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

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

GENERAL INFORMATION

BOARD OF DIRECTORS	**ENRICO CARRARO (1)**	Chairman
In office until approval of the 2023 financial statements	**TOMASO CARRARO (1)**	Deputy Chairman
	ANDREA CONCHETTO (1)	Chief Executive Officer
	RICCARDO ARDUINI (1)	Director
	VIRGINIA CARRARO (1)	Director
	ENRICO GOMIERO (1)	Director
	ALESSANDRO GIULIANI (2)	Director
	(1) Appointments, Shareholders' Meeting of 29.06.2021	
	(2) Appointment, Shareholders' Meeting of 16.09.2021, with effect from 30.09.2021	

BOARD OF STATUTORY AUDITORS	**CARLO PESCE**	Chairman
In office until approval of the 2023 financial statements (Appointments, Shareholders' Meeting of 16.09.2021, with effect from 30.09.2021)	**MARINA MANNA**	Regular Auditor
	GUARNIERI ANTONIO	Regular Auditor
	BENETTIN SARAH	Alternate Auditor
	ANDREOLA GABRIELE	Alternate Auditor

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

Carraro S.p.A. Consolidated Financial Statements 31 December 2023

(amounts in Euro thousands)	NOTES	31.12.2023	31.12.2022 (*)
A) REVENUES FROM SALES			
1) Products		815,690	705,586
2) Services		6,616	1,623
3) Other revenues		23,992	23,617
TOTAL REVENUES FROM SALES	**1**	**846,298**	**730,826**
B) OPERATING COSTS			
1) Purchases of goods and materials		525,970	485,605
2) Services		117,827	112,912
3) Use of third-party goods and services		97	335
4) Personnel costs		110,167	102,617
5) Amortisation, depreciation and impairment of assets		26,906	26,577
5.a) depreciation of property, plant and equipment		*21,683*	*20,990*
5.b) amortisation of intangible fixed assets		*5,459*	*5,664*
5.c) impairment of fixed assets		-	-
5.d) impairment of receivables		*556*	*136*
5.e) adjustment to dep. prop., plant and equip.		*-608*	*-196*
5.f) adjustment to intangible assets		*-184*	*-17*
6) Changes in inventories		7,381	-23,987
7) Provision for risks and other liabilities		10,178	6,254
8) Other income and expenses		-6,558	-9,189
9) Internal construction		-389	-447
TOTAL OPERATING COSTS	**2**	**791,579**	**700,677**
OPERATING PROFIT/(LOSS)		**54,719**	**30,149**
C) GAINS/(LOSSES) ON FINANCIAL ASSETS			
10) Income and expenses from equity investments		-	-
11) Other financial income		5,926	1,669
12) Financial costs and expenses		-26,771	-18,925
13) Net gains/(losses) on foreign exchange		579	15
14) Value adjustments of financial assets		-	-
15) Income (charges) from hyperinflation		-	-
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3**	**-20,266**	**-17,241**
PROFIT/(LOSS) BEFORE TAXES		**34,453**	**12,908**
15) Current and deferred income taxes	**4**	7,804	4,781
NET RESULT FROM CONTINUING OPERATIONS		**26,649**	**8,127**
Net operating result from disposals		-6,262	-2,445
NET PROFIT/(LOSS)		**20,387**	**5,682**
16) Minority interests		-1,301	-115
GROUP CONSOLIDATED PROFIT/(LOSS)		**19,086**	**5,567**

(*) Values for 2022 have been restated in accordance with IFRS 5.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(amounts in Euro thousands)	NOTES	31.12.2023	31.12.2022 (*)
NET PROFIT/(LOSS) FOR THE PERIOD		**20,387**	**5,682**
Other income components that could be recognised in the income statement in subsequent periods:			
Change in cash-flow hedge reserve	**9**	225	-2,301
Exchange differences from the translation of items from foreign operations	**15**	-1,170	-2,125
Taxes on other comprehensive income components		-54	553
Total other income components that could be recognised in the income statement in subsequent periods:		**-999**	**-3,873**
Other income components that will not be recognised in the income statement in subsequent periods:			
Change in the provision for discounting employee benefits	**19**	-93	864
Taxes on other comprehensive income components		-6	-199
Total other income components that will not be recognised in the income statement in subsequent periods:		**-99**	**665**
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS		**-1,098**	**-3,208**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**19,289**	**2,474**
Total comprehensive income attributable to:			
Shareholders of the parent company		17,880	2,378
Profit/(loss) pertaining to minorities		1,409	96
Total comprehensive income for the period		**19,289**	**2,474**

(*) Values for 2022 have been restated in accordance with IFRS 5.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in Euro thousands)	NOTES	31.12.2023	31.12.2022
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	6	253,451	231,940
2) Intangible fixed assets	7	110,832	115,447
3) Real estate investments	8	833	833
4) Equity investments	9	4,273	299
5) Financial assets	10	304	993
5.1) Loans and receivables		-	*802*
5.2) Other financial assets		304	191
6) Deferred tax assets	11	22,199	20,833
7) Trade receivables and other receivables	12	5,436	4,411
7.1) Trade receivables		-	-
7.2) Other receivables		*5,436*	*4,411*
TOTAL NON-CURRENT ASSETS		**397,328**	**374,756**
B) CURRENT ASSETS			
1) Closing inventory	13	146,892	163,237
2) Trade receivables and other receivables	12	132,894	127,837
2.1) Trade receivables		*89,219*	*82,348*
2.2) Other receivables		*43,675*	*45,489*
3) Financial assets	10	1,029	1,305
3.1) Loans and receivables		-	*134*
3.2) Other financial assets		*1,029*	*1,171*
4) Cash and cash equivalents	14	200,476	289,842
4.1) Cash		*133*	*104*
4.2) Bank current accounts and deposits		*200,343*	*289,738*
4.3) Other cash and cash equivalents		-	-
TOTAL CURRENT ASSETS		**481,291**	**582,221**
ASSETS HELD FOR SALE		**8,163**	**-**
TOTAL ASSETS		**886,782**	**956,977**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in Euro thousands)	NOTES	31.12.2023	31.12.2022
A) SHAREHOLDERS' EQUITY	15		
1) Share Capital		41,453	41,453
2) Other Reserves		27,993	35,639
3) Profits/(Losses) brought forward		-	-
4) Cash flow hedge reserve		-1,277	-1,327
5) Provision for discounting employee benefits		426	513
6) Foreign currency translation reserve		-3,963	-2,405
7) Result for the period pertaining to the group		19,086	5,567
GROUP SHAREHOLDERS' EQUITY		83,718	79,440
8) Minority interests		16,372	4,850
TOTAL SHAREHOLDERS' EQUITY		**100,090**	**84,290**
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	16	410,465	457,181
1.1) Bonds		*266,319*	*326,608*
1.2) Loans		*144,140*	*130,574*
1.3) Other financial liabilities		*6*	*-1*
2) Trade payables and other payables	17	9,831	4,092
2.1) Trade payables		-	-
2.2) Other payables		*9,831*	*4,092*
3) Deferred tax liabilities	11	*24,613*	*27,978*
4) Provision for employee benefits/retirement	19	8,300	8,469
4.1) Provision for severance indemnity		*5,673*	*5,922*
4.2) Provision for retirement benefits		*2,627*	*2,547*
5) Provisions for risks and liabilities	20	4,886	7,507
5.1) Provision for warranties		*4,169*	*3,220*
5.2) Provision for legal claims		-	-
5.3) Provision for restructuring and reconversion		-	-
5.4) Other provisions		*717*	*4,287*
TOTAL NON-CURRENT LIABILITIES		**458,095**	**505,227**
C) CURRENT LIABILITIES			
1) Financial liabilities	16	31,484	43,886
1.1) Bonds		-	-
1.2) Loans		*26,128*	*37,132*
1.3) Other financial liabilities		*5,356*	*6,754*
2) Trade payables and other payables	17	256,833	306,355
2.1) Trade payables		*205,178*	*254,749*
2.2) Other payables		*51,655*	*51,606*
3) Current tax payables	18	10,560	3,771
4) Provisions for risks and liabilities	20	22,328	13,448
4.1) Provision for warranties		*9,195*	*8,353*
4.2) Provision for legal claims		*144*	*263*
4.3) Provision for restructuring and reconversion		*380*	*836*
4.4) Other provisions		*12,609*	*3,996*
TOTAL CURRENT LIABILITIES		**321,205**	**367,460**
LIABILITIES HELD FOR SALE		*7,392*	-
TOTAL LIABILITIES		**786,692**	**872,687**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**886,782**	**956,977**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(amounts in Euro thousands)	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				
Balance as at 01.01.2022	**41,453**	**18,704**	**21,777**	**-6,666**	**-128**	**378**	**-**	**-**	**-**	**75,518**	**9,512**	**85,030**
Total profit/loss for the year	**-**	**-**	**-**	**-**	**641**	**-1,705**	**-**	**-2,125**	**5,567**	**2,378**	**96**	**2,474**
Transactions with shareholders:												
Hyperinflation effect (Carraro Argentina)	-	-	958	-	-	-	-	332	-	1,290	-	**1,290**
Exchange impact "capital reserves"	-	-	-	-	-	-	-612	-	-	-612	-	**-612**
Change minority area Friulia	-	-	866	-	-	-	-	-	-	866	-4,758	**-3,892**
Total transactions of the period	**-**	**-**	**1,824**	**-**	**-**	**-**	**-612**	**332**	**-**	**1,544**	**-4,758**	**-3,214**
Balance as at 31.12.2022	**41,453**	**18,704**	**23,601**	**-6,666**	**513**	**-1,327**	**-612**	**-1,793**	**5,567**	**79,440**	**4,850**	**84,290**

(amounts in Euro thousands)	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				
Balance as at 01.01.2023	**41,453**	**18,704**	**23,601**	**-6,666**	**513**	**-1,327**	**-612**	**-1,793**	**5,567**	**79,440**	**4,850**	**84,290**
Total profit/loss for the year	**-**	**-**	**-**	**-**	**-87**	**50**	**-**	**-1,169**	**19,086**	**17,880**	1,409	**19,289**
Transactions with shareholders:												
Allocation of residual profit from previous years	-	-	5,567	-	-	-	-	-	-5,567	**-**	-	**-**
Dividend distribution	-	-	-10,000	-	-	-	-	-	-	**-10,000**	-	**-10,000**
Hyperinflation effect (Carraro Argentina)	-	-	-3,986	-	-	-	-	2,083	-	**-1,903**	-	**-1,903**
Exchange impact "capital reserves"	-	-	-	-	-	-	-2,472	-	-	**-2,472**	-	**-2,472**
Change in the scope of consolidation	-	-	773	-	-	-	-	-	-	**-773**	10,113	**10,886**
Total transactions of the period	-	-	**-7,646**	**-**	**-**	**-**	**-2,472**	**2,083**	**-5,567**	**-13,602**	**10,113**	**-3,489**
Balance as at 31.12.2023	**41,453**	**18,704**	**15,955**	**-6,666**	**426**	**-1,277**	**-3,084**	**-879**	**19,086**	**83,718**	**16,372**	**100,090**

For further details regarding changes in consolidated shareholders' equity, please refer to note no.15 below.

CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in Euro thousands)	NOTES	31.12.2023	31.12.2022 (*)
Profit/(loss) for the year pertaining to the Group	5	19,086	5,567
Profit/(Loss) for the year pertaining to minority interests		1,301	115
Net operating result from disposals		6,262	2,445
Tax for the year	4	7,804	4,781
Profit/(loss) before taxes		**34,453**	***12,908***
Depreciation of property, plant and equipment	2	21,683	20,990
Amortisation of intangible fixed assets	2	5,459	5,664
Adjustment deprec. property, plant and equipment	2	-608	-196
Adjustment to amortisation of intangible assets	2	-184	-17
Impairment of intangible assets	2	-	-
Provisions for risks	2	10,178	6,254
Provisions for employee benefits	2	5,334	5,269
Net gains/(losses) on foreign exchange	3	-579	-15
Financial income	3	-5,926	-1,669
Financial expenses	3	26,771	18,925
Cash flows before changes in Net Working Capital		**96,581**	***68,113***
Changes in inventory	13	7,381	-23,987
Change in trade receivables	12	-12,539	1,599
Change in trade payables	17	-37,567	49,623
Change in other receivables/payables	13-17	5,526	2,762
Changes in receivables/payables for deferred taxation	11	60	-355
Use of provisions for employee benefits	19	-5,486	-5,789
Use of risks provisions for risks and liabilities	20	-2,617	-4,469
Interest received		5,157	481
Interest paid		-23,424	-16,506
Change in other financial assets and liabilities		-3,307	276
Tax payments	4	-5,007	-7,636
Cash flows from operating activities from Discontinued Operations		-321	-2,472
Cash flows from operating activities		**24,437**	***61,640***
Investments in property, plant and equipment	6	-48,246	-39,954
Disinvestments and other movements in property, plant and equipment	6	881	1,033
Real estate investments		-	-78
Investments in intangible fixed assets	7	-1,215	-1,972
Disinvestments and other movements in intangible assets	7	11	-38
Net liquidity acquired/sold through business combinations		-	322,743
Equity investments/divestments		-3,439	-299
Change in financial assets		1,348	1,205
Cash Flows from Investing Activities from Discontinued Operations		-4,727	-3,166
Cash flows from investing activities		**-55,387**	***279,474***
Change in financial liabilities	16	-57,939	-48,342
Change in share capital	15		-
Dividends paid	15	-10,000	-
Entrance of non-controlling interests		11,035	-3,892
Other movements of shareholders' equity		1,699	3,753
Cash Flows from Financing Activities from Discontinued Operations		-	-
Cash flows from financing activities		**-55. 205**	**-48,481**
Total cash flows for the period		**-86,155**	**292,633**
Opening cash and cash equivalents		**289,842**	**-**
Exchange changes in cash and cash equivalents		-2800	-2,791
Change in cash flows from discontinued operations - cash and cash equivalents		-411	-
Closing cash and cash equivalents		**200,476**	**289,842**

(*) Values for 2022 have been restated in accordance with IFRS 5.

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED ACCOUNTS AS AT 31 DECEMBER 2023

1. Introduction

The publication of the consolidated financial statements of Carraro S.p.A. and its subsidiaries (hereinafter also "Carraro Group" or "Group"), for the financial year ending 31 December 2023 was authorised by resolution of the Board of Directors of 22 March 2024.

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.

This consolidated financial report as at 31 December 2023 is presented in euros, as this is the currency in which most of the group's operations are conducted. The foreign companies are included in the consolidated financial report 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).

With reference to the effects related to the application of IFRS 5, please refer to the comments in section 2.2 Contents of the Consolidated Financial Statements.
For a reconciliation of the comparative values in the tables and those published in the previous year, please refer to section 5.b other extraordinary events.

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).
In preparing the present consolidated financial statements, the same accounting standards have been used as adopted in preparing the 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 consolidated financial statements were prepared on a going concern basis.

2. Form and content of the financial statements

These consolidated financial statements have been prepared in accordance with the revised International Accounting Standards (IAS/IFRS) ratified by the European Union and to this end the figures of financial statements of the consolidated subsidiary 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 EBIT 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 recommendations contained in ESMA Document No. 32-382-1138 published on 4 March 2021, minus, where applicable, non-current financial receivables and assets as well as the effects of applying International Financial Reporting Standard 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 Consolidated Financial Statements

Basis of consolidation
The consolidated financial statements of the Group include the financial statements of Carraro S.p.A. and companies it directly or indirectly controls.

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

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

Name	Based in	Currency	Nominal value Share capital	Group stake
Parent company:				
Carraro S.p.A.	Campodarsego (Padua)	EUR	41,452,544	
Italian subsidiaries:				
Carraro Drive Tech Italia S.p.A.	Campodarsego (Padua)	EUR	5,000,000	100.00%
Siap Spa	Maniago (Pordenone)	EUR	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%
Foreign subsidiaries:				
Carraro Technologies India Pvt. Ltd.	Pune (India)	INR	18,000,000	100.00%
Carraro Argentina S.A.	Haedo (Argentina)	ARS	57,930,828	99.95%
Carraro China Drive System	Tsingtao (China)	CNY	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	3,770,000	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 section *'Material standards and 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%
Bhavani Synchrotec Private Limited	Gujarat (India)	INR	160,080,000	49.00%

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 Synchrotec Private Limited Joint venture
On 16 February 2023, Siap S.p.A. signed a preliminary joint venture agreement with the Indian company Bhavani Industries India LLP for the establishment of the company Bhavani Synchrotec Private Limited, whose core business will be the manufacture of synchronisers for the Carraro Group's internal needs and for marketing. 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 of 31 December 2023, the payments made by Siap S.p.A. to the JV corresponded to a total of 4,488,767 euros, of which 3,372,942 euros was contributed in cash and 1,050,000 euros through the contribution of an Intellectual Property (IP), relating to projects for synchronisers.

Interests with third parties - FRIULIA S.p.A.
On 23 January 2023, as envisaged by the agreement in place between the Carraro Group and the regional finance company of the FVG Region, Friulia spa, Carraro Drive tech Italia Spa repurchased the residual half of the equity investment held in SIAP S.p.A. by Friulia itself (amounting to 2,196,500 shares), thus becoming the sole shareholder of the company Siap S.p.A..
The Extraordinary Shareholders' Meeting of 22 February 2023 resolved to increase the share capital against payment from 18,903,000 euros to 19,953,000 euros, to be implemented for 1,050,000 euros by means of a contribution in kind by the sole shareholder "Carraro Drive Tech Italia S.p.A." of the intellectual property consisting of designs for synchronisers.
Subsequently, again at the extraordinary shareholders' meeting held on 22 February 2023, Siap S.p.A. resolved to increase its share capital for cash, by a cash payment, from 19,953,000 euros to 24,725,000 euros which, after the sole shareholder Carraro Drive Tech Italia S.p.A. renounced its subscription, was subscribed and paid up by Finanziaria Regionale Friuli Venezia Giulia - Friulia S.p.A., by issuing, for cash, 4,772,000 preference shares with a total share premium of 10,228,000 euros. The plurality of shareholders was thus reconstituted.

Carraro Argentina - Application of IFRS 5
As part of the Group's strategic choices, the opportunity to dispose of the equity investment held in the company Carraro Argentina SA was evaluated and, to this end, the management is verifying the interest of potential buyers.
In particular, on 20 December 2023, following authorisation by the Board of Directors of Carraro S.p.A. on 18 December 2023, the subsidiary Carraro International SE received an initial non-binding offer from an Argentine company for the sale of the subsidiary.
Carraro International SE on 22 December 2023 sent the counterparty the confirmation of interest for the continuation of the negotiation. As of today, a sale price has not yet been defined between the parties, but they have started negotiations to that effect and have declared their willingness, under the right conditions and once the profitability has been verified, to implement the transaction as soon as possible and, hopefully, by 2024.
In these Consolidated Financial Statements, the Argentine business, represented by the activities of the affiliate Carraro Argentina SA, taking into account the negotiations underway, as well as its significance and specificity as, among other things, characterised by a higher risk profile compared to those of the remaining core activities, has consequently been treated as Discontinued Operations in accordance with IFRS 5; Therefore:

- in the income statement for the financial year 2023 and, for comparative purposes for the financial year 2022, the items of income and expenses as of 1 January, as well as the adjustment of the balance sheet value to the fair value less costs to sell, of the assets constituting the Discontinued Operations have been reclassified to Net income from Discontinued Operations (-6.2 million euros in FY2023, -2.4 million euros in FY2022);
- in the balance sheet for the financial year 2023 the assets and liabilities attributable to the *Argentine business* were reclassified under Assets and Liabilities held for sale; balance sheet balances as at 31 December 2022 have not been restated;
- in the cash flow statement for the financial year 2023 and, for comparative purposes, for the financial year 2022, the cash flows generated by the assets constituting the Discontinued Operations have been reclassified to dedicated items.

