve estimates) having a significant effect on the values in the financial statements. The activities that most require the use of estimates were those concerning the impairment testing of goodwill, the analysis of deferred tax assets, development costs, provisions for risks and charges and the write-down of receivables and inventories.
In this regard, the estimates made as at 30 June 2022 reflect the considerations made by the directors concerning possible developments linked to the national and international scenario marked by the spread of Covid-19.
From the analysis conducted by the Directors in consideration of the foreseeable income flows based on the most up-to-date estimates, the type of customers served, the dynamics of the orders received, at present there are no significant uncertainties regarding the recoverability of the value of existing assets or the need to allocate specific risk provisions.

Intra-group transactions

As regards related-party transactions, including intra-group transactions, said transactions cannot be qualified as atypical or unusual, and are part or the normal operations of Group companies. Said transactions take place at market conditions, considering the characteristics of the goods and services provided.
Information on related party transactions is provided in paragraph 8.

4. Reporting by business and geographic segment

Information on Operating Segments is given on the basis of the internal reporting provided as at 30 June 2022 to the highest operating decision-making level.

For operational purposes, the Group manages and controls its business on the basis of the type of products supplied.
The Carraro Group as at 30.06.2022 was organised in the following Business Areas:

- Carraro Drive Tech (*Transmission systems and components*): specialised in the design, manufacture and sale of transmission systems (axles, transmissions and planetary drives) mainly for agricultural and construction equipment, and also markets a wide range of components and gears for very diverse sectors, from the automotive industry to light power tools, material handling, agricultural applications and construction equipment;
- Carraro Divisione Agritalia (*Vehicles*): designs and manufactures special tractors (from 60 to 100 hp) for third-party brands.

The item "other segments" brings together the Groups operations not allocated to the two operating segments, and comprises the central holding and management activities of the Carraro Group.

The Management examines separately the results achieved by the operating segments in order to take decisions on the allocation of resources and on assessment of the results.

4.1 Business segments

The most significant information by business segment is presented in the tables below:

a) economic data

30.06.2022 *(amounts in Euro thousands)*	**Drive Tech**	**Agritalia**	**Eliminations and items not allocated**	**Consolidated Total**
Revenues from sales	**319,736**	**59,373**	**-9,838**	**369,271**
Sales to third parties	308,222	57,556	3,493	369,271
Related sales	-	-	-	-
Sales between divisions	11,514	1,817	-13,331	-
Operating costs	**301,028**	**62,205**	**-7,067**	**356,166**
Purchases of goods and materials	208,951	47,875	-8,603	248,223
Services	52,306	6,951	1,297	60,554
Use of third-party goods and services	11,455	11	-11,347	119
Personnel costs	37,481	8,081	8,829	54,391
Amortisation, depreciation and impairment of assets	8,780	1,052	3,135	12,967
Changes in inventories	-17,068	-852	-756	-18,676
Provisions for risks	1,100	649	198	1,947
Other income and expenses	-1,706	-1,562	180	-3,088
Internal construction	-271	-	-	-271
Operating profit/(loss)	**18,708**	**-2,832**	**-2,771**	**13,105**

b) other information

30.06.2022	**Drive Tech**	**Agritalia**	**Eliminations and items not allocated**	**Consolidated Total**
Investments in fixed assets *(Euro/000)*	16,853	842	684	18,379
Workforce as at 30/06	3,138	372	200	3,710

4.2 Geographic segments

The Group's industrial operations are located in various areas of the world: Italy, other European countries, North and South America, and Asia.
The Group's sales, deriving from the manufacturing carried out in the above areas are achieved equally with customers in Europe, Asia and the Americas. Other information is better commented in the director's report on operations.

a) Sales

The breakdown of sales to third parties and related parties by main geographic area is shown in the following table.

(amounts in Euro thousands) **Geographical Area**	**30.06.2022**	**%**
Italy	70,798	19.17%
International EU Area	95,271	25.80%
North America	53,662	14.53%
South America	26,890	7.28%
Asia (China, India)	93,431	25.30%
Other non-EU areas	29,219	7.91%
Total	**369,271**	**100.0%**

b) carrying amount of assets by geographic segment

The following table illustrates the book values of current and non-current assets according to the primary geographic areas of manufacture.

	30.06.2022	
(amounts in Euro thousands)	**CURRENT ASSETS**	**NON-CURRENT ASSETS**
Italy	263,546	447,038
International EU area	-	-
North America	234	2
South America	18,048	3,170
Asia (India, China)	153,469	57,066
Eliminations and items not allocated	103,074	-138,454
Total	**538,371**	**368,822**

c) Investments

The table below illustrates the value of investments in the primary geographic areas of manufacture.

(amounts in Euro thousands)	**30.06.2022**
Italy	13,088
Other EU countries	-
North America	-
South America	181
Asia (India, China)	5,107
Eliminations and items not allocated	3
Total	**18,379**

5. Non-recurring transactions and other extraordinary events

a) Non-recurring transactions:

At 30 June 2022, the following non-recurring transactions were present: restructuring costs relating to staff downsizing in Argentina for a total of 0.018 million euros.

30.06.2022 *(amounts in Euro thousands)*	**PERSONNEL COSTS**	**CHANGE IN INVENTORIES**	**PROVISIONS FOR RISKS AND LIABILITIES**	**Other income and expenses**	**EBIT**	**BEFORE TAX**	**TAXES**	**NET**
Carraro Argentina S.A.	-	-	27	-	27	27	-9	18
Total	**-**	**-**	**27**	**-**	**27**	**27**	**-9**	**18**

b) Other extraordinary events:

Argentina - hyperinflationary economy: impacts of the application of IAS 29

As at 1 July 2018, the Argentine economy is considered hyperinflationary on the basis of the criteria established by “IAS 29 - Financial reporting in hyperinflationary economies”. This is the result of the evaluation of a number of qualitative and quantitative elements, including the presence of a cumulative inflation rate higher than 100% over the previous three years.
For the purposes of preparing these consolidated financial statements and in accordance with the provisions of IAS 29, certain items in the balance sheets of the investee Carraro Argentina Sa have been remeasured by applying the general consumer price index to the historical data, in order to reflect the changes in the purchasing power of the Argentine peso at the closing date of the financial statements.
The non-monetary balance sheet data of the financial statements of this company was remeasured by applying the inflation rates from their original acquisition date.
In particular, during 2022, as in previous years, the accounting effects of this remeasurement were recorded in the following manner:

- the remeasurement of non-monetary items, shareholders' equity items and income statement items recognised during the 2022 financial year, carried out to take account of the change in the reference price index, was recognised as a contra entry in a specific item of the income statement under financial income and expense (see item in the financial statements: C15 - Income (charges) from hyperinflation).

The hyperinflation ratios used to calculate hyperinflation for the current year are indicated below (source: IPC Nacional Empalme IPIM)

(specific values)	**2022 Half-year**
Jan ’22	605.03
Feb ’22	633.43
Mar-22	676.06
Apr-22	716.94
May ’22	753.15
Jun-22	793.85

Reverse merger of Fly Srl with Carraro Spa and Purchase Price Allocation (PPA) effects:
As described previously, on 1 January 2022, the reverse merger by absorption of Fly S.r.l. with Carraro S.p.A., which resulted in the "transfer of control" of the latter, became effective for accounting purposes. at the same time, the purchase price was allocated to the assets and liabilities acquired (PPA), as defined in IFRS 3 (Business Combinations), in order to *evaluate the identifiable assets acquired and liabilities assumed in relation to their fair value at the date of acquisition*.
The accounting effects at 01.01.2022, broken down by accounting balances arising from the reverse merger through absorption of Fly S.r.l. with Carraro S.p.A. and the effects of the Purchase Price Allocation (PPA) are shown below:

Effects of the reverse merger of Fly Srl with Carraro Spa and Purchase Price Allocation:

