

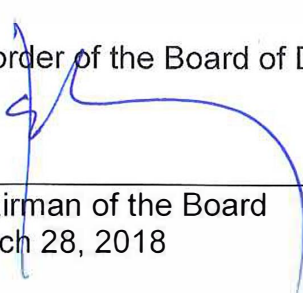
**Legal and Financial Information**

**DIRECTORS' RESPONSIBILITY STATEMENT**

We confirm to the best of our knowledge that:

1. the annual accounts of **CARRARO INTERNATIONAL S.E.** presented in this Annual Report and established in conformity with measurement and recognition criteria of the financial reporting framework in Luxembourg give a true and fair view of the assets, liabilities, financial position and profit of **CARRARO INTERNATIONAL S.E.** at 31 December 2017; and
2. the management report includes a fair review of the development and performance of the business and position of **CARRARO INTERNATIONAL S.E.** at 31 December 2017 and a description of the principal risks and uncertainties they face.

By order of the Board of Directors



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Chairman of the Board  
March 28, 2018

**Carraro International S.E.**  
**Société Européenne**

**Annual accounts**  
**as at December 31, 2017**

15, rue des Bains  
L-1212 Luxembourg  
**R.C.S. Luxembourg : B 68 721**

# **Carraro International S.E.**

## **Société Européenne**

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# **Carraro International S.E. Société Européenne**

## **Directors' Management Report to the Annual General Meeting of Shareholder**

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Dear Shareholder,

We have the pleasure to submit to your approval the Annual Accounts of the financial year ended December 31, 2017.

### **GENERAL DATA AND COMMENTS FOR THE CARRARO GROUP**

#### **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).

In the framework of the strategic plan aimed to refocus the Group on its core business, in November 2016 a 51% stake of Elettronica Santerno S.p.A. was sold to Enertronica S.p.A., an Italian company specialising in power electronics.

Following the above mentioned reorganization, the Group's activities are currently divided into two Business Areas:

- **Drive systems**

Through the subsidiaries Carraro Drive Tech and SIAP, 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 gears for very diverse sectors, from the automotive industry to material handling, agricultural applications and construction equipment.

- **Tractors**

Through the subsidiary Carraro Agritalia, the Group designs and manufactures special tractors (for vineyards and orchards from 60 to 100 hp) for third-party brands, namely John Deere, Massey Ferguson and Claas, as well as a specialist own-brand range; Agritalia also provides engineering services for the design of innovative tractor ranges.

#### **Reference markets**

##### ***Agriculture***

2017 closes with growing volumes at the global level, in sharp contrast with the last three years. Vehicle demand gradually strengthened over the course of the year, helping to increase the positive expectations of all operators in the sector. This growth is sustained by the increase in the price of raw materials: the increased income has facilitated the renewal of the machinery park by agricultural entrepreneurs.

##### ***Construction equipment***

After recent years have been showing negative trends, with a particular slowdown in the latter part of the last year 2016 due to a weaker macroeconomic scenario, the year 2017 finally shows much better results than 2016.

# **Carraro International S.E.**

## **Société Européenne**

### ***Research and Innovation***

In line with the new 2017-2021 Business Plan, presented to the financial community in September 2017, Carraro maintains its focus on R&D activities with particular reference to the development of innovative and specialized tractors with a view to balancing the presence in the geographic areas of the world with the highest development potential. In particular, costs for R&D activities amounting to about 3.6% of turnover were incurred in 2017 (compared to 2.5% in 2016) and further investments of 90 million euros are expected in the near future.

### **SUMMARY OF THE FINANCIAL YEAR 2017 FOR THE CARRARO GROUP**

The financial year 2017 shows results above expectations, both for turnover and for all other profitability indicators. Thanks to the now tangible and consolidated effects resulting from the reorganization and refocusing on the core business, Carraro group finally leaves behind the most complex period of its history and can look to the future and to ambitious objectives with renewed energy, dimension and competitiveness. Key factors of this result are the attention to the technological challenges accompanied by the effort dedicated in the last years to the optimization of the industrial organization and the productive factors.

In particular the Group's continuous commitment to Research and Development for which 140 million have been invested in the last ten years and 90 million are expected in the near future, today guarantees a solid position in a new dimension of technological competitiveness. This success starts from the finalization of a renewed range of products, created with a strong focus on cost control, as well as the standardization of the manufacturing process.

Following the above, a virtuous circle affects the consolidated profitability and margins are clearly improving both in absolute terms and as a percentage of sales.

### **FORECAST OF THE GROUP FOR THE YEAR 2018**

For the year 2018, sales volumes are expected to improve compared to 2017. As for the drivelines segment, the margin will be partially influenced by the dynamics of raw material prices and the related transformation costs. This effect is expected to be reabsorbed within the first half of the year. With regard to tractors segment, 2018 will see the start of production of a new range of engineered tractors with the consequent difficulties typical of the launch of the new series.

### **SIGNIFICANT EVENTS FOR THE GROUP IN FINANCIAL YEAR 2017**

On 5 June 2017, following the clearance given by Consob to the publication of the prospectus in May, the capital increase of Carraro Spa underwritten at 100% for a total of 54 million euro was completed. The first tranche of euro 34 million had already been signed by the shareholders during 2016.

In June 2017, according to a joint venture agreement with Shandong Juming Group, Carraro invested in the newco Agriming Agriculture Equipment Co. Ltd which will focus on the production of agricultural tractors for the Chinese market with the support of Carraro China, which will become strategic supplier of axles and transmissions.

In September 2017 the new Business Plan 2017-2021 was presented to the financial community, which confirms Carraro as the only player able to provide innovative technological solutions for off-highway machines as well as complete agricultural tractors. The strategic objectives of the plan are: the focus on the development of innovative transmissions, as well as specialized tractors, the

# **Carraro International S.E.**

## **Société Européenne**

balancing of the presence within the emerging geographical areas (India, China, South America, Turkey and Russia) according to the expected significant increase of the population, the acceleration and consolidation of the World Manufacturing Excellence Program thanks to the successful optimization of the production platform according to a local for local strategy and the ongoing evolution of manufacturing processes, the continuous search for new efficient solutions such as electric and hybrid ones. Financial targets of the Business Plan are: consolidated turnover for 2021 at € 670 mln with a CAGR 2016-2021 of 3.7% compared to € 558 mln in 2016, EBITDA at € 75 million (11.2% of turnover) , compared to 48 million euros in 2016 (8.6% of turnover), the Net Financial Position in 2021 reduced to 91 million euros, compared to 183 million in 2016.

### **CARRARO INTERNATIONAL S.E.**

The financial year 2017 closes with a profit of EUR 10.480.122,32 compared to a loss of EUR 6.424.986,28 as at December 31, 2016. The total balance sheet for financial year 2017 shows an amount of EUR 164.159.397,38 compared to EUR 162.904.275,05 for year 2016.

### **Financing activity**

During 2017 the Company pursued its financing activity, as provided for by its corporate object, according to its policy aimed to profitability and to financial support to the companies of the Group. In this framework, the agreements for the loans granted to affiliated undertakings have been amended in order to align their maturity to the financial needs of the counterparties (from short term to medium/long term) It is important to stress that the financial activity performed by the Company shows profitable returns.