For more information on the application of IFRS 5 and its effects on these consolidated financial statements, in addition to what is already mentioned in this section, please also refer to section 5.b other extraordinary events.

3. Consolidation criteria and accounting standards

3.1 Consolidation criteria

The figures are consolidated using the line by line method, that is assuming the entire amount of the assets, liabilities, costs and revenues of the individual companies, regardless of the stock held in the company.
For the consolidation of the foreign companies, financial statements have been specifically prepared in accordance with the layouts adopted by the parent company and drawn up in accordance with common accounting principles, with reference to those applied for Carraro S.p.A.. Where necessary, in order to align the closing dates of the foreign companies, interim financial statements have been prepared by the directors, with the same criteria used for the year-end ones.
The carrying amount of consolidated equity investments, held by Carraro S.p.A. or by other companies within the scope of consolidation, was offset by the relevant amount of shareholders' equity in the subsidiary companies.
The amount of shareholders' equity and the net profit/(loss) of these third-party shareholders are shown in the Consolidated Statement of Financial Position, Consolidated Income Statement and Consolidated Statement of Comprehensive Income respectively.
Payable and receivables, income and expenditure and all operations undertaken between the companies included within the scope of consolidation have been eliminated, including dividends distributed within the Group.
Profits not yet realised and capital gains and losses deriving from operations between companies of the Group have also been eliminated.
Intra-group losses that indicate impairment are recognised in the consolidated financial statements.
Financial statements denominated in foreign currencies are translated into euros using the period-end exchange rate for assets and liabilities, historical exchange rates for equity items, and average exchange rates for the period for the income statement, except for the hyperinflationary economy investee for which the period-end exchange rate was also used to translate the income statement as required by IAS 21 paragraph 42.b.
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 rate for 2023	Exchange rate as at 31.12.2023	Average exchange rate for 2022	Exchange rate as at 31.12.2022
Indian rupee	89.300	91.905	82.686	88.171
US dollar	1.081	1.105	1.053	1.067
Chinese renminbi	7.660	7.851	7.079	7.358
Argentine peso	892.921	892.921	188.503	188.503

3.2 Discretionary valuations 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 required the use of estimates were those concerning the impairment test on 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, it should be noted that the estimates made as of 31 December 2023 reflect the considerations made by the Directors on the possible developments related to the current national and international scenario characterised by the events related to the conflict between Russia and Ukraine and the conflict between Israel and Palestine.

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.

Impairment loss on goodwill

Goodwill is examined for any impairment once a year. This test requires an estimate of the value in use of the cash generating unit to which the goodwill is attributed, which in turn is based on an estimate of the anticipated cash flows from the unit and their discounting based on an appropriate discount rate. For further details see note 7, also as regards the sensitivity analyses carried out on the possible impacts on the impairment test.

Deferred tax assets

Deferred tax assets are recognised in compliance with IAS 12 and they include retained tax losses, to the extent that it is likely there will be future tax profits to offset these losses with the returns of the temporary differences absorbed. A significant discretionary valuation is required of the directors to determine the amount of the deferred tax assets that can be accounted for. They must estimate the probable timing and the amount of future taxable profits as well as a planning strategy for future taxation. The details are provided in note 11.

Pension funds and other post employment benefits

The cost of defined-benefit pension plans is determined using actuarial valuations. The actuarial valuation requires assumptions on the discount rates, the expected rate of return on investments, future salary increments, mortality rates and future pension increases. Because of the long-term nature of these plans, these estimates are subject to a significant level of uncertainty. Further information is provided in note 19.

Development costs

Development costs have been capitalised based on the following accounting principle. In order to determine the amounts to be capitalised the directors must develop assumptions on anticipated future cash flows from assets, the discount rates to apply and the periods of manifestation of the anticipated benefits.

Provisions for risks and liabilities

The Group used estimates for the valuation of the provisions for credit risks, for work under warranties granted to customers, for company restructuring, for stock depreciation and for other risks and liabilities. Further details are provided in the notes relating to the individual financial statement items.

Fair value measurement

IFRS 13 provides a single source of reference for fair value measurements and related disclosures when those measurements are required or permitted by other accounting standards. Specifically, the standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The new standard also supersedes and expands on the disclosures on fair value measurements required by the other accounting standards, including IFRS 7 "explanatory notes".
IFRS 13 establishes a hierarchy that categorises the inputs to valuation techniques used to measure fair value into three levels.
The levels established, arranged in hierarchical order, are as follows:
• Level 1 input: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
• Level 2 input: variables other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly;
• Level 3 input: unobservable variables for the assets or liabilities.

For more information on the assumptions used to determine the values, see the specific notes in the comments on the assets or liabilities.

3.3 Material standards and criteria

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

IFRS 17 – Insurance Contracts
(published on 18 May 2017)

This standard replaced IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from issued insurance contracts. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts that an insurer holds.
The new standard also includes presentation and disclosure requirements to improve comparability between entities in this segment.
The new standard measures an insurance contract on the basis of a General Model or a simplified version of this, called the Premium Allocation Approach ("PAA").
The main features of the General Model are:

- estimates and assumptions of future cash flows are always current;
- the measurement reflects the time value of money;
- the estimates involve extensive use of information observable on the market;
- there is a current and explicit measurement of the risk;
- the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; the expected profit is recognised during the contractual coverage period, taking into account the adjustments resulting from changes in the assumptions relating to the cash flows for each group of contracts.

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects the liability to reasonably represent an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications resulting from the application of the PAA method do not apply to the measurement of liabilities for outstanding claims, which are measured with the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or collected will occur within one year of the date on which the claim occurred.
An entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF).
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 to IAS 1 require an entity to disclose relevant information on the accounting policies applied by the Group. The amendments are intended to improve the disclosure of accounting policies applied by the Group 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 policy.
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 IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

(published on 9 December 2021)

The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment aimed at avoiding temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore improving the usefulness of comparative information for the readers of financial statements. The amendment was applied from 1 January 2023, together with the application of IFRS 17.
The adoption of this standard and the related amendment had no impact on the Group's consolidated financial statements.

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

The document clarifies how deferred tax assets should be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. These changes have been applied starting from 1 January 2023.
The adoption of this amendment had no effect on the Group consolidated financial statements.

Amendments to IAS 12 "Income Taxes: International Tax Reform – Pillar Two Model Rules"
(published on 23 May 2023)

The document introduces a temporary exception to the recognition and disclosure requirements for deferred tax assets and liabilities related to the Pillar Two Model Rules (which are effective in Italy as of 31 December 2023, but applicable as of 1 January 2024) and provides for specific disclosure requirements for entities affected by the related International Tax Reform.
The document provides for the immediate application of the temporary exception, while the disclosure requirements are only applicable to annual financial statements commencing on or after 1 January 2023, but not to interim financial statements with a closing date prior to 31 December 2023.
For more details, please refer to Note 4 '*Current and Deferred Taxes*'.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not early adopted by the Company as at 31 December 2023:

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

The purpose of the document is to clarify how to classify short-term and long-term payables and other liabilities. In addition, the amendments also improve the information that an entity must provide when its right to defer settlement of a liability for at least twelve months is subject to compliance with certain parameters (i.e. covenants).
The amendments will enter into force on 1 January 2024.
The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

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

The purpose of the document is to clarify how to classify short-term and long-term payables and other liabilities. In addition, the amendments also improve the information that an entity must provide when its right to defer settlement of a liability for at least twelve months is subject to compliance with certain parameters (i.e. covenants).
The amendments will enter into force on 1 January 2024.
The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback"
(published on 22 September 2022)

The document requires the seller-lessee to measures 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 on the Group's consolidated financial statements from the adoption of this amendment.

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

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 this amendment.

Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability"
(published on 15 August 2023)

The document requires an entity to apply a methodology to be used consistently to ascertain whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosures to be made in the notes to the financial statements.
The amendment will apply from 1 January 2025, but earlier application is permitted.
The directors do not expect a significant effect in the consolidated financial statements of the Group from the adoption of this amendment.

Business Combinations and Goodwill
Business combinations are accounted for according to the purchase method. This requires the recognition at fair value of the identifiable assets (including intangible fixed assets previously not recognised) and identifiable liabilities (including potential liabilities and excluding future restructuring) of the business acquired.

The goodwill acquired through a business combination is initially measured at cost, represented by the amount by which the cost of the business combination exceeds the share attributable to the Group of the net fair value of the identifiable assets, liabilities and potential liabilities (of the business acquired). In order to analyse appropriateness, goodwill acquired in a merger is allocated at the date of acquisition, to the individual cash generating units of the Group or to groups of cash generating units, which should benefit from the synergies of the combination, irrespective of whether other Group assets or liabilities are allocated to such units or groups of units.

Each unit or group of units to which the goodwill is allocated:

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

When the goodwill represents part of a cash generating unit (or group of cash generating units) and part of the asset internal to that unit is transferred, the goodwill associated with the asset transferred is included in the carrying amount of the asset in order to determine the profit or loss generated by the transfer. Goodwill transferred in such cases is calculated on the basis of the values relating to the asset transferred and of the portion of the unit maintained in existence.

When the transfer concerns a subsidiary, the difference between the selling price and the net assets plus the accumulated translation differences and goodwill is recognised in the income statement.

Acquisitions of additional equity interests after achieving control
IAS 27 Revised states that, once control of an entity has been obtained, transactions in which the controlling entity buys or sells further minority interests without affecting the control exercised over the subsidiary are transactions with owners and therefore must be recognised in shareholders' equity. It follows that the carrying amount of the controlling and the minority interests must be adjusted to reflect the change in the equity investment in the subsidiary and any difference between the amount of the adjustment made to the minority interests and the fair value of the price paid or received in this transaction is recognised directly in shareholders' equity and is attributed to the owners of the parent company. There will be no adjustments to the value of goodwill and profits or losses recognised in the income statement. Any ancillary expenses deriving from these transactions, moreover, must be recognised in shareholders' equity in accordance with the provisions of IAS 32, paragraph 35.
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.

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

Property, plant and equipment

Property, plant and equipment are recognised at historical cost less accumulated depreciation and accumulated impairment losses. This cost includes expenses for replacing parts of machinery and plant at the time they are incurred if this is in accordance with the recognition criteria.

Depreciation is calculated on a straight-line basis with reference to the estimated useful life of the assets.

Property, plant and equipment items are derecognised at the time of sale or once future economic benefits are no longer expected from their use or disposal. Any losses or profits (calculated as the difference between the net income on the sale and the carrying amount) are recognised in the income statement during the year of elimination as above.

Assets held under finance leases, through which all the risks and benefits of ownership are transferred to the Group, are recognised as Group assets at their current value or,

if lower, at the present value of the minimum lease payments.

The corresponding liability to the lessor is included in the financial statements under financial payables. Leases where the lessor substantially retains all the risks and benefits of ownership are classified as operating leases and the related costs are recognised in the income statement over the term of the contract.

The asset's residual value, its useful life and the methods applied are reviewed annually and adjusted if necessary, at the end of each accounting period. On average the useful life, in years, is as follows:

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

Real estate investments

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

Intangible fixed assets

Intangible assets are recognised in the accounts only if they can be identified and checked, are expected to generate future economic benefits, and their cost can be reliably determined.

Intangible fixed assets with a limited life are carried at purchase or production cost net of amortisation and accumulated impairment losses.

Amortisation is calculated in relation to their anticipated useful life and starts when the asset becomes available for use.

Goodwill

Goodwill represents the surplus of the purchase cost compared to the acquirer's interest in the fair value (referred to the identifiable net values of the assets or liabilities of the entity acquired).

After initial recognition, goodwill is carried at cost, less any cumulative impairment losses.

Goodwill is subject, at least once a year, to an impairment test, to identify any impairment losses. In order to perform a correct fair value analysis, the goodwill is allocated to each of the units generating financial flows that will benefit from the effects deriving from the acquisition.

Research and development costs

The costs of research are charged to the income statement when incurred, in accordance with IAS 38.

Again in compliance with IAS 38, development costs relating to specific projects are recorded among the assets only if all the following conditions are fulfilled:

- the asset can be identified;
- the technical feasibility of completing the intangible asset so that it will be available for use or sale exists;
- the intention to complete the intangible asset and use or sell it exists;
- the ability to use or sell the intangible asset exists;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset exists;
- it is likely that the asset created will generate future financial benefits;
- the costs of the development of the asset can be reliably measured.

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

Licences, trademarks and similar rights

Trademarks and licences are stated at cost, net of amortisation and accumulated impairment losses.

The cost is amortised over the shorter of the duration of the contract and the limited useful life.

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

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

Equity investments in associated companies and joint ventures
An associated company is an entity over which the company is able to exercise significant influence, but does not have control or joint control, via the equity investment, over the financial and operating policies of the company.
A joint venture is a jointly controlled arrangement in which the parties with joint control have rights to the net assets of the arrangement. Such parties are referred to as joint venturers.
The income, expenses, assets and liabilities of associate companies and joint ventures are shown in the consolidated financial statements using the net equity method.

Financial assets
The standard IFRS 9 sets out the following types of financial instruments: financial assets at amortised cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income. Initially, all financial assets are recognised at fair value, increased, in the case of assets other than those at fair value, by any ancillary expenses. The company establishes the classification of its financial assets at initial registration and, where appropriate and permitted, revises the classification at the end of each financial year.

All standardised (regular way) purchases and sales of financial assets are recognised at the trade date, or at the date on which the company undertakes to acquire the asset. Standardised purchases and sales means all purchase/sale transactions on financial assets which require the handing over of the assets in the period generally envisaged by the regulations and by the practices of the market on which the trade occurs.

Financial assets measured at amortised cost

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Financial assets at fair value through profit or loss

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

Financial liabilities

A financial liability is derecognised when the underlying obligation is discharged, cancelled or fulfilled.

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

Impairment losses on financial assets

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

Assets measured on the basis of amortised cost

If there is objective evidence that a loan or receivable recognised at amortised cost has suffered an impairment loss, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future receivable losses not yet incurred) discounted at the original effective interest rate of the financial asset (that is the effective interest rate calculated at the date of initial recognition). The carrying amount of the asset is reduced both directly and by setting aside provisions. The amount of the loss will be recognised in the income statement.

The Group first assesses the existence of objective evidence of impairment at the individual level. In the absence of objective evidence of an impairment loss for a financial asset measured individually, whether significant or otherwise, this asset is included in a group of financial assets with similar credit risk features and the group is subject to assessment for impairment losses in a collective manner. Assets assessed at the individual level, for which an impairment loss is seen or continues to be seen, will not be included in collective valuation.

If, in a subsequent accounting period, the amount of an impairment loss decreases and this reduction can objectively be traced back to an event which took place after the impairment loss was recognised, the value previously written down is reinstated. Any subsequent write-backs are recognised in the income statement, provided that the carrying amount of the asset does not exceed the amortised cost at the date of the reversal.

Assets recognised at cost

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

Available-for-sale financial assets

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

Inventories

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

Works in progress to order

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

Trade receivables and other receivables

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

Cash and cash equivalents

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

Assets and liabilities held for sale

IFRS 5 states that non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is deemed to be fulfilled only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be engaged in a programme to dispose of the business (or disposal group) and completion of the sale should be expected within one year from the date of classification.
When the group is engaged in a plan of sale that results in the loss of control of a subsidiary, all assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale.
Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and amortisation on those assets ceases, and assets that meet the criteria to be classified as held for sale are shown separately in the balance sheet, and the results of discontinued operations are shown separately in the income statement.

Loans and bonds

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

Derecognition of financial assets and liabilities

Financial assets

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

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

In cases where the Group has transferred the rights to receive cash flows from an asset and has not essentially transferred or withheld all the risks and benefits or has not lost control over the same, the asset is recorded in the Group's financial statements to the extent of the latter's residual involvement in this asset. The residual involvement, which takes the form of a guarantee on the asset transferred, is measured at the lower of the initial carrying amount of the asset and the maximum amount which the Group could be obliged to pay.

In cases where the residual involvement takes the form of an option issued and/or acquired on the asset transferred (including options settled in cash or similar), the extent of the Group's involvement corresponds to the amount of the asset transferred which the company could re-acquire; however, in the case of a put option issued on an asset measured at fair value (including options settled in cash or by means of similar provisions), the extent of the Group's residual involvement is limited to the lower of the fair value of the asset transferred and the exercise price of the option.

Derivative financial instruments and hedging transactions

The Carraro group's financial risk management strategy conforms to the company objectives set out in the policies approved by the Board of Directors of Carraro S.p.A. In particular, it aims to minimise interest rate and exchange rate risk and optimise the cost of debt.

These risks are managed in accordance with the principles of prudence and market best practices and all risk management transactions are centrally managed.

The main objectives indicated by the policy are as follows:

A) Exchange-rate risks:

1) to hedge all commercial and financial transactions against the risk of fluctuation;

2) to apply the "currency balancing" method of hedging the risk, where possible, favouring the offsetting of revenues and expenses and payables and receivables in foreign currencies in order to engage in hedging solely for the excess balance not offset;

3) not to permit the use and ownership of derivatives or similar instruments for mere trading purposes;

4) to permit only the use of instruments traded on regulated markets for hedging transactions.

B) Interest-rate risks:

1) to hedge financial assets and liabilities against the risk of changes in interest rates;

2) in hedging against risk, to comply with the general criteria for balancing lending and borrowing set at the Group level by the Board of Directors of Carraro S.p.A. when it approves long-term plans and budgets (fixed and floating interest rates, proportions at short term and medium/long term);

3) to permit only the use of instruments traded on regulated markets for hedging transactions.

The Group uses derivative financial instruments such as currency futures contracts and interest rate swaps to hedge the risks deriving mainly from fluctuations in interest and exchange rates. These derivative financial instruments are initially recognised at their fair value at the date they were entered into; this fair value is periodically reviewed. They are accounted for as assets when the fair value is positive and as liabilities when it is negative.

Any profits or losses emerging from the changes in the fair value of derivatives not eligible for hedge accounting are charged directly to the income statement during the accounting period.

The fair value of currency futures contracts is determined with reference to the current forward exchange rates for contracts with a similar maturity profile. The fair value of interest rate swap agreements is determined with reference to the market value for similar instruments.

For hedge accounting purposes, hedges are classified as:

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

A transaction hedging the exchange-rate risk relating to an irrevocable commitment is accounted for as a cash flow hedge.

When implementing a hedging transaction, the Group formally designates and documents the hedging relationship to which it is intended to apply the hedge accounting, its risk management objectives and the strategy pursued. The documentation identifies the hedging instrument, the element or transaction subject to the hedge, the nature of the risk and the methods by means of which the entity intends to assess the effectiveness of the hedge in offsetting exposure to changes in the fair value of the element hedged or the cash flows attributable to the hedged risk.

These hedges are expected to be highly effective in offsetting exposure of the element hedged to changes in the fair value or in the cash flows attributable to the hedged risk. The assessment of whether these changes are in fact highly effective is carried out on an ongoing basis during the accounting periods in which they were designated.

Transactions which meet the criteria for hedge accounting are accounted for as follows:

Fair-value hedges

The Group may use fair value hedging transactions against exposure to changes in the fair value of accounting assets and liabilities or of an off-balance sheet irrevocable commitment, as well as an identified part of the said assets, liabilities or irrevocable commitments, attributable to a particular risk, which could have an impact on the income statement. As far as fair-value hedges are concerned, the carrying amount of the element being hedged is adjusted to reflect the profits and losses attributable to the risk subject to the hedge, the derivative instrument is re-determined at fair value and the profits and losses of both are booked to the income statement.

With regard to fair value hedges referring to elements recognised on the basis of amortised cost, the adjustment of the carrying amount is amortised in the income statement over the period remaining until maturity. Any adjustments to the carrying amount of the hedged financial instrument to which the effective interest rate method is applied are amortised in the income statement.

The amortisation can start as soon as an adjustment exists but not after the date when the hedged element ceases to be adjusted due to the changes in its fair value attributable to the hedged risk.