(amounts in Euro thousands)	Accounting balances Reverse merger 01.01.2022	Purchase Price Allocation (PPA) 01.01.2022	Fair value balances (IFRS 3) 01.01.2022
1) Property, plant and equipment	168,777	47,731	216,508
2) Intangible fixed assets	45,294	73,312	118,606
3) Real estate investments	755	-	755
4) Equity investments	-	-	-
5) Financial assets	5,211	-4,261	950
6) Deferred tax assets	19,465	-	19,465
7) Trade receivables and other receivables	4,446	-	4,446
TOTAL NON-CURRENT ASSETS	**243,948**	**116,782**	**360,730**
1) Closing inventory	141,637	-	141,637
2) Trade receivables and other receivables	127,525	-1,481	126,044
3) Financial assets	2,502	-1,058	1,444
4) Cash and cash equivalents	322,743	-	322,743
TOTAL CURRENT ASSETS	**594,407**	**-2,539**	**591,868**
TOTAL ASSETS	**838,355**	**114,243**	**952,598**
1) Financial liabilities	452,669	-	452,669
2) Trade payables and other payables	2,281	-	2,281
3) Deferred tax liabilities	*1,706*	*27,038*	*28,744*
4) Provision for employee benefits/retirement	9,767	-	9,767
5) Provisions for risks and liabilities	4,781	-	4,781
TOTAL NON-CURRENT LIABILITIES	**471,204**	**27,038**	**498,242**
1) Financial liabilities	93,420	-	93,420
2) Trade payables and other payables	255,747	-10	255,737
3) Current tax payables	5,341	-	5,341
4) Provisions for risks and liabilities	14,828	-	14,828
TOTAL CURRENT LIABILITIES	**369,336**	**-10**	**369,326**
TOTAL LIABILITIES	**840,540**	**27,028**	**867,568**
TOTAL EFFECT SHAREHOLDERS' EQUITY	**-2,185**	**87,215**	**85,030**

A summary table with the detailed PPA values is given below:

(amounts in Euro thousands)	Purchase Price Allocation (PPA)
Land	*6,327*
Buildings	*12,294*
Plant	*11,556*
Machinery	*17,554*
Property, plant and equipment	47,731
Trademark	*13,934*
Know How (*)	*35,244*
Elimination of goodwill existing prior to the Business Combination	*-36,794*
Intangible fixed assets	12,348
Trade receivables and other receivables	-1,481
Current and non-current loans and receivables	-5,319
Trade payables and other payables	10
Deferred taxes	-27,038
Total fair value of acquired Assets and Liabilities	26,287
Residual value allocated to **Goodwill** (intangible fixed assets)	**60,928**
Total effects Shareholders' Equity	**87,215**

(*) Know_how relating to engineering activities carried out by the R&D Division of Carraro Spa equal to 16,265 euros and product industrialisation and production process engineering equal to 18,979 euros.

6. Notes and comments

Revenues and costs

***A) Revenues from sales* (Note 1)**

<u>Analysis by business segment and geographic area</u>

See the information provided in section 4 above.

***B) Operating costs* (Note 2)**

OPERATING COSTS *(amounts in Euro thousands)*	30.06.2022
1) PURCHASES OF GOODS AND MATERIALS	248,223
2) SERVICES	60,554
3) USE OF THIRD-PARTY GOODS AND SERVICES	119
4) PERSONNEL COSTS	54,391
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	12,967
6) CHANGES IN INVENTORIES	-18,676
7) PROVISION FOR RISKS AND OTHER LIABILITIES	1,947
8) OTHER INCOME AND EXPENSES	-3,088
9) INTERNAL CONSTRUCTION	-271
Total	**356,166**

For the comment on operating costs in the half-year period, reference is made to the information given in full in the report on operations.

C) Net income from financial assets (note 3)

GAINS/(LOSSES) ON FINANCIAL ASSETS *(amounts in Euro thousands)*	30.06.2022
10) INCOME AND EXPENSES FROM EQUITY INVESTMENTS	-
11) OTHER FINANCIAL INCOME	463
12) FINANCIAL COSTS AND EXPENSES	-9,234
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	-621
14) VALUE ADJUSTMENTS OF FINANCIAL ASSETS	-
15) INCOME (CHARGES) FROM HYPERINFLATION	1,131
Total	**-10,523**

Net financial expenses went up from 8.458 million euros of the previous year (-2.7% of turnover) to 8.771 million euros in the first half of 2022 (-2.4% of turnover), basically in line with the first half of the previous year, but higher than expectations, as it was not possible to proceed with the issue of the new bond for refinancing and debt reduction purposes, due to the outbreak of the war between Russia and Ukraine.
Financial expenses also include the fees paid on the bond issue that are absorbed along the bond amortisation schedule in application of the amortised cost method of accounting.

Exchange differences as at 30 June 2022 were negative at 0.62 million euros.

Hyperinflation income/charges were negative for 1.13 million euros.

Income taxes (note 4)

INCOME TAXES *(amounts in Euro thousands)*	30.06.2022
CURRENT TAXES	2,945
TAX CONSOLIDATION EXPENSE AND INCOME	1,452
TAXES FROM PREVIOUS YEARS	1
DEFERRED TAXES	-738
Total	**3,660**

Current taxes
Tax on the income of Italian companies is mainly calculated at 24%, for IRES (corporation tax), and at 3.90% for IRAP (regional business tax) on the respective taxable income for the period. Taxes for the other foreign companies are calculated at the rates in force in the various countries.

Tax consolidation expense and income
The companies Carraro S.p.A., Carraro Drive Tech Italia S.p.A. Siap S.p.A., Carraro International S.E. and Driveservice S.r.l. adhere to the tax consolidation area of the parent company Carraro S.p.A. The charges/income deriving from the transfer of the IRES taxable base are booked under current taxes.

Deferred taxes
These are set aside on the temporary differences between the carrying amount of the assets and liabilities and the corresponding tax value, on the consolidation entries and on the tax losses carried forward to the extent that it is probable that there will be adequate future tax profits for which such losses can be utilised in a reasonably short period of time. For further details see note 11.

Property, plant and equipment (note 6)
These present a net balance of 225.449 million euros. The breakdown is as follows:

Items *(amounts in Euro thousands)*	**Land and buildings**	**Plant and machinery**	**Industrial equipment**	**Other assets**	**Invest. in prog. and deposits**	**Total**
Merger 01.01.22 - Historical cost	88,815	211,476	129,960	16,654	6,435	453,340
Merger 01.01.22 - Provision for amortisation, depreciation and impairment	-31,776	-145,356	-95,631	-11,800	-	-284,563
PPA adjustment 01.01.22	18,621	29,110	-	-	-	47,731
Net as at 01.01.2022	**75,660**	**95,230**	**34,329**	**4,854**	**6,435**	**216,508**
Changes in 2022:						
Increases	871	8,020	3,439	654	4,946	17,930
Decreases	-421	37	-58	-23	-	-465
Depreciation and amortisation	-1,032	-5,052	-3,430	-710	-	-10,224
Write-downs	-	206	-124	-25	-67	-10
Hyperinflation Argentina	-	390	224	58	-	672
Other changes	969	3,745	747	-2	-4,422	1,037
Net as at 30.06.2022	**76,048**	**102,576**	**35,127**	**4,806**	**6,892**	**225,449**
Made up of:						
Historical cost	108,945	255,521	134,737	16,951	6,892	523,046
Provision for amortisation, depreciation and impairment	-32,897	-152,945	-99,610	-12,145	-	-297,597

Intangible assets (Note 7)
These present a net balance of 116.307 million euros. The breakdown is as follows:

Items *(amounts in euro thousands)*	**Goodwill**	**Develop ment costs**	**Know How**	**Royalties and patents**	**Licences and Trademarks**	**Invest. in prog. and deposits**	**Total**
Merger 01.01.22 - Historical cost	36,794	13,075	-	1,432	30,156	215	81,672
Merger 01.01.22 - Provision for amortisation, depreciation an impairment	-	-10,766	-	-1,247	-24,365	-	-36,378
PPA adjustment 01.01.22	24,134	-	35.244	-	49,178	-	73,312
Net as at 01.01.2022	**60,928**	**2,309**	**35.244**	**185**	**54,969**	**215**	**118,606**
Changes in 2022:							
Increases	-	-	-	33	94	322	449
Increases	-	-	-	-2	-	-	-2
Depreciation and amortisation	-	-537	-	-36	-2,246	-	-2,819
Write-downs	-	-	-	-	-	-	-
Hyperinflation Argentina	-	-	-	-	-	45	45
Other changes	-	-	-	1	85	-58	28
Net as at 30.06.2022	**60,928**	**1,772**	**35.244**	**181**	**52,902**	**524**	**116,307**
Made up of:							
Historical cost	60,928	13,075	35.244	1,463	79,635	524	155,625
Provision for amortisation, depreciation and impairment	-	-11,303	-	-1,282	-26,733	-	-39,318

Goodwill and Impairment Tests

As already described in section *1. General* of the notes, on 28 March 2021, Fly s.r.l. launched a voluntary tender offer of Carraro S.p.A., with the aim, in the event of a successful outcome, of delisting the Shares from the Italian Stock Exchange. The reverse merger through the absorption of Fly S.r.l. with Carraro S.p.A. became effective, for accounting purposes, from 01.01.2022 and at the same time, the purchase price was allocated to the assets and liabilities acquired, as defined in IFRS 3 (Business Combinations), in order to *evaluate the identifiable assets acquired and liabilities assumed in relation to their fair value at the date of acquisition* through the Purchase Price Allocation (PPA).
As required by IFRS 3 "*An entity shall recognise each business combination adopting the acquisition method*" whereby the goodwill or profit arising from a purchase at favourable prices is evaluated, among other things.
Goodwill must be measured as the excess between:

a) the aggregate acquisition cost; and
b) the net value, at the date of acquisition, of the identifiable assets acquired and the liabilities assumed.

