

**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 2023**

**GENERAL INFORMATION**

**BOARD OF DIRECTORS**

In office until approval of the 2023 financial statements

**ENRICO CARRARO (1)**

Chairman

**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**

In office until approval of the 2023 financial statements

(Appointments, Shareholders' Meeting of 16.09.2021, with effect from 30.09.2021)

**CARLO PESCE**

Chairman

**MARINA MANNA**

Regular Auditor

**GUARNIERI ANTONIO**

Regular Auditor

**BENETTIN SARAH**

Alternate Auditor

**ANDREOLA GABRIELE**

Alternate Auditor

**INDEPENDENT AUDITORS**

In office until approval of the 2023 financial statements

**Deloitte & Touche S.p.A.**

## CONSOLIDATED INCOME STATEMENT

(amounts in Euro thousands)

	NOTES	30.06.2023	30.06.2022
<b>A) REVENUES FROM SALES</b>			
1) Products		409,557	356,941
2) Services		2,590	1,406
3) Other revenues		12,813	10,924
<b>TOTAL REVENUES FROM SALES</b>	<b>1</b>	<b>424,960</b>	<b>369,271</b>
<b>B) OPERATING COSTS</b>			
1) Purchases of goods and materials		279,092	248,223
2) Services		62,205	60,554
3) Use of third-party goods and services		526	119
4) Personnel costs		57,631	54,391
5) Amortisation, depreciation and impairment of assets		13,672	12,967
5.a) depreciation of property, plant and equipment		10,845	10,224
5.b) amortisation of intangible fixed assets		2,786	2,819
5.c) impairment of fixed assets		85	10
5.d) impairment of receivables		63	14
5.e) adjustment to dep. prop., plant and equip.		-98	-93
5.f) adjustment to intangible assets		-9	-7
6) Changes in inventories		-14,192	-18,676
7) Provision for risks and other liabilities		2,785	1,947
8) Other income and expenses		-2,358	-3,088
9) Internal construction		-224	-271
<b>TOTAL OPERATING COSTS</b>	<b>2</b>	<b>398,417</b>	<b>356,166</b>
<b>OPERATING PROFIT/(LOSS)</b>		<b>26,543</b>	<b>13,105</b>
<b>C) GAINS/(LOSSES) ON FINANCIAL ASSETS</b>			
10) Income and expenses from equity investments		-	-
11) Other financial income		1,927	463
12) Financial costs and expenses		-11,759	-9,234
13) Net gains/(losses) on foreign exchange		-1,285	-621
14) Value adjustments of financial assets		-	-
15) Income (charges) from hyperinflation		-941	-1,131
<b>NET GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>3</b>	<b>-12,058</b>	<b>-10,523</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>		<b>14,485</b>	<b>2,582</b>
15) Current and deferred income taxes	<b>4</b>	7,671	3,660
<b>NET PROFIT/(LOSS)</b>		<b>6,814</b>	<b>-1,078</b>
16) Minority interests		-217	-288
<b>GROUP CONSOLIDATED PROFIT/(LOSS)</b>		<b>6,597</b>	<b>-1,366</b>

## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(amounts in Euro thousands)

**30.06.2023**   **30.06.2022**

**NET PROFIT/(LOSS) FOR THE PERIOD**

**6,814**   **-1,078**

**Other income components that could be recognised in the income statement in subsequent periods:**

Change in cash-flow hedge reserve	<b>9</b>	246	1,014
Translation exchange differences	<b>15</b>	-751	-458
Taxes on other comprehensive income components		-59	-243
<b>Total other income components that could be recognised in the income statement in subsequent periods:</b>		<b>-564</b>	<b>313</b>

**Other income components that will not be recognised in the income statement in subsequent periods:**

Change in the provision for discounting employee benefits	<b>19</b>	10	831
Taxes on other comprehensive income components		-17	-181
<b>Total other income components that will not be recognised in the income statement in subsequent periods:</b>		<b>-7</b>	<b>650</b>

**OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS**

**-571**   **963**

**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD**

**6,243**   **-115**

**Total comprehensive income attributable to:**

Shareholders of the parent company		5,951	-518
Profit/(loss) pertaining to minorities		292	403
<b>Total comprehensive income for the period</b>		<b>6,243</b>	<b>-115</b>

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(amounts in Euro thousands)</i>	NOTES	30.06.2023	31.12.2022
<b>A) NON-CURRENT ASSETS</b>			
1) Property, plant and equipment	<b>6</b>	240,342	231,940
2) Intangible fixed assets	<b>7</b>	113,196	115,447
3) Real estate investments	<b>8</b>	833	833
4) Equity investments in associate companies and joint ventures	<b>9</b>	304	299
5) Financial assets	<b>10</b>	943	993
5.1) <i>Loans and receivables</i>		816	802
5.2) <i>Other financial assets</i>		127	191
6) Deferred tax assets	<b>11</b>	20,229	20,833
7) Trade receivables and other receivables	<b>12</b>	4,674	4,411
7.1) <i>Trade receivables</i>		-	-
7.2) <i>Other receivables</i>		4,674	4,411
<b>TOTAL NON-CURRENT ASSETS</b>		<b>380,521</b>	<b>374,756</b>
<b>B) CURRENT ASSETS</b>			
1) Closing inventory	<b>13</b>	174,545	163,237
2) Trade receivables and other receivables	<b>12</b>	141,063	127,837
2.1) <i>Trade receivables</i>		98,264	82,348
2.2) <i>Other receivables</i>		42,799	45,489
3) Financial assets	<b>10</b>	845	1,305
3.1) <i>Loans and receivables</i>		135	134
3.2) <i>Other financial assets</i>		710	1,171
4) Cash and cash equivalents	<b>14</b>	269,013	289,842
4.1) <i>Cash</i>		137	104
4.2) <i>Bank current accounts and deposits</i>		268,876	289,738
4.3) <i>Other cash and cash equivalents</i>		-	-
<b>TOTAL CURRENT ASSETS</b>		<b>585,466</b>	<b>582,221</b>
<b>TOTAL ASSETS</b>		<b>965,987</b>	<b>956,977</b>

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(amounts in Euro thousands)</i>	NOTES	30.06.2023	31.12.2022
<b>A) SHAREHOLDERS' EQUITY</b>	<b>15</b>		
1) Share Capital		41,453	41,453
2) Other Reserves		31,255	35,639
3) Profits/(Losses) brought forward		-	-
4) Other IAS/IFRS reserves		-1,228	-1,327
5) Provision for discounting employee benefits		518	513
6) Foreign currency translation reserve		-4,149	-2,405
7) Result for the period pertaining to the group		6,597	5,567
<b>GROUP SHAREHOLDERS' EQUITY</b>		<b>74,446</b>	<b>79,440</b>
8) Minority interests		15,255	4,850
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>89,701</b>	<b>84,290</b>
<b>B) NON-CURRENT LIABILITIES</b>			
1) Financial liabilities	<b>16</b>	444,901	457,181
1.1) Bonds		327,157	326,608
1.2) Loans		117,749	130,574
1.3) Other financial liabilities		-5	-1
2) Trade payables and other payables	<b>17</b>	3,982	4,092
2.1) Trade payables		-	-
2.2) Other payables		3,982	4,092
3) Deferred tax liabilities	<b>11</b>	27,254	27,978
4) Provision for employee benefits/retirement	<b>19</b>	8,373	8,469
4.1) Provision for severance indemnity		5,755	5,922
4.2) Provision for retirement benefits		2,618	2,547
5) Provisions for risks and liabilities	<b>20</b>	8,394	7,507
5.1) Provision for warranties		4,309	3,220
5.2) Provision for legal claims		-	-
5.3) Provision for restructuring and reconversion		-	-
5.4) Other provisions		4,085	4,287
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>492,904</b>	<b>505,227</b>
<b>C) CURRENT LIABILITIES</b>			
1) Financial liabilities	<b>16</b>	53,612	43,886
1.1) Bonds		-	-
1.2) Loans		46,932	37,132
1.3) Other financial liabilities		6,680	6,754
2) Trade payables and other payables	<b>17</b>	308,513	306,355
2.1) Trade payables		257,785	254,749
2.2) Other payables		50,728	51,606
3) Current tax payables	<b>18</b>	9,205	3,771
4) Provisions for risks and liabilities	<b>20</b>	12,052	13,448
4.1) Provision for warranties		7,966	8,353
4.2) Provision for legal claims		256	263
4.3) Provision for restructuring and reconversion		747	836
4.4) Other provisions		3,083	3,996
<b>TOTAL CURRENT LIABILITIES</b>		<b>383,382</b>	<b>367,460</b>
<b>TOTAL LIABILITIES</b>		<b>876,286</b>	<b>872,687</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>965,987</b>	<b>956,977</b>

**STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY**

<i>(amounts in Euro thousands)</i>	Share Capital	Other reserves			Provision for discounting employee benefits	Reserve cash-flow hedge	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				
<b>Balance as at 01.01.2022</b>	<b>41,453</b>	<b>18,704</b>	<b>21,777</b>	<b>-6,666</b>	<b>-128</b>	<b>378</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,518</b>	<b>9,512</b>	<b>85,030</b>
<b>Comprehensive income for the period</b>					<b>613</b>	<b>693</b>		<b>-458</b>	<b>-1,366</b>	<b>-518</b>	<b>403</b>	<b>-115</b>
<b>Transactions with shareholders:</b>												
Hyperinflation effect (Carraro Argentina)			1,344					63		1,407		1,407
Exchange impact "capital reserves"							2,315			<b>2,315</b>		<b>2,315</b>
Other changes			-14							-14	14	-
<b>Total transactions of the period</b>	<b>-</b>	<b>-</b>	<b>1,330</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,315</b>	<b>63</b>	<b>-</b>	<b>3,708</b>	<b>14</b>	<b>3,722</b>
<b>Balance as at 30.06.2022</b>	<b>41,453</b>	<b>18,704</b>	<b>23,107</b>	<b>-6,666</b>	<b>485</b>	<b>1,071</b>	<b>2,315</b>	<b>-395</b>	<b>-1,366</b>	<b>78,708</b>	<b>9,929</b>	<b>88,637</b>