When an unrecognised irrevocable commitment is designated as a hedged item, subsequent cumulative changes in its fair value attributable to the hedged risk are recognised as assets or liabilities and the corresponding profits and losses are recognised in the income statement. Changes in the fair value of a hedging instrument are also booked to the income statement.

An instrument is no longer recognised as a fair value hedge when it matures or is sold, discharged or exercised, when the hedge no longer meets the requirements for hedge accounting purposes, or when the Group revokes its designation. Any adjustments to the carrying amount of the hedged financial instrument to which the effective interest rate method is applied are amortised in the income statement. The amortisation can start as soon as an adjustment exists but not after the date when the hedged element ceases to be adjusted due to changes in its fair value attributable to the hedged risk.

Cash flow hedges

Cash flow hedges are transactions hedging the risk of fluctuations in cash flows attributable to a specific risk, associated with a recognised asset or liability or with a highly likely future transaction which could influence the financial outcome. Profits or losses deriving from the hedging instrument are recognised in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve for the efficient part, while the remaining (inefficient) portion is recognised in the income statement.

The profit or loss booked to shareholders' equity is reclassified in the income statement during the period when the transaction being hedged influences the income statement (for example, when the financial income or expense is recognised or when an anticipated sale or purchase takes place). When the element being hedged is the cost of a non-financial asset or liability, the amounts recognised in shareholders' equity are transferred at the initial carrying amount of the asset or liability.

If the transaction is no longer expected to take place, the amounts initially accumulated in shareholders' equity are transferred to the income statement. If the hedging instrument matures or is sold, cancelled or exercised without being replaced, or if its designation as a hedge is revoked, the amounts previously accumulated in shareholders' equity remain recognised therein until the expected transaction takes place. If it is believed that this will no longer happen, the amounts are transferred to the income statement.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including hedges of a monetary item recognised as part of a net investment, are recognised on a similar basis to cash flow hedges. Profits or losses deriving from the hedging instrument are recognised in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve for the efficient part of the hedge, while for the remaining (inefficient) portion they are recognised in the income statement. On disposal of the foreign operation, the cumulative value of these profits or losses booked to shareholders' equity is transferred to the income statement.

Allowances and provisions

Provision for risks and liabilities

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

Employee and similar benefits

According to IAS 19, employee benefits to be paid out subsequent to the termination of the employment relationship and other long-term benefits (including the provision for severance indemnity) are subjected to actuarial valuations which have to take into account a series of variables (such as mortality, the provisions of future salary changes, the anticipated rate of inflation, etc.).

Following this method, the liability recognised represents the current value of the obligation, net of any plan assets, adjusted for any actuarial losses or profits not accounted for.

As provided for by IAS 19 Revised, actuarial gains and losses were recognised directly in the income statement, without using the corridor approach.
Following the adoption of IAS 19 Revised, actuarial gains/losses are no longer directly recognised in the income statement, but are directly recognised in a reserve of shareholders' equity with immediate recognition in the Statement of Comprehensive Income. Interest cost is classified under Financial income/expenses and no longer under the item Personnel Costs.

Recognition of revenues and other positive income components

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

Revenues from the sale of products (axles, transmissions, spare parts, tractors, gears and components)
The companies belonging to the Carraro Group sell axles, integrated power transmission systems, spare parts, agricultural tractors, gears and other components to other companies operating in the international construction of agricultural machinery, earthmoving machinery, industrial transport equipment, material handling and power tools sectors, thus operating in the B2B sector.
The guarantees related to the sale are aligned in terms of duration to those required by law and/or in accordance with commercial practice in the sector. Therefore, the company accounts for compliance guarantees in accordance with IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets".
Revenues as described above include a single performance obligation concerning the sale of the product, not including in the sale of services or ancillary products which, in accordance with the standard, should constitute separate performance obligations.
As far as the recognition of revenues is concerned, these are recorded at the time of the transfer of control of the goods on which processing has been carried out (at a point in time), this condition depends on what has been established with the customer, in most cases this transfer of control occurs when the goods are taken over by the carrier (which may alternatively be a carrier or a ship). After the transfer of control, the customer has full discretion on the good, on its processing, on the method of distribution of the goods and on the sales price to be applied, has full responsibility for its use within its products and assumes the risks of obsolescence and possible loss of the goods.

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

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

Recognition of other positive income components
Interest income is recognised in accordance with the accruals concept, on the basis of the amount financed and the effective interest rate applicable, which represents the rate that discounts future collections estimated over the expected life of the financial asset so as to take them back to the carrying amount of the asset itself.

Public grants
Public grants are recognised when reasonable certainty exists that they will be received and all the related conditions are satisfied. When the grants are associated with cost elements, they are recorded as revenues, but they are systematically

spread over the accounting periods so that they are commensurate with the costs they are intended to offset. If the grant is linked to an asset, the fair value is suspended in long-term liabilities and the release to the income statement takes place progressively over the expected useful life of the asset concerned on a straight-line basis.

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

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

Deferred taxes
Deferred taxes are determined on the basis of the taxable temporary differences existing between the carrying amount of assets and liabilities and their value for tax purposes; they are classified under non-current assets and liabilities.
Deferred tax assets are provided for only to the extent that future tax burdens will probably exist, against which this asset balance can be used.
The value of deferred tax assets which can be recognised is subject to an annual assessment and is written down to the extent that it is not likely that sufficient income for tax purposes will be available in the future so as to permit all or part of this credit to be used. Unrecognised deferred tax assets are reviewed annually at the reporting date and are recognised to the extent that it has become likely that income for tax purposes will be sufficient to permit these deferred tax assets to be recovered.
Deferred tax assets and liabilities are determined with reference to the tax rates which are expected to be applied in the period in which these deferments will be realised, taking into account the rates in force or those which it is known will be subsequently issued.
Deferred tax assets and liabilities are offset, if a legal right exists to offset the current tax assets with current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

Value added tax

Revenues, costs, assets and liabilities are recognised net of value added tax, except when:

- the tax applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;
- it refers to trade receivables and payables recorded including the value of the tax.

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

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

The Group's main risks include:

Credit risk
The Group includes among its customers leading international manufacturers of agricultural machinery, construction equipment vehicles, industrial vehicles and light power tools as well as renewable energy producers. The risk concentration is associated with the size of these customers, which on a global context is on average high, yet balanced by the fact that credit exposure is distributed across a complex network of counterparties active in several geographic segments.
The management of credit is designed to prioritise the acquisition of customers of national and international standing for multi-annual supplies; on this basis consolidated historical relationships have been built up with the main customers. Generally speaking, these relationships are governed by ad-hoc supply contracts. Credit control requires periodic monitoring of the main financial and economic data (including the delivery schedules) relating to each customer.
Except in special circumstances to do with country or counterparty risk, guarantees are not normally obtained on credit.
Receivables are recognised in the accounts net of any write-downs determined by assessing the counterparty's risk of insolvency based on the information available.
In recent years, the effects of the pandemic developments and the Russian-Ukrainian conflict have not had any significant consequences on overall customer operations such as to jeopardise the continuity of inflows from the sale of the Group's products.

Liquidity risk
The Group's liquidity risk is mainly linked to the activation and maintenance of sufficient funding to support industrial operations.
The raising of funds, consistent with the latest business plan, is intended to finance both working capital and investments in R&D and innovation, as well as investments in fixed assets necessary to ensure sufficient and technologically advanced production capacity. This requirement is directly proportional to the trend in customer orders and the resulting trend in the volume of business, and also to the Group's efforts in directing its research and innovation.
The cash flows envisaged for 2024 include, besides the trend in working capital of operations and investments, the effects of current liabilities and the short-term portions of medium- and long-term loans reaching maturity, as well as the effects (assuming the same rates of exchange with compared to 31.12.2023) of the closure of derivative financial instruments on currencies in existence at the reporting date.
The Group envisages meeting the needs arising from all of the above with the flows deriving from operations, available liquidity, the collection of receivables from the sale of assets and the availability of additional credit facilities.
The management of liquidity, funding requirements and cash flows are under the strict control and direct management of the Group Treasury, which operates with the aim of managing the resources available as efficiently as possible.
Uncertainties in financial markets have had an effect on borrowing by banks and as a consequence on credit granted to businesses. This instability could also continue in 2024, preventing the normal execution of financial transactions.
Lastly, regardless of the fact that the Group has continued refinancing its debts with the support of its banking counterparties and the financial markets, the situation could arise of having to seek additional financing in less favourable market conditions, with the limited availability of such sources and an increase in financial expenses.
The maturity features of the Group's liabilities and assets are shown in notes 10 and 16 relating respectively to non-current financial receivables and non-current financial payables. The maturity features of derivative financial instruments are described in paragraph 9.2.

Exchange-rate risk and interest rate risk
The Group is exposed to exchange rate risks by virtue of the fact that a significant portion of sales and some of the purchases are made in currencies other than the Group's functional currency, with trade transactions carried out by companies in the euro area with counterparties that do not belong to the euro area and vice versa.
Another aspect of exchange rate risk is the fact that several Group companies present their financial statements in currencies other than the Group's functional currency.
Exposure to exchange-rate risk with reference to each entity is regularly monitored by the Group Treasury according to a strategy which focuses, in particular, on the balance between purchases and sales in foreign currency and activating, for the remaining non-balanced portion and according to the criteria set by the company policy in terms of the management of financial risks, appropriate initiatives to hedge or reduce the risks identified, using the instruments available on the market.
The Group is also exposed to interest rate risk in relation to financial liabilities undertaken for loans for both ordinary operations and investments. Changes in interest rates may have positive or negative effects on both the financial outcome and on cash flows.
The strategy adopted pursues the basic objective of achieving a balance between floating-rate and fixed-rate debt. The interest-rate risk on the floating portion can then be reduced via specific hedging operations.

Intra-group transactions

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

4. Reporting by business and geographic segment

Information on Operating Segments is given on the basis of the internal reporting provided as at 31 December 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 31.12.2023 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 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

2023 *(amounts in Euro thousands)*	**Drive Tech**	**Agritalia**	**Eliminations and items not allocated**	**Consolidated Total**
Revenues from sales	**697,479**	**179,806**	**-30,987**	**846,298**
Sales to third parties	635,776	176,528	33,994	846,298
Related sales	-	-	-	-
Sales between divisions	61,703	3,278	-64,981	-
Operating costs	**634,718**	**181,131**	**-24,270**	**791,579**
Purchases of goods and materials	414,203	137,827	-26,060	525,970
Services	99,759	15,483	2,585	117,827
Use of third-party goods and services	22,847	29	-22,779	97
Personnel costs	74,397	17,645	18,125	110,167
Amortisation, depreciation and impairment of assets	20,816	2,215	3,875	26,906
Changes in inventories	908	7,484	-1,011	7,381
Provision for risks and other liabilities	4,612	1,525	4,041	10,178
Other income and expenses	-2,435	-1,077	-3,046	-6,558
Internal construction	-389	-	-	-389
Operating profit/(loss)	**62,761**	**-1,325**	**-6,717**	**54,719**

2022 (*) *(amounts in Euro thousands)*	**Drive Tech**	**Agritalia**	**Eliminations and items not allocated**	**Consolidated Total**
Revenues from sales	**633,185**	**118,022**	**-20,381**	**730,826**
Sales to third parties	605,048	114,421	11,357	730,826
Related sales	-	-	-	-
Sales between divisions	28,137	3,601	-31,738	-
Operating costs	**594,352**	**125,794**	**-19,469**	**700,677**
Purchases of goods and materials	404,733	101,312	-20,440	485,605
Services	96,416	13,771	2,725	112,912
Use of third-party goods and services	23,233	15	-22,913	335
Personnel costs	69,290	16,121	17,206	102,617
Amortisation, depreciation and impairment of assets	20,349	2,349	3,879	26,577
Changes in inventories	-18,902	-5,918	833	-23,987
Provision for risks and other liabilities	3,378	1,289	1,587	6,254
Other income and expenses	-3,698	-3,145	-2,346	-9,189
Internal construction	-447	-	-	-447
Operating profit/(loss)	**38,833**	**-7,772**	**-912**	**30,149**

(*) Values for 2022 have been restated in accordance with IFRS 5.

b) other information

2023	**Drive Tech**	**Agritalia**	**Eliminations and items not allocated**	**Consolidated Total**
Investments *(Euro/000)*	45,235	3,730	496	49,461
Workforce as at 31.12	3,259	389	211	3,859

2022	**Drive Tech**	**Agritalia**	**Eliminations and items not allocated**	**Consolidated Total**
Investments *(Euro/000)*	35,552	2,679	3,695	41,926
Workforce as at 31.12	3,208	371	202	3,781

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)	**31.12.2023**	**%**	**31.12.2022 (*)**	**%**
Italy	201,433	23.80%	153,040	20.94%
International EU Area	203,456	24.04%	200,120	27.38%
North America	59,344	7.01%	92,763	12.69%
South America	19,735	2.33%	23,594	3.23%
Asia (China, India)	200,152	23.65%	201,687	27.60%
Other non-EU areas	162,178	19.16%	59,622	8.16%
Total	**846,298**	**100.0%**	**730,826**	**100.00%**
of which:				
Total EU area	**404,889**	**47.84%**	**308,883**	**42.26%**
Total non-EU area	**441,409**	**52.16%**	**421,943**	**57.74%**

(*) Values for 2022 have been restated in accordance with IFRS 5.

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)	31.12.2023		31.12.2022	
	CURRENT ASSETS	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT ASSETS
Italy	306,257	482,952	307,903	458,415
North America	128	1	205	2
South America	8,306	1,907	16,293	3,156
Asia (India, China)	124,448	58,086	166,118	56,294
Eliminations and items not allocated	42,152	-145,618	91,702	-143,111
Total	**481,291**	**397,328**	**582,221**	**374,756**

c) investments by geographic segment

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

(amounts in Euro thousands)	31.12.2023	31.12.2022
Italy	42,201	30,553
South America	54	316
Asia (India, China)	11,926	11,422
Eliminations and items not allocated	-1,683	-365
Total	**52,498**	**41,926**

5. Non-recurring transactions and other extraordinary events

a) Non-recurring transactions:

As at 31 December 2023, there were no non-recurring transactions.

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, prior to the application of IFRS 5 and in accordance with the provisions of IAS 29, certain items in the balance sheets of the investee Carraro Argentina Sa have been remeasured by applying the general consumer price index to the historical data, in order to reflect the changes in the purchasing power of the Argentine peso at the closing date of the financial statements.
The non-monetary balance sheet data of the financial statements of this company was measured by applying the inflation rates from their original acquisition date.
In particular, during 2023, the accounting effects of this measurement 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)

(specific values)	**YR2023**
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
Jul-23	1,818.08
Aug-23	2,044.28
Sep-23	2,304.92
Oct '23	2,496.27
Nov-23	2,816.06
Dec '23	3,534.16

Argentina - Application of IFRS 5

As described in Section 2.2 Contents of the Consolidated Financial Statements above, following the agreement to sell the *Argentine business*, the comparative figures for the income statement and cash flow statement of cash and cash equivalents were restated to identify the contribution of the discontinued business, as required by IFRS 5.

Below is a reconciliation between the values published in the 2022 Consolidated Financial Statements and those now included in the statements for comparative purposes.

(amounts in Euro thousands)	**Financial year 2022 published**	**Application of IFRS 5**	**Financial year 2022 restated**
A) REVENUES FROM SALES			
1) Products	734,413	-28,827	705,586
2) Services	1,624	-1	1,623
3) Other revenues	26,088	-2,471	23,617
TOTAL REVENUES FROM SALES	**762,125**	**-31,299**	**730,826**
B) OPERATING COSTS			
1) Purchases of goods and materials	502,107	-16,502	485,605
2) Services	120,990	-8,078	112,912
3) Use of third-party goods and services	481	-146	335
4) Personnel costs	108,770	-6,153	102,617
5) Amortisation, depreciation and impairment of assets	27,268	-691	26,577
6) Changes in inventories	-26,352	2,365	-23,987
7) Provision for risks and other liabilities	6,864	-610	6,254
8) Other income and expenses	-9,464	275	-9,189
9) Internal construction	-447	-	-447
TOTAL OPERATING COSTS	**730,217**	**-29,540**	**700,677**
OPERATING PROFIT/(LOSS)	**31,908**	**-1,759**	**30,149**
C) GAINS/(LOSSES) ON FINANCIAL ASSETS			
10) Income and expenses from equity investments	-	-	-
11) Other financial income	1,672	-3	1,669
12) Financial costs and expenses	-19,238	313	-18,925
13) Net gains/(losses) on foreign exchange	-1,227	1,242	15
14) Value adjustments of financial assets	-	-	-
15) Income (charges) from hyperinflation	-2,289	2,289	-
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**-21,082**	**3,841**	**-17,241**
PROFIT/(LOSS) BEFORE TAXES	**10,826**	**2,082**	**12,908**
15) Current and deferred income taxes	5,144	-363	4,781
NET RESULT FROM CONTINUING OPERATIONS	**5,682**	**2,445**	**8,127**
Net operating result from discontinued operations	-	-2,445	-2,445
NET PROFIT/(LOSS)	**5,682**	**-**	**5,682**
16) Minority interests	-115	-	-115
GROUP CONSOLIDATED PROFIT/(LOSS)	**5,567**	**-**	**5,567**

(amounts in Euro thousands)	**Financial year 2022 published**	**Application of IFRS 5**	**Financial year 2022 restated**
Profit/(loss) for the year pertaining to the Group	5,567	-	5,567
Profit/(Loss) for the year pertaining to minority interests	115	-	115
Net operating result from disposals	-	2,445	2,445
Tax for the year	5,144	-363	4,781
Profit/(loss) before taxes	**10,826**	**2,082**	**12,908**
Depreciation of property, plant and equipment	21,485	-495	20,990
Amortisation of intangible fixed assets	5,693	-29	5,664
Adjustment deprec. property, plant and equipment	-196	-	-196
Adjustment to amortisation of intangible assets	-17	-	-17
Impairment of intangible assets	163	-163	-
Provisions for risks	6,864	-610	6,254
Provisions for employee benefits	5,269	-	5,269
Net gains/(losses) on foreign exchange	1,227	-1,242	-15
Financial income	-1,672	3	-1,669
Financial expenses	19,238	-313	18,925
Cash flows before changes in Net Working Capital	**68,880**	**-767**	**68,113**
Changes in inventory	-26,352	2,365	-23,987
Change in trade receivables	-1,537	3,136	1,599
Change in trade payables	52,796	-3,173	49,623
Change in other receivables/payables	2,545	217	2,762
Changes in receivables/payables for deferred taxation	-355	-	-355
Use of provisions for employee benefits	-5,785	-4	-5,789
Use of risks provisions for risks and liabilities	-4,626	157	-4,469
Interest received	481	-	481
Interest paid	-16,506	-	-16,506
Change in other financial assets and liabilities	-36	312	276
Tax payments	-7,865	229	-7,636
Cash flows from operating activities from Discontinued Operations	-	-2,472	-2,472
Cash flows from operating activities	**61,640**	**-**	**61,640**
Investments in property, plant and equipment	-39,954	-	-39,954
Disinvestments and other movements in property, plant and equipment	-395	1,428	1,033
Real estate investments	-78	-	-78
Investments in intangible fixed assets	-1,972	-	-1,972
Disinvestments and other movements in intangible assets	-274	236	-38
Net liquidity acquired/sold through business combinations	322,743	-	322,743
Equity investments/divestments	-299	-	-299
Change in financial assets	-297	1,502	1,205
Cash Flows from Investing Activities from Discontinued Operations	-	-3,166	-3,166
Cash flows from investing activities	**279,474**	**-**	**279,474**
Change in financial liabilities	-48,342	-	-48,342
Change in share capital	-	-	-
Declared dividends	-	-	-
Entrance of non-controlling interests	-3,892	-	-3,892
Other movements of shareholders' equity	3,753	-	3,753
Cash Flows from Financing Activities from Discontinued Operations	-	-	-
Cash flows from financing activities	**-48,481**	**-**	**-48,481**
Total cash flows for the period	**292,633**	**-**	**292,633**
Opening cash and cash equivalents	**-**	**-**	**-**
Exchange changes in cash and cash equivalents	-2,791	-	-2,791
Change from Discontinued Operations - Cash and Cash Equivalents	-	-	-
Closing cash and cash equivalents	**289,842**	**-**	**289,842**