The goodwill existing prior to the Business Combination was eliminated as it was redetermined following the Purchase Price Allocation process.

The amounts of goodwill recognised are shown below (amounts in Euro thousands):

(*amounts in Euro thousands*)	**30.06.2022**
Total	**60,928**

With reference to the recoverability of goodwill recognised in the consolidated financial statements as at 30 June 2022, also considering the assumptions and results of impairment testing carried out with reference to the values recognised as at 31 December 2021 (by the accounting acquiree) and the performance of operations recorded in the first half of 2022, at the present date, the directors do not believe there are elements making it necessary to test the goodwill recognised in the financial statements as at 30.06.2022 for impairment.

As already discussed in the section *Changes in the scope of consolidation and other company reorganisation operations*, the determination of goodwill arising from the PPA cannot be considered as completed, because final data regarding the tangible assets of the Indian and Chinese subsidiaries will be included in the second half of the year; therefore, at the date when these financial statements were prepared, it was not possible to determine the allocation of goodwill to the group's various cash generating units (CGU).

Investments in progress and deposits
The increase in investments in progress refers to the costs incurred by Carraro S.p.A and by Carraro Drive Tech Italia S.p.A. for the design of new product lines developed in relation to similar projects launched by customers. Development costs generated internally are capitalised at cost.

Licences and Trademarks
The increases are mainly attributable to the acquisition of licenses by Carraro S.p.A. and Siap S.p.A.

Royalties and patents
Investments in Royalties and Patents mainly refer to purchases of Carraro S.p.A.

Research and development costs
During the semester, the financial commitment made by the group for R&D activities amounted to approximately 3.90% of turnover. These costs did not give rise to capitalisation, in accordance with the criteria in IAS 38.

Real estate investments(note 8)
These present a net balance of 0.8 million Euro and relate to civil property owned by Carraro S.p.A. and Siap S.p.A.

Equity investments (Note 9)

Equity investments in associate companies

As of the date of approval of these consolidated interim financial statements, the latest available financial statements of Enertronica Santerno S.p.A. are those as at 31.12.2021, taken as reference for the valuation of the investment as at 30 June 2022. The investment was fully written down considering that the pro-rata shareholders' equity value would have been negative; therefore the book value was lower than the fair value of the shares as at 30 June 2022.

Name	Registered office	Holding company	Share capital		Number of shares Stakes held	Profit (loss) 30.06.2022	Shareholders' equity Equity 31.12.2021	Direct portion	Carrying amount of the investment
			Currency	Amount	Total	(ctv. euros)	(ctv. euros)		30.06.2022
Enertronica Santerno S.p.A.	Milan, Italy	Carraro S.p.A.	EUR	785,036	793,200	n.a.	(19.834.390)	10.10%	-
Enertronica Santerno S.p.A.	Milan, Italy	Carraro International SE	EUR	785,036	795,600	n.a.	(19.834.390)	10.14%	-

Financial assets (note 10)

(amounts in Euro thousands)	**30.06.2022**
Loans to related parties	-
Loans to third parties	792
LOANS AND RECEIVABLES	**792**
Available for sale	61
Other financial assets	85
OTHER FINANCIAL ASSETS	**146**
NON-CURRENT FINANCIAL ASSETS	**938**
With related parties	-
With third parties	132
LOANS AND RECEIVABLES	**132**
Financial assets at current value	-
Fair value of derivatives	1,917
Other financial assets	641
OTHER FINANCIAL ASSETS	**2,559**
CURRENT FINANCIAL ASSETS	**2,691**

Non-current loans and receivables
Non-current receivables and loans include the medium/long-term portion (0.8 million euros) of the receivable from the Argentinian real estate companies to which the land and the building relating to the Carraro Argentina production plant were sold in two successive stages.
Values of these receivables approximate their fair value.

Other non-current financial assets
These include minority interests, guarantee deposits and up-front fees incurred by subsidiaries for revolving credit lines.

Current loans and receivables
These chiefly include 0.13 million euros relating to the short-term portion of the financial receivable from the Argentinian real estate companies to which the land and the building relating to the Carraro Argentina production plant were transferred in two successive stages.

Other current financial assets
Include "cash flow hedge" derivatives for 1.91 million euros. The amount refers to the fair value calculated as at 30/06/2022 of current instruments on currencies and goods. As described in detail in the section on derivative financial instruments (Paragraph 9), profits or losses deriving from hedging instruments are recognised in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve for the efficient part, while the remaining (inefficient) portion is recognised in the income statement.

Deferred tax assets and liabilities (note 11)

The carrying amount of net deferred tax liabilities recognised as at 30 June 2022 is 8.9 million euros.

Net deferred tax assets include the benefits associated with retained tax losses, insofar as it is likely that there will be suitable future taxable profits against which these losses can be used in a reasonably short period. Tax losses for which it was decided not to recognise deferred tax assets as at 30 June 2022 amounted to 30 million euros with a tax effect of 7.6 million euros.

With reference to temporarily non-deductible financial charges, it was decided not to recognise deferred tax assets. No deferred tax assets on temporarily non-deductible interest charges were recognised for a taxable amount of 26.9 million euros (with a potential tax effect of 6.5 million euros).

The item also includes the value associated with deferred taxes arising from the allocation of capital gains on net assets identifiable during the PPA process. For further details, reference is made to the section on the *Reverse merger of Fly Srl with Carraro Spa and Purchase Price Allocation (PPA) effects*.

Trade receivables and other receivables (Note 12)

(amounts in Euro thousands)	**30.06.2022**
NON CURRENT TRADE RECEIVABLES	-
From third parties	6,339
OTHER NON-CURRENT RECEIVABLES	**6,339**
NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**6,339**
From related parties	-
From third parties	78,826
CURRENT TRADE RECEIVABLES	**78,826**
From related parties	809
From third parties	43,408
OTHER CURRENT RECEIVABLES	**44,217**
CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**123,043**

Receivables from related parties refer to the receivable from tax consolidation due from the company Finaid S.p.A..

Closing inventory (note 13)

Items *(amounts in Euro thousands)*	**30.06.2022**
Raw materials	103,276
Work in progress and semi-finished products	58,037
Finished products	19,734
Goods in transit	-
Total inventories	**181,047**
Provision for impairment of inventories	-20,664
Total inventories	**160,383**

Cash and cash equivalents (Note 14)

(amounts in Euro thousands)	**30.06.2022**
CASH	121
BANK CURRENT ACCOUNTS AND DEPOSITS	252,133
TOTAL	**252,254**

As at 30 June 2022, there were constrained cash and cash equivalents amounting to 0.02 million euros which refer to guarantees provided in India to local public entities.

Shareholders' equity (note 15)

(amounts in Euro thousands)	**30.06.2022**
1) Share Capital	41,453
2) Other Reserves	35,145
3) Profits/(Losses) brought forward	-
4) Cash flow hedge reserve	1,071
5) Provision for discounting employee benefits	485
6) Foreign currency translation reserve	1,920
7) Result for the period pertaining to the group	-1,366
GROUP SHAREHOLDERS' EQUITY	**78,708**
8) Minority interests	9,929
TOTAL SHAREHOLDERS' EQUITY	**88,637**

The share capital is set at 41,452,543.60 euros, fully paid-up, divided into 58,385,555 shares with no par value. The company has issued a single category of ordinary shares which do not give the right to a fixed dividend.
No other financial instruments which assign equity and investment rights have been issued.
In the first half of 2022 no new treasury shares were purchased. The overall investment therefore amounts to 6.666 million euros, classified as a reduction in the item "Other reserves".

Financial liabilities (note 16)

The classification of financial liabilities as at 30.06.2022 is shown below.