<i>(amounts in Euro thousands)</i>	Share Capital	Other reserves			Provision for discounting employee benefits	Reserve cash-flow hedge	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				
<b>Balance as at 01.01.2023</b>	<b>41,453</b>	<b>18,704</b>	<b>23,601</b>	<b>-6,666</b>	<b>513</b>	<b>-1,327</b>	<b>-612</b>	<b>-1,793</b>	<b>5,567</b>	<b>79,440</b>	<b>4,850</b>	<b>84,290</b>
<b>Comprehensive income for the period</b>					<b>5</b>	<b>99</b>		<b>-750</b>	<b>6,597</b>	<b>5,951</b>	<b>292</b>	<b>6,243</b>
<b>Transactions with shareholders:</b>												
Allocation of residual profit from previous years			5,567						-5,567			
Allocation of the dividend			-10,000							<b>-10,000</b>		-10,000
Hyperinflation effect (Carraro Argentina)			-724					853		129		129
Exchange impact "capital reserves"			-				-1,847			-1,847		-1,847
Change in consolidation scope			773							773	10,113	10,886
<b>Total transactions of the period</b>	<b>-</b>	<b>-</b>	<b>-4,384</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,847</b>	<b>853</b>	<b>-5,567</b>	<b>-10,945</b>	<b>10,113</b>	<b>-832</b>
<b>Balance as at 30.06.2023</b>	<b>41,453</b>	<b>18,704</b>	<b>19,217</b>	<b>-6,666</b>	<b>518</b>	<b>-1,228</b>	<b>-2,459</b>	<b>-1,690</b>	<b>-6,567</b>	<b>74,446</b>	<b>15,255</b>	<b>89,701</b>

### CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(amounts in Euro thousands)</i>	NOTES	30.6.2023	30.6.2022
Group profit / loss for the period	5	6,597	-1,366
Third party profit / loss for the period		217	288
Taxes accruing in the period	4	7,671	3,660
<b>Profit/(loss) before taxes</b>		<b>14,485</b>	<b>2,582</b>
Depreciation of property, plant and equipment	2	10,845	10,224
Amortisation of intangible fixed assets	2	2,786	2,819
Adjustment deprec. property, plant and equipment		-98	-93
Adjustment to amortisation of intangible assets		-9	-7
Impairment of intangible assets	2	85	10
Provisions for risks	2	2,785	1,947
Provisions for employee benefits	2	2,388	2,487
Net gains/(losses) on foreign exchange	3	1,285	621
Financial income	3	-1,927	-463
Financial expenses	3	11,759	9,234
<b>Cash flows before changes in Net Working Capital</b>		<b>44,384</b>	<b>29,361</b>
Changes in inventory	13	-14,912	-18,676
Change in trade receivables	12	-18,214	4,533
Change in trade payables	17	8,204	12,565
Change in other receivables/payables	13-17	962	1,692
Changes in receivables/payables for deferred taxation	11	65	406
Use of provisions for employee benefits	19	-2,457	-2,729
Use of risks provisions for risks and liabilities	20	-2,845	-4,378
Interest received		1,457	96
Interest paid		-10,149	-7,955
Change in other financial assets and liabilities		946	488
Tax payments	4	-2,113	-1,095
<b>Cash flows from operating activities</b>		<b>5,328</b>	<b>14,308</b>
Investments in property, plant and equipment	6	-20,885	-17,994
Disinvestments and other movements in property, plant and equipment	6	-359	36
Real estate investments	7	-	-70
Investments in intangible fixed assets	7	-566	-449
Disinvestments and other movements in intangible fixed assets		-98	-45
Net liquidity acquired/sold through business combinations		-	322,743
Change in financial assets	10	-1,132	-200
<b>Cash flows from investing activities</b>		<b>-23,040</b>	<b>304,021</b>
Change in financial liabilities	16	-13,917	-69,260
Entrance/exit of non-controlling interests	15	11,036	-
Declared dividends	15	-	-
Other movements of shareholders' equity		1,788	2,343
<b>Cash flows from financing activities</b>		<b>-1,093</b>	<b>-66,917</b>
<b>Total cash flows for the period</b>		<b>-18,805</b>	<b>251,412</b>
<b>Opening cash and cash equivalents</b>		<b>289,842</b>	<b>-</b>
Exchange changes in cash and cash equivalents		-2,024	842
<b>Closing cash and cash equivalents</b>		<b>269,013</b>	<b>252,254</b>

## EXPLANATORY AND SUPPLEMENTARY NOTES

### 1. Introduction

Publication of the Interim Financial Report of Carraro S.p.A. and subsidiaries (hereinafter also the "Carraro Group" or "Group"), for the period from 1 January 2023 to 30 June 2023 is authorised by resolution taken by the Board of Directors on 12 September 2023.

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).

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).

The present condensed consolidated interim financial statement has been drawn up in abridged form in compliance with IAS 34 "Interim Financial Reporting". As such, it does not include all the information required by the consolidated annual financial statements; it must be read together with the consolidated annual financial statements drawn up for the year ended on 31 December 2022.

In preparing the present condensed consolidated interim financial statements, the same accounting standards have been used as adopted in preparing the consolidated financial statements as at 31 December 2022, with the exception of that described in the paragraph below entitled "Accounting standards, amendments and interpretations effective as from 1 January 2023".

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 (IAS/IFRS) 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 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 Group opted for the presentation of 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, indicating financial flows 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
<b>Parent company:</b>				
Carraro S.p.A.	Campodarsego (Padua)	EUR	41,452,544	
<b>Italian subsidiaries:</b>				
Carraro Drive Tech Italia S.p.A.	Campodarsego (Padua)	EUR	5,000,000	100.00%
Siap Spa	Maniago (Pordenone)	EUR	24,725,000	80.70%
Driveservice S.r.l.	Campodarsego (Padua)	EUR	30,000	100.00%
Carraro International S.E.	Campodarsego (Padua)	EUR	13,500,000	100.00%
<b>Foreign subsidiaries:</b>				
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	Qingdao (China)	CNY	114,778,969	100.00%
Carraro India Ltd.	Pune (India)	INR	568,515,380	100.00%
Carraro North America Inc.	Sandy Springs (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%
Carraro Lux-Tech R&D Center S.à.r.l.	Luxembourg	EUR	1,500,000	100.00%

Associated companies and joint ventures are consolidated using the equity method as better defined in the following paragraph "Accounting standards and measurement criteria - Investments in associated companies and joint ventures". 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	785,561	20.23%

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

#### ***Incorporation of Carraro Lux-Tech R&D Center S.à.r.l.***

On 18 January 2023, the company Carraro Lux-Tech R&D Center S.à.r.l., wholly owned by Carraro Finance S.A, active in research and development, as well as IT, engineering and consulting, was incorporated, with the aim of providing all kinds of service related to these activities, to third parties.

Subsequently, on 10 May 2023, the Board of Directors of Carraro Finance S.A. approved the sale of 100% of the investment in its subsidiary Carraro Lux-Tech R&D Center S.à.r.l. to the parent company Carraro S.p.A.

#### ***Bhavani Sychrotec Private Limited Joint venture***

On 16 February 2023, Siap S.p.A. entered into a preliminary joint venture agreement with the Indian company Bhavani Industries India LLP to incorporate the company Bhavani Sychrotec Private Limited. Under the joint venture agreement, Bhavani Industries India LLP will hold 51% and Siap S.p.A., 49%, through cash payments and contributions in kind. As at 30 June 2023, these payments had not yet been made, as the memorandum of association of the joint venture was still being defined; consequently, equity investments in associated companies and joint ventures are not indicated in the detailed table.

#### ***Interests with third parties - FRIULIA S.p.A.***

On 23 January 2023, as provided for in the agreement in effect between the Carraro Group and Friulia spa, the regional financial company of the region of Friuli Venezia Giulia, Carraro Drive tech Italia S.p.A. bought back the remaining 50% of the equity investment held by Friulia in SIAP Spa.

On 22 February 2023, the sole shareholder Carraro Drive Tech Italia S.p.A. subscribed an increase in the capital of Siap S.p.A., from 18,903,000 euros to 19,953,000 euros, through the contribution in kind of intellectual property relating to projects for synchronizers.

At the same time, and on the same date, in accordance with a new agreement for investment in Siap S.p.A., signed by Carraro Drive Tech Italia S.p.A. and Friulia S.p.A., the latter subscribed in full and released in cash the increase in share capital undertaken by Siap S.p.A. from 19,953,000 euros to 24,725,000 euros, paying in addition a share premium for 10,228,000 euros.

Following this operation, Siap S.p.A. is held 80.70% by Carraro Drive Tech Italia S.p.A. and 19.30% by Friulia S.p.A..

### 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 companies 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 portions of shareholders' equity and the net profit/(loss) of these minority shareholders are shown in the Consolidated Statement of Financial Position and the Consolidated Income Statement.