As at December 31, 2017 bank indebtedness including interest amounts to EUR 139,21 million (EUR 152.47 million for 2016). The medium/long-term indebtedness amounts to EUR 102,79 million (EUR 119.55 million for 2016) while the short-term principal indebtedness amounts to EUR 36,42 million (EUR 32,91 million for 2016) .

As at December 31, 2017 the Company granted loans and credit facilities to affiliated undertakings for a total amount (interest and fees included) of EUR 93,87 million (EUR 107,14 million in 2016).

During 2017, the Company continued to provide many companies of the Group with general and specific financial services. As at December 31, 2017, the income from such activity amounts to EUR 0,299 million (EUR 0,284 million in 2016).

### **Financial results**

As far as the results of the Company are concerned, the total income as at December 31, 2017 amounts to EUR 18.581.173,04 (EUR 14.086.952,81 in 2016).

As at December 31, 2017, the total income of the Company mainly consists of:

- Net Turnover amounting to EUR 299.948,95 (EUR 284.615,48 in 2016) and representing the net turnover in relation to financial services rendered to affiliated undertakings and group companies.
- Other operating income of a total amount of EUR 12.101,04 (EUR 14.178,90 in 2016).
- Other income from participating interest from affiliated undertakings for an amount of EUR 12.664.550,09,- represented by a dividend from participations (EUR 4.941.561,86 in 2016)
- Other interest receivable and similar income for a total amount of EUR 4.163,47 (EUR

# Carraro International S.E.

## Société Européenne

1.173.516,18 in 2016) concerning interest from affiliated undertakings and interest on bank current accounts and term deposits.

- Other income from other investments and loans forming part of the fixed assets from affiliated undertakings amounting to EUR 5.600.409,49 (EUR 7.673.080,39 in 2016) which is related to interest and fees received on loans and credit facilities granted to affiliated undertakings and group companies.

The charges of the Company for the financial year 2017 amounts to EUR 8.101.050,72 (EUR 20.511.939,09 in 2016) and mainly consists of:

- Other external charges totalling EUR 1.062.786,37 (EUR 3.441.874,94 in 2016) and which are mainly related to banking and similar services.
- Bank interest and similar charges of an amount of EUR 4.778.887,82 (EUR 4.486.321,38 in 2016).
- Staff costs including Social Security costs amounting to EUR 260.351,85 (EUR 226.635,85 in 2016)
- Extraordinary charges amounting to EUR 1.624.178,78 (EUR 10.897.892,49 in 2016)
- Tax on profit of a total amount of EUR 143.701,27 (EUR 18.249,54 in 2016) which are mainly related to value adjustments.

As a result of the foregoing, the financial year 2017 closes with a profit of EUR 10.480.122,32 compared to a loss of EUR 6.424.986,28 as at December 31, 2016. Considering the loss brought forward from the previous year amounting to EUR 8.262.718,80 (following the reduction of capital which partially covered losses brought forward) the total outstanding profit amounts to EUR 2.217.403,52 which we therefore propose you to allocate as follows:

<b>Allocation of results</b>	<b>EUR</b>
Results brought forward as at December 31, 2016	-26.455.732,52
Results of the financial year 2016	-6.424.986,28
Reduction of capital on November 7, 2017	25.818.000,00
Interim dividend distributed on December 22, 2017	-1.200.000,00
<b>Outstanding results as at December 31, 2016</b>	<b>-8.262.718,80</b>
Results of the financial year 2017	10.480.122,32
<b>Results to be carried forward</b>	<b>2.217.403,52</b>

### Important events

#### Joint-venture in China

In June 2017, thanks to the joint venture agreement with Shandong Juming Group, the Company invested in the newco Agriming Agriculture Equipment Co. Ltd which will focus on the production of agricultural tractors for the Chinese market with the support of Carraro China, which will become strategic supplier of axles and transmissions.

#### Reduction of the share capital

The subscribed capital was reduced from Eur 39.318.000,- to Eur 13.500.000,- following an Extraordinary General Meeting of Shareholders held on November 7, 2017 approving the cancellation of 25.818 shares having a nominal value of Eur 1.000,- each in order to cover losses accumulated by the Company.

# Carraro International S.E. Société Européenne

Luxembourg and Italian stock exchange (the “Notes”).

The Notes have:

- a denomination of €1.000,- each;
- an issue price of 100.00 per cent. of their principal amount;
- an interest rate of 3.50 per cent. per annum;
- a maturity date at 31 January 2025.

Carraro S.p.A. will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes.

## *Bank indebtedness*

An agreement with Banco Popolare di Milano was entered into by the Company concerning a financing facility to be provided for a maximum amount of Eur 100.000.000,- but not drawn yet.

## Migration of the Company to Italy

On January 3, 2018, the Company’s board of directors resolved to transfer the Company’s registered office from Luxembourg to Italy. The transfer proposal was published in the *Recueil Électronique des Sociétés et Associations* on January 17, 2018 (the “**Publication**”). A shareholder’s meeting will be held after two months of the date of the Publication and the Sole shareholder of the Company intends to approve the transfer. Following the shareholder meeting, provided that the transfer is approved by its shareholders, the Company is required to publish its new registered office in the Italian companies register and remove its Luxembourg office from the Luxembourg companies register. The Company expects the transfer of its registered office to Italy (the “**Transfer**”) to be completed and effective during the course of March 2018.

At the moment of the migration of the Company it is envisaged to open a Luxembourg branch of the Company having its registered office in Italy.

The transfer of the registered office of the Company would be effective vis-à-vis third parties, excluding shareholders, as from the date of the publication of the new registration of the Company in Italy.

However, as long as the deletion of the registration from the register for its previous registered office has not been publicised, third parties may continue to rely on the previous registered office, unless the Company proves that such third parties were aware of the new registered office.

No other subsequent events occurred which may have an impact on the Annual Accounts 2017.

We hereby ask you to approve the annual accounts for the year ended December 31, 2017 as submitted and to grant to the Directors and to the Auditors discharge for the execution of their mandates during the financial year under review.

Luxembourg, March 27, 2018

On behalf of the Board of Directors

  
\_\_\_\_\_  
Federico FRANZINA



To the Sole Shareholders of  
**Carraro International S.E.**  
15, rue des Bains  
L-1212 Luxembourg

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

### Report on the Audit of the Annual Accounts

#### Opinion

We have audited the annual accounts of Carraro International S.E. (the « Company »), which comprise the balance sheet as at December 31, 2017, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts present fairly, in all material respects the financial position of the Company as at December 31, 2017, and of the results of its operations for the year then in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

#### Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier* (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of *Réviseur d'Entreprises Agréé* for the Audit of the Annual Accounts" section of our report. We are also independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information stated in the director's report but does not include the annual accounts and our report of the *Réviseur d'Entreprises Agréé* thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

## **Responsibilities of the Board of Directors for the annual accounts**

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Responsibilities of the *Réviseur d'Entreprises Agréé* for the Audit of the Annual Accounts**

The objectives of our audit are to obtain a reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of *Réviseur d'Entreprises Agréé* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of *Réviseur d'Entreprises Agréé* to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of *Réviseur d'Entreprises Agréé*. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Deloitte Audit, *Cabinet de Révision Agréé*



Marco Crosetto, *Réviseur d'Entreprises Agréé*  
Partner

March 28, 2018

**Annual Accounts Helpdesk :**

**Tel. : (+352) 247 88 494**  
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RCSL Nr. : B68721

Matricule : 1999 2203 555

eCDF entry date :

**BALANCE SHEET**

**Financial year from** <sub>01</sub> 01/01/2017 **to** <sub>02</sub> 31/12/2017 (in <sub>03</sub> EUR )

CARRARO INTERNATIONAL S.E.