Below is a reconciliation of the values published in these Consolidated Financial Statements 2023 and the pro forma values of the Consolidated Financial Statements if the *Argentine business* had not been treated as Discontinued Operations, in order to better understand the effect of this business on the Group's results:

(amounts in Euro thousands)	**Financial year 2023 published**	**Application of IFRS 5**	**Proforma Financial Year 2023**
A) REVENUES FROM SALES			
1) Products	815,690	-13,398	829,088
2) Services	6,616	-35	6,651
3) Other revenues	23,992	-1,421	25,413
TOTAL REVENUES FROM SALES	**846,298**	**-14,854**	**861,152**
B) OPERATING COSTS			
1) Purchases of goods and materials	525,970	-7,089	533,059
2) Services	117,827	-3,279	121,106
3) Use of third-party goods and services	97	-634	731
4) Personnel costs	110,167	-3,748	113,915
5) Amortisation, depreciation and impairment of assets	26,906	-892	27,798
6) Changes in inventories	7,381	863	6,518
7) Provision for risks and other liabilities	10,178	-1,429	11,607
8) Other income and expenses	-6,558	183	-6,741
9) Internal construction	-389	-	-389
TOTAL OPERATING COSTS	**791,579**	**-16,025**	**807,604**
OPERATING PROFIT/(LOSS)	**54,719**	**1,171**	**53,548**
C) GAINS/(LOSSES) ON FINANCIAL ASSETS			
10) Income and expenses from equity investments	-	-	-
11) Other financial income	5,926	-17	5,943
12) Financial costs and expenses	-26,771	148	-26,919
13) Net gains/(losses) on foreign exchange	579	2,899	-2,320
14) Value adjustments of financial assets	-	-	-
15) Income (charges) from hyperinflation	-	1,792	-1,792
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**-20,266**	**4,822**	**-25,088**
PROFIT/(LOSS) BEFORE TAXES	**34,453**	**5,993**	**28,460**
15) Current and deferred income taxes	7,804	-269	8,073
NET RESULT FROM CONTINUING OPERATIONS	**26,649**	**6,262**	**20,387**
Net operating result from discontinued operations	-6,262	-6,262	-
NET PROFIT/(LOSS)	**20,387**	**-**	**20,387**
16) Minority interests	-1,301	-	-1,301
GROUP CONSOLIDATED PROFIT/(LOSS)	**19,086**	**-**	**19,086**

(amounts in Euro thousands)	**Financial year 2023 published**	**Application of IFRS 5**	**Proforma Financial Year 2023**
Profit/(loss) for the year pertaining to the Group	19,086	-	19,086
Profit/(Loss) for the year pertaining to minority interests	1,301	-	1,301
Net operating result from disposals	6,262	6,262	-
Tax for the year	7,804	-269	8,073
Profit/(loss) before taxes	**34,453**	**5,993**	**28,460**
Depreciation of property, plant and equipment	21,683	-292	21,975
Amortisation of intangible fixed assets	5,459	-41	5,500
Adjustment deprec. property, plant and equipment	-608	-	-608
Adjustment to amortisation of intangible assets	-184	-	-184
Impairment of intangible assets	-	-50	50
Provisions for risks	10,178	-1,429	11,607
Provisions for employee benefits	5,334	-	5,334
Net gains/(losses) on foreign exchange	-579	-2,899	2,320
Financial income	-5,926	17	-5,943
Financial expenses	26,771	-148	26,919
Cash flows before changes in Net Working Capital	**96,581**	**1,151**	**95,430**
Changes in inventory	7,381	863	6,518
Change in trade receivables	-12,539	1,277	-13,816
Change in trade payables	-37,567	-3,330	-34,237
Change in other receivables/payables	5,526	214	5,312
Changes in receivables/payables for deferred taxation	60	-1	61
Use of provisions for employee benefits	-5,486	-10	-5,476
Use of risks provisions for risks and liabilities	-2,617	-16	-2,601
Interest received	5,157	-	5,157
Interest paid	-23,424	-	-23,424
Change in other financial assets and liabilities	-3,307	154	-3,461
Tax payments	-5,007	19	-5,026
Cash flows from operating activities from Discontinued Operations	-321	-321	-
Cash flows from operating activities	**24,437**	**-**	**24,437**
Investments in property, plant and equipment	-48,246	-	-48,246
Disinvestments and other movements in property, plant and equipment	881	1,085	-204
Real estate investments	-	-	-
Investments in intangible fixed assets	-1,215	-	-1,215
Disinvestments and other movements in intangible assets	11	129	-118
Net liquidity acquired/sold through business combinations	-	-	-
Equity investments/divestments	-3,439	-	-3,439
Change in financial assets	1,348	3,513	-2,165
Cash Flows from Investing Activities from Discontinued Operations	-4,727	-4,727	-
Cash flows from investing activities	**-55,387**	**-**	**-55,387**
Change in financial liabilities	-57,939	-	-57,939
Change in share capital	-	-	-
Declared dividends	-10,000	-	-10,000
Entrance of non-controlling interests	11,035	-	11,035
Other movements of shareholders' equity	1,699	-	1,699
Cash Flows from Financing Activities from Discontinued Operations	-	-	-
Cash flows from financing activities	**-55,205**	**-**	**-55,205**
Total cash flows for the period	**-86,155**	**-**	**-86,155**
Opening cash and cash equivalents	**289,842**	**-**	**289,842**
Exchange changes in cash and cash equivalents	-2,800	-	-2,800
Change from Discontinued Operations - Cash and Cash Equivalents	**-411**	**-411**	**-**
Closing cash and cash equivalents	**200,476**	**-411**	**200,887**

6. Notes and comments

Revenues and costs

A) Revenues from sales *(note 1)*

Analysis by business segment and geographic area
For a more in-depth analysis of the operating performance for the year, please refer to what has already been reported in section 4 above, "Reporting by business and geographic segment", and what has already been illustrated in the Directors' Report on Operations.

B) Operating costs *(note 2)*

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022 (*)**
PURCHASES OF RAW MATERIALS	510,022	468,213
RETURNS OF RAW MATERIALS	-	-
A) PURCHASES	510,022	468,213
MISCELLANEOUS CONSUMABLES	2,853	1,534
CONSUMABLE TOOLS	7,054	6,143
MAINTENANCE MATERIAL	3,240	2,861
MAT. AND SERVICES FOR RESALE	7,107	8,887
REBATES AND DISCOUNTS – SUPPLIERS	-4,306	-2,033
B) OTHER PRODUCTION COSTS	15,948	17,392
1) PURCHASES OF GOODS AND MATERIALS	**525,970**	**485,605**
A) EXTERNAL SERVICES FOR PRODUCTION	71,838	65,917
B) SUNDRY SUPPLIES	15,331	16,996
C) GENERAL OVERHEADS	24,649	24,031
D) COMMERCIAL COSTS	1,601	1,132
E) SALES EXPENSES	4,408	4,836
2) SERVICES	**117,827**	**112,912**
3) USE OF THIRD-PARTY GOODS AND SERVICES	**97**	**335**
A) WAGES AND SALARIES	79,396	73,481
B) SOCIAL SECURITY CONTRIBUTIONS	20,511	18,912
C) EMPLOYEE SEVERANCE INDEMNITY AND RETIREMENT	5,334	5,269
D) OTHER COSTS	4,926	4,955
4) PERSONNEL COSTS	**110,167**	**102,617**
A) DEPREC. PROP., PLANT & EQUIPMENT	21,683	20,990
B) AMORT. INTANGIBLE ASSETS	5,459	5,664
C) IMPAIRMENT OF FIXED ASSETS	-	-
D) IMPAIRMENT OF RECEIVABLES	556	136
E) ADJUSTMENT OF DEPRECIATION OF TANGIBLE FIXED ASSETS	-608	-196
F) ADJUSTMENT OF AMORTISATION OF INTANGIBLE ASSETS	-184	-17
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	**26,906**	**26,577**
A) CHANGES IN INVENTORIES OF MAT. SUPPLIES, GOODS	2,152	-17,079
B) CHANGE IN INVENTORIES OF SEMI-FIN. & FIN. PRODS	5,229	-6,908
6) CHANGES IN INVENTORIES	**7,381**	**-23,987**
A) WARRANTY	5,162	4,192
B) COSTS OF LEGAL CLAIMS	-	-
C) RENOVATION AND CONVERSION	-	-
D) OTHER PROVISIONS	5,016	2,062
7) PROVISION FOR RISKS AND OTHER LIABILITIES	**10,178**	**6,254**
A) SUNDRY INCOME	-7,375	-9,541
B) GRANTS	-117	-330
C) OTHER OPERATING EXPENSES	1,350	1,930
D) OTHER NON-ORDINARY OPERATING INCOME/EXPENSES	-416	-1,248
8) OTHER INCOME AND EXPENSES	**-6,558**	**-9,189**
9) INTERNAL CONSTRUCTION	**-389**	**-447**

(*) Values for 2022 have been restated in accordance with IFRS 5.

For a more in-depth analysis of the operating performance for the year, please refer to what has already been reported in section 4 above, "Reporting by business and geographic segment", and what has already been illustrated in the Directors' Report on Operations.

C) Net income from financial assets *(note 3)*

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022 (*)**
10) INCOME/EXPENSES FROM EQUITY INVESTMENTS	**-**	**-**
A) FROM FINANCIAL ASSETS	126	126
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	5,230	587
C) FROM OTHER CASH EQUIVALENTS	35	455
D) INCOME OTHER THAN THE ABOVE	536	502
E) FROM CHANGES IN THE FAIR VALUE OF DERIVATIVE TRANSACTIONS ON RATES	-1	-1
11) OTHER FINANCIAL INCOME	**5,926**	**1,669**
A) FROM FINANCIAL LIABILITIES	-21,119	-15,589
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	-2,169	-929
C) EXPENSES OTHER THAN THE ABOVE	-3,483	-2,407
D) FROM CHANGES IN THE FAIR VALUE OF DERIVATIVE TRANSACTIONS ON RATES	-	-
12) FINANCIAL COSTS AND EXPENSES	**-26,771**	**-18,925**
FROM NET DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	641	140
FROM CHANGES IN THE FAIR VALUE OF DERIVATIVE TRANSACTIONS ON NET EXCHANGE RATES	102	-397
OTHER NET EXCHANGE DIFFERENCES	-164	272
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	**579**	**15**
A) WRITEBACKS	-	-
B) WRITE-DOWNS	-	-
14) VALUE ADJUSTMENTS OF FINANCIAL ASSETS	**-**	**-**
INCOME (CHARGES) FROM HYPERINFLATION	-	-
15) INCOME (CHARGES) FROM HYPERINFLATION	**-**	**-**
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**-20,266**	**-17,241**

(*) Values for 2022 have been restated in accordance with IFRS 5.

Net financial expenses amounted to 20.845 million euros (-2.4% of turnover), an increase compared to 17.256 million euros (-2.4% of turnover) in 2022. This was influenced by the general increase in interest rates. The item also includes the extraordinary charge related to the early redemption of the 180 million euros bond maturing in January 2025 for the residual amortised cost of about 2.22 million euros.
Financial expenses also include the fees paid on the bond issues that are absorbed along the amortisation schedule in application of the amortised cost accounting method.

Exchange rate differences as at 31 December 2023 amounted to 579 thousand euros (0.07% of turnover) compared to a value of 15 thousand euros as at 31 December 2022.

For further details and analysis, see section 9.1 “General summary of the effects on the Income Statement deriving from financial instruments”.

Current and deferred income taxes (note 4)

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022 (*)**
CURRENT TAXES	5,922	5,500
TAX CONSOLIDATION EXPENSE AND INCOME	8,474	3,808
TAXES FROM PREVIOUS YEARS	-2,349	-2,798
DEFERRED TAXES	-4,243	-1,729
15) CURRENT AND DEFERRED INCOME TAXES	**7,804**	**4,781**

(*) Values for 2022 have been restated in accordance with IFRS 5.

Current taxes
Tax on the income of Italian companies is 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., SIAP S.p.A., Carraro International SE, Driveservice S.r.l. and Carraro Drive Tech Italia S.p.A. adhere to the tax consolidation of the parent company Carraro S.p.A. The option is valid for the three-year period starting from 1 January 2021 for the companies SIAP S.p.A., Carraro International SE and Driveservice S.r.l. and for the three-year period starting from 1 January 2022 for the company Carraro Drive Tech Italia S.p.A.
The expenses and income arising from the transfer of the IRES tax base are accounted for under expenses and income from tax consolidation.

Deferred taxes
These are set aside on the temporary differences between the carrying amount of the assets and liabilities and the corresponding tax value.
The provisions for taxation for the year can be reconciled with the result recorded in the financial statements as follows:

(amounts in Euro thousands)	**31.12.2023**	*%*	**31.12.2022 (*)**	*%*
Earnings before tax	**34,453**		**12,908**	
Theoretical tax rate	**9,612**	**27.90%**	**3,601**	**27.90%**
Tax effects related to:				
Effect of non-deductible costs	3,445	10.00%	2,755	21.34%
Change in deferred tax rate	-480	-1.39%	-	0.00%
Unrecognised deferred taxes on tax losses	-	0.00%	947	7.34%
Foreign companies rate difference	-802	-2.33%	-507	-3.93%
Prior-year tax credits	-3,167	-9.19%	-307	-2.38%
Tax on dividend distributions	1,545	4.48%	1,532	11.87%
Taxes from previous years	-2,349	-6.82%	-3,240	-25.10%
Taxation at effective rate	**7,804**	**22.65%**	**4,781**	**37.04%**

(*) Values for 2022 have been restated in accordance with IFRS 5.

In addition to the taxes recognised in the income statement for the year, deferred taxes of 4.2 million euros were recognised in the statement of comprehensive income.

With effect from 1/1/2024, the Carraro Group, as a multinational Group which exceeds the revenue threshold of 750 million euros in two of the four previous financial years, falls within the scope of the second-pillar income taxation provided for by Directive 2022/2523, adopted in Italy by Legislative Decree no. 209/2023, intended to guarantee a minimum global tax level of 15% to be determined on the basis of a complex calculation based on the accounting and tax data of some of the entities falling within the Group's perimeter.

Based on current data, Carraro S.p.A. assumes the role of "parent company" for the Carraro Group.

As required by the accounting standard IAS 12, the Carraro Group has carried out an analysis, with the support of its tax advisors, in order to identify the scope of application and the potential impact of this new legislation in the jurisdictions in which the Group operates, also making use of the so-called "transitional safe harbours", applicable in the three-year period 2024-2026 (the so-called transitional period). Specifically, it is provided that no supplementary tax is due if one of the following tests, carried out in each individual jurisdiction, is passed:

- De minimis test: positively found where revenues in the jurisdiction are less than 10 million euros and the aggregate pre-tax result is less than 1 million euros;

- Simplified effective tax rate test: positively found if the level of effective taxation is at least 15% for 2024, determined on the basis of the ratio of income taxes (understood as current and deferred taxes recognised in the reporting packages of the company in its jurisdiction) to the aggregate values of the individual company's pre-tax profit;

- Routine profit test: positively found if the aggregate value of the so-called "Substance-based income exclusion" ("SBIE") under the Pillar 2 rules is higher than the aggregate amount of the pre-tax result. In the event that a pre-tax loss is present in a jurisdiction, the test is deemed to have been positively met.

For the purposes of the valuation for the 2023 financial statements, the Group carried out the above tests, using the information available for the 2022 financial year and, where this information did not allow for the new realities to be captured, as at 30.09.23 (simulation exercise for the Luxembourg jurisdiction).

Based on this analysis, transitional safe harbours were found to be positive in all jurisdictions. Therefore, on the basis of the information known or reasonably estimable, the Carraro Group's exposure to second-pillar income taxes at the end of the reporting period is assessed as not significant.

Lastly, it should be noted that Group companies have not recognised any deferred tax effects arising from the entry into force of the Pillar 2 rules as of 1 January 2024.

Research and development costs
In 2023, the financial commitment made by the group for R&D activities amounted to approximately 3.54% of turnover. These costs did not give rise to capitalisations in accordance with the criteria of IAS 38.

Property, plant and equipment (note 6)
These items present a net balance of 253.5 million euros compared with 231.94 million euros in the previous period. The breakdown is as follows:

Items *(amounts in Euro thousands)*	**Land and buildings**	**Plant and machinery**	**Industrial equipment**	**Other assets**	**Invest. in prog. and deposits**	**Total**
Historical cost	88,815	211,476	129,960	16,654	6,435	453,340
Provisions for amortisation and depreciation	-31,776	-145,356	-95,631	-11,800	-	-284,563
PPA adjustment 01.01.22	19,324	27,551	363	-	-	47,238
Net as at 01.01.2022	**76,363**	**93,671**	**34,692**	**4,854**	**6,435**	**216,015**
Changes in 2022:						
Increases	1,426	17,839	8,199	1,728	10,762	39,954
Decreases	-450	-7	-103	-98	-	-658
Capitalisation	1,756	2,693	851	69	-5,354	15
Hyperinflation effect in Argentina	-	709	428	108	-	1,245
Depreciation and amortisation	-2,124	-10,574	-7,264	-1,523	-	-21,485
Reclassification	-7	1,169	651	58	-2,061	-190
Write-downs	-	-35	-108	-20	-	-163
Foreign exchange translation difference	-444	-1,491	-648	-127	-83	-2,793
Net as at 31.12.2022	**76,520**	**103,974**	**36,698**	**5,049**	**9,699**	**231,940**
Made up of:						
Historical cost	110,035	257,394	138,569	17,347	9,699	533,044
Provisions for amortisation and depreciation	-33,515	-153,420	-101,871	-12,298	-	-301,104

Items *(amounts in Euro thousands)*	**Land and buildings**	**Plant and machinery**	**Industrial equipment**	**Other assets**	**Invest. in prog. and deposits**	**Total**
Historical cost	110,035	257,394	138,569	17,347	9,699	533,044
Provisions for amortisation and depreciation	-33,515	-153,420	-101,871	-12,298	-	-301,104
Net as at 01.01.2023	**76,520**	**103,974**	**36,698**	**5,049**	**9,699**	**231,940**
Changes in 2023:						
Increases	3,633	18,351	12,052	2,152	12,058	48,246
Decreases	-1	-33	-246	-72	-	-352
Revaluation	-	-	-	-	-	
Capitalisation	1,442	4,486	1,468	-	-7,396	-
Hyperinflation effect in Argentina	-	580	363	86	2	1,031
Reclassification to discontinued operations	-	-1,372	-861	-209	-20	-2,462
Depreciation and amortisation	-2,287	-10,849	-7,064	-1,483	-	-21,683
Reclassification	-1	2,164	95	-1	-2,257	-
Write-downs	-	-	-	-	-	-

Foreign exchange translation difference	-612	-1,608	-939	-73	-37	-3,269
Net as at 31.12.2023	**78,082**	**114,441**	**40,779**	**5,415**	**12,015**	**253,451**
Made up of:						
Historical cost	114,059	261,346	144,041	17,714	12,049	549,209
Provisions for amortisation and depreciation	-35,365	-145,653	-102,475	-12,265	-	-295,758

As at 31.12.2023, assets under finance leases for 3.67 million euros and right-of-use assets (IFRS16) of 2.75 million euros are recognised under property, plant and equipment.