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 01.01.23 30.06.23	Exchange as at 30.06.23	Average exchange 01.01.22 30.06.22	Exchange as at 30.06.22
Indian rupee	88.844	89.207	83.318	82.113
US dollar	1.081	1.087	1.093	1.039
Chinese renminbi	7.489	7.898	7.082	6.962
Argentine peso	278.502	278.502	129.899	129.899

#### 3.2 Accounting standards and measurement criteria

##### ***IFRS accounting standards, amendments and interpretations adopted since 1 January 2023:***

###### **Amendments to IAS 12 Income Taxes**

*(published on 7 May 2021)*

The amendment 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.

These changes have been applied starting from 1 January 2023.

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

###### **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*.

These changes have been applied starting from 1 January 2023.

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

**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) and **Amendments to IAS 1 “Presentation of Financial Statements: Non-Current Liabilities with Covenants”** (published on 31 October 2022)

The purpose of the documents is to clarify how to classify short-term and long-term payables and other liabilities. The amendments will enter into force on 1 January 2024; early adoption is, however, permitted.

The directors do not expect a significant effect in the consolidated financial statements of the Group from the adoption of these amendments.

**Amendments to IFRS 16 “Leases: Lease Liability in a Sale and Leaseback”**

(published on 22 September 2022)

The document requires the seller-lessee to measure lease liabilities arising from a sale & leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments will apply from 1 January 2024, 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.

**Amendments to IAS 12 Income Taxes: International Tax reform – Pillar Two Model Rules”**

(published on 23 May 2023)

The document introduces a temporary exception from the obligations to recognise and disclose deferred taxes arising relating to the Pillar Two model rules, as well as targeted disclosures for entities affected by the related International Tax Reform.

While the temporary exception is effective immediately, the disclosure obligations will only be applicable for annual financial statements of periods beginning on or after 1 January 2023, but not to interim financial statements for periods prior to 31 December 2023.

The directors are still evaluating, analysing and further reviewing the effects of these amendments.

**Amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments Disclosures: Supplier Finance Arrangements”**

(published on 25 May 2023)

The document requires an entity to provide additional information on reverse factoring agreements that enable users of financial statements to assess how supplier finance arrangements affect an entity’s liabilities and cash flows and to understand the effect of supplier finance arrangements on an entity’s exposure to liquidity risk. The amendments will apply from 1 January 2024, 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.

**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.

Previously, in the absence of a specific Standard or Interpretation on the subject, in the case of acquisition of minority interests in companies already controlled, the Carraro Group had adopted the Parent Entity Extension Method, which involved recognition of the difference between the purchase price and the carrying amounts of assets and liabilities under the item Goodwill. In the case of sale of minority interests without loss of control, instead, the Group recognised the difference between the carrying amount of the assets and liabilities sold and the sales price in 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 2023 reflect the considerations made by the Directors concerning possible developments linked to the national and international scenario marked by the continuing conflict between Russia and Ukraine.

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 of 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 2023 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 30.06.2023 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

<b>30.06.2023</b> (amounts in Euro thousands)	<b>Drive Tech</b>	<b>Agritalia</b>	<b>Eliminations and items not allocated</b>	<b>Consolidated Total</b>
<b>Revenues from sales</b>	<b>365,291</b>	<b>74,136</b>	<b>-14,467</b>	<b>424,960</b>
Sales to third parties	337,026	72,427	15,507	424,960
Related sales	-	-	-	-
Sales between divisions	28,265	1,709	-29,974	-
<b>Operating costs</b>	<b>332,873</b>	<b>77,748</b>	<b>-12,204</b>	<b>398,417</b>
Purchases of goods and materials	227,457	63,377	-11,742	279,092
Services	52,780	7,573	1,852	62,205
Use of third-party goods and services	12,372	7	-11,853	526
Personnel costs	39,896	8,870	8,865	57,631
Amortisation, depreciation and impairment of assets	10,596	1,025	2,051	13,672
Changes in inventories	-10,484	-2,964	-1,464	-14,912
Provisions for risks	1,942	645	198	2,785
Other income and expenses	-1,462	-785	-111	-2,358
Internal construction	-224	-	-	-224
<b>Operating profit/(loss)</b>	<b>32,418</b>	<b>-3,612</b>	<b>-2,263</b>	<b>26,543</b>
<b>30.06.2022</b> (amounts in Euro thousands)	<b>Drive Tech</b>	<b>Agritalia</b>	<b>Eliminations and items not allocated</b>	<b>Consolidated Total</b>
<b>Revenues from sales</b>	<b>319,736</b>	<b>59,373</b>	<b>-9,838</b>	<b>369,271</b>
Sales to third parties	308,222	57,556	3,493	369,271
Related sales	-	-	-	-
Sales between divisions	11,514	1,817	-13,331	-
<b>Operating costs</b>	<b>301,028</b>	<b>62,205</b>	<b>-7,067</b>	<b>356,166</b>
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
<b>Operating profit/(loss)</b>	<b>18,708</b>	<b>-2,832</b>	<b>-2,771</b>	<b>13,105</b>

## b) Other information

30.06.2023	Drive Tech	Agritalia	Eliminations and items not allocated	Consolidated Total
Investments in fixed assets (Euro/000)	19,095	1,471	885	21,451
Workforce as at 30/06	3,307	390	202	3,899

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, Asia and other non-European countries.

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.

### a) Sales

The breakdown of sales by main geographic area is shown in the following table.

(amounts in Euro thousands)	30.06.2023	%	30.06.2022	%
<b>Geographical Area</b>				
Italy	90,152	21.21%	72,243	19.56%
International EU Area	106,210	24.99%	72,372	19.60%
North America	32,037	7.54%	52,401	14.19%
South America	25,605	6.03%	26,638	7.21%
Asia (China, India)	95,853	22.56%	93,134	25.22%
Other non-EU areas	75,103	17.67%	52,483	14.21%
<b>Total</b>	<b>424,960</b>	<b>100.00%</b>	<b>369,271</b>	<b>100.00%</b>

Note: following an improvement in the reclassification by geographical area, the figures for 2022 have been restated.

### b) carrying amount of assets by area

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

(amounts in Euro thousands)	30.06.2023		31.12.2022	
	CURRENT ASSETS	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT ASSETS
Italy	314,917	469,647	307,903	458,415
North America	160	1	205	2
South America	13,972	3,070	16,293	3,156
Asia (India, China)	154,601	54,752	166,118	56,294
Eliminations and items not allocated	101,816	-146,949	91,702	-143,111
<b>Total</b>	<b>585,466</b>	<b>380,521</b>	<b>582,221</b>	<b>374,756</b>



### c) investments by geographic segment

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

<i>(amounts in Euro thousands)</i>	<b>30.06.2023</b>	<b>30.06.2022</b>
Italy	19,635	13,088
Other EU countries	640	65
North America	-	-
South America	77	181
Asia (India, China)	3,211	5,107
<i>Eliminations and items not allocated</i>	-2,112	-62
<b>Total</b>	<b>21,451</b>	<b>18,379</b>

### 5. Non-recurring transactions and other extraordinary events

#### a) Non-recurring transactions:

As at 30 June 2023, the following non-recurring transactions were present relating to the restructuring of the subsidiary Carraro Argentina S.A.:

<b>30.06.2023</b> <i>(amounts in Euro thousands)</i>	<b>PROVISIONS FOR RISKS AND LIABILITIES</b>	<b>EBIT</b>	<b>BEFORE TAX</b>	<b>TAXES</b>	<b>NET</b>
Carraro Argentina S.A.	5	5	5	-2	3
<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>-2</b>	<b>3</b>

#### 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 S.A. 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 measured by applying the inflation rates from their original acquisition date.

In particular, during 2023, the accounting effects of this remeasurement were recorded in the following manner:

- the measurement of non-monetary items, shareholders' equity items and income statement items recognised during the 2023 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)

<i>(specific values)</i>	<b>2023 Half-year</b>
Jan-23	1,202.98
Feb '23	1,282.71
Mar '23	1,381.16
Apr-23	1,497.21
May '23	1,613.59
Jun '23	1,709.61



## 6. Notes and comments

### Revenues and costs

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

#### Analysis by business segment and geographic area

See the information provided in section 4 above.

#### B) Operating costs (Note 2)

##### OPERATING COSTS

(amounts in Euro thousands)

	30.06.2023	30.06.2022
1) PURCHASES OF GOODS AND MATERIALS	279,092	248,223
2) SERVICES	62,205	60,554
3) USE OF THIRD-PARTY GOODS AND SERVICES	526	119
4) PERSONNEL COSTS	57,631	54,391
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	13,672	12,967
6) CHANGES IN INVENTORIES	-14,912	-18,676
7) PROVISION FOR RISKS AND OTHER LIABILITIES	2,785	1,947
8) OTHER INCOME AND EXPENSES	-2,358	-3,088
9) INTERNAL CONSTRUCTION	-224	-271
<b>Total</b>	<b>398,417</b>	<b>356,166</b>

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)

	30.06.2023	30.06.2022
10) INCOME AND EXPENSES FROM EQUITY INVESTMENTS	-	-
11) OTHER FINANCIAL INCOME	1,927	463
12) FINANCIAL COSTS AND EXPENSES	-11,759	-9,234
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	-1,285	-621
14) VALUE ADJUSTMENTS OF FINANCIAL ASSETS	-	-
15) INCOME (CHARGES) FROM HYPERINFLATION	-941	-1,131
<b>Total</b>	<b>-12,058</b>	<b>-10,523</b>

Net financial expenses went up from the 8.771 million euros of the previous year (-2.4% of turnover) to 9.832 million euros (-2.3% of turnover) in the first half of 2023, increasing in terms of value compared to the first half of the previous year. This item was affected by the increase in average debt, over the period, as well as the general rise in interest rates. 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.