15, Rue des Bains  
L-1212 Luxembourg

**ASSETS**

	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
<b>B. Formation expenses</b>	1107 _____	107 _____	108 _____
<b>C. Fixed assets</b>	1109 _____	109 <u>45.622.284,59</u>	110 <u>39.740.175,24</u>
I. Intangible assets	1111 _____	111 <u>12.483,82</u>	112 <u>25.001,94</u>
1. Costs of development	1113 _____	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 _____	115 <u>12.483,82</u>	116 <u>25.001,94</u>
a) acquired for valuable consideration and need not be shown under C.I.3	1117 _____ <u>Note 3</u>	117 <u>12.483,82</u>	118 <u>25.001,94</u>
b) created by the undertaking itself	1119 _____	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 _____	121 _____	122 _____
4. Payments on account and intangible assets under development	1123 _____	123 _____	124 _____
II. Tangible assets	1125 _____	125 _____	126 _____
1. Land and buildings	1127 _____	127 _____	128 _____
2. Plant and machinery	1129 _____	129 _____	130 _____

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	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	131	132
4. Payments on account and tangible assets in the course of construction	1133	133	134
<b>III. Financial assets</b>	1135	45.609.800,77	39.715.173,30
1. Shares in affiliated undertakings	1137 <u>Note 4</u>	137 38.799.123,55	138 39.685.031,06
2. Loans to affiliated undertakings	1139	139	140
3. Participating interests	1141 <u>Note 4</u>	141 6.780.534,98	142
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143	143	144
5. Investments held as fixed assets	1145 <u>Note 5</u>	145 30.142,24	146 30.142,24
6. Other loans	1147	147	148
<b>D. Current assets</b>	1151	151 116.916.265,05	152 121.664.535,76
<b>I. Stocks</b>	1153	153	154
1. Raw materials and consumables	1155	155	156
2. Work in progress	1157	157	158
3. Finished goods and goods for resale	1159	159	160
4. Payments on account	1161	161	162
<b>II. Debtors</b>	1163	163 93.910.289,26	164 107.345.340,26
1. Trade debtors	1165	165	166 0,00
a) becoming due and payable within one year	1167	167	168 0,00
b) becoming due and payable after more than one year	1169	169	170
2. Amounts owed by affiliated undertakings	1171 <u>Note 6</u>	171 93.873.280,11	172 107.145.571,14
a) becoming due and payable within one year	1173	173 93.873.280,11	174 30.482.717,72
b) becoming due and payable after more than one year	1175	175	176 76.662.853,42
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177	177	178
a) becoming due and payable within one year	1179	179	180
b) becoming due and payable after more than one year	1181	181	182
4. Other debtors	1183 <u>Note 7</u>	183 37.009,15	184 199.769,12
a) becoming due and payable within one year	1185	185 37.009,15	186 199.769,12
b) becoming due and payable after more than one year	1187	187	188

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	Reference(s)	Current year	Previous year
III. Investments	1189 _____	189 _____	190 _____
1. Shares in affiliated undertakings	1191 _____	191 _____	192 _____
2. Own shares	1209 _____	209 _____	210 _____
3. Other investments	1195 _____	195 _____	196 _____
IV. Cash at bank and in hand	1197 _____	197 <u>23.005.975,79</u>	198 <u>14.319.195,50</u>
<b>E. Prepayments</b>	1199 <u>Note 8</u>	199 <u>1.620.847,74</u>	200 <u>1.499.564,05</u>
<b>TOTAL (ASSETS)</b>		201 <u>164.159.397,38</u>	202 <u>162.904.275,05</u>

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**CAPITAL, RESERVES AND LIABILITIES**

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>	1301 <u>Note 9</u>	301 <u>17.727.355,53</u>	302 <u>8.447.233,21</u>
I. Subscribed capital	1303 _____	303 <u>13.500.000,00</u>	304 <u>39.318.000,00</u>
II. Share premium account	1305 _____	305 _____	306 _____
III. Revaluation reserve	1307 _____	307 _____	308 _____
IV. Reserves	1309 _____	309 <u>2.009.952,01</u>	310 <u>2.009.952,01</u>
1. Legal reserve	1311 _____	311 <u>1.214.402,01</u>	312 <u>1.214.402,01</u>
2. Reserve for own shares	1313 _____	313 _____	314 _____
3. Reserves provided for by the articles of association	1315 _____	315 _____	316 _____
4. Other reserves, including the fair value reserve	1429 _____	429 <u>795.550,00</u>	430 <u>795.550,00</u>
a) other available reserves	1431 _____	431 _____	432 _____
b) other non available reserves	1433 _____	433 <u>795.550,00</u>	434 <u>795.550,00</u>
V. Profit or loss brought forward	1319 _____	319 <u>-7.062.718,80</u>	320 <u>-26.455.732,52</u>
VI. Profit or loss for the financial year	1321 _____	321 <u>10.480.122,32</u>	322 <u>-6.424.986,28</u>
VII. Interim dividends	1323 _____	323 <u>-1.200.000,00</u>	324 _____
VIII. Capital investment subsidies	1325 _____	325 _____	326 _____
<b>B. Provisions</b>	1331 <u>Note 10</u>	331 <u>128.189,85</u>	332 <u>645.432,63</u>
1. Provisions for pensions and similar obligations	1333 _____	333 _____	334 _____
2. Provisions for taxation	1335 _____	335 <u>128.189,85</u>	336 <u>645.432,63</u>
3. Other provisions	1337 _____	337 _____	338 _____
<b>C. Creditors</b>	1435 _____	435 <u>146.258.749,54</u>	436 <u>153.235.461,67</u>
1. Debenture loans	1437 _____	437 _____	438 _____
a) Convertible loans	1439 _____	439 _____	440 _____
i) becoming due and payable within one year	1441 _____	441 _____	442 _____
ii) becoming due and payable after more than one year	1443 _____	443 _____	444 _____
b) Non convertible loans	1445 _____	445 _____	446 _____
i) becoming due and payable within one year	1447 _____	447 _____	448 _____
ii) becoming due and payable after more than one year	1449 _____	449 _____	450 _____
2. Amounts owed to credit institutions	1355 <u>Note 11</u>	355 <u>139.214.670,65</u>	356 <u>152.469.070,09</u>
a) becoming due and payable within one year	1357 _____	357 <u>36.421.942,82</u>	358 <u>32.914.605,64</u>
b) becoming due and payable after more than one year	1359 _____	359 <u>102.792.727,83</u>	360 <u>119.554.464,45</u>