(amounts in Euro thousands)	**30.06.2022**
NON-CURRENT BONDS	**326,026**
MEDIUM/LONG-TERM LOANS	110,239
MEDIUM/LONG-TERM LEASE PAYABLES - IFRS 16	929
MEDIUM/LONG-TERM LOANS	**111,168**
OTHER NON-CURRENT FINANCIAL LIABILITIES	29
OTHER NON-CURRENT FINANCIAL LIABILITIES	**29**
NON-CURRENT FINANCIAL LIABILITIES	**437,223**
BONDS	-
MEDIUM-/LONG-TERM LOANS – short-term portion	33,800
LOANS TO OTHERS	2,446
LEASE PAYABLES FROM RIGHTS OF USE - IFRS 16	920
CURRENT FINANCIAL LIABILITIES	**37,166**
FAIR VALUE OF INTEREST RATE DERIVATIVES	-
FAIR VALUE OF EXCHANGE RATE DERIVATIVES	456
OTHER CURRENT FINANCIAL LIABILITIES	4,486
OTHER CURRENT FINANCIAL LIABILITIES	**4,942**
CURRENT FINANCIAL LIABILITIES	**42,108**

As required by the *Amendments to IAS 7*, disclosures on the changes in financial liabilities are presented below, with indication of cash and non-cash movements:

Financial liabilities *(amounts in Euro thousands)*	**Merger 01.01.2022**	**Cash Flow**	**Reclassification**	**Other changes**	**Change in IFRS 16**	**Exchange impact**	**30.06.2022**
Gross non-current loans payable	457,256	-	-17,459	1,296	-230	375	441,238
Gross current loans payable	88,818	-69,260	17,459	4	-28	212	37,205
Total loans payable	**546,074**	**-69,260**	**-**	**1,300**	**-258**	**587**	**478,443**
Amortised cost	-4,630	-	-	547	-	-	-4,083
Other non-current financial liabilities	-	-	-	28	-	1	29
Other current financial liabilities	4,546	-4,548	-	4,484	-	4	4,486
Financial liabilities:	**545,990**	**-73,808**	**-**	**6,359**	**-258**	**592**	**478,875**

The net financial position is broken down below:

Net financial position *(amounts in Euro thousands)*	**30.06.2022**
Non-current bonds	-326,026
Current bonds	-
Bonds:	**-326,026**
Non-current loans payable	-111,168
Current loans payable	-37,166
Other non-current financial liabilities	-29
Other current financial liabilities	-4,486
Trade payables and other non-current payables (*)	-
Financial liabilities:	**-152,849**
Current loans and receivables	132
Other current financial assets	641
Financial assets:	**773**
Cash	121
Bank current accounts and deposits	252,133
Cash and cash equivalents:	**252,254**
Net financial position (**)	**-225,848**
Non-current loans and receivables	792
Other non-current financial assets	85
Non-current leases - IFRS 16	929
Current leases - IFRS 16	920
Net financial position of operations	**-223,122**
of which payables/(receivables):	
- non-current	-435,417
- current	212,295

(*) The item trade payables and other non-current payables does not contain non-interest-bearing payables with a significant implicit or explicit financing component, such as trade payables due in more than 12 months, or other types of non-interest-bearing loans.
(**) Net financial debt drawn up in accordance with the framework provided for by Recommendation ESMA32-382-1138 of 4.3.2021

It should be noted, as required by ESMA guideline no. 32/382/1138 of 4 April 2021, that at the date of these interim financial statements the Group held indirect debt subject to conditions relating to:

- Social security liabilities (for which reference should be made to Note 19);
- Amounts relating to "reverse factoring" for an amount of 5.7 million euros;

In January 2018, the Company issued a 3.5% fixed-rate senior unsecured bond of 180 million euros - maturing in 2025 - listed on the Luxembourg Stock Exchange and on the MOT.
The effect of the amortised cost on this item amounted to 1.777 million euros at 30 June 2022.

In September 2020, the Company issued a 3.75% fixed-rate senior unsecured bond of 150 million euros - maturing in 2026 - listed on the Luxembourg Stock Exchange and on the MOT.
The effect of the amortised cost on this item amounted to 2.196 million euros at 30 June 2022.

As required by section 25 of IFRS 7, the next table shows the fair value of the two BONDS above, compared with the respective carrying amount.

(amounts in Euro thousands)	**Nominal Value**	**Amortised cost 30.06.2022**	**Carrying amount 30.06.2022**	**Fair Value**
BOND 2018-2025 3.50%	180,000	-1,778	178,222	179,388
BOND 2020-2026 3.75%	150,000	-2,196	147,804	149,250
Total	**330,000**	**-3,974**	**326,026**	**328,638**

The fair value is not representative of the financial outlay in the event of early termination, as provided for in the regulations of the two financial instruments.

As at 30 June 2022, the financial parameters (covenants) contractually specified on the consolidated data had been met.

The Carraro Group has access to medium- and long-term banking credit facilities totalling 40.49 million euros, of which 2.45 million euros drawn down. Medium- and long-term bank credit facilities amount to a total of 191.34 million euros, of which 144.14 million euros drawn down.

Fair Value
The fair value of medium- and long-term financial liabilities, taking account of the fact that these are almost exclusively for variable-rate funding and that the terms renegotiated with the banking counterparties are in line with the average levels for the market and the segment – even considering the residual volatility of the markets and the relative uncertainty in identifying “reference” conditions – as measured is not significantly different overall from the carrying amounts.

Trade payables and other payables (note 17)

(amounts in Euro thousands)	**30.06.2022**
To third parties	4,700
OTHER NON-CURRENT PAYABLES	**4,700**
TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES	**4,700**
To related parties	-
To third parties	222,037
CURRENT TRADE PAYABLES	**222,037**
To related parties	90
To third parties	49,719
OTHER CURRENT PAYABLES	**49,809**
TRADE PAYABLES AND OTHER CURRENT PAYABLES	**271,846**

With regard tothe Indian company, a tax dispute is underway following disputes by the local tax authorities over a number of years, mainly relating to the benchmark used for transfer pricing and the evidence of the services and related benefits received by the Indian plant for the deductibility of royalties and intra-group services. Extensive documentation has already been submitted in court in support of the defence arguments of the company.
Supported by opinions of its tax advisors, the Company has classified the risk for some claims as remote and for some as unquantifiable.

Current tax payables (note 18)

(amounts in Euro thousands)	**30.06.2022**
Current taxes payables	**8,689**

Employee severance indemnities and retirement benefits (note 19)

PROVISION FOR SEVERANCE INDEMNITY AND RETIREMENT BENEFITS	
(amounts in Euro thousands)	**30.06.2022**
Severance indemnities in accordance with IAS 19 merger 01.01.2022	**7,048**
Utilisation of employee severance indemnities	-129
Interest cost	15
Actuarial gains/losses	-756
Closing severance indemnities in accordance with IAS 19	**6,178**

Pension/retirement funds
Pension and similar funds for 2.7 million euros mainly refer to liabilities recognised in the financial statements of Carraro China and Carraro India Ltd.; the actuarial recalculation, except for the structural differences of the relevant plans, follows the same criterion described for the aforementioned Italian termination benefit provisions.
The accounting treatment of employee benefits recorded in the financial statements complies with IAS 19 Revised for defined-benefit plans.

Workforce
The workforce refers only to the fully consolidated companies and is divided into categories:

Employees	Merger 01.01.2022	Changes	30.06.2022
Executives	30	-	30
Clerical staff	717	19	736
Factory workers	2,035	54	2,089
Temporary workers	797	58	855
Total	**3,579**	**131**	**3,710**

Provision for risks and liabilities (note 20)

The item can be broken down as follows:

(amounts in Euro thousands)	Merger 01.01.2022	Increases	Decreases	Reclassification	Exchange-rate adjustments	Closing situation
Non-current portion						
1) WARRANTY	2,505	-	-	228	21	2,754
2) COSTS OF LEGAL CLAIMS	56	-	-	-	-	56
3) RENOVATION AND CONVERSION	-	-	-	-	-	-
4) OTHER PROVISIONS	2,220	19	-130	-	-42	2,067
TOTAL	**4,781**	**19**	**-130**	**228**	**-21**	**4,877**
Current portion						
1) WARRANTY	8,914	1,833	-1,604	-540	21	8,624
2) COSTS OF LEGAL CLAIMS	275	7	-6	-	-7	269
3) RENOVATION AND CONVERSION	998	27	-38	1	-39	949
4) OTHER PROVISIONS	4,641	1,676	-3,903	-1	21	2,434
TOTAL	**14,828**	**3,543**	**-5,551**	**-540**	**-4**	**12,276**

From the product warranty reserve, 1.604 million euros was used for customer claims accepted and the reserve was increased by 1.833 million euros on the basis of the expected warranty costs which will be incurred in relation to the sales made.

The legal claims provision relates to personnel disputes.