Exchange differences as at 30 June 2023 were negative, for 1.285 million euros, up on the previous year (0.621 million euros). For further details and analysis, see section 9.1 "General summary of the effects on the Income Statement deriving from financial instruments".

Hyperinflation income/charges were negative for 0.941 million euros, decreasing compared to liabilities, equal to 1.131 million euros as at 30 June 2022. For further details and analysis, see section 5.b. above.

**Income taxes** (note 4)**INCOME TAXES***(amounts in Euro thousands)*

	<b>30.06.2023</b>	<b>30.06.2022</b>
CURRENT TAXES	3,763	2,945
TAX CONSOLIDATION EXPENSE AND INCOME	3,909	1,452
TAXES FROM PREVIOUS YEARS	-	1
DEFERRED TAXES	-1	-738
<b>Total</b>	<b>7,671</b>	<b>3,660</b>

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 240.342 million euros. The breakdown is as follows:

<b>Items</b> <i>(amounts in Euro thousands)</i>	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Industrial equipment</b>	<b>Other assets</b>	<b>Invest. in prog. and deposits</b>	<b>Total</b>
Historical cost	110,036	257,389	138,567	17,346	9,699	533,037
Provisions for amortisation and depreciations	-33,516	-153,415	-101,869	-12,297	-	-301,097
<b>Net as at 01.01.2023</b>	<b>76,520</b>	<b>103,974</b>	<b>36,698</b>	<b>5,049</b>	<b>9,699</b>	<b>231,940</b>
<b>Changes in 2023:</b>						
Increases	708	7,654	4,761	1,130	6,632	20,885
Decreases	-1	-48	-100	-44	-	-193
Depreciation and amortisation	-1,115	-5,352	-3,648	-730	-	-10,845
Write-downs	-	216	-54	-12	-235	-85
Hyperinflation Argentina	-	447	264	65	-	776
Other changes	537	1,460	-256	-92	-3,785	-2,136
<b>Net as at 30.06.2023</b>	<b>76,649</b>	<b>108,351</b>	<b>37,665</b>	<b>5,366</b>	<b>12,311</b>	<b>240,342</b>
<b>Made up of:</b>						
Historical cost	110,914	264,347	141,687	17,767	12,311	547,026
Provisions for amortisation and depreciations	-34,265	-155,996	-104,022	-12,401	-	-306,684

The amount of the decreases and other movements are shown by the net value of historic cost, accumulated depreciation, and the uses of the provision for trade receivables.

### Intangible assets (Note 7)

These present a net balance of 113.196 million euros. The breakdown is as follows:

Items (amounts in euro thousands)	Goodwill	Develop ment costs	Royaltie s and patents	Licences and Trademarks	Invest. in prog. and deposits	Technology	Total
Historical cost	93,385	13,075	1,472	46,088	316	35,234	189,570
Provisions for amortisation and depreciations	-32,119	-11,781	-1,316	-27,145	-	-1,762	-74,123
<b>Net as at 01.01.2023</b>	<b>61,266</b>	<b>1,294</b>	<b>156</b>	<b>18,943</b>	<b>316</b>	<b>33,472</b>	<b>115,447</b>
<b>Changes in 2023:</b>							
Increases	-	-	-	358	208	-	566
Increases	-	-	-	-	-	-	-
Depreciation and amortisation	-	-278	-30	-1,597	-	-881	-2,786
Write-downs	-	-	-	-	-	-	-
Hyperinflation Argentina	-	-	-	97	-	-	97
Other changes	-	-	-	-86	-41	-1	-128
<b>Net as at 30.06.2023</b>	<b>61,266</b>	<b>1,016</b>	<b>126</b>	<b>17,715</b>	<b>483</b>	<b>32,590</b>	<b>113,196</b>
<b>Made up of:</b>							
Historical cost	93,385	13,075	1,472	46,373	483	35,233	190,021
Provisions for amortisation and depreciations	-32,119	-12,059	-1,346	-28,658	-	-2,643	-76,825

The amount of the decreases and other movements are shown by the net value of historic cost, accumulated depreciation, and the uses of the provision for trade receivables.

### Goodwill and Impairment Tests

Goodwill is attributed to the *CGU* (cash generating unit) identified in the “Drive Tech” business area. This *CGU* is subjected to specific impairment testing at least once a year, in application of the provisions of IAS 36 as described in the explanatory notes to the consolidated financial statements as at 31.12.2022.

No elements have arisen up to the current date, compared to the date of the last execution, such to deem that the hypotheses and parameters used in the impairment test of the financial statements as at 31.12.2022 need to be reviewed. Moreover, no trigger events occurred in the first half of 2023 requiring a new assessment of the impairment test.

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

Business Area ( <i>CGU</i> )	31.12.2022	Changes	30.06.2023
<i>Drive Tech</i>	61,266	-	61,266
<b>Total</b>	<b>61,266</b>	<b>-</b>	<b>61,266</b>

### 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 previous-year purchases of Carraro S.p.A..

### Research and development costs

During the period, the financial commitment made by the group for R&D activities amounted to approximately 3.41% of turnover. These costs did not give rise to new capitalisations in accordance with the criteria of IAS 38.

### Technology

This refers to the residual value of know-how resulting from the allocation of the acquisition cost, 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*, arising from the reverse merger through the absorption of Fly S.r.l. with Carraro S.p.A. on 01.01.2022.

### 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 2023. The investment was fully written down considering that the pro-rata shareholders' equity value would have been negative: in support of this decision, the book value to date is lower than the fair value of the shares at the last available trading date, even though Borsa Italiana had suspended the trading of Enertronica Santerno shares during 2022, due to the Company's strong debt and capital position.

Name	Registered office	Holding company	Share capital		Number of shares Stakes held Total	Profit (loss) 30.06.2022 (ctv. euros)	Shareholders' equity Equity 31.12.2021 (ctv. euros)	Direct portion	Carrying amount of the investment 30.06.2023
			Currency	Amount					
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%	-

#### Others equity investments and Joint Ventures

On 16 February 2023, the Carraro Group, through its subsidiary Siap S.p.A., entered into a preliminary joint venture agreement with the Indian company Bhavani Industries India LLP to incorporate the company Bhavani Synchrotec Private Limited, that will specialise in the design and production of synchronisers for both the automotive and off-highway segments. The agreement is being defined, and therefore as at 30 June 2023, no payment of capital or in kind had been made. Under the agreement, Bhavani Industries India LLP will hold 51% and Siap S.p.A., 49%.

### Financial assets (note 10)

(amounts in Euro thousands)	30.06.2023	31.12.2022
Loans to related parties	-	-
Loans to third parties	816	802
<b>LOANS AND RECEIVABLES</b>	<b>816</b>	<b>802</b>
Available for sale	61	61
Other financial assets	66	130
<b>OTHER FINANCIAL ASSETS</b>	<b>127</b>	<b>191</b>
<b>NON-CURRENT FINANCIAL ASSETS</b>	<b>943</b>	<b>993</b>
With related parties	-	-
With third parties	135	134
<b>LOANS AND RECEIVABLES</b>	<b>135</b>	<b>134</b>
Financial assets at current value	-	-
Fair value of derivatives	133	174
Other financial assets	577	997
<b>OTHER FINANCIAL ASSETS</b>	<b>710</b>	<b>1,171</b>
<b>CURRENT FINANCIAL ASSETS</b>	<b>845</b>	<b>1,305</b>

### 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 0.13 million euros. The amount refers to the fair value recognised as at 30/06/2023 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 2023 came to -7,025 million euros. (-7,145 million euros as at 31 December 2022).

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 2023 amounted to 37.4 million euros (36.7 million euros at December 2022), with a tax effect of 9.5 million euros. (9.2 million euros at December 2022).

No deferred tax assets on temporarily non-deductible interest charges were recognised for a taxable amount of 30.5 million euros. (27.9 million euros at December 2022) with a tax effect of 7.3 million euros. (6.7 million euros at December 2022).

The item “Amortisation and depreciation” includes deferred tax assets related to the capital gain resulting from a transaction carried out in 2014. Since this is a transaction between companies subject to common control, in accordance with the Assirevi document “OPI1” this capital gain has not been recognised for accounting purposes, having consequently given rise to the corresponding recognition of deferred tax assets, the value of which as at 30.06.2023 amounted to 6.3 million euros (6.6 million euros at December 2022).