The notes in the annex form an integral part of the annual accounts

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Matricule : 1999 2203 555

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks	1361 _____	361 _____	362 _____
a) becoming due and payable within one year	1363 _____	363 _____	364 _____
b) becoming due and payable after more than one year	1365 _____	365 _____	366 _____
4. Trade creditors	1367 _____	367 _____	368 _____
a) becoming due and payable within one year	1369 _____	369 _____	370 _____
b) becoming due and payable after more than one year	1371 _____	371 _____	372 _____
5. Bills of exchange payable	1373 _____	373 _____	374 _____
a) becoming due and payable within one year	1375 _____	375 _____	376 _____
b) becoming due and payable after more than one year	1377 _____	377 _____	378 _____
6. Amounts owed to affiliated undertakings	1379 _____ <b>Note 12</b>	379 _____ <b>6.628.721,20</b>	380 _____ <b>394.734,23</b>
a) becoming due and payable within one year	1381 _____	381 _____ <b>6.628.721,20</b>	382 _____ <b>394.734,23</b>
b) becoming due and payable after more than one year	1383 _____	383 _____	384 _____
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385 _____	385 _____	386 _____
a) becoming due and payable within one year	1387 _____	387 _____	388 _____
b) becoming due and payable after more than one year	1389 _____	389 _____	390 _____
8. Other creditors	1451 _____	451 _____ <b>415.357,69</b>	452 _____ <b>371.657,35</b>
a) Tax authorities	1393 _____ <b>Note 13</b>	393 _____ <b>40.891,13</b>	394 _____ <b>147.417,42</b>
b) Social security authorities	1395 _____ <b>Note 13</b>	395 _____ <b>14.900,91</b>	396 _____ <b>13.356,47</b>
c) Other creditors	1397 _____ <b>Note 14</b>	397 _____ <b>359.565,65</b>	398 _____ <b>210.883,46</b>
i) becoming due and payable within one year	1399 _____	399 _____ <b>359.565,65</b>	400 _____ <b>210.883,46</b>
ii) becoming due and payable after more than one year	1401 _____	401 _____	402 _____
<b>D. Deferred income</b>	1403 _____	403 _____ <b>45.102,46</b>	404 _____ <b>576.147,54</b>
<b>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</b>		405 _____ <b>164.159.397,38</b>	406 _____ <b>162.904.275,05</b>



**Annual Accounts Helpdesk :**

**Tel. : (+352) 247 88 494**  
**Email : centralebilans@statec.etat.lu**

RCSL Nr. : B68721

Matricule : 1999 2203 555

eCDF entry date :

**PROFIT AND LOSS ACCOUNT**

**Financial year from** 01 01/01/2017 **to** 02 31/12/2017 (in 03 EUR )

CARRARO INTERNATIONAL S.E.

15, Rue des Bains  
L-1212 Luxembourg

**PROFIT AND LOSS ACCOUNT**

	Reference(s)	Current year	Previous year
<b>1. Net turnover</b>	1701 <u>Note 15</u>	701 <u>299.948,95</u>	702 <u>284.615,48</u>
<b>2. Variation in stocks of finished goods and in work in progress</b>	1703 _____	703 _____	704 _____
<b>3. Work performed by the undertaking for its own purposes and capitalised</b>	1705 _____	705 _____	706 _____
<b>4. Other operating income</b>	1713 <u>Note 16</u>	713 <u>12.101,04</u>	714 <u>14.178,90</u>
<b>5. Raw materials and consumables and other external expenses</b>	1671 _____	671 <u>-1.065.514,85</u>	672 <u>-3.445.010,77</u>
a) Raw materials and consumables	1601 _____	601 <u>-2.728,48</u>	602 <u>-3.135,83</u>
b) Other external expenses	1603 <u>Note 17</u>	603 <u>-1.062.786,37</u>	604 <u>-3.441.874,94</u>
<b>6. Staff costs</b>	1605 <u>Note 18</u>	605 <u>-260.351,85</u>	606 <u>-226.635,85</u>
a) Wages and salaries	1607 _____	607 <u>-236.741,54</u>	608 <u>-206.373,25</u>
b) Social security costs	1609 _____	609 <u>-23.610,31</u>	610 <u>-20.262,60</u>
i) relating to pensions	1653 _____	653 _____	654 _____
ii) other social security costs	1655 _____	655 <u>-23.610,31</u>	656 <u>-20.262,60</u>
c) Other staff costs	1613 _____	613 _____	614 _____
<b>7. Value adjustments</b>	1657 _____	657 <u>-12.518,12</u>	658 <u>-12.552,42</u>
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 <u>-12.518,12</u>	660 <u>-12.552,42</u>
b) in respect of current assets	1661 _____	661 _____	662 _____
<b>8. Other operating expenses</b>	1621 _____	621 <u>-215.674,05</u>	622 <u>-291.052,51</u>

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B68721

Matricule : 1999 2203 555

	Reference(s)	Current year	Previous year
<b>9. Income from participating interests</b>	1715 <u>Note 19</u>	715 <u>12.664.550,09</u>	716 <u>4.941.561,86</u>
a) derived from affiliated undertakings	1717 _____	717 <u>12.664.550,09</u>	718 <u>4.941.561,86</u>
b) other income from participating interests	1719 _____	719 _____	720 _____
<b>10. Income from other investments and loans forming part of the fixed assets</b>	1721 <u>Note 20</u>	721 <u>5.600.409,49</u>	722 <u>7.673.080,39</u>
a) derived from affiliated undertakings	1723 _____	723 <u>5.600.409,49</u>	724 <u>7.673.080,39</u>
b) other income not included under a)	1725 _____	725 _____	726 _____
<b>11. Other interest receivable and similar income</b>	1727 <u>Note 21</u>	727 <u>4.163,47</u>	728 <u>1.173.516,18</u>
a) derived from affiliated undertakings	1729 _____	729 _____	730 <u>1.171.472,41</u>
b) other interest and similar income	1731 _____	731 <u>4.163,47</u>	732 <u>2.043,77</u>
<b>12. Share of profit or loss of undertakings accounted for under the equity method</b>	1663 _____	663 _____	664 _____
<b>13. Value adjustments in respect of financial assets and of investments held as current assets</b>	1665 _____	665 <u>-1.624.178,78</u>	666 <u>-10.897.892,49</u>
<b>14. Interest payable and similar expenses</b>	1627 <u>Note 22</u>	627 <u>-4.779.111,80</u>	628 <u>-5.620.545,51</u>
a) concerning affiliated undertakings	1629 _____	629 <u>-4.779.111,80</u>	630 <u>-5.573.256,63</u>
b) other interest and similar expenses	1631 _____	631 _____	632 <u>-47.288,88</u>
<b>15. Tax on profit or loss</b>	1635 _____	635 <u>-143.701,27</u>	636 <u>-18.249,54</u>
<b>16. Profit or loss after taxation</b>	1667 _____	667 <u>10.480.122,32</u>	668 <u>-6.424.986,28</u>
<b>17. Other taxes not shown under items 1 to 16</b>	1637 _____	637 _____	638 _____
<b>18. Profit or loss for the financial year</b>	1669 _____	669 <u>10.480.122,32</u>	670 <u>-6.424.986,28</u>

# Carraro International S.E.

## Société Européene

### NOTES TO THE ACCOUNTS

December 31, 2017

#### 1. GENERAL INFORMATION

Carraro International S.E. (the “**Company**”) is a Luxembourg company incorporated on February 10, 1999 as a “Société Anonyme” and was transformed in “Société Européene” following an Extraordinary General Meeting of Shareholders held on December 21, 2017.