The restructuring provision allocated as at 30 June 2022, concerning the reorganisation and restructuring of the Carraro Group, has been increased by 0.027 million euros and used for an amount of 0.038 million euros.

The item “Other provisions” includes amounts recognised in the individual companies for future expenses and liabilities. It should be noted that the increase in the period mainly relates to the provision for MBOs and performance bonuses.

7. Commitments and risks
No significant events occurred as worthy of note.

8. Transactions with related parties (note 21)
The shareholders of the company Carraro SpA as at 30.06.2022, net of treasury shares, were as follows: Finaid SpA for 50.60%, Enrico and Tomaso Carraro jointly for 10.60% and Julia Dora Koranyi Arduini for 38.79%.

Carraro S.p.A. and all Italian-law subsidiaries are included in the tax consolidation area of the parent company Carraro S.p.A. The charges and income deriving from the transfer of the IRES taxable base are booked under current taxes.

The transactions between Carraro S.p.A. and its subsidiaries which are affiliated entities of Carraro S.p.A., were eliminated in the consolidated financial statements and are not pointed out in these notes.

The details of the transactions between Carraro Group and other affiliated companies according to IAS 24 are indicated below.

(amounts in Euro thousands)	**Financial and equity transactions**			**Economic transactions**		
	Financial assets	Trade receivables and other receivables	Trade payables and other payables	Sales revenues	Purchases of goods and materials	Other financial income
Other related parties:						
Finaid S.p.A.	-	809	90	-	-	-
TOTAL	**-**	**809**	**90**	-	-	-

9. FINANCIAL INSTRUMENTS

9.1 Derivative financial instruments on currencies

The following tables indicate all the key information relating to the portfolio of derivative financial instruments on currencies outstanding as at 30.06.2022. These are instruments designated to cover:

- foreign currency sales and purchasing budgets;
- imbalances of current receivables and payables in foreign currencies.

a) Notional values

CONTRACT *(amounts in Euro thousands)*	Swaps (DCS) (1)	Option (1)	Swaps (DCS) (2)	Total notional values
Carraro S.p.A.	-	-	992	992
Carraro Drive Tech Italia SpA	37,882	233	5,678	43,793
Carraro India	-		5,005	5,005
SIAP	2,715	-	1,514	4,229
GROUP TOTAL 30.06.2022	**40,597**	**233**	**13,189**	**54,019**

(1) instruments hedging foreign currency sales and purchasing budget
(2) instruments hedging current receivables and payables in foreign currencies

b) Reference currencies and expiry dates of contracts

CONTRACT	Swaps (DCS) (1)		Option (1)		Swaps (DCS) (2)	
	Currencies	Expiry dates	Currencies	Expiry dates	Currencies	Expiry dates
Carraro S.p.A.	-	-	-	-	USD/EUR	Jul-22
Carraro Drive Tech Italia SpA	USD/EUR CNY/EUR INR/EUR	Feb '23	USD/EUR	Oct '22	USD/EUR	Jul-22
Carraro India					EUR/INR	Dec-22
SIAP SpA	USD/EUR	Mar '23	-	-	USD/EUR	Jul-22

(1) instruments hedging foreign currency sales and purchasing budget
(2) instruments hedging current receivables and payables in foreign currencies

c) Fair value

(amounts in Euro thousands)	Swaps (DCS) (1)	Option (1)	Swaps (DCS) (2)	Total
Carraro S.p.A.	-	-	-19	-19
Carraro Drive Tech Italia SpA	859	3	-101	761
Carraro India	-	-	-23	-23
SIAP	-286	-	-27	-313
GROUP TOTAL 30.06.2022	**573**	**3**	**-170**	**406**

(1) instruments hedging foreign currency sales and purchasing budget
(2) instruments hedging current receivables and payables in foreign currencies

d) Details of *fair values*

	30.06.2022	
(amounts in Euro thousands)	Positive fair value	Negative fair value
CASH FLOW HEDGE Exchange rate risk	862	-456

e) Summary of fair values recognised before tax effect according to their accounting treatment

(amounts in Euro thousands)	FV recognised in inc stat	FV recognised in net equity	Total
Carraro S.p.A.	-19	-	-19
Carraro Drive Tech	538	223	761
Carraro India	-23	-	-23
SIAP	-221	-92	-313
GROUP TOTAL 30.06.2022	**275**	**131**	**406**

In relation to the positioning in the hierarchy of fair values pursuant to IFRS 7 par. 27 the financial instruments described are classifiable as level 2; there were no transfers of level during the period.
The fair values as at 30.06.2022 of financial instruments on exchange rates were calculated using the forward exchange rate method.
The counterparties with which the contracts are stipulated are leading national and international banking institutions.
The financial instruments on currencies are used, on a basis consistent with the financial risk management policy adopted by the Group, to hedge the risks deriving from exchange rate fluctuations and concern sales volumes compared with the budget exchange rate and the collections and payment of short and medium-term receivables and payables with respect to the historical value.
For accounting purposes in relation to contracts hedging sales budgets in foreign currencies effective at the reporting date, it should be noted that for the transactions executed, especially Domestic Currency Swaps and Options, and in accordance with all the conditions provided by the IAS/IFRS standards, hedge accounting was applied.
With reference to the type of cash flow hedges, related changes in fair value are reflected in a shareholders' equity reserve, net of the tax effect.

9.2 Derivative financial instruments on interest rates

There are no derivative contracts on interest rates outstanding as at 30.06.2022.
Any changes in fair value with reference to the type of fair value hedge are reflected in the income statement, net of the tax effect.

9.3 Derivative financial instruments on commodities

The following tables indicate all the key information relating to the portfolio of derivative financial instruments on goods outstanding as at 30.06.2022. These are instruments designated to hedge:

- The risk of fluctuating commodity prices (gas and electricity)

a) Notional values

CONTRACT *(amounts in Euro thousands)*	Swap (1)	Total notional values
Carraro S.p.A.	340	340
Carraro Drive Tech Italia SpA	680	680
SIAP SpA	1,456	1,456
GROUP TOTAL 30.06.2022	**2,476**	**2,476**

(1) instruments activated to hedge fluctuating commodity prices

b) Reference currencies and expiry dates of contracts

CONTRACT	**Swap (1)**	
	Commodities	Expiry dates
Carraro S.p.A.	PSV (Gas) PUN (Energy)	Dec-22
Carraro Drive Tech Italia SpA	PSV (Gas) PUN (Energy)	Dec-22
SIAP SpA	PSV (Gas) PUN (Energy)	Dec-22

(1) instruments activated to hedge the risk of fluctuating foreign commodity prices

c) Fair value

(amounts in Euro thousands)	**Swap (1)**	**Total**
Carraro S.p.A.	158	158
Carraro Drive Tech Italia SpA	310	310
SIAP SpA	587	587
GROUP TOTAL 30.06.2022	**1,055**	**1,055**

(1) instruments activated to hedge the risk of fluctuating commodity prices

d) Details of *fair values*

(amounts in Euro thousands)	**30.06.2022**	
	Positive fair value	Negative fair value
CASH FLOW HEDGE		
Risk of fluctuating commodity prices	1,055	-

e) Summary of fair values recognised before tax effect according to their accounting treatment

(amounts in Euro thousands)	**FV recognised in the income statement**
Carraro S.p.A.	158
Carraro Drive Tech Italia SpA	310
SIAP SpA	587
GROUP TOTAL 30.06.2022	**1,055**

In relation to the positioning in the hierarchy of fair values pursuant to IFRS 7 par. 27 the financial instruments described are classifiable as level 2; there were no transfers of level during the period.
The fair values as at 30.06.2022 of financial instruments on goods were calculated using the forward price method.
The counterparties with which the contracts are stipulated are leading national and international banking institutions.
Financial instruments on commodities are used, on a basis consistent with the financial risk management policy adopted by the Group, to hedge the risks arising from fluctuating commodity prices and refer to future gas and electricity consumption.
For accounting purposes in relation to contracts hedging fluctuating commodity prices in effect at the end of the reporting period, it should be noted that for the transactions executed, especially Commodity Swaps on Goods, all the conditions provided for in IAS/IFRS applied, so hedge accounting was adopted.
With reference to the type of cash flow hedges, related changes in fair value are reflected in a shareholders' equity reserve, net of the tax effect.

Notional values and *fair values*
Below is a summary table of the assets and liabilities valued at fair value as at 30 June 2022, as required by IFRS 13, described in paragraph 3.2:

(amounts in Euro thousands)	**Level 2 30.06.2022**
Assets	
Foreign exchange derivative assets	862
Commodity derivative assets	1,055
Total Assets	**1,917**
Liabilities	
Foreign exchange derivative liabilities	-456
Commodity derivative liabilities	-
Total Liabilities	**-456**

10. Events subsequent to the reporting date.

There are no subsequent events to report.