### Trade receivables and other receivables (Note 12)

<i>(amounts in Euro thousands)</i>	<b>30.06.2023</b>	<b>31.12.2022</b>
<b>NON CURRENT TRADE RECEIVABLES</b>	-	-
With third parties	4,673	4,411
<b>OTHER NON-CURRENT RECEIVABLES</b>	<b>4,673</b>	<b>4,411</b>
<b>NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES</b>	<b>4,673</b>	<b>4,411</b>
With related parties	-	-
With third parties	98,264	82,348
<b>CURRENT TRADE RECEIVABLES</b>	<b>98,264</b>	<b>82,348</b>
With related parties	809	809
With third parties	41,991	44,680
<b>OTHER CURRENT RECEIVABLES</b>	<b>42,800</b>	<b>45,489</b>
<b>CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES</b>	<b>141,064</b>	<b>127,837</b>

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

**Closing inventory** (note 13)

<b>Items</b> (amounts in Euro thousands)	<b>30.06.2023</b>	<b>31.12.2022</b>
Raw materials	117,251	109,129
Work in progress and semi-finished products	57,294	52,464
Finished products	21,991	22,970
<b>Total inventories</b>	<b>196,536</b>	<b>184,563</b>
Provision for impairment of inventories	-21,991	-21,326
<b>Total inventories</b>	<b>174,545</b>	<b>163,237</b>

**Cash and cash equivalents** (Note 14)

(amounts in Euro thousands)	<b>30.06.2023</b>	<b>31.12.2022</b>
CASH	137	104
BANK CURRENT ACCOUNTS AND DEPOSITS	268,876	289,738
<b>TOTAL</b>	<b>269,013</b>	<b>289,842</b>

As at 30 June 2023, 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)	<b>30.06.2023</b>	<b>31.12.2022</b>
1) Share Capital	41,453	41,453
2) Other Reserves	31,255	35,639
3) Profits/(Losses) brought forward	-	-
4) Cash flow hedge reserve	-1,228	-1,327
5) Provision for discounting employee benefits	518	513
6) Foreign currency translation reserve	-4,149	-2,405
7) Result for the period pertaining to the group	6,597	5,567
<b>GROUP SHAREHOLDERS' EQUITY</b>	<b>74,446</b>	<b>79,440</b>
8) Minority interests	15,255	4,850
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>89,701</b>	<b>84,290</b>

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 2023 no new treasury shares were purchased. The overall investment therefore amounts to 6.666 million euros. This amount is recognised under item 2) Other Reserves.

**Financial liabilities** (note 16)

The classification of financial liabilities as at 30.06.2023 is shown below.

(amounts in Euro thousands)	30.06.2023	31.12.2022
<b>NON-CURRENT BONDS</b>	<b>327,157</b>	<b>326,608</b>
<i>MEDIUM/LONG-TERM LOANS</i>	116,118	129,717
<i>MEDIUM/LONG-TERM LEASE PAYABLES - IFRS 16</i>	1,631	857
<b>MEDIUM/LONG-TERM LOANS</b>	<b>117,749</b>	<b>130,574</b>
<i>OTHER NON-CURRENT FINANCIAL LIABILITIES</i>	-5	-1
<b>OTHER NON-CURRENT FINANCIAL LIABILITIES</b>	<b>-5</b>	<b>-1</b>
<b>NON-CURRENT FINANCIAL LIABILITIES</b>	<b>444,901</b>	<b>457,181</b>
<b>BONDS</b>	-	-
<i>MEDIUM-/LONG-TERM LOANS – short-term portion</i>	44,039	33,592
<i>LOANS TO OTHERS</i>	1,682	2,819
<i>LEASE PAYABLES FROM RIGHTS OF USE - IFRS 16</i>	1,211	721
<b>CURRENT FINANCIAL LIABILITIES</b>	<b>46,932</b>	<b>37,132</b>
<i>FAIR VALUE OF INTEREST RATE DERIVATIVES</i>	-	-
<i>FAIR VALUE OF EXCHANGE RATE DERIVATIVES</i>	651	1,162
<i>FAIR VALUE OF DERIVATIVES ON COMMODITIES</i>	1,450	1,044
<i>OTHER CURRENT FINANCIAL LIABILITIES</i>	4,579	4,548
<b>OTHER CURRENT FINANCIAL LIABILITIES</b>	<b>6,680</b>	<b>6,754</b>
<b>CURRENT FINANCIAL LIABILITIES</b>	<b>53,612</b>	<b>43,886</b>

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, excluding the effect of derivatives:

<b>Financial liabilities</b> <i>(amounts in Euro thousands)</i>	31.12.2022	Cash Flow	Reclassification	Other changes	Change in IFRS 16	Exchange impact	30.06.2023
Gross non-current loans payable	460,713	4,231	-17,592	65	778	-329	447,866
Gross current loans payable	37,166	-18,148	17,592	10,013	494	-154	46,963
<b>Total loans payable</b>	<b>497,879</b>	<b>-13,917</b>	-	<b>10,078</b>	<b>1,272</b>	<b>-483</b>	<b>494,829</b>
Amortised cost	-3,565	-	-	574	-	-	-2,991
Other non-current financial liabilities	-1	-	-	-3	-	-1	-5
Other current financial liabilities	4,548	-4,548	-	4,578	-	1	4,579
<b>Financial liabilities:</b>	<b>498,861</b>	<b>-18,465</b>	-	<b>15,227</b>	<b>1,272</b>	<b>-483</b>	<b>496,412</b>

The net financial position is broken down below:

<b>Net financial position</b> <i>(amounts in Euro thousands)</i>	<b>30.06.2023</b>	<b>31.12.2022</b>
Non-current bonds	-327,157	-326,608
Current bonds	-	-
<b>Bonds:</b>	<b>-327,157</b>	<b>-326,608</b>
Non-current loans payable	-117,749	-130,574
Current loans payable	-46,932	-37,132
Other non-current financial liabilities	5	1
Other current financial liabilities	-4,579	-4,548
Trade payables and other non-current payables *	-	-
<b>Financial liabilities:</b>	<b>-169,255</b>	<b>-172,253</b>
Current loans and receivables	135	134
Other current financial assets	577	997
<b>Financial assets:</b>	<b>712</b>	<b>1,131</b>
Cash	137	104
Bank current accounts and deposits	268,876	289,738
<b>Cash and cash equivalents:</b>	<b>269,013</b>	<b>289,842</b>
<b>Net financial position **</b>	<b>-226,687</b>	<b>-207,888</b>
Non-current loans and receivables	816	802
Other non-current financial assets	66	130
Non-current leases - IFRS 16	1,631	857
Current leases - IFRS 16	1,211	721
<b>Net financial position of operations</b>	<b>-222,963</b>	<b>-205,378</b>
of which payables/(receivables):		
- non-current	-442,388	-455,392
- current	219,425	250,014

(\*) 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 ESMA Recommendation 32-382-1138 of 4.3.2021

It should be noted, as required by ESMA guideline no. 32/382/1138 of 4 March 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 6.19 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 1.129 million euros as at 30 June 2023.

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 1.714 million euros as at 30 June 2023.

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.

<i>(amounts in Euro thousands)</i>	<b>Nominal Value</b>	<b>Amortised cost 30.06.2023</b>	<b>Carrying amount 30.06.2023</b>	<b>Fair Value</b>
BOND 2018-2025 3.50%	180,000	-1,129	178,871	176,512
BOND 2020-2026 3.75%	150,000	-1,714	148,286	147,525
<b>Total</b>	<b>330,000</b>	<b>-2,843</b>	<b>327,157</b>	<b>324,037</b>

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 2023, 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 77.6 million euros, of which 1.7 million euros drawn down. Medium- and long-term bank credit facilities amount to a total of 189.1 million euros, of which 160.3 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)

<i>(amounts in Euro thousands)</i>	<b>30.06.2023</b>	<b>31.12.2022</b>
With third parties	3,982	4,092
<b>OTHER NON-CURRENT PAYABLES</b>	<b>3,982</b>	<b>4,092</b>
<b>TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES</b>	<b>3,982</b>	<b>4,092</b>
With related parties	-	-
With third parties	257,785	254,749
<b>CURRENT TRADE PAYABLES</b>	<b>257,785</b>	<b>254,749</b>
With related parties	90	90
With third parties	50,638	51,516
<b>OTHER CURRENT PAYABLES</b>	<b>50,728</b>	<b>51,606</b>
<b>TRADE PAYABLES AND OTHER CURRENT PAYABLES</b>	<b>308,513</b>	<b>306,355</b>

With regard to the 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)

<i>(amounts in Euro thousands)</i>	<b>30.06.2023</b>	<b>31.12.2022</b>
<b>Current taxes payables</b>	<b>9,205</b>	<b>3,771</b>

### Employee severance indemnities and retirement benefits (note 19)

<b>PROVISION FOR SEVERANCE INDEMNITY AND RETIREMENT BENEFITS</b>		
<i>(amounts in Euro thousands)</i>	<b>30.06.2023</b>	<b>31.12.2022</b>
<b>Severance indemnities in accordance with IAS 19 merger 01.01.2022</b>	<b>5,922</b>	<b>7,048</b>
Utilisation of employee severance indemnities	-196	-394
Interest cost	104	98
Actuarial gains/losses	-75	-830
<b>Closing severance indemnities in accordance with IAS 19</b>	<b>5,755</b>	<b>5,922</b>

### Pension/retirement funds

Pension and similar funds for 2.6 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	31.12.2022	Changes	30.06.2023
Executives	30	1	31
Clerical staff	737	26	763
Factory workers	2,188	-6	2,182
Temporary workers	826	97	923
<b>Total</b>	<b>3,781</b>	<b>118</b>	<b>3,899</b>

## Provision for risks and liabilities (note 20)

The item can be broken down as follows:

(amounts in Euro thousands)	Opening situation	Increases	Decreases	Reclassification	Exchange -rate adjustments	Closing situation
<b>Non-current portion</b>						
1) WARRANTY	3,220	-	-	1,100	-11	4,309
2) COSTS OF LEGAL CLAIMS	-	-	-	-	-	-
3) RENOVATION AND CONVERSION	-	-	-	-	-	-
4) OTHER PROVISIONS	4,287	174	-100	-	-276	4,085
<b>TOTAL</b>	<b>7,507</b>	<b>174</b>	<b>-100</b>	<b>1,100</b>	<b>-287</b>	<b>8,394</b>
<b>Current portion</b>						
1) WARRANTY	8,353	2,407	-1,642	-1,108	-44	7,966
2) COSTS OF LEGAL CLAIMS	263	31	-	-	-38	256
3) RENOVATION AND CONVERSION	836	5	-26	-	-68	747
4) OTHER PROVISIONS	3,996	2,224	-3,123	-	-14	3,083
<b>TOTAL</b>	<b>13,448</b>	<b>4,667</b>	<b>-4,791</b>	<b>-1,108</b>	<b>-164</b>	<b>12,052</b>

From the product warranty reserve, 1.64 million euros was used for customer claims accepted and the reserve was increased by 2.41 million euros on the basis of the expected warranty costs which will be incurred in relation to the sales made.