The transformation process took effect starting from January 10, 2018, when the registration of the Company as “Société Européene” was made in the *Registre de Commerce et des Sociétés de Luxembourg*.

Its object remains the holding of participations in Luxembourg and/or in foreign companies, the holding of assets in the form of a portfolio of equity and debt securities, the acquisition of any licence and in general the administration, development and management of its portfolio and assets. The company may also perform, through its foreign affiliated companies or branches, the acquisition, the sale and the commercialization of products belonging to the mechanical and electronic industry and any other commercial, marketing, research, and engineering activity referred thereto.

For the avoidance of doubt, a “Société Européene” “**SE**” shall be governed:

1. by the European Regulation CE n.2157/2001 (the “**Regulation**”) as amended and supplemented from time to time;
2. where expressly authorised by the Regulation, by the provisions of its statutes;
3. in the case of matters not regulated by the Regulation or, where matters are partly regulated by it, of those aspects not covered by it, by:
  - the provisions of laws adopted by the member state in which its registered office is situated (i.e. Luxembourg) in implementation of Community measures relating specifically to SEs;
  - the provisions of member states' laws which would apply to a public limited-liability company formed in accordance with the law of the member state in which the SE has its registered office (i.e. Luxembourg);
  - the provisions of its statutes, in the same way as for a public limited-liability company formed in accordance with the law of the member state in which the SE has its registered office (i.e. Luxembourg).

Furthermore, the Company shall be governed by the rules applicable to public limited-liability companies under the law of the member state in which its registered office is situated (i.e. Luxembourg) as regards the preparation of its annual and, where appropriate, consolidated accounts including the accompanying annual report and the auditing and publication of those accounts.

On the basis of the criteria set out by Luxembourg law, the Company is exempted from establishing consolidated accounts for the year ended December 31, 2017. In accordance with article 1711-5 of the law of August, 10, 1915 and the amending laws in force, the said accounts were consequently presented on an unconsolidated basis for approval by the shareholders. The Company’s accounts are included in the consolidated accounts established by its ultimate parent company Carraro S.p.A., an Italian company, with registered office at Via Olmo, 37, I-35011 Campodarsego (PD), Italy. Since the financial year 2006, the consolidated accounts of Carraro S.p.A. are prepared in conformity with International Financing Reporting Standards as adopted by the European Union. They are available at the registered office of the Parent Company.

# **Carraro International S.E.**

## **Société Européene**

**NOTES TO THE ACCOUNTS**  
**December 31, 2017**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company maintains its books and records in EUR and these annual accounts have been prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand Duchy of Luxembourg and more specifically in accordance with the law of December 19, 2002, as amended.

#### **2.1 Basis of preparation**

The annual accounts have been prepared under the historical cost convention.

#### **2.2 Intangible assets**

Intangible assets are recorded at the acquisition cost and are amortised on a straight line basis according to the estimated number of years of useful life of the assets.

#### **2.3 Tangible assets**

Tangible assets are recorded at the acquisition cost and are amortised on a straight line basis according to the estimated number of years of useful life of the assets.

#### **2.4 Financial assets**

Participating interests and shares in affiliated undertakings are recorded at their acquisition price. The acquisition prices include charges and expenses in connection with the acquisition.

At the end of each financial year, a provision is made on the basis of an evaluation of each individual asset, for any permanent diminution in value which is considered to be an impairment of value.

"Affiliated undertakings" are investments in companies which are controlled either directly or indirectly by Carraro Group through voting rights, the rights to remove or appoint members of the board of directors or the control of the voting rights through an agreement and include Carraro S.p.A. itself (the ultimate parent company).

#### **2.5 Debtors and Non-subordinated debts**

Debtors and Non-subordinated debts are recorded at nominal value. Should a risk occur in relation to the recoverability of a specific receivable, an appropriate provision is made.

#### **2.6 Prepayments and accrued income**

The commissions and fees paid by the Company prior to and during 2017 and relating to subsequent financial years in connection with the facility agreements signed by the Company with several credit institutions (**Note 11**) are recorded as prepayments. The expenses are to be amortised on a straight line basis over the duration of each facility.

#### **2.7 Accruals and deferred income**

The fees received by the Company prior to and during 2017 and relating to subsequent financial years in connection with part of the medium term loans granted to affiliated undertakings and group companies are recorded as deferred income. The income is to be amortised on a straight line basis over the duration of each loan.

# Carraro International S.E.

## Société Européene

### NOTES TO THE ACCOUNTS

December 31, 2017

#### 2.8 Foreign currency translation

Transactions on currencies other than EUR are recorded at exchange rates prevailing at the transaction date.

Investments expressed in currencies other than EUR are translated into EUR at the exchange rates prevailing at the date of the transaction.

Claims and liabilities, expressed in currencies other than EUR are translated into EUR at year-end exchange rates unless the conversion would result in an unrealised exchange gain.

All unrealised and realised exchange loss and the realised exchange gain resulting from these conversions are accounted for in the profit and loss account whereas the unrealised exchange gains are not accounted for.

#### 2.9 Accruals basis

Income and expenses are recorded on the accruals basis; i.e. they are recorded in the period to which they relate independently of when they are received or paid.

#### 2.10 Provisions

Provisions for liabilities and charges are intended to cover losses or debts the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

#### 2.11 Net turnover

The net turnover comprises the amounts derived from the provision of financial services falling within the Company's ordinary activities), after deductions of sales rebates and of value added tax and other taxes directly linked to the turnover.

### 3. INTANGIBLE ASSETS (in Euro)

	2017	2016
<i>Cost</i>		
At the beginning of the year	37.554,36	50.072,48
Increase/decrease during the year	-12.552,42	-12.518,12
<i>At the end of the year</i>	<b>25.001,94</b>	<b>37.554,36</b>
<i>Amortization for the current year</i>	-12.518,12	-12.552,42
<b>Net book value at the end of the year</b>	<b>12.483,82</b>	<b>25.001,94</b>

The intangible assets mainly consist of software licenses purchased for the implementation of the Group Treasury system.