The Chairman

Enrico Carraro

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CARRARO

Carraro Group

Directors' Report on Operations as at 30 June 2022

The Carraro Group

Carraro is an international group, leader in transmission systems for off-highway vehicles and specialised tractors, with Headquarters in Italy in Campodarsego (Padua).

Carraro S.p.A. is not subject to management and coordination activities under the terms of Article 2497 and following of the Italian Civil Code.

To date the Group's activities are divided into two Business Areas:

- **Drive systems**
  Through the companies belonging to the Drivelines Business area, the Group designs, manufactures and sells transmission systems (axles, transmissions and drives) mainly for agricultural and construction equipment, and also markets a wide range of components and gears for very diverse sectors, from the automotive industry to material handling, agricultural applications and construction equipment.
- **Tractors**
  Through the Vehicles - Carraro Agritalia Division Business Area, the Group designs and manufactures specialised tractors (for vineyards and orchards from 60 to 100 hp) for third-party brands, and namely John Deere, Massey Ferguson, Claas and Valta, as well as a specialised "Carraro Tractors" range; Agritalia also provides engineering services for the design of innovative tractor ranges.

Reference markets

Agriculture

After a strong demand for new agricultural machines worldwide in 2021, also the first half of 2022 saw this trend confirmed, albeit with differing dynamics, summarised below.

In the first part of the year, sales on the **European** market advanced considerably, falling off however in the following months, due to contrasting trends, such as the positive push of record level of agricultural commodity prices on the one hand, and on the other, the negative impact of the growing energy costs, as well as the continued shortage of components. In addition, the macro-economic scenario was heavily affected by the outbreak of war in Ukraine, which has created considerable uncertainty over developments in demand. Forecasts for the second half of the year are still uncertain, anchored to a certain amount of pessimism.

In **Turkey**, sales volumes recorded a positive trend in the first half of the year, although the pace of growth was slower than the same period of 2021. Demand was buoyed by a robust increase in the price of agricultural commodities and their shortage, recently caused by the war in Ukraine.

In **North America**, the first half of the year ended with sales down compared to the same period of the previous year, despite demand in the area receiving a strong boost from the huge increase in the price of agricultural goods. Stock levels of vehicles on sales networks remained low - a sign that a significant part of this trend is due to vehicles not being manufactured because of a lack of components.

In **China**, sales volumes increased during the first half of the year, bolstered by record prices of agricultural commodities and aid in the area. Sales volumes are still below potential.

In **Japan** and **South Korea**, the half year closed with sales volumes basically in line with figures recorded for the same period of the previous year.

In **India**, the first half of the year closed with a considerable acceleration: in May 2022, in particular, tractor sales reported record increases, thanks to a good harvest and the high price of agricultural commodities. Future prospects for the area are also positive: potential for further growth is still intact, thanks to the greater capacity of agricultural expenditure.

The increase in sales volumes in **Latin America** recorded in the first half of the year was still significant, thanks to agricultural commodity prices, which strongly supported the appetite for purchasing new machines. The market in this area still has a partly untapped growth potential.

Construction equipment

Compared to 2021, with global volumes at record levels, the first half of 2022 saw signs of growth in some parts of the world, albeit at a diminishing pace.

In **Europe**, the first half of the year closed with sales on the rise, above all in the compact machines segment. All ratios were positive, albeit showing signs of a slowdown, pointing to a downwards trend in the second half of 2022, due to the outbreak of war in Ukraine, and also to the monetary tightening decided by the ECB that will have a negative impact on investments.

In **Turkey**, the positive trend in the demand for construction machinery continued, despite being affected by the ongoing devaluation in the local currency and high interest rates. This scenario partially limited investments in constructions and consequently sales of new vehicles.

The growth in volumes in **North America** was significant for the entire first half of 2022, bolstered by sales of compact machines, despite being adversely affected by difficulties in procuring vehicle components. Prospects for the medium term are still uncertain: on the one hand, there are huge federal plans for investments to renew infrastructure, on the other hand, the FED has decided to increase the cost of money, which will limit new investments, particularly by the private sector.

In **China**, the first half of 2022 closed with volumes down significantly over the same period of the previous year, due to the reduction in investments in infrastructure, that had generated an artificial peak in demand during the 2020-21 period. The overall volume of the local market was driven by the demand for medium-sized crawled excavators and wheeled loaders, necessary for the construction of infrastructure; for the first time, demand for compact machines used for the maintenance and repair of existing works increased, with a trend consistent with the market's "maturity".

In **India**, sales volumes in the construction industry picked up compared to the previous year's levels, with strong tensions in the supply chain that added to the significant increase in commodity costs already underway. Investments in large-scale works continued, generating demand for new vehicles.

In **Latin America**, the level of new vehicle sales remained high in the first half of the year, confirming the renewed vigour in demand, buoyed by investments in the construction industry.

Research and Development: innovation, new applications and value chain

Commitment to R&D continued, still focussed on developing innovative transmission systems and specialised tractors aimed at markets with greater growth potential. In particular, R&D investments in the first half of 2022 amounted to around 3.9% of turnover, (4.77% in 2021), in line with expectations.

The Group was steadfast in its commitment to R&D, finding and proposing value solutions to meet its customers' needs, based first and foremost on existing products, levering its ability to customize them with different levels of technical and technological complexity, and proposing innovative new products to meet the most specific requirements of the business and market. In the first half of 2022, more than 170 active projects at different stages of completion were managed, and some 360 business opportunities were evaluated, that will provide a catchment area to expand Carraro's market share.

Axle range evolution

The renewal of the axle range aims to introduce innovative features, such as adding different types of sensors designed to enable connectivity to remote services combined with a reduction in vehicle operating costs. The new generation is based on the unification of technical configurations for all CLASSES, with the focus on maximising the reduction of the total number of components to obtain all the versions requested, thus enabling the possibility of cost savings through economies of scale.

In particular, in the agricultural segment, projects were ongoing with Claas for combine harvesters and medium-powered tractors; in the industrial segment, in keeping with company strategy, the project for telehandler axles was developed to schedule, together with Caterpillar.

The Group continued to expand it's market share, thanks to new applications for Carraro portal axles, which are mainly used in the transition from two-wheel drive (2WD) tractors to four-wheel drive (4WD) versions in India or other emerging markets, with the inclusion of the 20.10P product in the range, to be validated for the customer John Deere.

In the automotive sector, the process to validate and optimise axles for the GRENADIER extreme off-road application, produced by INEOS Automotive, continued on a positive note, with the axles soon to be manufactured on an industrial scale.

Drive systems

With regard to agricultural transmissions, the Group maintained its focus on the renewal and enhancement of the technological content of the T100 family, which is of fundamental importance in renewing Agritalia's tractor range, with the introduction of the STAGE V engine, forming the basis of the product offering for the Group's other OEM customers. After completing the validation of the new T100 EVO, based on bench and vehicle testing, the HD version - for Utility tractors up to 110 hp - was enhanced, with the Power Reverse version going into production on an industrial scale during the last part of the half year. During the remainder of the year, all versions will go into production.

Following the successful completion of functional and performance testing, bench tests are now underway on the CVT version, a continuously variable transmission based on an innovative functional scheme. The design of the T100 CVT follows the T100 EVO with around a 10-month time gap for both the bench and on-vehicle testing, reflecting the time gap between the respective dates of entry into production.

To tackle a changing tractor market, increasingly on bigger power versions, Carraro had already planned the extension of its range of agricultural transmissions to include new product families, such as the T135, for open field Utility tractors, up to 135 hp, with various versions that will maximise the concept of modularity and parts shared with other ranges.

In the area of construction equipment, main customers continued to show an interest in powertrain electrification, starting with the most compact vehicles. This interest has been prompted by regulations which are increasingly calling for the use of these vehicles with zero-emission solutions in urban areas. In this respect, Carraro has acquired the internal skills necessary for the coordinated development of fully electric powertrains.

In the first half of the year, some projects were in the operational phase, featuring both hybrid (HEV) and fully electric architectures (BEV). The solutions designed are suitable for backhoe loaders, compact articulated loaders or telescopic handlers. In some of them, alongside the mechanical driveline, Carraro will also supply the electric machines complete with their drives (inverters) and the electronic controls capable of managing the entire powertrain. A partnership is ongoing with Kramer on a project for the hybridisation of an existing vehicle, developed on a co-design basis; another project is underway with Faresin for application on a telehandler, as well as a project with Caterpillar for a wheel loader.