Right-of-use assets (IFRS 16) are broken down by category as follows:
- Land and buildings: 0.83 million euros;
- Industrial equipment: 1.12 million euros;
- Other assets: 0.80 million euros of

Investments in land and buildings were made in particular in the Italian plants of Maniago, Montereale Valcellina, in the new premises of Carraro Lux-Tech R&D Centre S.à.r.l and in the Campodarsego plant.
The main investments in plant and machinery were made at the Italian plants in Maniago, Montereale Valcellina and the Indian plant in Pune.
Increases in industrial equipment mainly refer to purchases made at the Italian plants in Campodarsego and Maniago and the Indian plant in Pune.
Increases in the category other assets mainly refer to office machines and motor vehicles purchased at the Italian plants in Campodarsego and Maniago.
Increases in Investments in progress and deposits are mainly due to investments in progress on plant and machinery incurred mainly at the Campodarsego, Maniago and Montereale Valcellina plants.
Carraro India Pvt. Ltd.'s real estate is not encumbered by mortgages securing outstanding loans, while its machinery is encumbered by mortgages securing outstanding loans for a total of 24.24 million euros.
Siap S.p.A.'s industrial equipment is encumbered by liens securing FRIE loans for a total of 22.31 million euros.
Decrease and exchange difference values are highlighted by the net value of the historical cost and the accumulated amortisation and uses of the depreciation provision.

Intangible assets (Note 7)
These items present a net balance of 110.83 million euros compared with 115.45 million euros in the previous period.
The breakdown is as follows:

Items *(amounts in euro thousands)*	**Goodwill**	**Develop ment costs**	**Royalties and patents**	**Licences and Trademarks**	**Invest. in prog. and deposits**	**Technology**	**Total**
Historical cost	36,794	13,075	1,431	30,156	215	-	81,671
Provisions for amortisation, depreciation and impairment	-	-10,765	-1,247	-24,365	-	-	-36,377
PPA adjustment 01.01.22	24,472	-	-	13,969	-	35,234	73,675
Net as at 01.01.2022	**61,266**	**2,310**	**184**	**19,760**	**215**	**35,234**	**118,969**
Changes in 2022:							
Increases	-	-	44	1,373	555	-	1,972
Decreases	-	-	-3	-	-	-	-3
Write-backs	-	-	-	-	-	-	-
Capitalisation	-	-	-	577	-592	-	-15
Change in consolidation scope	-	-	-	104	-	-	104
Depreciation and amortisation	-	-1,016	-70	-2,845	-	-1,762	-5,693
Reclassification	-	-	-	8	182	-	190
Write-downs	-	-	-	-	-	-	-
Foreign exchange translation difference	-	-	1	-34	-44	-	-77
Net as at 31.12.2022	**61,266**	**1,294**	**156**	**18,943**	**316**	**33,472**	**115,447**
Made up of:							
Historical cost	93,385	13,074	1,472	46,090	316	35,234	189,571
Provisions for amortisation and depreciation	-32,119	-11,780	-1,316	-27,147	-	-1,762	-74,124

Items *(amounts in euro thousands)*	**Goodwill**	**Development costs**	**Royalties and patents**	**Licences and Trademarks**	**Invest. in prog. and deposits**	**Technology**	**Total**
Historical cost	93,385	13,074	1,472	46,090	316	35,234	189,571
Provisions for amortisation, depreciation and impairment	-32,119	-11,780	-1,316	-27,147	-	-1,762	-74,124
Net as at 01.01.2023	**61,266**	**1,294**	**156**	**18,943**	**316**	**33,472**	**115,447**
Changes in 2023:							
Increases	-	-	4	714	497	-	1,215
Decreases	-	-	-	-7	-	-	-7
Write-backs	-	-	-	-	-	-	-
Capitalisation	-	-	-	100	-100	-	-
Change in consolidation scope	-	-	-	124	1	-	125
Reclassifications to discontinued operations	-	-	-	-361	-3	-	-364
Depreciation and amortisation	-	-555	-57	-3,075	-	-1,772	-5,459
Reclassification	-	-1	-	-	1	-	-
Write-downs	-	-	-	-	-	-	-
Foreign exchange translation difference	-	1	-1	-88	-1	-36	-125
Net as at 31.12.2023	**61,266**	**739**	**102**	**16,350**	**711**	**31,664**	**110,832**
Made up of:							
Historical cost	93,385	13,074	1,475	46,114	711	31,860	186,620
Provisions for amortisation and depreciation	-32,119	-12,335	-1,373	-29,764	-	-196	-75,788

The other intangible fixed assets with a limited useful life are amortised on a straight-line basis over terms estimated at between three and five years.
Decrease and exchange difference values are highlighted by the net value of the historical cost and the accumulated amortisation and uses of the depreciation provision.

Goodwill and Impairment Tests

i) Goodwill
Goodwill is attributed to the CGUs (cash generating units) as shown in the following table.

Business Area (*CGU*)	**31.12.2023**
Drive Tech	61,266
Total	**61,266**

The assets of the 'Drivetech' CGU were subjected to a specific impairment test as described below.

ii) Impairment Tests
Impairment tests were carried out, applying the provisions of IAS 36, and taking into account the indications and guidelines provided by the various competent bodies (ESMA, OIC, OIV, IVASS/ISVAP, Bank of Italy), with the application criteria described below:

- the recoverable value of the assets of the cash generating units (henceforth “CGUs”) was ascertained by identifying their “value in use” obtained from the present value of the expected operating cash flows of these assets applying a rate expressing the risks of the single “CGUs” considered;

- for the purpose of impairment testing for the Consolidated Financial Statements as at 31 December 2023, and as for the previous years, the “CGUs” were identified as the two business areas: “Drive Tech” and “Agritalia”;

- the reference time horizon for the estimate of future cash flows is a period of four years, subsequently using the perpetual return criterion;

- the expected cash flow projections are based on: i) the 2024 budget approved by the Board of Directors on 18 December 2023; (ii) projections prepared by management for the period 2025-27, based on the most reliable and up-to-date information since the last version of the business plan approved on 13 September 2023 concerning the foreseeable evolution of the business, taking into account external sources of information (IAS 36, paragraph 33) and differences between past cash flow projections and actual cash flows (IAS 36, paragraph 34). It should be noted that the results of Carraro Argentina have been deducted from the DT CGU and Group flows in accordance with IFRS 5;

- the configuration of cash flows is defined according to an 'asset side' logic, i.e. disregarding the values arising from financing activities (IAS 36, para. 51). Consequently, this value configuration assumes the application of the financial criterion in its unlevered version;

- discounting is carried out on the basis of a discount rate, which reflects the current market assessments of the time value of money and the specific risks of the asset not reflected in the cash flow estimates (IAS 36, paragraph 55). Specific risks include those related to the environmental context in which the activity is carried out and those related to the execution of the plan;

- In view of the risks associated with the current economic and financial environment, geopolitical dynamics and in line with the approach taken last year: with regard to the flow when fully operational, capex dynamics were assumed to be higher than the dynamics of the amortisation schedules and, in addition, an absorption of CCN when fully operational was assumed to be a function of the risk-free rate; The estimate of the growth rate g was developed on the basis of a longer forecasting horizon in order to take into account the reabsorption of current inflation rates over time; the cost of debt was adjusted to reflect the average 'market' cost of debt at the test date, compared to the Group-specific cost assumption; instead of using the timely ERP as at 31 December 2023 - equal to 4.60% (source: Damodaran) - an average ERP for the year was conservatively assumed to be 5% (average ERP source Damodaran and Fernandez).

- the terminal value was estimated based on the values of the last year of analytical forecasting; a “standard” tax rate was applied, which, for conservative purposes, does not consider any tax recovery arising from the use of previous losses. The estimated, forward-looking growth rate (“g”) has been assumed to be 2.00%.

- The weighted average cost of capital (WACC) used for the discounting of the net operating cash flows of the individual Cash Generating Units has been estimated on the basis of information obtained from the analysis of the comparable companies of each business unit, in order to reflect the inherent riskiness of each “sector” in which Carraro operates. In line with the choices adopted in previous years, for the Drivetech CGU a degree of “historical” error (in terms of overstatement) inherent in the forecasts prepared by the management has been measured. This error, referred to as the “markup on final figures”, was determined by measuring the percentage difference between actual turnover and EBITDA at 31 December 2023 and those from the budget used for the impairment tests at 31 December 2022. If the average percentage deviation shows an overestimation of the forecasts compared to the actual values, the margin of error should be added to the WACC, multiplying the average percentage deviation by the EBITDA Margin 2023, no surplus emerged on the actual for the Drivetech CGU. In line with the previous year and with the OIV document of June 2012, a second increase has also been considered, determined by comparing the EBITDA margin envisaged in the Plan used for the impairment test at 31 December 2023 with that envisaged in the Plan used for the test as at 31 December 2022. If the 2023 Plan has an operating margin that differs from that of the Plan prepared for the previous year, the margin to be added to the WACC is obtained through the weighted average of the 2024-2027 average variance and the variance on the Terminal Value (weighted by the relative weight of the individual cash flows and the Terminal Value on the total value). This calculation can give rise to an increase in the rate used, called “markup on the plans”. Based on this calculation process, the surcharge on plans emerged for the Drivetech CGU. In the 2022 impairment test, a third increase had also been considered, in light of the particular economic environment at the time, to express the possible (and unexpected) erosion of operating margins as a result of the effects of inflationary dynamics (leading to a significant increase in operating costs) and the ongoing technological change (reduction in emissions). This 'specific operational risk premium' was expressed by a lower EBITDA margin growth than Sales growth, determined by comparing the average Ebitda and Sales growth expected in the analytical forecast period underlying the Impairment Test 2023 with that expected in the analytical forecast period underlying the Test as of 31 December 2022. In the present year, the adoption of this calculation did not give rise to any increases in specific operational risk.

The rates used for the Drivetech CGU are indicated below:

	WACC Nominal discount rate
Drive Tech CGU	12.60%

- In addition, a sensitivity analysis of the difference between the value in use and the carrying amount was carried out in order to further verify the appropriateness of the impairment test. This was done by:
  i) taking into account the different risk levels of the cash generating units;
  ii) changing some of the basic parameters of the estimate carried out, as an instrument for providing the additional information indicated in paragraph 134 letter f) of IAS 36.
  In particular, a sensitivity analysis was carried out on the following variables:
    - WACC: increased, in the light of the trend in market rates, by 25 bps and 50 bps, and determination of the rate that eliminates the difference between Enterprise Value and NIC;
    - Growth rate at full capacity (g): reduction of 25 and 50 bps;
    - EBIT: reduced by 5% and 10% and calculation of the percentage reduction that eliminates the Enterprise Value - CIN difference;
    - Turnover: 10% reduction in turnover.

The effect of the joint variation of some of the above parameters was also tested.

Parameters used for sensitivity analysis are indicated below: in particular, the discount rate and the EBIT reduction (for the explicit period and the terminal flow) which makes recoverable values equal to the carrying amounts is provided:

	WACC	EBIT *
Drive Tech CGU	16.95%	-27.89%

* for the definition of the Alternative Performance Indicator, please refer to the section *Structure and Content of the Report*

The Group also prepared an impairment test for the *"Agritalia"* CGU, also in order to support the carrying values of the tangible and intangible assets allocated to this CGU and equal to 21.8 million euros and 0.2 million euros, respectively, as of 31 December 2023, using for the year 2024 the Budget approved on 18 December 2023 and for the years 2025-2027 the projections prepared by management based on the most reliable and updated information with respect to the last version of the business plan approved on 13 September 2023 concerning the foreseeable evolution of the business. It should be noted that no amount under Goodwill is recorded with reference to this CGU.
The discount rate for the explicit period cash flows and terminal value was identified as 11.61%. For the purpose of estimating the weighted average cost of capital (WACC), mark-ups were applied to the rates that take into account the degree of 'historical' error (in terms of overestimation) inherent in the economic forecasts made by management.
As a result of this test, there were no indicators of impairment such that impairments had to be made to the assets tested.

Investments in progress and deposits
The increase in assets under development refers mainly to the costs incurred by Carraro S.p.A for the design of new product lines developed in relation to projects launched by customers. Development costs generated internally are capitalised based on the cost incurred.

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

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

Technology
The category refers to the Know recognised by the company on 01.01.2022 during the Price Purchase Allocation (PPA).

Real estate investments (note 8)
These present a net balance of 833 million euros.
The breakdown is as follows:

Items *(amounts in Euro thousands)*	**Buildings**	**Total**
Balance as at 31.12.2022	**833**	**833**
Increases	-	-
Decreases	-	-
Change in currency conversion	-	-
Balance as at 31.12.2023	**833**	**833**

Real estate investments refers to non-industrial properties owned by the municipalities of Campodarsego and Maniago.

Equity investments (Note 9)

Equity investments in associate companies

Name	Registered office	Holding company	Share capital		Number of shares Stakes held	Profit (loss) 31.12.2023	Shareholders' equity Equity 31.12.2021 (*)	Direct portion	Carrying amount of the investment
			Currency	Amount	Total	(ctv. euros)	(ctv. euros)		31.12.2023
Enertronica Santerno S.p.A.	Milan, Italy	Carraro S.p.A.	EUR	785,560	793,200	n.a.	(19,834,390)	10.10%	-
Enertronica Santerno S.p.A.	Milan, Italy	Carraro International S.E.	EUR	785,560.6	795,600	n.a.	(19,834,390)	10.14%	-

(*) Data as at 31 December 2022 and 31 December 2023 are not yet available. The most up-to-date financial information available has therefore been provided.

The equity investment in Enertronica Santerno S.p.A. is valued using the equity method, as it is a de facto associated company: the Carraro Group's direct shareholding in Enertronica Santerno S.p.A. is 20.24%. The investment was fully written down in previous years to adjust it to the pro-rata shareholders' equity value. In addition, it should be noted that during the 2022 financial year, due to the company's high indebtedness and balance sheet situation, Borsa Italiana ordered the suspension of Enertronica Santerno shares from trading. As a result of the company's financial situation, Enertronica Santerno S.p.A. initiated the Negotiated Settlement procedure in order to find a solution shared with its creditors and other stakeholders. In the context of the Negotiated Settlement, the company reached several Restructuring Agreements with creditors during the course of 2023.

Equity investments in Joint Ventures

On 16 February 2023, Siap S.p.A. signed a preliminary joint venture agreement with the Indian company Bhavani Industries India LLP for the establishment of the company Bhavani Synchrotec Private Limited, whose core business will be the manufacture of synchronisers for the Carraro Group's internal needs and for marketing. 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 of 31 December 2023, the payments made by Siap S.p.A. to the JV corresponded to a total of 4,488,767 euros, of which 3,372,942 euros was contributed in cash and 1,050,000 euros through the contribution of an Intellectual Property (IP), relating to projects for synchronisers.

Name	Registered office	Holding company	Share capital (Note 1)		Number of shares Stakes held	Profit (loss) 31.12.2023	Shareholders' equity Equity 31.12.2023	Direct portion	Carrying amount of the investment
			Currency	Amount	Total	(ctv. euros)	(ctv. euros)		31.12.2023
Bhavani Synchrotec Private Limited	Sanand, Gujarat (India)	Siap S.p.A.	INR	800,000	7,844	-56	8,649	49.00%	4,273

Note 1: Amounts in thousands of Indian Rupees (INR)

Financial assets (note 10)

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
LOANS TO RELATED PARTIES	-	-
LOANS TO THIRD PARTIES	-	802
LOANS AND RECEIVABLES	**-**	**802**
OTHER FINANCIAL ASSETS	61	61
AVAILABLE FOR SALE	243	130
OTHER FINANCIAL ASSETS	**304**	**191**
NON-CURRENT FINANCIAL ASSETS	**304**	**993**
FROM RELATED PARTIES	-	-
FROM THIRD PARTIES	-	134
LOANS AND RECEIVABLES	**-**	**134**
FINANCIAL ASSETS AT CURRENT VALUE	-	-
FAIR VALUE OF DERIVATIVES	81	174
OTHER FINANCIAL ASSETS	948	997
OTHER FINANCIAL ASSETS	**1,029**	**1,171**
CURRENT FINANCIAL ASSETS	**1,029**	**1,305**

Non-current loans and receivables
Non-current loans and receivables in the financial statements at 31.12.2022 referred to the affiliate Carraro Argentina and were reclassified, in accordance with the provisions of IFRS 5, under discontinued operations. For further details, please refer to section 2.2 Contents of the Consolidated Financial Statements.

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

Current loans and receivables
Non-current loans and receivables in the financial statements at 31.12.2022 referred to the affiliate Carraro Argentina and were reclassified, in accordance with the provisions of IFRS 5, under discontinued operations. For further details, please refer to section 2.2 Contents of the Consolidated Financial Statements.

Other current financial assets
They include the short-term portion of the above-mentioned guarantee deposits and 'cash flow hedge' derivatives in the amount of 0.08 million euro. The amount refers to the fair value recognised at 31.12.2023 on outstanding currency instruments. 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 table below illustrates the composition of deferred taxation by the nature of the temporary differences that determine it. The change corresponds to the effect of deferred taxes on net equity and income.

DESCRIPTION OF DIFFERENCES	Opening		Effect		Difference	Closing
(amounts in Euro thousands)	31.12.2022	Reclassification	on income statement	on net equity	Exchange rate	31.12.2023
ASSETS:						
Depreciation and amortisation	8,575	-	-179	-	-	8,396
Measurement of receivables	91	-	69	-	-	160
Measurement of financial assets/liabilities	211	25	-	-60	-	176
Discounting of employee severance indemnity	283	-	-	-	-	283
Allocations to provisions	7,884	-701	847	-	-	8,030
Tax losses	593	-	1,080	-	-	1,673
Personnel bonuses	1,630	-25	782	-	-	2,387
Other	1,566	-270	-197	-	-5	1,094
TOTAL	**20,833**	**-971**	**2,402**	**-60**	**-5**	**22,199**
LIABILITIES:						
Depreciation and amortisation	-1,621	-	-409	-	434	-1,596
Other	-859	971	-68	103	16	163
PPA asset revaluations	-25,498	-	2,318	-	-	-23,180
TOTAL	**-27,978**	**971**	**1,841**	**103**	**450**	**-24,613**
BALANCE	**-7,145**	**-**	**4,243**	**43**	**445**	**-2,414**

Deferred tax assets include the potential benefits associated with retained tax losses, insofar as it is likely that there will be adequate 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 31 December 2023 amounted to 30.9 million euros (2022: 36.7 million euros) with a tax effect of 7.6 million euros (2022: 9.2 million euros).
No deferred tax assets on temporarily non-deductible interest charges were recognised for a taxable amount of 27 million euros. (2022: 27.9 million euros), with a tax effect of 6.5 million euros (2022: 6.7 million euros).
It was also decided not to recognise deferred tax assets on other temporary differences for a taxable amount of 2.8 million euros, with a tax effect of 1 million euros.

The carrying amount of net deferred tax assets recognised as at 31 December 2023 was 2.4 million euros (2022: -7.1 million euros).

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 31.12.2023 amounted to 6.1 million euros.
The item also includes the tax effect related to the capital gains allocated to assets in the PPA carried out on 01.01.2022.

Trade receivables and other receivables (Note 12)

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
NON CURRENT TRADE RECEIVABLES	**-**	**-**
FROM THIRD PARTIES	5,436	4,411
OTHER NON-CURRENT RECEIVABLES	**5,436**	**4,411**
NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**5,436**	**4,411**
FROM RELATED PARTIES	-	-
FROM THIRD PARTIES	89,219	82,348
CURRENT TRADE RECEIVABLES	**89,219**	**82,348**
FROM RELATED PARTIES	809	809
FROM THIRD PARTIES	42,866	44,680
OTHER CURRENT RECEIVABLES	**43,675**	**45,489**
CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**132,894**	**127,837**

Trade receivables bear no interest and mature on average at 60 days.

Other non-current receivables (5.44 million euros) consist mainly of guarantee deposits, portions of costs accruing in subsequent periods and advance payments and tax receivables accrued in India.