# Carraro International S.E. Société Européene

NOTES TO THE ACCOUNTS  
December 31, 2017

## 4. FINANCIAL ASSETS

### SHARES IN AFFILIATED UNDERTAKINGS (in Euro)

Affiliated company	% of ownership	Acquisition Cost	Net Book value at 31.12.16	Acquisition /Increase of the year	(Sale) / (Decrease of the year)	Write down of the year	Book value at 31.12.17
Carraro Drive Tech S.p.A. Via Olmo, 37 I-35011 Campodarsego (PD) –Italy	43,31	38.797.634,41	38.797.634,41	--	--	--	38.797.634,41
Gear World North America Inc. Virginia Beach (USA)	100	1.489,14	1.489,14	--	--	--	1.489,14
<b>Total</b>		<b>38.799.123,55</b>	<b>38.799.123,55</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>38.799.123,55</b>

### PARTICIPATING INTEREST (in Euro)

Participating Interest	% of ownership	Acquisition Cost	Net Book value at 31.12.16	Acquisition /Increase of the year	(Sale) / (Decrease of the year)	Write down of the year	Book value at 31.12.17
Elettronica Santerno S.p.A. Strada Statale Selice, 47 I-40026 Imola (BO) – Italy	21,6455	28.000.000,00	885.907,51	2.500.000,00	--	-1.613.874,00	1.772.033,51
Agriming Agriculture Equipment Co. Ltd.	49	5.018.806,25	--	5.018.806,25	--	-10.304,78	5.008.501,47
<b>Total</b>		<b>33.018.806,25</b>	<b>885.907,51</b>	<b>7.518.806,25</b>	<b>--</b>	<b>-1.624.178,78</b>	<b>6.780.534,98</b>

Art. 65 paragraph (1) 2° of the law of December 19, 2002 on the Register of Commerce and companies and the accounting and annual accounts of undertakings requires the disclosure of the amount of capital and reserves and profit and loss for the last financial year of each affiliated undertaking. In conformity with Art 67 (3) of the law of December 19, 2002 these details have been omitted since the undertakings are included in consolidated accounts drawn up by the ultimate parent company Carraro S.p.A. and these consolidated accounts and the related consolidated annual report and auditors' report thereon are lodged with the Luxembourg Register of Commerce and companies.

## 5. INVESTMENTS HELD AS FIXED ASSETS

The item is represented by guarantee deposits for a total amount of EUR 30.142,24 (2016: EUR 30.142,24) paid by the Company in relation to the rental of an apartment and an office in Luxembourg.

## 6. AMOUNTS OWED BY AFFILIATED UNDERTAKINGS AND PARTECIPATING INTEREST

### Becoming due and payable after less than one year

Amounts owed by affiliated undertakings and participating interest becoming due and payable within one year amount to EUR 93.873.280.11 (2016: EUR 107.145.571,14) and are mainly represented by the following:

# Carraro International S.E.

## Société Européene

### NOTES TO THE ACCOUNTS

December 31, 2017

#### **Sales of trade goods and rendering of services: EUR 56.861,71 (2016: EUR 24.105,06)**

This item is mainly represented by intercompany balances.

#### **Loans and cash advances: EUR 92.126.043,49 (2016: EUR 100.013.902,42)**

This item is detailed as follows:

	Outstanding receivable amount as at December 31, 2016	Outstanding receivable amount as at December 31, 2017	Commitment as from 31.12.2017	Final Maturity Date
	EUR	EUR	EUR	
<b>Revolving</b>				
Loan to Carraro SpA	13.445.199,00	11.000.000,00	45.000.000,00	31.12.2018
Loan to Carraro Drive Tech SpA	7.405.850,00	27.293.190,07	66.000.000,00	31.12.2018
<b>Total</b>	<b>20.851.049,00</b>	<b>38.293.190,07</b>	<b>111.000.000,00</b>	
<b>Medium Term</b>				
Loan to Elettronica Santerno SpA	5.662.853,42	5.662.853,42	5.662.853,42	30.06.2022
Loan to Carraro SpA	63.600.000,00	40.770.000,00	63.600.000,00	31.01.2018
Loan to Carraro Drive Tech SpA	7.400.000,00	7.400.000,00	7.400.000,00	31.01.2018
<b>Total</b>	<b>76.662.853,42</b>	<b>53.832.853,42</b>	<b>76.662.853,42</b>	
<b>Total Revolving and Medium Term</b>	<b>97.513.902,42</b>	<b>92.126.043,49</b>	<b>187.662.853,42</b>	

#### **Accrued interests: EUR 1.690.374,91 (2016: EUR 6.852.502,13)**

This caption represents the interest receivable on amounts owed by affiliated undertakings becoming due and payable after less than one year and after more than one year.

## 7. OTHER DEBTORS

### **Becoming due and payable within one year**

This item amounts to EUR 37.009,15 (2016: EUR 199.769,12) and is composed of (i) advance payments for Corporate Income Tax (CIT) and Municipal Business Tax (MBT) amounting to EUR 36.061,43 (2016: EUR 197.259,70) and (ii) other receivables for a total amount of EUR 947,72 (2016: EUR 2.509,42).

## 8. PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income amount to EUR 1.620.847,74 (2016: EUR 1.499.564,05) which mainly include the deferred commissions and fees paid by the Company to the banks. The above mentioned commissions and fees are detailed as follows:

# Carraro International S.E.

## Société Européene

### NOTES TO THE ACCOUNTS

#### December 31, 2017

Grantor	Balance as at December 31, 2017	Prepayments covering the period of one year or less	Prepayments covering the period over one year	Total prepayments
Unicredit Corporate Banking SpA (Italy), agent bank, and a pool of other Banks	EUR 95,837,472,20 divided in: <u>Tranche A:</u> 61.831.449,82 € <u>Tranche B:</u> 34.006.022,38 €	132.511,99 €	530.411,00 €	662.922,99 €
Banca Monte dei Paschi Siena SpA (Italy)	3.219.642,80 €	17.831,90 €	71.376,44 €	89.208,34 €
Banca Monte dei Paschi Siena SpA (Italy) - Ex. Antonveneta	5.100.902,78 €			
Banco Popolare di Vicenza	14.949.664,00 €	32.038,87 €	128.243,27 €	160.282,14 €
Bond	- €	81.438,50 €	553.632,40 €	635.070,90 €
Other costs	- €	73.363,37 €	- €	73.363,37 €
<b>TOTAL</b>		<b>337.184,63 €</b>	<b>1.283.663,11 €</b>	<b>1.620.847,74 €</b>

## 9. CAPITAL AND RESERVES

	Subscribed capital	Distributable reserve	Non-distributable reserve	Legal Reserve	Retained Earnings	Interm Dividend	(Loss) / Profit of the year	Total
	EUR	EUR	EUR	EUR	EUR		EUR	EUR
As at December 31, 2016	39.318.000,00	563.475,00	232.075,00	1.214.402,01	-26.455.732,52		-6.424.986,28	8.447.233,21
Allocation of result 2016	--		--	--	-6.424.986,28		6.424.986,28	--
Capital reduction on 2017	-25.818.000,00				25.818.000,00			--
Interim dividend distributed on 2017						-1.200.000,00		-1.200.000,00
Profit of the financial year	--		--	--	--	--	10.480.122,32	10.480.122,32
As at December 31, 2017	<b>13.500.000,00</b>	<b>563.475,00</b>	<b>232.075,00</b>	<b>1.214.402,01</b>	<b>-7.062.718,80</b>	<b>-1.200.000,00</b>	<b>10.480.122,32</b>	<b>17.727.355,53</b>

As at December 31, 2017 the subscribed capital amounts to EUR 13.500.000,- and it is represented by 13.500 shares fully paid-up having a nominal amount of EUR 1.000,- each.