The provision for costs of legal claims refers to tax liabilities that have been defined or are being defined and litigation concerning employees.

The restructuring provision allocated as at 30 June 2023, concerning the reorganisation and restructuring of the Carraro Group, has been increased by 0.005 million euros and used for an amount of 0.028 million euros.

The item "Other provisions" includes amounts recognised in the individual companies for future expenses and liabilities.

## 7. Commitments and risks

As at 30 June 2023, no significant events to report had occurred.

## 8. Transactions with related parties (note 21)

The shareholders of the company Carraro SpA as at 30.06.2023, net of treasury shares, were as follows: Finaid SpA for 48.33%, Enrico and Tomaso Carraro jointly for 10.13% and Julia Dora Koranyi Arduini for 37.05%.

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.

<i>(amounts in Euro thousands)</i>	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
<b>Other related parties:</b>						
Finaid S.p.A.	-	809	90	-	-	-
Enertronica Santerno S.p.A.	-	-	-	-	-	62
<b>TOTAL</b>	<b>-</b>	<b>809</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>62</b>

## 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 30.06.2023. These are instruments designated to cover:

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

#### a) Notional values

<b>CONTRACT</b> <i>(amounts in Euro thousands)</i>	<b>Swaps (DCS) (1)</b>	<b>Swaps (DCS) (2)</b>	<b>Total notional values</b>
Carraro S.p.A.	-	854	854
Carraro Drive Tech Italia SpA	48,616	3,885	52,501
Carraro India	-	-	-
SIAP	-	5,040	5,040
Carraro China	3,524	4,043	7,567
<b>GROUP TOTAL 30.06.2023</b>	<b>52,140</b>	<b>13,822</b>	<b>65,962</b>

(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

<b>CONTRACT</b>	<b>Swaps (DCS) (1)</b>		<b>Swaps (DCS) (2)</b>	
	Currencies	Expiry dates	Currencies	Expiry dates
Carraro S.p.A.	-	-	USD/EUR	Jul-23
Carraro Drive Tech Italia SpA	USD/EUR CNY/EUR INR/EUR	Feb-24	USD/EUR	Jul-23
Carraro India			EUR/INR	Dec '23
SIAP SpA	USD/EUR	Dec '23	USD/EUR INR/EUR	Jul-23
Carraro China	-	-	-	-

(1) instruments hedging foreign currency sales and purchasing budget

(2) instruments hedging current receivables and payables in foreign currencies

**c) Fair value**

<i>(amounts in Euro thousands)</i>	<b>Swaps (DCS) (1)</b>	<b>Swaps (DCS) (2)</b>	<b>Total</b>
Carraro S.p.A.	-	-7	-7
Carraro Drive Tech Italia SpA	-556	-28	-584
Carraro India	-	-60	-60
SIAP	131	2	133
Carraro China	-	-	-
<b>GROUP TOTAL 30.06.2023</b>	<b>-425</b>	<b>-93</b>	<b>-518</b>

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

**d) Details of fair values**

<i>(amounts in Euro thousands)</i>	<b>30.06.2023</b>		<b>31.12.2022</b>	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
<b>FAIR VALUE/CASH FLOW HEDGE</b>				
Exchange rate risk	133	-651	174	-1,162

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

<i>(amounts in Euro thousands)</i>	<b>FV recognised in the income statement</b>	<b>FV recognised in net equity</b>	<b>Total</b>
Carraro S.p.A.	-7	-	-7
Carraro Drive Tech	-336	-247	-583
Carraro India	-60	-	-60
SIAP	5	127	132
Carraro China	-	-	-
<b>GROUP TOTAL 30.06.2023</b>	<b>-398</b>	<b>-120</b>	<b>-518</b>

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 30.06.2023 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 30.06.2023.

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 30.06.2023. These are instruments designated to hedge:

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

**a) Notional values**

<b>CONTRACT</b> <i>(amounts in Euro thousands)</i>	<b>Swap (1)</b>	<b>Total notional values</b>
Carraro S.p.A.	191	191
Carraro Drive Tech Italia SpA	312	312
SIAP SpA	2,005	2,005
<b>GROUP TOTAL 30.06.2023</b>	<b>2,508</b>	<b>2,508</b>

(1) instruments activated to hedge fluctuating commodity prices

**b) Reference currencies and expiry dates of contracts**

<b>CONTRACT</b>	<b>Swap (1)</b>	
	Commodities	Expiry dates
Carraro S.p.A.	PSV (Gas) PUN (Energy)	Dec '23
Carraro Drive Tech Italia SpA	PSV (Gas) PUN (Energy)	Dec '23
SIAP SpA	PSV (Gas) PUN (Energy)	Dec '23

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

**c) Fair value**

<i>(amounts in Euro thousands)</i>	<b>Swap (1)</b>	<b>Total</b>
Carraro S.p.A.	-62	-62
Carraro Drive Tech Italia SpA	-113	-113
SIAP SpA	-1,275	-1,275
<b>GROUP TOTAL 30.06.2023</b>	<b>-1,450</b>	<b>-1,450</b>

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

**d) Details of fair values**

<i>(amounts in Euro thousands)</i>	<b>30.06.2023</b>		<b>31.12.2022</b>	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
<b>FAIR VALUE/CASH FLOW HEDGE</b>				
Risk of fluctuating commodity prices	-	-1,450	-	-1,044

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

<i>(amounts in Euro thousands)</i>	<b>FV recognised in the income statement</b>
Carraro S.p.A.	-62
Carraro Drive Tech Italia SpA	-113
SIAP SpA	-1,275
<b>GROUP TOTAL 30.06.2023</b>	<b>-1,450</b>

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 30.06.2023 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.

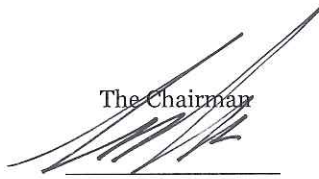
**Notional values and fair values**

Below is a summary table of the assets and liabilities measured at fair value as at 30 June 2023, as required by IFRS 13:

<i>(amounts in Euro thousands)</i>	<b>Level 2 30.06.2023</b>	<b>Level 2 31.12.2022</b>
<b>Assets</b>		
Foreign exchange derivative assets	133	174
Commodity derivative assets	-	-
<b>Total Assets</b>	<b>133</b>	<b>174</b>
<b>Liabilities</b>		
Foreign exchange derivative liabilities	-651	-1,162
Commodity derivative liabilities	-1,450	-1,044
<b>Total Liabilities</b>	<b>-2,101</b>	<b>-2,206</b>

**10. Events subsequent to the reporting date**

There are no subsequent events to report.

The Chairman  
  
Enrico Carraro



# **Carraro Group**

## **Directors' Report on Operations as at 30 June 2023**

## **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, which represents the majority of the Group, Carraro designs, manufactures and sells transmission systems (axles, transmissions and drives) mainly for agricultural and construction equipment and off-road vehicles, in addition to marketing a wide range of components and gears for very diverse sectors, from automotive to trucks to material handling to agricultural applications and construction equipment.

- **Tractors**

Through the Agritalia division, the Group designs and manufactures specialised 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 specialised "Carraro Tractors" range; Agritalia also provides engineering services for the design of innovative tractor ranges.

## **Reference markets**

### **Agriculture**

As regards the agricultural segment, the first half of 2023 ended with results basically in line with the last quarter of the previous year, albeit with varying dynamics in different areas of the world. The phenomena related to tensions in procuring components and materials seem to have abated globally, despite the considerable increase in costs remaining, which manufacturers have redirected to the price of vehicles and machinery.

In **Europe**, after the close of 2022 with a mainly positive financial scenario, the first half of 2023 was marked by a gradual deterioration in the economic situation, that led to a decline in volumes compared to the same period of the previous year. Prices of agricultural commodities remained high on average, giving end users good profitability levels, but they also had to face very high costs for fertilisers, lubricants, fuel and for irrigation, because of the drought affecting vast areas of Europe. In view of this, the sector has been less inclined to renew the vast fleet of agricultural equipment, also due to the considerable rise in interest rates decided by the ECB which has made all investments more costly.

In the first half of this year, the **Turkish** agricultural market began to show signs of a slowdown; despite this, overall sales volumes remained at high levels. The area is still showing good potential, above all due to the high prices of agricultural commodities.

In **North America**, the first half of 2023 was dominated by a reduction in demand for new agricultural machinery compared to the previous year, with the exception of sales of large tractors and harvesting machines, bolstered by the good performance of commodities. The increase in interest rates decided by the FED also had an impact in this area. The imbalance between supply and demand regarding new machinery appears to have been re-absorbed in the meantime, keeping distribution network stock at a low level.