The breakdown of trade and other receivables (including provisions for impairment of receivables) by maturity is shown in the following table:

(amounts in Euro thousands)	***31.12.2023***					***31.12.2022***				
	PAST DUE		NOT YET DUE			PAST DUE		NOT YET DUE		
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	***TOTAL***	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	***TOTAL***
Trade receivables	16,787	-217	75,413	-	**91,983**	15,881	1,189	67,689	-	**84,759**
Other receivables	-	-	43,675	5,436	**49,111**	-	-	45,489	4,411	**49,900**
TOTAL	**16,787**	**-217**	**119,088**	**5,436**	**141,094**	**15,881**	**1,189**	**113,178**	**4,411**	**134,659**

The balance of receivables is equal to 141.1 million Euros (134.7 million Euros in 2022).
As envisaged in IFRS 7.37 bands of amounts past due were identified. In 2023, the past due receivables amounted to 16.57 million euros and most were less than one year old.

An analysis was carried out on specific impairment at the reporting date for past due positions, from which a total impairment loss of 2.76 million euros emerged (2.41 million euros in 2022). In addition, for the purposes of verifying the recoverability of the positions recognised as at 31.12.2023, future prospects of recovery in line with the provisions of IFRS 9 were also taken into account.

Provisions for Depreciations of Receivables

The breakdown of the gross and net value of the receivables is as follows:

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
Trade receivables from related parties	-	-
NET TRADE RECEIVABLES FROM RELATED PARTIES	**-**	**-**
Current trade receivables from third parties	91,983	84,759
Provisions for depreciation	-2,764	-2,411
NET CURRENT TRADE RECEIVABLES FROM THIRD PARTIES	**89,219**	**82,348**
Other receivables from related parties	809	809
NET CURRENT OTHER RECEIVABLES FROM RELATED PARTIES	**809**	**809**
Other current receivables from third parties	42,866	44,680
Provisions for Depreciation of other Receivables	-	-
NET CURRENT OTHER RECEIVABLES FROM THIRD PARTIES	**42,866**	**44,680**

Movements in provisions for depreciation for the periods considered can be broken down as follows.

(amounts in Euro thousands)	**31.12.2022**	**Increases**	**Decreases**	**Discontinued Operations**	**Exchange-rate adjustments**	**31.12.2023**
Provisions for impairment of trade receivables	2,411	556	-161	-38	-4	2,764
Provisions for impairment of other receivables	-	510	-	-510	-	
TOTAL	**2,411**	**1,066**	**-161**	**-548**	**-4**	**2,764**

Other current receivables due from third parties can be analysed as follows:

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
VAT credits	27,216	33,403
VAT credits due for rebate	1,400	-
Other tax credits	440	1,984
Other tax credits (industry 4.0 concession)	8,466	2,040
Receivables for current taxes	2,934	4,042
Receivables from employees	38	208
Receivables from pensions agencies	517	390
Commodity derivatives	-	4
Provisions for Depreciation of other Receivables	-	-
Other receivables	1,855	2,609
OTHER CURRENT RECEIVABLES FROM THIRD PARTIES	**42,866**	**44,680**

Closing inventory *(note 13)*

Items *(amounts in Euro thousands)*	**31.12.2023**	**31.12.2022**
Raw materials	99,535	109,129
Work in progress and semi-finished products	45,231	52,464
Finished products	21,804	22,970
Total inventories	**166,570**	**184,563**
Provision for impairment of inventories	-19,678	-21,326
Total inventories	**146,892**	**163,237**

Inventories recorded a net balance of 146.9 million euros compared with 163.2 million euros as at 31 December 2022.

Movements in provisions for depreciation of inventories are shown in detail below:

(amounts in Euro thousands)	
Balance as at 31 December 2022	**21,326**
Provisions set aside	6,328
Utilisation	-1,426
Translation differences	-2,491
Reclassifications to discontinued operations	-4,067
Other changes	8
Balance as at 31 December 2023	**19,678**

Cash and cash equivalents (Note 14)

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
CASH	133	104
BANK CURRENT ACCOUNTS AND DEPOSITS	200,343	289,738
TOTAL	**200,476**	**289,842**

As at 31 December 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)	**31.12.2023**	**31.12.2022**
1) Share Capital	41,453	41,453
2) Other Reserves	27,993	35,639
3) Profits/(Losses) brought forward	-	-
4) Cash flow hedge reserve	-1,277	-1,327
5) Provision for discounting employee benefits	426	513
6) Foreign currency translation reserve	-3,963	-2,405
7) Result for the period pertaining to the group	19,086	5,567
GROUP SHAREHOLDERS' EQUITY	**83,718**	**79,440**
8) Minority interests	16,372	4,850
TOTAL SHAREHOLDERS' EQUITY	**100,090**	**84,290**

The Shareholders' Meeting of Carraro S.p.A. of 18 April 2023 resolved to allocate the profit for the year, amounting to 1,534,073.30 euros, of which 76,703.67 euros was allocated to the legal reserve and 1,457,369.63 euros, together with 8,542,630.37 euros drawn from retained earnings, to dividends.

The share capital is fixed at 41,452,543.60 euros fully paid-up, divided into 58,385,555 ordinary shares (21,630,256 of category 'A' and 36,755,299 of category 'B'), with no par value.

No other financial instruments which assign equity and investment rights have been issued.
No new treasury shares were purchased in 2023. The total investment, therefore, amounts to 6.666 million euros.

Other reserves
The item "Other reserves" of 27.99 million euros includes the reserves of Carraro S.p.A. relating to profits not distributed or carried forward and others as follows:
- 7.926 million euros relating to the share premium reserve;
- 7.309 million euros relating to the legal reserve;
- 0.092 million euros relating to the future capital increase reserve;
- 3.895 million euros relating to the merger surplus reserve;
- less 6.666 million euros for deduction of the reserve corresponding to treasury share purchase;
- 10.869 million euros relating to other IAS reserves;
- 2.191 million euros arising from the reduction in the shareholders' equities of consolidated companies with respect to the corresponding carrying amounts of equity investments and consolidation adjustments.

Other IAS/IFRS reserves
This includes the values arising from application of the criterion prescribed for cash flow hedging of 1.28 million euros.

Provision for discounting employee benefits
This reserve, which is negative amounting to 0.43 million euros, includes Employee benefit actuarial gains/losses, as provided for by IAS 19 Revised.
For further details, please refer to section 3.3 "Material standards and criteria".

Foreign currency translation reserve
This reserve, which is negative amounting to 3.96 million euros, is used to record exchange differences arising from translation of the financial statements of foreign subsidiaries.
It should be noted that, as required by IAS 1 Revised paragraph 83, the movements in the period of the foreign currency translation reserve were recognised in the statement of comprehensive income and other capital reserves, as detailed below:

(amounts in Euro thousands)	**31.12.2022**	**Movements in the statement of comprehensive income *profit reserves***	**Movements in shareholders' equity *capital reserves***	**Movements in shareholders' equity *profit reserves***	**31.12.2023**
Exchange reserve of the parent company's shareholders	-2,405	-1,169	-2,472	2,083	-3,963
Exchange reserve of the minority shareholders	-	-	-	-	-
Translation reserve	**-2,405**	**-1,169**	**-2,472**	**2,083**	**-3,963**

Minority interests
For an analysis of the change in minority interests, see paragraph 2.2.

Financial liabilities (note 16)

The classification of financial liabilities is shown below:

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
NON-CURRENT BONDS	**266,319**	**326,608**
MEDIUM/LONG-TERM LOANS	142,273	129,717
MEDIUM/LONG-TERM LEASE PAYABLES - IFRS 16	1,867	857
MEDIUM/LONG-TERM LOANS	**144,140**	**130,574**
OTHER NON-CURRENT FINANCIAL LIABILITIES	6	-1
OTHER NON-CURRENT FINANCIAL LIABILITIES	**6**	**-1**
NON-CURRENT FINANCIAL LIABILITIES	**410,465**	**457,181**
MEDIUM-/LONG-TERM LOANS – short-term portion	18,802	33,592
LOANS TO OTHERS	6,391	2,819
LEASE PAYABLES FROM RIGHTS OF USE - IFRS 16	935	721
CURRENT FINANCIAL LIABILITIES	**26,128**	**37,132**
FAIR VALUE OF INTEREST RATE DERIVATIVES	-	-
FAIR VALUE OF EXCHANGE RATE DERIVATIVES	434	1,162
FAIR VALUE OF DERIVATIVES ON COMMODITIES	1,351	1,044
OTHER CURRENT FINANCIAL LIABILITIES	3,570	4,548
OTHER CURRENT FINANCIAL LIABILITIES	**5,356**	**6,754**
CURRENT FINANCIAL LIABILITIES	**31,483**	**43,886**

It should be noted that as of 31 December 2023, all the financial parameters (Incurrence Covenants type parameters) set forth in the regulations for the bonds (senior unsecured type) of 120 million euros, maturing in November 2028, as well as those set forth on the Bond of 150 million euros, maturing in September 2026, both listed on the Luxembourg Stock Exchange and on the MOT, were respected.
With regard to the agreements with banks, the financial covenants agreed have been respected.

Short-term loans include current accounts payable and loans taken out during 2023, with a short-term maturity.
Medium- and long-term loans are presented below, divided into short-term portion, medium-term portion and portion at more than 5 years.

COMPANY	**up to one year**		**from 1 to 5 years**		**more than 5 years**		
(amounts in Euro thousands)	*nominal value*	*amortised cost effect and exchange delta*	*nominal value*	*amortised cost effect and exchange delta*	*nominal value*	*amortised cost effect and exchange delta*	**Total 31.12.2023**
Carraro India Pvt. Ltd.	4,538	-	5,955	-	-	-	10,493
Carraro China	573	-	1,401	-	-	-	1,974
Carraro International	8,280	27	20,779	29	-	-	29,115
Carraro Finance	-	-	31,860	70	-	-	31,930
Siap S.p.A.	1,948	-	2,300	-	12,608	-	16,856
Carraro Drive Tech Italia S.p.A.	2,051	-	4,608	-	-	-	6,659
Carraro S.p.A.	1,385	-	62,662	-	-	-	64,047
Total	**18,775**	**27**	**129,565**	**99**	**12,608**	**-**	**161,075**

The following table provides further detailed information on the financial liabilities illustrated above. For an analysis of the maturities of trade payables see Note 17, while a description of how the Group manages liquidity risk is included in paragraph 3.3.

COMPANY *(amounts in Euro thousands)*	LENDER	Short-term portion as at 31.12.2023	Medium/long -term portion as at 31.12.2023	EXPIRY	RATE	RATE TYPE	CURRENCY
Carraro India	HFDC	824	1,168	May-26	9.25%	variable	INR
Carraro India	Federal bank	544	136	Mar '25	9.40%	variable	INR
Carraro India	Axis	1,538	3,427	Dec '24	8.45%	variable	INR
Carraro India	Icici	544	408	Jul-25	9.66%	variable	INR
Carraro India	Exim	1,088	816	Jul-25	8.77%	variable	INR
Carraro China	Bank Communication	191	701	May-26	4.00%	variable	CNY
Carraro China	Bank Communication	382	701	May-26	4.00%	variable	CNY
Carraro Drive Tech Italia S.p.A.	Banca Fucino	1,217	2,300	Jul-26	5.59%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	5	-	Apr '24	4.32%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	6	-	May '24	4.31%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	47	-	May '24	4.32%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	3	-	May '24	4.31%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	49	48	Dec-25	4.33%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	125	251	Dec-26	4.28%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	281	667	Apr-27	4.32%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	291	1,228	Aug-28	4.32%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	27	114	Sep-28	4.32%	variable	EURO
Carraro Finance	EIB	-	31,930	Dec-29	5.38%	variable	EURO
Carraro International	EIB	8,307	20,808	Jan-27	1.50%	fixed	EURO
SIAP S.p.A.	Banca di Cividale	418	4,389	Jan '35	3.11%	variable	EURO
SIAP S.p.A.	Banca di Cividale	313	2,969	Jan-34	3.11%	variable	EURO
SIAP S.p.A.	Banca di Cividale	-	5,250	Jul-36	3.81%	fixed	EURO
SIAP S.p.A.	Banca Fucino	1,217	2,300	Jul-26	5.59%	variable	EURO
Carraro S.p.A.	Banca Fucino	1,220	2,303	Aug-26	5.56%	variable	EURO
Carraro S.p.A.	Banca MPS	-	60,000	Jun-29	5.18%	variable	EURO
Carraro S.p.A.	Alba Leasing	138	278	Aug-28	6.38%	variable	EURO
Carraro S.p.A.	Fraer Leasing	27	81	Sep-28	5.93%	variable	EURO
TOTAL		**18,802**	**142,273**				

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

Financial liabilities *(amounts in Euro thousands)*	**31.12.2022**	**Cash Flow**	**Reclassification**	**Other changes**	**IFRS 16 changes**	**Exchange impact**	**31.12.2023**
Gross non-current loans payable	460,713	9,819	-56,963	221	1,020	-574	414,236
Gross current loans payable	37,166	-67,758	56,963	9	220	-446	26,154
Total loans payable	**497,879**	**-57,939**	**-**	**230**	**1,240**	**-1,020**	**440,390**
Amortised cost	-3,565	-	-	-238	-	-	-3,803
Other non-current financial liabilities	-1	-	-	7	-	-	6
Other current financial liabilities	4,548	-4,548	-	3,571	-	-1	3,570
Financial liabilities	**498,861**	**-62,487**	**-**	**3,570**	**1,240**	**-1,021**	**440,163**

The net financial position is broken down below:

Net financial position *(amounts in Euro thousands)*	**31.12.2023**	**31.12.2022**
Non-current bonds	-266,319	-326,608
Current bonds	-	-
Bonds:	**-266,319**	**-326,608**
Non-current loans payable	-144,140	-130,574
Current loans payable	-26,128	-37,132
Other non-current financial liabilities	-6	1
Other current financial liabilities	-3,570	-4,548
Trade payables and other non-current payables *	-	-
Financial liabilities:	**-173,844**	**-172,253**
Current loans and receivables	-	134
Other current financial assets	948	997
Financial assets:	**948**	**1,131**
Cash	133	104
Bank current accounts and deposits	200,343	289,738
Cash and cash equivalents:	**200,476**	**289,842**
Reclassifications from discontinued operations	710	-
Net financial position **	**-238,029**	**-207,888**
Non-current loans and receivables	-	802
Other non-current financial assets	243	130
Non-current leases - IFRS 16	1,867	857
Current leases - IFRS 16	935	721
Reclassification from discontinued operations	1,243	-
Net financial position***	**-234,451**	**-205,378**
of which payables/(receivables):		
- non-current	-408,355	-455,392
- current	172,661	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 non-interest-bearing loans.
**: Net financial debt drawn up in accordance with the framework provided for by Recommendation ESMA32-382-1138 of 4.3.2021
*** For the definition of the Alternative Performance Indicator, please refer to the paragraph "Structure and content of the report"

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

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 1.46 million euros at 31 December 2023.

In September 2023, the Company issued a 7.75% fixed-rate senior unsecured bond of 120 million euros - maturing in 2028 - listed on the Luxembourg Stock Exchange and on the MOT.
The effect of the amortised cost on this item amounted to 2.22 million euros at 31 December 2023.

The Carraro Group has total short-term bank credit facilities of 107.83 million euro, against a utilisation of 6.39 million euros. Medium- and long-term bank credit facilities amount to a total of 197.43 million euros, against a utilisation of 161.29 million euros.

The rate terms vary according to the country of usage and can be summarised as follows:
- Europe: 4 - 5%
- India: 9 - 10%
- China: 4 – 5%

Fair Value

Financial liabilities on financial instruments not listed on regulated markets:
These financial liabilities are currently negotiated by the Company at variable rates. The fair value of these instruments is not appreciably different from their carrying amounts.

Financial liabilities on financial instruments listed on regulated markets:
Among its financial liabilities, the company has two bonds listed on regulated markets.
The fair value of these liabilities, issued at a fixed rate and listed on regulated markets, is shown in the table below:

(amounts in euro thousands)	**Nominal**	**Amortised cost 31.12.2023**	**Book value 31.12.2023**	**Fair Value (level 1) 31.12.2023**
BOND 2020-2026 3.75%	150,000,000	-1,462,697	148,537,303	150,435,000
BOND 2023-2028 7.75%	120,000,000	-2,218,134	117,781,866	128,640,000
Total	**270,000,000**	**-3,680,831**	**266,319,169**	**279,075,000**

Trade payables and other payables (note 17)

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
FROM THIRD PARTIES	9,831	4,092
OTHER NON-CURRENT PAYABLES	**9,831**	**4,092**
TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES	**9,831**	**4,092**
FROM RELATED PARTIES	-	-
FROM THIRD PARTIES	205,178	254,749
CURRENT TRADE PAYABLES	**205,178**	**254,749**
FROM RELATED PARTIES	90	90
FROM THIRD PARTIES	51,565	51,516
OTHER CURRENT PAYABLES	**51,655**	**51,606**
TRADE PAYABLES AND OTHER CURRENT PAYABLES	**256,833**	**306,355**

Trade payables do not produce interest and on average are settled at 120 days.

Other payables due to third parties can be analysed as follows:

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
VAT payables	16,946	16,988
Other tax payables	779	751
Amounts due to pensions agencies	5,158	4,597
Amounts due to employees	16,524	15,107
IRPEF (personal income tax) employees & professionals	3,608	3,286
Board of Directors	1,844	1,618
Other payables	6,706	9,169
OTHER CURRENT PAYABLES	**51,565**	**51,516**

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.

The following table shows an analysis of trade and other payables by maturity:

(amounts in Euro thousands)	*31.12.2023*					*31.12.2022*				
	PAST DUE		NOT YET DUE			PAST DUE		NOT YET DUE		
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	***TOTAL***	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	***TOTAL***
Trade payables	9,147	-446	196,477	-	**205,178**	55,141	600	198,928	80	**254,749**
Other payables	-	-	51,655	9,831	**61,486**	-	-	51,607	4,092	**55,699**
TOTAL	**9,147**	**-446**	**248,132**	**9,831**	**266,664**	**55,141**	**600**	**250,535**	**4,172**	**310,448**

Current tax payables (note 18)

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
Current taxes payable	10,560	3,771
Current tax payables	**10,560**	**3,771**

Employee severance indemnities and retirement benefits (note 19)

PROVISION FOR SEVERANCE INDEMNITY AND RETIREMENT BENEFITS *(amounts in Euro thousands)*	**31.12.2023**	**31.12.2022**
Opening severance indemnities in accordance with IAS 19	**5,922**	**7,048**
Utilisation of employee severance indemnities	-452	-394
Employee severance indemnities transferred to other companies	-	-
Employee severance indemnities transferred from other companies	-	-
Interest cost	209	98
Actuarial gains/losses	-6	-830
Closing severance indemnities in accordance with IAS 19	**5,673**	**5,922**

The severance indemnity, calculated according to current Italian laws, is treated for accounting purposes as a defined-benefit fund and as such is recalculated at the end of each accounting period according to a statistical-actuarial criterion which also takes account of the effects of financial discounting.
The actuarial valuation of this obligation is carried out according to the actuarial criterion of the “projected unit credit method” with the support of the data issued by ISTAT, the INPS and the ANIA. The parameters used are as follows: 1) annual discount rate: 3.08%, 2) personnel rotation rate 5.00%, 3) annual inflation index 2.00%, 4) advances rate 2.00%, 5) remuneration increase rate 3.00%. The accounting treatment of employee benefits recorded in the financial statements complies with IAS 19 Revised for defined-benefit plans. For further details, see section 3.3.
The severance indemnity refers to employee benefits governed by current Italian laws. On the basis of the changes introduced in Law 296/06, with effect from 30 June 2007, termination benefits maturing after 01 January 2007 must be paid into a specific treasury reserve established at the pensions agency INPS, or, if the employee so chooses, into a special complementary pension fund. There are no more provisions for termination benefits with these contributions.