The subscribed capital was reduced from Eur 39.318.000,- to Eur 13.500.000,- following an Extraordinary General Meeting of Shareholders held on November 7, 2017 approving the cancellation of 25.818 shares having a nominal value of Eur 1.000,- each in order to cover losses accumulated by the Company.

On December 22, 2017, the Board of directors of the Company approved a distribution of an interim dividend of a total amount of EUR 1.200.000,- corresponding to EUR 88,89 for each of the 13.500 shares issued by the Company.

### Legal Reserve

In accordance with Luxembourg company law, the company is required to transfer a minimum of 5% of its net profit for each financial year to legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

## 10. PROVISIONS

Provisions amount to EUR 128.189,85 (2016: EUR 645.432,63) and are composed by estimated taxes due by the Company.



# Carraro International S.E.

## Société Européene

### NOTES TO THE ACCOUNTS

#### December 31, 2017

## 11. AMOUNTS OWED TO CREDIT INSTITUTIONS

### Becoming due and payable after less than one year and after more than one year

As at December 31, 2017 the amounts owed to credit institutions are mainly composed as follows:

Lender	Outstanding payable amount as at December 31, 2017	Amount due and payable after less than one year	Amount due and payable between 2 and 4 years	Amount due and payable after more than five years
Unicredit Corporate Banking SpA (Italy), agent bank, and a pool of other Banks.	Tranche A: 61.831.449,82 €	8.688.312,00 €	23.892.858,00 €	29.250.279,82 €
	Tranche B: 34.006.022,38 €	4.778.392,00 €	20.308.170,00 €	8.919.460,38 €
Banca Monte dei Paschi Siena SpA (Italy)	3.219.642,80 €	452.412,00 €	1.244.132,00 €	1.523.098,80 €
Banca Monte dei Paschi Siena SpA (Italy) - Ex. Antonveneta	5.100.902,78 €	716.758,00 €	1.971.086,00 €	2.413.058,78 €
Banca Monte dei Paschi Siena SpA (Italy)	20.000.000,00 €	20.000.000,00 €	- €	- €
Banco Popolare di Vicenza	14.949.664,00 €	2.100.668,00 €	5.776.838,00 €	7.072.158,00 €
Other financial liabilities	106.988,87 €	106.988,87 €	- €	- €
	<b>139.214.670,65 €</b>	<b>36.843.530,87 €</b>	<b>53.193.084,00 €</b>	<b>49.178.055,78 €</b>

Additional information about terms and conditions of the amounts owed to credit institutions:

Original Amount	Principal Terms & Conditions of the above mentioned amounts as per existing agreements on December 31, 2017 (including new terms and conditions under the "Accordo Quadro" dated April 13, 2010 and the "Accordo di Rinegoiazione" dated May 14, 2013 and new agreement dated December 24, 2015)
<b>Unicredit Corporate Banking SpA (Italy), agent bank, and a pool of other Banks.</b>	
EUR 150 000 000 divided in:	
Tranche A: EUR 100 000 000	Facility agreement dated May 15, 2008 of Euro 150 000 000, divided into a medium-long term loan of Euro 100 000 000 ("Tranche A") and into a medium-long term revolving credit facility of Euro 50 000 000 ("Tranche B"), whereby Tranche A was granted to the Company mainly for the purpose of repayment by the Company of the outstanding nominal due amount of Euro 59 960 000 arising from the previous loan agreement of a maximum amount of Euro 100 000 000 signed by the Company on June 28, 2005 with MCC SpA., as agent bank, and a pool of other banks. Tranche A amount of Euro 100 000 000 bears interest at Euribor 6 months plus a spread as agreed with the Bank, with a repayment plan which foresees 2 six-months periods from 29.05.2011 to 29.11.2011, where only the interest have been repaid and 11 six-months periods from 29.11.2011 to 29.05.2017 for the repayment of the nominal amount of the loan and the interest. A new agreement was signed on 24.12.2016 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.
Tranche B: EUR 50 000 000	Tranche B of Euro 50 000 000 may be drawn down by the Company in one or more instalments during the period expiring on 29.05.2016 and corresponding to the final maturity date the revolving credit facility. The interest period of each amount drawn down by the Company shall be quarterly or half-yearly, at the option of the Company, and shall bear interest at Euribor 3-months plus a spread as agreed with the Bank respectively Euribor 6-months plus a spread agreed with the Bank, as the case may be. A new agreement was signed on 24.12.2016 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.

# Carraro International S.E.

## Société Européene

### NOTES TO THE ACCOUNTS

#### December 31, 2017

<b>Banca Monte dei Paschi Siena SpA (Italy)</b>	
EUR 10 000 000	Medium term loan dated February 12, 2007. The loan bears interest at Euribor 6 months plus a spread as agreed with the Bank. The repayment plan foresees 2 six-months periods from 31.03.2011 to 31.09.2011, where only the interests have been repaid and 7 six-months periods from 31.03.2012 to 31.03.2017 for the repayment of the nominal amount of the loan and the interest. A new agreement was signed on 24.12.2016 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.
<b>Banca Monte dei Paschi Siena SpA (Italy)</b>	
EUR 15 000 000	Medium term loan. The loan bears interest at Euribor 6 months plus a spread as agreed with the Bank. The repayment plan foresees 2 six-months periods from 30.06.2011 to 31.12.2011, where only the interests have been repaid and 6 six-months periods from 30.06.2012 to 30.06.2017 for the repayment of the nominal amount of the loan and the interest. A new agreement signed on 24.12.2016 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.
<b>Banco Popolare Vicenza</b>	
EUR 20 000 000	Medium-term loan facility. The facility bears interest at Euribor 6 months plus a spread as agreed with the Bank. The Final maturity date of the credit facility corresponds to 31.12.2019 A new agreement was signed on 24.12.2016 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.
<b>Banca Monte dei Paschi Siena SpA (Italy)</b>	
EUR 20 000 000	Short term multicurrency facility.
<b>Cassa Veneto (Italy)</b>	
EUR 14 000 000	Short term multicurrency facility.
<b>Banca Monte dei Paschi Siena SpA (Italy)</b>	
EUR 4 900 000	Short term multicurrency facility.

With the aim of implementing its business plan and optimizing its financial structure, on February 7, 2018 the Company has repaid in full the outstanding amount owed to credit institution as at year-end (as better described in **Note 26**).

## 12. AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

### Becoming due and payable after less than one year

Amounts owed to affiliated undertakings becoming due and payable after less than one year amount to EUR 6.628.721,20 (2016: EUR 394.734,23).