**China** recorded a slowdown in the agricultural machinery sector in the first half of the year, due to the general liquidity crisis affecting all sectors of the economy. In this case as well, the good level of agricultural commodity prices has freed up greater income for users to purchase new machinery, however they have been hindered by a harder access to credit



and by the erratic availability of state agricultural aid. The area still has potential for a growth in sales volumes not yet expressed, particularly for medium/high-power tractors.

Some weak slowdowns also occurred, in the period, in **Japan** and **South Korea**, with the trend of domestic volumes basically in line with the previous year, and supported by exports.

In **India**, the first half of 2023 ended with sales volumes basically in line with the previous year. Both the MSP (Minimum Support Price), and high level of commodity prices supported the purchase of new agricultural machinery. However, the intense heat in the year, exceeding usual levels, had repercussions on harvests and therefore on tractor sales, partially affecting the volumes reached in some areas of the country.

In **Latin America** and specifically in Brazil, after the significant increase in sales volumes in 2022, the trend reversed in the first half of the year. Positive factors, such as the high prices of agricultural commodities, are still present, but farmers have complained about the difficulty of getting credit, and about limited incentives, such as the SAFRA plan. This has considerably slowed down the tendency to purchase new machinery.

### **Earthmoving and Construction equipment**

The first half of 2023 confirmed the global factors that supported demand for new machinery in previous years, such as investments in infrastructure made by numerous countries to stimulate their economies, as well as high commodity prices facilitating operators in renewing vehicles and machinery, particularly in the mining sector. However, there was no impetus for new investments, because of the high cost of money. In fact, main Central Banks repeatedly increased their rates to combat the significant rise in inflation and this reduced private investments, in both the residential and non-residential sectors, while public investments do not appear to be affected. The segment was driven by investments in infrastructure.

In **Europe**, the first half of 2023 ended with sales that were basically stable, but which then gradually deteriorated. Sales are expected to fall in the second half of the year.

The **Turkish** construction market was affected by the country's economic crisis which impacted sales volumes on the domestic front.

In the first part of the year in **North America**, the combined effects of high inflation and high interest rates decided by the FED, began to be seen. In fact, the residential building sector reported a considerable decline, with a significant reduction in sales of more compact machines. Demand for medium/large machines for building infrastructure did not change, with investments funded at national and federal level being confirmed.

In **China**, sales of machines slowed down in the first half of 2023, with volumes dropping compared to the previous year. This was basically due to cuts in public investments which had caused an artificial peak in demand in the 2020-21 period, which is now settling at a physiological level in this area. The market structure means that most sales volumes are based on demand for medium/large-sized crawler excavators (CEX) and wheeled loaders (WL), used in the construction of infrastructure, with these two items recording the biggest drop in demand. More compact machines, used for the maintenance of existing works, went against this trend, reporting a modest growth, a sign typical of more mature economies.

In **India**, the first half of 2023 confirmed a good demand for construction equipment, up on the already high level recorded in the same period of the previous year. Sales were supported by long-term investment plans continuing, with work sites driving demand for new vehicles.

## **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 a greater growth potential. In particular, investments in R&D in the first half of 2023 were equal to 3.4% of turnover (3.9% in 2022), in line with expectations.

Considerable effort was made to standardise new suppliers, new processes and materials, in order to make the supply chain more flexible as well as ultimately reduce the cost of components. In the first half of the year, 240 new components were released, for this purpose, with considerable purchase cost savings, which will also have an impact in the second half of the year. These benefits should increase in future years, when all new, approved components, become fully operational.

Activities to renew products based on commercial activities and customer requests, and to release new products (replacements or improvements) for production, were stable in the first half of the year.

## **Developments in the axles range and transmission systems**

The axles range was renewed in order to introduce innovative features, such as new solutions to expand the offering in the CWL, TBH, WEX and aerial platform segments, improve product margins, and anticipate technological macro-trends (electrification and hydrostatic hybrid solutions).

In particular, the Group's R&D activities focussed on the following projects:

- the development of hydrostatic/electric transmissions for wheeled loaders, telescopic booms and crawler excavators - market segments with ample opportunities to add new technologies thanks to a general trend of renewal, geared towards a better performance (hydrostatic solutions replacing torque converters), and a greater environmental sustainability, with electric solutions;
- the development of electric agricultural transmissions with a power up to 75 hp. This new solution was fully re-engineered in the first half of the year, and is now ready for prototype production. The launch of the equipment has been put on hold, pending the finalisation of the agreement concerning the economic contribution from the customer (Solectrac). Re-engineering activities were supported by considerable financial support in 2022, enabling the full development of a technical solution that can easily be used by other customers seeking to have reduced-power electric tractors;
- completion of the range of agricultural transmissions covering power categories up to 130 hp and development of a continuously variable transmission (CVT) technology based on a *hydrostatic/mechanical powersplit*. The CVT project has garnered considerable consent from customers during the validation stage. The performance is unanimously considered to be on a par with the most highly acclaimed competitors (Fendt), while considerable effort is required to improve product margins. The T135 project will go into production in 2024 for the new Claas A300 tractor range produced at Agritalia. The T135 project was also favourably received on the Turkish market, where an important customer (Tumosan) has already issued production orders. This confirms the importance of the synergies between Drivetech and Agritalia in identifying business opportunities for agricultural axles and transmissions.
- renewal of the axles range, with applications for combine harvesters, medium power tractors, specialised tractors for orchards and medium and small power tractors on the Indian market, with the latter particularly significant for expected sales volumes;
- portal axles, mainly used in the transition from 2WD tractors to 4WD tractors in India or other emerging markets.

In addition, for the *Construction Equipment* segment, the following projects are of particular importance:

- new axles standardised for TBH, with important applications on the US and European markets;
- new axles and *transfer boxes* for aerial platforms.

### **Tractors**

In the first half of 2023, R&D was involved in particular in solving problems regarding production and the industrial manufacture of the range of Stage V tractors, finally establishing production volumes for the budget targets. In 2022, Agritalia had completed the near-total renewal of the product range in order to align with emission standards (Stage V).

Research activities focussed on developing new models for open field applications (A300 - Claas) where, despite delays, a good performance and reliability were reported. The project for tractors with continuously variable transmission continued with good results. In this regard, see the information on continuously variable transmissions for agricultural applications, in the previous section. The two projects are an unheralded step forward in expanding Agritalia's tractor range, making it possible to offer technical solutions on a par with the reference premium markets of our customers.

At the same time, activities to industrialise and optimise costs went ahead, with the review of specifications and approval of new suppliers, leading to significant savings. In the first half of 2023, cost reduction activities made it possible to reduce purchased materials by 0.5 million, in line with budget expectations.

## **Summary of the first half of the year**

*To better understand the figures relating to the first half of 2023, 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 account of transactions not related to ordinary operations:*

- *EBITDA: understood as the sum of operating profit/(loss), amortisation, depreciation 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 EBIT to be a significant indicator*
- *for understanding the Group's operating result;*
- *Net Working Capital of operations: 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 of operations: ESMA 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. The directors consider the net financial position to be a significant indicator for the purposes of representing the Group's overall debt situation.*

The first half of 2023 ended with turnover up considerably (+15.08%) compared to the same period of 2022, confirming the expansive phase that had begun in 2021, thanks to growth on both traditional core markets, and in particular Asia (India), and the capacity of R&D to develop innovative products in response to customer requests.

After a first quarter impacted by the residual events which characterized entire FY 2022 relating to supply chain, such as the scarcity of materials and general increase in costs which led to spiralling inflation, the Group almost reabsorbed these effects in the second quarter, fully expressing its potential, both in terms of a growth in volumes and in margins.

The Agritalia business area, that in the first few months of 2023 had suffered the same difficulties caused by the production start-up of new Stage V models that had characterized entire FY 2022, recovered considerably in the last few months, laying the foundations for a definitive rebalancing of production activities for the second half of the year.

The challenging new projects, that started in 2022, such as the range of new INEOS axles for the *Automotive* sector, as well as tractors with STAGE V engine, that had forced the Group to tackle critical aspects inherent in the start of productions of businesses with so complex industrial activities, began to run smoothly again and, together with the production start-up of products with high margins, contributed to increasing volumes and profitability, above all in the second quarter. In light of all this expectation for the second half of the year are positive.

As regards high complexity gears, a segment into which the Group channeled important investments in previous years, a strong growth trend with good margins was reported.

In terms of financial management, the position deteriorated, affected by the need for working capital related in particular to the increase in turnover and effect of investments for the current half year.

Considering the context with its strong growth, the Carraro Group continued to considerably step up investments to increase production capacity necessary to support portfolio objectives, in both the short and medium term, in particular in segments with particularly brilliant prospects.

Turnover as at 30 June 2023 amounted to 424.960 million Euros, up 15.08% compared to the same period of the previous year (369.271 million Euros), thanks to a robust orders portfolio.

As regards the Drivelines - DriveTech Business Area, turnover increased (+14.3%) compared to the previous year, as was the case for the Agritalia - Vehicles Business Area (+24.9%).

In line with 2022, India confirmed its position as the first geographic area for turnover, followed by the European leader, Germany. In North America, the Group's historic market, turnover fell by 39% due to the decrease in sales of agricultural machinery and construction equipment.

EBITDA as at 30 June 2023 amounted to 40.2 million Euros, 9.5% of turnover, increasing considerably compared to 30 June 2022, when this figure came to 26.1 million Euros, accounting for 7.1% of turnover. EBIT as at 30 June 2023 came to 26.5 million Euros, and 6.3% of turnover, increasing more than two-fold compared to the previous year's figure of 13.1 million Euros, which accounted for 3.5% of turnover.