Sensitivity analysis IAS 19 Revised

The table below indicates the values of the Employee benefits provision as at 31.12.2023 calculated in the case of changes in actuarial assumptions reasonably possible at that date with the following variables:

- turnover frequency
- discount rate (taken from the Iboxx Corporate AA 7-10 index)
- inflation rate

(amounts in Euro thousands)	*Turnover frequency*		*Inflation rate*		*Discount rate*	
	1%	**-1%**	**+0.25%**	**-0.25%**	**+0.25%**	**-0.25%**
Provisions for employee benefits 31.12.2023	5,685	5,660	5,729	5,617	5,586	5,762

Pension/retirement funds
Pension and similar funds of 2.6 million euros (2.5 million euros as at 31.12.2022) refer to Argentinian, Indian and Chinese personnel.

(amounts in Euro thousands)	Opening 31.12.2022	Increases	Decreases	Other changes	Closing 31.12.2023
PENSION AND SIMILAR FUNDS	**2,547**	23	-13	70	**2,627**

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

Workforce	31.12.2022	Changes	31.12.2023
Executives	30	3	33
Clerical staff	737	47	784
Factory workers	2,188	46	2,234
Temporary workers	826	-18	808
Total as at 31.12	**3,781**	**78**	**3,859**

Provisions for risks and liabilities (Note 20)

The item can be broken down as follows:

(amounts in Euro thousands)	Opening situation	Increases	Decreases	Reclassification	Discontinued Operations	Exchange-rate adjustments	Closing situation
Non-current portion							
1) WARRANTY	3,220	-	-	995	-	-46	4,169
2) COSTS OF LEGAL CLAIMS	-	-	-	-	-	-	-
3) RENOVATION AND CONVERSION	-	-	-	-	-	-	-
4) OTHER PROVISIONS	4,287	1,719	32	-3,213	-1,499	-609	717
TOTAL	**7,507**	**1,719**	**32**	**-2,218**	**-1,499**	**-655**	**4,886**
Current portion							
1) WARRANTY	8,353	5,196	-3,221	-1,003	-40	-90	9,195
2) COSTS OF LEGAL CLAIMS	263	35	-	-	-61	-93	144
3) RENOVATION AND CONVERSION	836	5	-262	-	-35	-164	380
4) OTHER PROVISIONS	3,996	8,654	-3,146	3,213	-43	-65	12,609
TOTAL	**13,448**	**13,890**	**-6,629**	**2,210**	**-179**	**-412**	**22,328**

Warranty reserve:
From the product warranty reserve, 3.2 million euros was used for customer claims accepted and the reserve was increased by 5.2 million euros on the basis of the expected warranty costs which will be incurred in relation to the sales made.

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

Other provisions:
The item "Other provisions" includes amounts recognised for individual companies for future expenses and liabilities.
It should be noted that the item Other current provisions consists of the provision for employee performance bonuses, MBOs and the Long Term Incentive (LTI) fund.

7. Commitments and risks

At 31 December 2023, there were no commitments and risks.

8. Transactions with related parties (note 21)

The shareholders of Carraro S.p.A. as at 31.12.2023, net of treasury shares, were as follows: Finaid S.p.A. for 50.6%, Enrico and Tomaso Carraro pro-indiviso for 10.6% and Julia Dora Koranyi Arduini for 38.8%.

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.

	Financial and commercial transactions			**Economic transactions**					
Related parties	Financial assets	Trade receivables and other receivables	Trade payables and other payables	Sales revenues	Purchases of goods and materials	Purchases of services	Other income and expenses	Other financial income	Value adj. of financial assets
Finaid S.p.A.	-	809	90	-	-	-	-	-	-
Enertronica Santerno S.p.A.	-	-	-	-	-	-	126	-	-
TOTAL	**-**	**809**	**90**	**-**	**-**	**-**	**126**	**-**	**-**

9. FINANCIAL INSTRUMENTS

9.1 Classes of financial instruments and fair value hierarchy

The table below shows the breakdown of financial assets and liabilities as required by IFRS 7, according to the categories envisaged by IFRS 9 with reference to 31 December 2023.

31.12.2023 *(amounts in Euro thousands)*	**IFRS 9 Category**	**Book value**	**Level 1**	**Level 2**	**Level 3**
FINANCIAL ASSETS:					
Loans and receivables:					
5.1) Loans and receivables - non-current portion	Loans and receivables	-	-	-	-
3.1) Loans and receivables - current portion	Loans and receivables	-	-	-	-
Financial assets - Non-derivative:					
5.2) Financial assets at current value - non-current portion		-	-	-	-
5.2) Financial assets held to maturity - non-current portion		-		-	-
5.2) Available-for-sale financial assets - non-current portion	Financial Instruments Held for Sale	*61*	-	-	*61*
3.2) Financial assets at current value - current portion		-	-	-	-
3.2) Financial assets held to maturity - current portion		-	-	-	-
3.2) Available-for-sale financial assets - current portion		-	-	-	-
Financial assets - Derivative:					
5.2) Derivative assets - non-current portion	Financial instruments held for trading	-	-	-	-
3.2) Derivative assets - current portion	Financial instruments held for trading	*81*	-	*81*	-
Other financial assets:					
5.2) Other financial assets - non-current portion	Loans and receivables	*243*	-	-	*243*
3.2) Other financial assets - current portion	Loans and receivables	*948*	-	-	*948*
Trade receivables:					
7.1) Non-current trade receivables	Loans and receivables	-	-	-	-
2.1) Current trade receivables	Loans and receivables	*89,219*	-	-	*89,219*
TOTAL ASSETS		**90,552**	**-**	**81**	**90,471**
of which available-for-sale financial instruments		*61*	-	-	*61*
of which financial instruments held for trading		*81*	-	*81*	-
of which loans and receivables		*90,410*	-	-	*90,410*

31.12.2023 *(amounts in Euro thousands)*	**IFRS 9 Category**	**Book value**	**Level 1**	**Level 2**	**Level 3**
FINANCIAL LIABILITIES:					
Bonds:					
1.1) Bonds - non-current portion	Liabilities at amortised cost	*266,319*	*266,319*	-	-
1.1) Bonds - current portion	Liabilities at amortised cost	-	-	-	-
Loans:					
1.2) Loans - non-current portion	Liabilities at amortised cost	139,605	-	-	139,605
1.2) Loans - current portion	Liabilities at amortised cost	24,194	-	-	24,194
Leasing:					
1.2) Leases - non-current portion	Liabilities at amortised cost	4,535	-	-	4,535
1.2) Leases - current portion	Liabilities at amortised cost	1,934	-	-	1,934
Financial liabilities - Derivatives:					
1.3) Derivative liabilities - non-current portion	Financial instruments held for trading	-	-	-	-
1.3) Derivative liabilities - current portion	Financial instruments held for trading	1,786	-	*1,786*	-
Other financial liabilities:					
1.3) Other financial liabilities - non-current portion	Liabilities at amortised cost	6	-	-	6
1.3) Other financial liabilities - current portion	Liabilities at amortised cost	3,570	-	-	3,570
Trade payables:					
7.1) Non-current trade payables	Liabilities at amortised cost	-	-	-	-
2.1) Current trade payables	Liabilities at amortised cost	205,178	-	-	*205,178*
TOTAL LIABILITIES		**647,127**	**266,319**	**1,786**	**379,022**
of which financial instruments at amortised cost		*645,341*	-	-	*379,022*
of which financial instruments held for trading		*1,786*	-	*1,786*	-

9.2 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 31.12.2023. These are instruments designated to cover:
- foreign currency sales budgets;
- imbalances of current receivables and payables in foreign currencies.

a) notional values

CONTRACT *(amounts in Euro thousands)*	Swaps (DCS) (1)	Swaps (DCS) (2)	Total notional values
Carraro S.p.A.	-	797	797
Carraro Drive Tech Italia S.p.A.	56,892	2,710	59,602
Carraro India	-	4,981	4,981
SIAP	4,866	1,265	6,131
GROUP TOTAL 31.12.2023	**61,758**	**9,753**	**71,511**

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

b) reference currencies and expiry dates of contracts

CONTRACT	Swaps (DCS) (1)		Swaps (DCS) (2)	
	Currencies	**Expiry dates**	**Currencies**	**Expiry dates**
Carraro S.p.A.	-	-	USD/EUR	Jan-24
Carraro Drive Tech Italia Spa	USD/EUR CNY/EUR INR/EUR	Feb-25	USD/EUR	Jan-24
Carraro India	-	-	EUR/INR	Jun-24
SIAP	USD/EUR CNY/EUR	Feb-25	USD/EUR INR/EUR	Jan-24

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

c) Fair value

CONTRACT *(amounts in Euro thousands)*	Swaps (DCS) (1)	Swaps (DCS) (2)	Total
Carraro S.p.A.	-	-	-
Carraro Drive Tech Italia Spa	-425	-6	-431
Carraro India	-	9	9
SIAP	73	-3	70
GROUP TOTAL 31.12.2023	**-352**	**-**	**-352**

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

d) Details of *fair values*

(amounts in Euro thousands)	31.12.2023		31.12.2022	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
FAIR VALUE/CASH FLOW HEDGE Exchange rate risk	81	-434	174	-1,162

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

(amounts in Euro thousands)	**FV recognised in the income statement**	**FV recognised in net equity**	**Total**
Carraro S.p.A.	-	-	-
Carraro Drive Tech Italia Spa	-159	-272	-431
Carraro India	9	-	9
SIAP	38	32	70
GROUP TOTAL 31.12.2023	**-112**	**-240**	**-352**

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 31.12.2023 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 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.

9.3 Derivative financial instruments on interest rates

There are no derivative contracts on interest rates outstanding as at 31.12.2023.
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.

9.4 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 31.12.2023. These are instruments designated to hedge:

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

a) Notional values

CONTRACT *(amounts in Euro thousands)*	**Swap (1)**	**Total notional values**
Carraro S.p.A.	364	364
Carraro Drive Tech Italia SpA	555	555
SIAP SpA	2,276	2,276
GROUP TOTAL 31.12.2023	**3,195**	**3,195**

(1) instruments activated to hedge fluctuating commodity prices

b) Reference currencies and expiry dates of contracts

CONTRACT	**Swap (1)**	
	Commodities	Expiry dates
Carraro S.p.A.	PSV (Gas) PUN (Energy)	Dec '24
Carraro Drive Tech Italia SpA	PSV (Gas) PUN (Energy)	Dec '24
SIAP SpA	PSV (Gas) PUN (Energy)	Dec '24

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

c) Fair value

(amounts in Euro thousands)	Swap (1)	Total
Carraro S.p.A.	-159	-159
Carraro Drive Tech Italia SpA	-240	-240
SIAP SpA	-952	-952
GROUP TOTAL 31.12.2023	**-1,351**	**-1,351**

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

d) Details of *fair values*

(amounts in Euro thousands)	31.12.2023		31.12.2022	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
CASH FLOW HEDGE Risk of fluctuating commodity prices	-	-1,351	-	-1,044

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

(amounts in Euro thousands)	FV recognised in the income statement
Carraro S.p.A.	-159
Carraro Drive Tech Italia SpA	-240
SIAP SpA	-952
GROUP TOTAL 31.12.2023	**-1,351**

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 31.12.2023 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 valued at fair value as at 31 December 2023, as required by IFRS 13, described in paragraph 3.2:

(amounts in Euro thousands)	Level 2 31.12.2023	Level 2 31.12.2022
Assets		
Foreign exchange derivative assets	81	174
Commodity derivative assets	-	-
Total Assets	**81**	**174**
Liabilities		
Foreign exchange derivative liabilities	434	-1,162
Commodity derivative liabilities	-	-1,044
Total Liabilities	**434**	**-2,206**

Sensitivity analysis

The table below shows the economic and equity effects generated by the assets and liabilities in the balance sheet at 31.12.2023 in the event of hypothetical immediate changes in the following market variables:

- main foreign currencies with respect to the euro: +/- 10%
- interest rates: +100/-15 "basis points"

The interest rate oscillation bands represent the average expectations of maximum change that the markets currently express.

The following methods were used:

- for Interest Rate Swaps the discounted cash flow method was applied;
- Domestic Currency Swap contracts were calculated using the forward exchange rate method;
-

The exchange rate risks deriving from translation of the financial statements of foreign subsidiaries from local currency into euros were not considered.

Balances as at 31.12.2023	**INTEREST RATE RISK**				**EXCHANGE RATE RISK**			
	+1%		-0.15%		+10%		-10%	
(amounts in Euro thousands)	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY
ASSETS								
Trade receivables	-	-	-	-	142	-	150	-
Other financial assets - derivatives on currencies	-	-	-	-	-1,143	-5,658	842	5,015
Other financial assets - derivatives on interest rates	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	6,529	-	-6,528	-
Total gross effect	-	-	-	-	**5,528**	**-5,658**	**-5,536**	**5,015**
Taxes (24%)	-	-	-	-	-1,327	1,358	1,329	-1,204
Total net effect	-	-	-	-	**4,201**	**-4,300**	**-4,207**	**3,811**
LIABILITIES								
Trade payables	-	-	-	-	374	-	-199	-
Loans	4,954	-	-743	-	-515	-	515	-
Total gross effect	**4,954**	-	**-743**	-	**-141**	-	**316**	-
Taxes (24%)	-1,189	-	178	-	34	-	-76	-
Total net effect	**3,765**	-	**-565**	-	**-107**	-	**240**	-
TOTAL	**3,765**	-	**-565**	-	**4,094**	**-4,300**	**-3,967**	**3,811**

Balances as at 31.12.2022	**INTEREST RATE RISK**				**EXCHANGE RATE RISK**			
	+1%		-0.15%		+10%		-10%	
(amounts in Euro thousands)	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY
ASSETS								
Trade receivables					-321		670	
Other financial assets - derivatives on currencies					-2,152	-8,418	913	9,063
Other financial assets - derivatives on interest rates		-		-				
Loans					-		-	
Cash and cash equivalents					676		-675	
Total gross effect	**-**	**-**	**-**	**-**	**-1,797**	**-8,418**	**908**	**9,063**
Taxes (24%)	-	-	-	-	431	2,020	-218	-2,175
Total net effect	**-**	**-**	**-**	**-**	**-1,366**	**-6,398**	**690**	**6,888**
LIABILITIES								
Trade payables					-173		500	
Loans	4,711		-707		-533		533	
Total gross effect	**4,711**	**-**	**-707**	**-**	**-706**	**-**	**1,033**	**-**
Taxes (24%)	-1,131	-	170	-	169	-	-248	-
Total net effect	**3,580**	**-**	**-537**	**-**	**-537**	**-**	**785**	**-**
TOTAL	**3,580**	**-**	**-537**	**-**	**-1,903**	**-6,398**	**1,475**	**6,888**

Positive sign: expense (economic) - decrease (equity)
Negative sign: income (economic) - increase (equity)

10. Subsequent events

There are no subsequent events to report.

11. Information pursuant to Article 2427 Italian Civil Code.

The auditing of the Carraro Group's financial statements is carried out by Deloitte & Touche S.p.A.
The following is a summary of the fees and charges of the independent auditors for the 2023 financial year, relating to audit services and other services provided, net of incidental expenses charged.

(amounts in Euro thousands)	**2023**	**2022**
Accounting audit		
- Carraro S.p.A.	276	285
- subsidiaries	374	418
Total independent auditing services	**650**	**703**
Other services		
- Carraro S.p.A.	-	24
- subsidiaries	5	3
Total other services	**5**	**27**
Total fees	**655**	**730**

EQUITY INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERSAND IMMEDIATE FAMILY MEMBERS

Name and surname	**Subsidiary company: Carraro S.p.A.**	**No. of shares held as at 31.12.2022**	**No. of shares held as at 31.12.2023**
Enrico and Tomaso Carraro	Directly held	5,912,275	5,912,275
	through Finaid S.p.A.	28,216,036	28,216,036
Julia Dora Koranyi Arduini		21,630,256	21,630,256

Annex to the notes to the consolidated financial statements 31.12.2023

Transparency obligations under Law No. 124 of 2017 - (Annual Law on the Market and Competition):

The following is a list of grants, contributions, paid assignments and, in any case, economic advantages of any kind received by public administrations and other entities as defined in Art. 1, subsection 125 of Law 124 of 2017, which the companies belonging to the Carraro Group and therefore included in the scope of consolidation received during the 2023 financial year and which have not also been published in the National Register of State Aid (RNA):

CARRARO S.p.A.

Name and tax number of the recipient: Carraro S.p.A. - 00202040283
Name of the supplying party: Customs Agency
Sum collected: 15,384 euros
Payment Purpose: Refund of customs duties. Reference Law No. 639 of 05/07/1964 - Law No. 773 of 08/11/1973 - Presidential Decree No. 788 of 07/09/1977.

Name and tax number of the recipient Carraro S.p.A. - 00202040283
Name of the supplying party: Customs Agency
Sum collected: 37,658 euros
Payment Purpose: Tax credit for Energy Products shipped to foreign countries, Reference Legislative Decree no. 504 of 26/10/1995 and Ministerial Decree no. 689 of 12/12/1996.

During the 2023 financial year, the company Carraro S.p.A., has:
- obtained contribution relief for hiring (Art 1, paragraph 100 of Law 205/2017, Article 1, paragraphs 10 to 15 of Law No. 178 of 30 December 2020 (Budget Law 2021) for 245,633 euros;

During 2023, SIAP also took advantage of the following contributions and benefits:
- Personnel-related: the company took advantage of the INPS and INAIL benefits for sickness, maternity, leave under Law 104, breastfeeding, extraordinary leave, blood donations, family allowances, accident benefits, parental leave and Law 104 for 411,635 euros. The company made the layoff payments in advance to employees on behalf of INPS.

In 2023, the company Carraro S.p.A. requested a medium/long-term loan with Sace support guarantee to support the liquidity of companies (Art. 15 Decree-Law No. 60 of 17/05/2022, converted with amendments into Law No. 91 of 15/07/2022 i.e. the Aid Decree). The loan is backed by a Sace guarantee of 90% of the loan amount. The loan at 31/12/2023 was fully utilised by Carraro Spa.

CARRARO DRIVE TECH ITALIA S.P.A.

Name and tax number of the recipient: Carraro Drive Tech Italia S.p.A. - 05253180284
Name of the supplying party: Customs Agency
Sum collected: 94,956 euros
Payment Purpose: Refund of customs duties. Reference Law No. 639 of 05/07/1964 - Law No. 773 of 08/11/1973 - Presidential Decree No. 788 of 07/09/1977.

Name and tax number of the recipient: Carraro Drive Tech Italia S.p.A. - 05253180284
Name of the supplying party: Customs Agency
Sum collected: 44,228 euros
Payment Purpose: Tax credit for Energy Products shipped to foreign countries, Reference Legislative Decree no. 504 of 26/10/1995 and Ministerial Decree no. 689 of 12/12/1996.

The company Carraro Drive Tech Italia S.p.A. during the 2023 financial year, obtained contribution relief for hiring (Art 1, paragraph 100 of Law 205/2017, Article 1, paragraphs 10 to 15, of Law No. 178 of 30 December 2020 (Budget Law 2021) for 229,274 euros.

During 2023, SIAP also received the following benefits:
- Personnel-related: INPS and INAIL benefits amounting to 429,110 euros deriving from sickness, maternity, leave under Law 104, breastfeeding permits, blood donations, family allowances, accident compensation, parental leave and Law 104. In addition, the company made the layoff payments in advance to employees on behalf of INPS.

SIAP S.p.A.

Name and tax number of the recipient: Siap S.p.A. - 00074530932
Name of the supplying party: Customs Agency
Sum collected: 4,110 euros
Payment Purpose: Refund of customs duties. Reference Law No. 639 of 05/07/1964 - Law No. 773 of 08/11/1973 - Presidential Decree No. 788 of 07/09/1977.

During the 2023 financial year, the company SIAP S.p.A., has:
- obtained relief from contributions (as provided for by Law 205/2017, Law 92/2012 art 2c 10 bis, Article 6 of Decree-Law 104 of 14 August 2020) for 175,676 euros;

During 2023, SIAP also took advantage of the following contributions and benefits:
- Personnel-related: among others, the sums advanced relating to the limitation of income support services by the company on behalf of INPS and INAIL (sickness, maternity, leave under Law 104, breastfeeding permits, extraordinary leave, blood donations, family allowances, and accident compensation) for 357,675 euros;

Driveservice S.r.l.