The Kohler project is an important initiative taking place, with the Carraro R&D Centre - boasting mechatronic expertise in the sector of electrification - that has developed and made a prototype for the mass production of a hybrid module to be used with internal combustion engines, controlled by Carraro software.

Tractors

In the first half of the year, final activities were carried out for the development of the pre-production of tractors with Stage V engines, and the production of some types also got underway. Duration tests were completed for the F28 engine projects and the new Claas Axos 200 open field tractor, and functional tests were finalised for the CVT transmission. At the same time, validation tests were run on the related software. Durability tests were also completed on the new Claas Axos 200 open field tractor, and the first 2 ergonomic prototypes of the new A300M tractor and the new cabin without a central tunnel (flat floor) for specialised tractors were developed.

<u>Summary of the first half of the year</u>

To better understand the figures relating to the first half of 2022, adjusted figures will be highlighted. Specifically, the adjusted figures will take into account transactions not connected to ordinary operations.

The following alternative performance indicators will also be used, which may in turn be adjusted to take into consideration transactions not related to ordinary operations:

- *EBITDA: the sum of operating profit/(loss) of the income statement, amortisation, depreciation and impairment of fixed assets;*
- *EBIT: earnings before taxes and financial income and expenses, with no adjustments;*
- *Net Working Capital of operations: difference between Trade Receivables, Net Inventories and Trade Payables in the balance sheet;*
- *Net financial position of operations: net debt determined in accordance with the recommendations contained in the ESMA document of 4 March 2021, deducting, where applicable, non-current receivables and financial assets, and the effects of the application of IFRS 16.*

This report presents comparative data that refer to the consolidated situation of the accounting acquiree, as defined in section 1 of the notes (Carraro Spa), as such data are considered to be basically comparable. See also the section Significant events during the period, for information about the merger.

As expected, the first half of 2022 closed with increased turnover (+19.12%) compared to the same period of 2021. This result was driven by an excellent performance on the reference markets (Agriculture and *Construction Equipment*) of the *Drivelines* Business Area, in all areas worldwide.

The macro-economic scenario in the period was affected by the health crisis and by a number of other economic factors, without which Carraro could have benefited from better results. The half year was marked by major increases in the cost of commodities and semi-finished goods, transport and hired equipment, as well as energy costs. Carraro also had to deal with difficulties in the supply chain and procurement of materials.

Improvement actions were adopted during the period, with the aim of diversifying procurement sources, to ensure the sourcing of commodities and components, despite shortages, and to transfer inflationary spirals to customers. Recovery actions are making excellent progress, even if not entirely synchronised.

The outbreak of the war in Ukraine has not had direct consequences for the Group, as it is marginally present in the areas involved. There are still some uncertainties over the impacts this conflict may have on the global arena, even though these are less adverse for the Group, as it has a good level of diversification, also in countries such as China and India, where the effects of the conflict are less evident, with markets dominated by a strong growth in domestic demand.

Despite this economic outlook, margins are still solid in terms of EBIT and EBITDA.

On the topic of strong growth, the Carraro Group continued to up the pace of investments, to promote an increase in production capacity necessary to support both short- and medium-term portfolio objectives, particularly for quality gears, and automotive axles which have particularly excellent prospects.

As regards financial management, debt increased, as predicted, due to the post-merger repayment of the 63-million-Euros loan undertaken by FLY Srl with BPM for delisting, and also increased more than expected as a result of the major investments earmarked for portfolio objectives and due to the increase in working capital necessary to support the aforementioned procurement difficulties.

Turnover as at 30 June 2022 amounted to 369 million Euros, up 19.12% compared to the same period of the previous year (310 million Euros), thanks to a solid orders' portfolio, as stated in the introduction.

Turnover of the Drivelines - DriveTech Business Area reported a positive performance, (+25.6%), while it decreased in the Vehicles - Agritalia Business Area (-13.0%) compared to the previous year, due to difficulties in sourcing materials, with the sector affected to a greater extent than the Drivelines segment during the period.

In line with 2021, India was the leading geographic area for sales, followed by North America, the most important traditional market.

EBITDA as at 30 June 2022 amounted to 26.1 million Euros, accounting for 7.1% of turnover, and up in absolute terms, but not in percentage terms, compared to the figure of 24.2 million Euros (7.8% of turnover), as at 30 June 2021. EBIT as at 30 June 2022 stood at 13.1 million Euros, (3.5% of turnover), down on the previous year's figure of 14.1 million Euros (4.6% of turnover).

The half year closed with a loss of -1.4 million (-0.4% of turnover), performing worse than the same period of 2021 (2.2 million Euros, 0.7% of turnover). The effect in the accounts due to hyperinflation on the Argentine subsidiary had an impact (1.131 million, 0.3%).

The consolidated net financial position of operations as at 30 June 2022 was negative at 223.122 million Euros, a deterioration - as expected - compared to 31 December 2021 (negative at 152.913 million Euros) and 30 June 2021 (negative at 138.259 million Euros), for the reasons already stated.

The summary figures will be broken down in the specific paragraphs below.

Carraro's social responsibility

During the first half of 2022, the Group continued its commitment to support a management based on sustainability, launching the activities set out in its 2021-2025 Strategic Plan. Environmental and social responsibility, and business ethics were confirmed as key topics and necessary objectives, embedded in business activities.

SIGNIFICANT EVENTS DURING THE PERIOD

On 31 January 2022, the Board of Directors of Carraro Finance SA approved the issue of a senior unsecured bond, guaranteed by Carraro spa, with a nominal value of between 100 and 120 million Euros and a rate of no less than 2.75%, to refinance and optimise existing debt and liquidity. Due to the outbreak of war between Russia and Ukraine at the same time as the offer being launched, Carraro Finance SA withdraw the offer on 24 February 2022, due to the sudden change in the scenario and international geopolitical situation.

On 1 January 2022, the reverse merger by absorption of Fly S.r.l. with Carraro S.p.A., which resulted in the "transfer of control" of the latter, became effective for accounting purposes. Consequently, the Merger must be treated according to provisions concerning Business Combinations contained in IFRS 3. Due to the effect of the principle of substance prevailing over form, according to IFRS 3, in the case of a reverse merger, "for accounting purposes" the company identified as the acquirer is the company which in "legal" terms ceased to exist (Fly S.r.l.), while the company recognised as being acquired in accounting terms is the company identified as the incorporating entity in legal terms (Carraro S.p.A.). To record the cost incurred by the merged entity Fly S.r.l. (acquirer) for the acquisition of Carraro S.p.A. (acquiree), [*purchase price allocation*], in the accounts, some experts were appointed to evaluate the fair value of the assets and liabilities acquired by Carraro S.p.A. and all values were recorded as final in the interim financial statements, a part from tangible assets, whose data will be recorded in the second half of the year, as the evaluation of the Indian and Chinese subsidiaries could not be completed due to restrictions on movement related to the COVID pandemic. Following the reverse merger, the loan for 63 million Euros taken out by FLY Srl with BPM for the purpose of the delisting was repaid.

On 3 February 2022, Carraro and the long-time business partner Claas signed a new agreement for the development and production of special tractors, as well as the supply of tractor axles and gears. The collaboration will also include the mutual transfer of knowledge and exchange of expertise in the areas of human capital and best practices in sustainability.

SUBSEQUENT EVENTS

There are no events to report.

EXPECTED BUSINESS OUTLOOK 2022

At present, the portfolio's visibility points to positive trend, confirming forecasts and which should facilitate a significant increase in turnover in the second half of the year The overall performance of the Group will, however, be affected by the persistence of the difficulties related to the macroeconomic framework that impacted the first part of the year.

The management is carefully monitoring the complex geopolitical situation generated by the conflict between Russia and Ukraine and at the same time is putting into practice all the measures aimed at limiting its effects, especially in reference to the impacts that this contingency is having, and will have, on the raw material market - both in terms of availability of the same, and in terms of higher costs - as well as the heavy increases that are being recorded in the energy sector.

As regards business opportunities, the Group is adopting an approach based on a strong diversification in the quality gears and automotive axles segments - the two business areas which are expanding most, with major investments being made to set up the production units.

E-MARKET SDIR CERTIFIED

TREASURY SHARES

As at 30 June 2022, the company held 2,626,988 treasury shares for a total investment of 6.666 million Euros.

ECONOMIC AND EQUITY DATA

Turnover

The Group's turnover as at 30 June 2022 amounted to 369.271 million Euros, up by 19.12% compared to the turnover for the same period in 2021, equal to 309.988 million Euros.