The half year period closed with an excellent result - a profit of €6.6 million, 1.5% of turnover, improving considerably on the same period of 2022 (a loss of 1.4 million, -0.4%).

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

### **Carraro's Social Responsibility**

During the first half of 2023, the Group continued its commitment to a management focussed on sustainability, integrating environmental and social responsibility, and ethical management aspects in its business activities. These aspects are considered as increasingly important factors for an industrial company, in a changing context that calls for mitigation actions and adaptation.

### **SIGNIFICANT EVENTS DURING THE PERIOD**

On 16 February 2023, the Carraro Group signed a joint venture agreement with Bhavani Industries, an Indian industry specialised in the design and production of synchronisers, in order to establish a NewCo, called Bhavani Synchrotec Pvt. Ltd., that will be based in Ahmedabad (India), with the Carraro Group holding 49% through the subsidiary SIAP SpA. The new company's core business will be the design, development, manufacture and sale of synchronisers for off-highway applications targeting the global market. The joint venture will have a newly built site (operational at the end of the year) and an organisational, technical and production structure that will combine the competencies of both partners.

### **SUBSEQUENT EVENTS**

There are no events to report.

### **EXPECTED BUSINESS OUTLOOK 2023**

Despite some early signs of a slowdown, at present, the orders portfolio forecasts, for 2023 second half, a positive evolution, in line with first half, confirming forecasts and which will allow for an increase in turnover in 2023 compared to the previous year. With the stabilisation of production activities, which was more evident in the second quarter, a good economic performance is expected.

As regards business opportunities, the Group continued its approach to have a strong diversification in the quality components and high quality gears sector, and in automotive axles, the two business segments with the greatest expansion, with an important commitment to earmark investments to start up necessary production units.

### **TREASURY SHARES**

As at 30 June 2023, 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 2023 amounted to 424.960 million Eros, up considerably by 15.08% compared to turnover for the same period in 2022, equal to 369.271 million Euros.

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

<i>(amounts in Euro thousands)</i>	<b>30.06.2023</b>	<b>%</b>	<b>30.06.2022</b>	<b>%</b>	<b>Diff. 2023-22</b>
					<b>%</b>
India	63,975	15.05%	60,580	16.41%	5.60%
Germany	45,308	10.66%	31,706	8.59%	42.90%
Turkey	33,755	7.94%	22,291	6.04%	51.43%
France	32,508	7.65%	13,998	3.79%	132.23%
North America	32,037	7.54%	52,401	14.19%	-38.86%
China	31,878	7.50%	32,554	8.82%	-2.08%
South America	25,605	6.03%	26,638	7.21%	-3.88%
United Kingdom	19,007	4.47%	12,713	3.44%	49.51%
Switzerland	16,611	3.91%	10,806	2.93%	53.72%
Sweden	10,522	2.48%	6,985	1.89%	50.64%
Other EU areas	17,872	4.21%	19,683	5.33%	-9.20%
Other non-EU areas	5,730	1.35%	6,673	1.81%	-14.13%
<b>Total Abroad</b>	<b>334,808</b>	<b>78.79%</b>	<b>297,028</b>	<b>80.44%</b>	<b>12.72%</b>
Italy	90,152	21.21%	72,243	19.56%	24.79%
<b>Total</b>	<b>424,960</b>	<b>100.00%</b>	<b>369,271</b>	<b>100.00%</b>	<b>15.08%</b>
of which:					
<b>Total EU area</b>	<b>196,362</b>	<b>46.21%</b>	<b>144,615</b>	<b>39.16%</b>	<b>35.78%</b>
<b>Total non-EU area</b>	<b>228,598</b>	<b>53.79%</b>	<b>224,656</b>	<b>60.84%</b>	<b>1.75%</b>

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 keeping with previous years, India ranked first in the half year period, followed by Germany. North America reported a considerable drop due to the reduction in demand, described in the introduction.

### EBITDA and EBIT

EBITDA as at 30 June 2023 came to 40.152 million Euros (9.45% of turnover), up considerably by 54.09% compared to the same indicator of the previous year (26.058 million Euros, 7.1% of turnover). EBIT as at 30 June 2023 was equal to 26.543 million Euros (6.25% of turnover) increasing more than two-fold compared to 13.105 million Euros (3.55% of turnover) in 2022.

(amounts in Euro thousands)

	30.06.23	% of turnover	30.06.22	% of turnover	Diff. %
<b>EBITDA</b>	40,152	9.5	26,058	7.1	54.09
Restructuring costs	5		27		
<b>ADJUSTED EBITDA</b>	40,157	9.5	26,085	7.1	53.95

(amounts in Euro thousands)

	30.06.23	% of turnover	30.06.22	% of turnover	Diff. %
<b>EBIT</b>	26,543	6.2	13,105	3.5	102.54
Restructuring costs	5		27		
<b>ADJUSTED EBIT</b>	26,548	6.2	13,132	3.6	102.16

Consolidated margins, in terms of both EBITDA and EBIT, increased considerably compared to the previous year as explained in the previous paragraphs.

Non-recurrent items in 2023, as in 2022, were marginal and concerned the Argentine subsidiary.

### **Amortisation, depreciation and impairment of fixed assets**

(amounts in Euro thousands)

	30.06.23	% of turnover	30.06.22	% of turnover	Diff. %
<b>Amortisation, depreciation and impairment of fixed assets</b>	13,609	-3.2	12,953	-3.5	5.1

Amortisation and depreciation for the half year period amounted to 13.609 million Euros (-3.2% of turnover), up slightly compared to 12.953 million Euros (-3.5% of turnover) in 2022, due to higher investments than recent previous periods.

### **Net financial expenses**

(amounts in Euro thousands)

	30.06.23	% of turnover	30.06.22	% of turnover	Diff. %
<b>Net financial expenses</b>	-9,832	-2.3	-8,771	-2.4	-12.1

Net financial expenses went up from the 8.771 million Euros of the previous year (-2.4% of turnover) to 9.832 million Euros (-2.3% of turnover) in the first half of 2023, increasing in terms of value compared to the first half of the previous year. This item was affected by the increase in average debt, over the period, as well as the general rise in interest rates.

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

### **Net profit/(loss)**

The first half of 2023 ended with a considerable profit of 6.597 million Euros (1.6% of turnover); as at 30 June 2022, the Carraro Group had posted a loss of 1.366 million Euros (-0.4% of turnover), not comparable with present figures.

*(amounts in Euro thousands)*

	<b>30.06.23</b>	<b>% of turnover</b>	<b>30.06.22</b>	<b>% of turnover</b>	<b>Diff. %</b>
<b>EARNINGS BEFORE TAX</b>	<b>14,485</b>	<b>3.41%</b>	<b>2,582</b>	<b>0.7</b>	<b>no.</b>
Current and deferred income taxes	-7,671	-1.81%	-3,660	-1.0	
Profit/(loss) pertaining to minorities	-217	-0.05%	-288	-0.1	
<b>NET GROUP PROFIT/(LOSS)</b>	<b>6,597</b>	<b>1.55%</b>	<b>-1,366</b>	<b>-0.4</b>	<b>no.</b>

The net result includes a negative effect of 0.941 million due to the accounting effects of the hyperinflation suffered by the Argentine subsidiary.

### **Investments**

*(amounts in Euro thousands)*

	<b>30.06.23</b>	<b>30.06.22</b>
<b>Investments</b>	<b>21,451</b>	<b>18,379</b>

In the first half of 2023, the Group stepped up investments to increase production capacity necessary to support portfolio objectives. Investments as at June 30<sup>th</sup> 23 came to 21.451 million Euros, up considerably compared to 18.379 million Euros as at June 30<sup>th</sup> 22.

### **Net financial position of operations**

*(amounts in Euro thousands)*

	<b>30.06.23</b>	<b>31.12.22</b>	<b>30.06.22</b>
<b>Net financial position of operations</b>	<b>-222,963</b>	<b>-205,378</b>	<b>-223,122</b>

The consolidated net financial position as at 30 June 2023 was negative at 222.963 million Euros, a deterioration compared to 31 December 2022 (negative 205.378 million Euros), and basically in line with the figure as at 30 June 2022 (negative 223.122 million Euros). This item was affected by the need for working capital related in particular to the increase in turnover and effect of investments for the current half year.



## ANALYSIS OF NET WORKING CAPITAL AT 30.06.2023

<i>(amounts in Euro thousands)</i>	<b>30.06.23</b>	<b>31.12.22</b>	<b>30.06.22</b>
Trade Receivables*	98,264	82,348	78,826
Closing inventory**	174,545	163,237	160,383
Trade Payables***	-257,785	-254,749	-222,037
<b><i>Net Working Capital of operations</i></b>	<b>15,024</b>	<b>-9,164</b>	<b>17,172</b>

(x) Values referred to the consolidated abbreviated interim financial statements of the Carraro Group prior to 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.

Movements in Net Working Capital were affected to a considerable extent by the increase in turnover and investments for the current half year period.

### **OTHER INFORMATION**

The Group's perimeter includes 13 companies of which 6 are established and regulated in non-European Union countries, specifically in Argentina, China, India and the United States.

## 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, 2023 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 of this condensed 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 this condensed interim financial information 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 on the condensed consolidated interim financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Carraro Group as at June 30, 2023 are not prepared, in all material respects, 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 13, 2023

*This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*