## 13. OTHER CREDITORS - TAX AND SOCIAL SECURITY

The caption of EUR 55.792,04 (2016: EUR 160.773,89) consists of (i) EUR 40.891,13 (2016: EUR 147.417,42) of tax debts and (ii) of an amount of EUR 14.900,91 (2016: EUR 13.356,47) relating to the payable amount to the social security on remunerations.

## 14. OTHER CREDITORS

### Becoming due and payable after less than one year

Other creditors amounting to EUR 359.565,65 (2016: EUR 210.883,46) are composed of payable amounts to staff and managers for EUR 101.713,82 (2016: EUR 113.575,28) and of miscellaneous debts for EUR 257.851,83 (2016: EUR 97.308,18).

# **Carraro International S.E.**

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### **NOTES TO THE ACCOUNTS**

**December 31, 2017**

#### **15. NET TURNOVER**

The net turnover of an amount of EUR 299.948,95 (2016: EUR 284.615,48) due to the sale of services.

#### **16. OTHER OPERATING INCOME**

As at December 31, 2017 the item of EUR 12.101,04 (2016: EUR 14.178,90) represents mainly reinvoicing of cost and expenses in accordance with services agreements entered into by the Company.

#### **17. OTHER EXTERNAL EXPENSES**

This caption amounting to EUR 1.062.786,37 (2016: EUR 3.441.874,94) represents mainly (i) bank expenses and commissions for an amount of EUR 523.614,60 (2016: EUR 970.426,63).

#### **18. STAFF COSTS**

The Luxembourg office has been employing 2 people in 2017 as in 2016.

The relevant staff cost for the year is EUR 260.351,85 (2016: EUR 226.635,85) and is composed by wage and salary for an amount of EUR 236.741,54 (2016: EUR 206.373,25) and social security cost of EUR 23.610,31 (2016: EUR 20.262,60).

#### **19. INCOME FROM PARTICIPATING INTERESTS**

This caption amounting to EUR 12.664.550,09 is related to dividend from Carraro Drive Tech S.p.A. (2016: EUR 4.941.561,86 from Carraro Drive Tech S.p.A.).

#### **20. INCOME FROM OTHER INVESTMENTS AND LOANS FORMING PART OF THE FIXED ASSETS**

##### **Derived from affiliated undertakings**

The amount of EUR 5.600.409,49 (2016: EUR 7.673.080,39) mainly consists of (i) commissions from affiliated undertakings on guarantees granted by the Company for a total amount of EUR 305.292,19 (2016: EUR 310.956,10) and (ii) of interest, commitment fees and arrangement fees on loans granted to affiliated undertakings for a total amount of EUR 5.296.712,93 (2016: EUR 7.361.597,59).

#### **21. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

This caption amounting to EUR 4.163,47 (2016: EUR 1.173.516,18) is composed by interest from affiliated undertakings for EUR 0,00 (2016: EUR 1.171.472,41) and interest on bank accounts for EUR 4.163,47 (2016: EUR 2.043,77).

#### **22. INTEREST PAYABLE AND SIMILAR EXPENSES**

As at December 31, 2017 this item of EUR 4.779.111,80 (2016: EUR 5.620.545,51) includes mainly interest on bank loans and bank overdrafts for a total amount of EUR 4.778.887,82 (2016: EUR 5.572.723,43), realized exchange losses for a total amount of EUR 223,98 (2016: EUR 533,20) and other financial charges of EUR 0,00 (2016: EUR 47.288,88).

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**NOTES TO THE ACCOUNTS**  
**December 31, 2017**

### **23. RELATED PARTIES**

As at December 31, 2017, transactions with related parties have been concluded at normal market conditions.

### **24. TAXES**

The Company is subject in Luxembourg to the general tax regulations applicable to all companies and is compliant with all its tax obligations in foreign countries.

### **25. OFF-BALANCE SHEET**

#### **Guarantees**

The Company signed a support letter in favor of Cassa di Risparmio di Padova e Rovigo (PD), Italy, in connection with two multicurrency revolving credit facilities (i) the Short term facility and (ii) the Long term facility both granted by Intesa Intesa San Paolo – Shanghai Branch to the group company Carraro Drive Systems Co. Ltd. (RMB 55.000.000.000 approximately correspond to EUR 7,17 million).

In the framework of its financing activity, the Company has a total commitment toward affiliated undertakings of EUR 187.662.853,42 of which undrawn EUR 95.384.150,-, as better detailed in the **Note 6**.

The above mentioned guarantees will expire on December 31, 2017.

### **26. SUBSEQUENT EVENT**

#### **Transformation of the legal form of the Company in “Société Européenne”**

The transformation of the legal form of the Company in “Société Européenne”, as better described above, took effect starting from January 10, 2018, when the registration of the Company as “Société Européenne” was made in the *Registre de Commerce et des Sociétés de Luxembourg*.

#### **Optimization of financial structure**

In the framework of the implementation of its business plan, the Company implemented the planned optimization of the financial structure of the Company in order to reimburse the previous financial indebtedness towards banks, as follows:

#### ***Bond issuance***

On February 7, 2018 the Company issued €180,000,000 fixed rate senior unsecured notes listed on Luxembourg and Italian stock exchange – ISIN XS1747134564 (the “Notes”).

The Notes have:

- a denomination of €1.000,- each;
- an issue price of 100.00 per cent. of their principal amount;
- an interest rate of 3.50 per cent. per annum;
- a maturity date at 31 January 2025.

Carraro S.p.A. will unconditionally and irrevocably guarantee the due and punctual payment of all

# Carraro International S.E.

## Société Européene

### NOTES TO THE ACCOUNTS December 31, 2017

amounts at any time becoming due and payable in respect of the Notes.

#### *Bank indebtedness*

An agreement with Banco Popolare di Milano was entered into by the Company concerning a financing facility to be provided for a maximum amount of Eur 100.000.000,- but not drawn down yet.

#### Migration of the Company to Italy

On January 3, 2018, the Company's board of directors resolved to transfer the Company's registered office from Luxembourg to Italy. The transfer proposal was published in the *Recueil Électronique des Sociétés et Associations* on January 17, 2018 (the "**Publication**"). A shareholder's meeting will be held after two months of the date of the Publication and the Sole shareholder of the Company intends to approve the transfer. Following the shareholder meeting, provided that the transfer is approved by its shareholders, the Company is required to publish its new registered office in the Italian companies register and remove its Luxembourg office from the Luxembourg companies register. The Company expects the transfer of its registered office to Italy (the "**Transfer**") to be completed and effective during the course of March 2018.

At the moment of the migration of the Company it is envisaged to open a Luxembourg branch of the Company having its registered office in Italy.

The transfer of the registered office of the Company would be effective vis-à-vis third parties, excluding shareholders, as from the date of the publication of the new registration of the Company in Italy.

However, as long as the deletion of the registration from the register for its previous registered office has not been publicised, third parties may continue to rely on the previous registered office, unless the Company proves that such third parties were aware of the new registered office.

No other subsequent events occurred which may have an impact on the Annual Accounts 2017.