The following table breaks down turnover from third parties and related parties by geographical area:

(amounts in Euro thousands)	**30.06.2022**	**%**	**30.06.2021 (*)**	**%**	**Diff. 2022-21 %**
India	60,777	16.46%	49,512	15.97%	22.75%
North America	53,662	14.53%	28,073	9.06%	91.15%
China	32,654	8.84%	18,031	5.82%	81.10%
Germany	31,956	8.65%	32,496	10.48%	-1.66%
South America	26,890	7.28%	20,099	6.48%	33.79%
Turkey	22,490	6.09%	18,357	5.92%	22.51%
United Kingdom	12,879	3.49%	13,331	4.30%	-3.39%
France	12,695	3.44%	17,238	5.56%	-26.35%
Sweden	6,985	1.89%	5,365	1.73%	30.20%
Belgium	4,813	1.30%	4,000	1.29%	20.33%
Other EU areas	25,943	7.03%	33,969	10.96%	-23.63%
Other non-EU areas	6,729	1.82%	6,742	2.17%	-0.19%
Total Abroad	**298,473**	**80.83%**	**247,213**	**79.75%**	**20.74%**
Italy	70,798	19.17%	62,775	20.25%	12.78%
Total	**369,271**	**100.00 %**	**309,988**	**100.00 %**	**19.12%**
of which:					
Total EU area	**142,384**	**38.56%**	**141,087**	**45.51%**	**0.92%**
Total non-EU area	**226,887**	**61.44%**	**168,901**	**54.49%**	**34.33%**

(*) The figures refer to the condensed half-yearly consolidated financial statements of the Carraro Group before the merger with Fly S.r.l.

The Group sells to the production sites of OEM clients that may reside in different countries from those of the end users of their products.

In line with previous years, India ranked first in the period, followed by North America. China recorded an increase, for the reasons explained in the market analysis.

EBITDA and EBIT

EBITDA as at 30 June 2022 stood at 26.058 million Euros (7.1% of turnover), up 7.9% compared to the same ratio in the previous year (24.159 million Euros, 7.8% of turnover).EBIT as at June 2022 amounted to 13.105 million Euros (3.5% of turnover), down 7.1% compared to 14.106 million Euros (4.6% of turnover) in 2021.

(amounts in Euro thousands)

	30.06.22	% of turnover	30.06.21 (*)	% of turnover	Diff. %
EBITDA	26,058	7.1	24,159	7.8	7.9
Restructuring costs	27		1,073		
ADJUSTED EBITDA	26,085	7.1	25,232	8.1	3.4

(amounts in Euro thousands)

	30.06.22	% of turnover	30.06.21 (*)	% of turnover	Diff. %
EBIT	13,105	3.5	14,106	4.6	-7.1
Restructuring costs	27		1,073		
ADJUSTED EBIT	13,132	3.6	15,179	4.9	-13.5

(*) The figures refer to the condensed half-yearly consolidated financial statements of the Carraro Group before the merger with Fly S.r.l.

Consolidated margins in terms of EBITDA increased compared to previous year, while EBIT decreased: higher amortisation and depreciation, arising from purchase price allocation, had an impact on these margins.
Non-recurrent items in 2022 were marginal and concern the Argentine subsidiary. As at 30 June 2021, non-recurrent items (Euro 1 million) mainly refer to the restructuring of Carraro Brazil.

Amortisation, depreciation and impairment of fixed assets

(amounts in Euro thousands)

	30.06.22	% of turnover	30.06.21 (*)	% of turnover	Diff. %
Amortisation, depreciation and impairment of fixed assets	**12,953**	**-3.5**	**10,053**	**-3.2**	**28.8**

(*) The figures refer to the condensed half-yearly consolidated financial statements of the Carraro Group before the merger with Fly S.r.l.

Amortisation and depreciation in the half year amounted to 12.963 million Euros (-3.5% of turnover), an increase compared to 10.053 million Euros (-3.2% of turnover) in 2021, due mainly to their effect on PPA capital gains.

Net financial expenses

(amounts in Euro thousands)

	30.06.22	% of turnover	30.06.21 (*)	% of turnover	Diff. %

Net financial expenses	**-8,771**	**-2.4**	**-8,458**	**-2.7**	**-3.7**

(*) The figures refer to the condensed half-yearly consolidated financial statements of the Carraro Group before the merger with Fly S.r.l.

Net financial expenses increased from 8.458 million Euros of the previous year (-2.7% of turnover) to 8.771 million Euros in the first half of 2022 (-2.4% of turnover), basically in line with the first half of the previous year, but higher than expectations, as it was not possible to proceed with the issue of the new bond for refinancing and debt reduction purposes, due to the outbreak of the war between Russia and Ukraine, as explained in the section on significant events.

In addition, financial expenses also include the fees paid on the bond issue that are absorbed along the bond amortisation schedule in application of the amortised cost method of accounting.

Net profit/(loss)

The first half of 2022 ended with a loss of -1.366 million Euros (-0.4% of turnover); as at 30 June 2021, the Carraro Group, before the merger with Fly S.r.l., had recorded a profit of 2.243 million Euros (0.7% of turnover);

(amounts in Euro thousands)

	30.06.22	% of turnover	30.06.21 (*)	% of turnover	Diff. %
EARNINGS BEFORE TAX	**2,582**	**0.7**	**6,192**	**2.0**	**-58.3**
Current and deferred income taxes	-3,660	1.0	-3,439	-1.11	
Profit/(loss) pertaining to minorities	288	0.1	-510	-0.16	
NET GROUP PROFIT/(LOSS)	**-1,366**	**-0.4**	**2,243**	**0.72**	**no.**

(*) The figures refer to the condensed half-yearly consolidated financial statements of the Carraro Group before the merger with Fly S.r.l.

The net result takes into consideration the effect of the hyperinflation on the Argentine subsidiary (1.131 million, 0.3%).

Investments

(amounts in Euro thousands)

	30.06.22	30.06.21 (*)
Investments	18,379	11,231

(*) The figures refer to the condensed half-yearly consolidated financial statements of the Carraro Group before the merger with Fly S.r.l.

In the first half of 2022, the Group upped its pace with investments, to promote an increase in production capacity necessary to support portfolio objectives. Investments at 30.6.22 amounted to 18.379 million Euros, in considerable increase compared to 11.231 million Euros at 30.6.21.

Net financial position of operations

(amounts in Euro thousands)

	30.06.22	31.12.21 (*)	30.06.21 (*)
Net financial position of operations	**-223,122**	**-152,913**	**-138,259**

(*) The figures refer to the condensed half-yearly consolidated financial statements of the Carraro Group before the merger with Fly S.r.l.

The consolidated net financial position at 30 June 2022 was negative at -223.122 million Euros, a deterioration compared to 31 December 2021 (negative at -152.913 million Euros), and to 30 June 2021 (negative at -138.259 million Euros), due to growing investments and the increase in stocks, as a result of a positive portfolio performance, and to manage the procurement difficulties, referred to previously, and also because of the repayment of FLY Srl's 63-million-Euro loan with BPM for the *delisting*, as a result of the merger.

ANALYSIS OF NET WORKING CAPITAL AT 30.06.2022

(amounts in Euro thousands)	30.06.22	31.12.21 (x)	30.06.21 (x)
Trade Receivables*	78,826	84,289	78,523
Closing inventory**	160,383	141,637	129,787
Trade payables***	-222,037	-206,628	-178,800
Net Working Capital of operations	**17,172**	**19,298**	**29,510**

(X) The figures refer to the condensed half-yearly consolidated financial statements of the Carraro Group before the merger with Fly S.r.l.

* for details of the item please refer to Note 12 of the Consolidated Interim Financial Statements

** for details of the item please refer to Note 13 of the Consolidated Interim Financial Statements

*** for details of the item please refer to Note 17 of the Consolidated Interim Financial Statements

Changes in Net Working Capital were heavily affected by the growth in the portfolio and previously mentioned procurement difficulties.

OTHER INFORMATION

The Group's perimeter includes 12 companies of which 6 are established and regulated in non-European Union countries, specifically in Argentina, China, India and the United States.

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Carraro S.p.A.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Carraro S.p.A. and subsidiaries (the "Carraro Group"), which comprise the statement of financial position as of June 30, 2022 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory and supplementary notes. The Directors are responsible for the preparation and fair presentation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not give a true and fair view of the financial position of the Carraro Group as at June 30, 2022, and of its financial performance and its cash flows for the six-month period then ended in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padova, Italy
September 27, 2022

This report has been translated into the English language solely for the convenience of international readers.

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