In 2021, the company Driveservice S.r.l. took advantage of the following benefits:
- Personnel-related: among others, the INPS and INAIL benefits for sickness, leave under Law 104, blood donations, family allowances and accident compensation for 31,783 euros.

Date: 22 March 2024

The Chairman

Enrico Carraro

CARRARO

Carraro Group

Directors' Report on Operations

as at 31 December 2023

CARRARO S.p.A.

Head Office in Via Olmo no. 37, Campodarsego (Padua) 35011

Share Capital 41,452,543.60 euros, fully paid-up.

Tax Code, VAT and Registration Number

in the Padua Companies Register 00202040283 – R.E.A. No. 84033

GENERAL INFORMATION

BOARD OF DIRECTORS	**ENRICO CARRARO (1)**	Chairman
In office until approval of the 2023 financial statements	**TOMASO CARRARO (1)**	Deputy Chairman
	ANDREA CONCHETTO (1)	Chief Executive Officer
	RICCARDO ARDUINI (1)	Director
	VIRGINIA CARRARO (1)	Director
	ENRICO GOMIERO (1)	Director
	ALESSANDRO GIULIANI (2)	Director
	(1) Appointments, Shareholders' Meeting of 29.06.2021	
	(2) Appointment, Shareholders' Meeting of 16.09.2021, with effect from 30.09.2021	

BOARD OF STATUTORY AUDITORS	**CARLO PESCE**	Chairman
In office until approval of the 2023 financial statements (Appointments, Shareholders' Meeting of 16.09.2021, with effect from 30.09.2021)	**MARINA MANNA**	Regular Auditor
	ANTONIO GUARNIERI	Regular Auditor
	SARAH BENETTIN	Alternate Auditor
	GABRIELE ANDREOLA	Alternate Auditor

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

The Chairman Mr Enrico Carraro and the Deputy Chairman Mr Tomaso Carraro – as well as the Chief Executive Officer Mr Andrea Conchetto – have been granted separate powers to legally represent and sign for the company in relations with third parties and in legal actions; they carry out their work within the limits of the powers conferred on them by the Board of Directors in the meeting of 29 June 2021, in accordance with applicable legal constraints, in terms of matters which cannot be delegated by the Board of Directors and of responsibilities reserved for the Board itself, as well as the principles and limits provided for in the Company's Articles of Association. In addition (i) the Director Enrico Gomiero is granted specific powers related to his role as Chief Financial Officer and (ii) the Chief Executive Officer Andrea Conchetto is granted specific powers related to his role as General Manager.

DISCLAIMER

This document contains forward-looking statements, in particular in the section "Expected business outlook 2024", in relation to future events and the operating, economic and financial results of the Carraro Group. These forecasts have by their very nature a component of risk and uncertainty, as they depend on the occurrence of future events and developments. The actual results may differ, even significantly, from those announced in relation to a multiplicity of factors.

CONSOLIDATED INCOME STATEMENT AS AT 31.12.2023

(amounts in Euro thousands)	**31.12.2023**	**%**	**31.12.2022 (*)(*)**	**%**	**Changes 31.12.2023-31.12.2022**	**%**
REVENUES FROM SALES	**846,298**	**100.00%**	**730,826**	**100.00%**	**115,472**	**15.80%**
Purchases of goods and materials (net of changes in inventories)	-533,351	-63.02%	-461,618	-63.16%	-71,733	-15.54%
Use of third-party goods and services	-117,924	-13.93%	-113,247	-15.45%	-4,677	-4.13%
Personnel costs	-110,167	-13.02%	-102,617	-0.05%	-7,550	-7.36%
Amortisation, depreciation and impairment of assets	-26,906	-3.18%	-26,577	-3.64%	-329	-1.24%
Provisions for risks	-10,178	-1.20%	-6,254	-0.86%	-3,924	-62.74%
Other income and expenses	6,558	0.77%	9,189	1.26%	-2,631	-28.63%
Internal construction	389	0.05%	447	0.06%	-58	-12.98%
OPERATING COSTS	**-791,579**	**-93.53%**	**-700,677**	**-95.87%**	**-90,902**	**-12.97%**
OPERATING PROFIT/(LOSS) (EBIT(*))	**54,719**	**6.47%**	**30,149**	**4.13%**	**24,570**	**81.50%**
Income and expenses from equity investments	-	0.00%	-	0.00%	-	
Other financial income	5,926	0.70%	1,669	0.23%	4,257	
Financial costs and expenses	-26,771	-3.16%	-18,925	-2.59%	-7,846	-41.46%
Net gains/(losses) on foreign exchange	579	0.07%	15	0.00%	564	
Value adj. of financial assets	-	0.00%	-	0.00%	-	
Income (expenses) from hyperinflation	-	0.00%	-	0.00%	-	0.00%
GAINS/(LOSSES) ON FINANCIAL ASSETS	**-20,266**	**-2.39%**	**-17,241**	**-2.36%**	**-3,025**	**-17.55%**
PROFIT/(LOSS) BEFORE TAXES	**34,453**	**4.07%**	**12,908**	**1.77%**	**21,545**	
Current and deferred income taxes	-7,804	-0.92%	-4,781	-0.65%	-3,023	-63.23%
NET RESULT FROM CONTINUING OPERATIONS	**26,649**	**3.15%**	**8,127**	**1.11%**	**18,522**	
Net operating result from disposals	-6,262	-0.74%	-2,445	-0.33%	-3,817	
Profit/(loss) pertaining to minorities	-1,301	-0.15%	-115	-0.02%	-1,186	
GROUP CONSOLIDATED PROFIT/(LOSS)	**19,086**	**2.26%**	**5,567**	**0.76%**	**13,519**	
EBITDA(*)	**81,069**	**9.58%**	**56,590**	**7.74%**	**24,479**	**43.26%**

(*) for the breakdown, please refer to the "Summary of financial year" section, which describes the alternative performance indicators.

(*)(*) The values for 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2023

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
Property, plant and equipment	253,451	231,940
Intangible fixed assets	110,832	115,447
Real estate investments	833	833
Equity investments	4,273	299
Financial assets	304	993
Deferred tax assets	22,199	20,833
Trade receivables and other receivables	5,436	4,411
NON-CURRENT ASSETS	**397,328**	**374,756**
Closing inventory	146,892	163,237
Trade receivables and other receivables	132,894	127,837
Financial assets	1,029	1,305
Cash and cash equivalents	200,476	289,842
CURRENT ASSETS	**481,291**	**582,221**
DISCONTINUED OPERATIONS	**8,163**	**-**
TOTAL ASSETS	**886,782**	**956,977**
Share Capital	41,453	41,453
Reserves	27,142	34,824
Foreign currency translation reserve	-3,963	-2,404
Profit/loss for the year	19,086	5,567
Minority interests	16,372	4,850
SHAREHOLDERS' EQUITY	**100,090**	**84,290**
Financial liabilities	410,465	457,181
Trade payables and other payables	9,831	4,092
Deferred tax liabilities	24,613	27,978
Provision for severance indemnity and retirement benefits	8,300	8,469
Provision for risks and liabilities	4,886	7,507
NON-CURRENT LIABILITIES	**458,095**	**505,227**
Financial liabilities	31,484	43,886
Trade payables and other payables	256,833	306,355
Current tax payables	10,560	3,771
Provision for risks and liabilities	22,328	13,448
CURRENT LIABILITIES	**321,205**	**367,460**
LIABILITIES HELD FOR SALE	**7,392**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**886,782**	**956.977**

ANALYSIS OF NET WORKING CAPITAL AT 31.12.2023

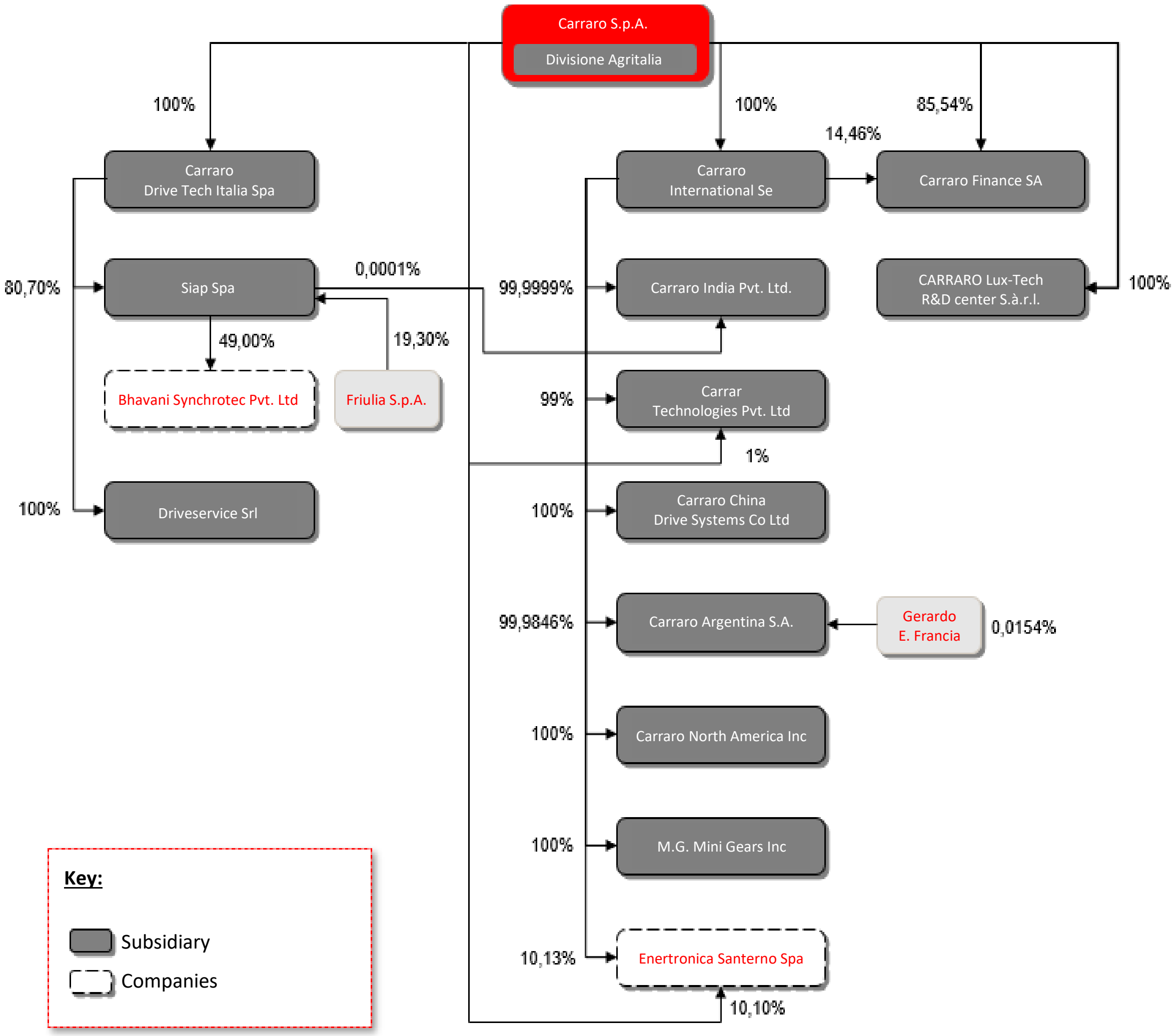
(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
Trade Receivables (*)(*)	89,219	82,348
Closing inventory	146,892	163,237
Trade Payables (*)(*)	-205,178	-254,749
Net Working Capital from Operations (*)	**30,933**	**-9,164**

(*) for the breakdown, please refer to the "Summary of financial year" section, which describes the alternative performance indicators.

(*)(*) for details of the item, see note no. 12 of the consolidated financial statements.

(*)(*) for details of the item, see note no. 17 of the consolidated financial statements.

CORPORATE STRUCTURE OF THE CARRARO GROUP
AS AT 31.12.2023



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 its Agritalia division, the Group designs and manufactures special tractors (for vineyards and orchards from 60 to 100 hp) for third-party brands, and namely John Deere, Massey Ferguson and Claas; Agritalia also provides engineering services for the design of innovative tractor ranges.

Reference markets

Agriculture

2023 was marked by a substantial slowdown in sales volumes of new agricultural machinery in all areas of the world. The economic situation of 2022, characterised by strong tensions in the supply chain of materials and components, has been resolved, although it has left a legacy of significant cost increases, which were completely passed on by manufacturers in their sales prices. In contrast, the latter part of the year saw a reduction in sales prices, limiting the effects of the lack of demand.

The **European** market ended 2023 with a year-on-year drop in sales that was more pronounced in some areas, including Italy. Agricultural commodity prices have been steadily dropping, impacting the incomes of farmers, who have also had to bear much higher costs for fertilisers, lubricants, fuel and irrigation due to the drought that has plagued large areas of the continent. The European Union has also reduced subsidies and incentives, contributing to the operators' crisis. In light of this, the propensity to renew the large fleet of agricultural equipment in Europe has declined, partly due to the rising cost of money, which has made investments more expensive.

In **North America**, 2023 ended with a drop in sales compared to the previous year. The phenomenon of increasing demand for vehicles for fear of their unavailability is only a memory, and in the latter part of the year a downward trend in car sales prices began.

Another positive year for the **Turkish** agricultural market, which recorded a significant growth trend in 2023 compared to previous years. The area continues to demonstrate a good level of demand, supported by the price of agricultural commodities.

China experienced a slowdown in the sector in 2023. Despite a substantial hold on the price of agricultural commodities, which ensured that income was available to operators in the sector for the purchase of new machinery, they were hampered by the erratic availability of state agricultural subsidies. The area still has potential for a growth in sales volumes not yet expressed, particularly for medium/high-power models.

In **Japan** and **South Korea**, sales volumes in 2023 confirmed modest growth compared to the previous year.

In **India**, 2023 saw slightly lower sales volumes than last year. The positive effects of both the MSP (Minimum Support Price) and the resilience of commodity prices only partially supported operators in the purchase of new agricultural machinery, but were negated by the negative monsoon trend, with above-normal temperatures affecting harvests and penalising tractor sales in some areas of the country.

In **Latin America** and markedly in Brazil, sales in 2023 worsened compared to the previous year mainly due to difficulties in accessing credit combined with the too small size of incentives such as the SAFRA plan. This has considerably slowed down the tendency to purchase new machinery.

Construction equipment

After a 2021 that reached record volumes and a 2022 that was substantially positive for almost all markets, 2023 saw the confirmation of some of the factors that have globally supported demand in the past few years, namely investment in infrastructure encouraged by governments as a stimulus to their economies, and the high price level of raw materials that facilitated investment in renewal in new vehicles and machinery, especially in the mining sector.

In contrast, growth in the private sector, both residential and non-residential, lacked the boost to investment in new equipment generated by the rising cost of money. Indeed, the major central banks had to repeatedly raise their base rates to combat rising inflation.

In **Europe**, 2023 closed with a slight drop in sales compared to the previous year. After an early part of the year that saw volumes holding up well, thanks to the huge infrastructure projects underway in the area, especially in some EU countries such as Italy, demand gradually decreased over the months. Repeated increases in interest rates negatively impacted the trend by making the cost of money and thus the financing of new purchases more expensive.

In 2023, the **Turkish** construction market was affected by the ongoing economic crisis in the country, which partially reduced domestic sales volumes.

The year 2023 ended in **North America** with an overall positive balance, with sales volumes only partially down on the previous year. The first part of the year saw the combined effects of high inflation and the high interest rates decided by the Fed with a noticeable drop in new residential construction, which impacted sales of compact cars. By contrast, demand remained more stable at a good level for medium-sized machines for infrastructure construction.

In 2023, sales of construction machinery in **China** also slowed sharply, with a drastic drop in volumes compared to the previous year. This was mainly due to the reduction of investments in infrastructure decided both by the central government and the individual provinces. The extensive measures taken in 2020-21 had created an artificial peak in demand, which now has to come down to a normal level. The market structure still sees most sales volumes based on demand trends for medium to large crawler excavators (CEX) and articulated loaders (WL) for infrastructure construction. However, these types of vehicles have suffered the greatest decline in demand, while more compact machines, needed in the maintenance of existing works, are bucking the trend and are instead showing growth, a scenario more typical of mature economies.

Demand for construction machinery in **India** was confirmed to be strong in 2023, with volumes rising sharply from last year's already high quantities. Sales are still buoyed by multi-year investment plans in new infrastructure, with construction sites continuing to generate an important driver for demand for new construction vehicles.

In **Latin America**, the level of new vehicle sales decreased compared to the same period last year, mainly due to difficulties in accessing credit by the various economic operators in the sector.

New Group Activities

In 2023, the group's strong commitment to market diversification will be consolidated through two very important initiatives related to the Maniago hub.

Automotive Sector

2023 will mark the first real year of production for the INEOS Grenadier project, which has seen the delivery of 25,000 axles with a gradual ramp-up that will lead to a doubling of volumes as early as 2024. The British manufacturer's prestigious 4x4 is garnering a lot of acclaim and in the final months of 2023 began its marketing in the United States in both off-road and pick-up versions. In 2024, growth will be driven mainly by demand from North America (entry also in Canada) Europe (expanded to almost all countries) and South East Asia, primarily Australia and New Zealand.

e-Trucks sector

Another important diversification market for the group is Heavy Commercial Vehicles (TRUCKS), for which the group has won important orders with large groups such as Scania, Volvo and Iveco, which have led to the important investment of the second Italian gearbox site completely dedicated to the production of large series through the use of fully automated islands. The main focus is on the production of gears shafts and bevel gears for mainly electrically driven trucks.

Summary of financial year 2023

To better understand the figures relating to 2023, adjusted figures will be highlighted. Specifically, the adjusted figures will take into account transactions not connected to ordinary operations.

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.

Performance

The year 2023 closed with a significant increase in turnover compared to the previous year. During the year, the expansion phase begun in 2021 continued with great determination, stimulated both by growth in traditional reference markets and by the ability of Carraro R&D to develop innovative products in step with customer and market demands.

After turbulent years characterised by strong difficulties in the supply chain, the Group has achieved a structural stabilisation in the utilisation of industrial capacity and, thanks to the coming on stream of major investments in recent years, such as high-tech machinery, margins have improved exceptionally, more than proportional to the growth in turnover, and have achieved results in percentage terms of absolute importance compared to the historical series of previous years.

In particular, 2023 saw the confirmation of the important trend of increased margins thanks to the entry into production of new-generation products, the improved efficiency of the supply chain and the start-up of two new SIAP S.p.A. plants, the first dedicated to the production of axles for the automotive segment for the "Ineos Grenadier" off-road segment, a plant that at the end of 2023 reached an output level in line with growth programmes, and the second dedicated to the production of gears for the truck segment with the aim of strengthening the Group's already consolidated presence in the heavy duty gears market.

As for the Drivetech Business Area, which manufactures and markets transmission systems for agricultural, construction and off-road vehicles as well as a wide range of components and gears, sales in 2023 showed a significant increase compared to the previous year due to the growth in volumes linked to the sustained demand mainly related to the drive for infrastructure development by various countries around the world. Although the production capacity of the factories was affected at times, mainly at the beginning of the year by internal and external constraints and the reduced availability of direct personnel, especially in Italy, the Business Area managed to cope with production in a structured and organised manner, stabilising the supply chain and optimising stock management by containing the inflationary component.

With regard to the Agritalia division, which designs and manufactures special tractors, results in terms of both margins and efficiency progressively improved during the year, leading to better results in 2023 compared to the previous year. Indeed, the market introduction of the new Stage V tractor models in 2022 had entailed a reorganisation at production level and a long learning phase necessary to implement the assembly process for the new models.

These activities continued to have a negative impact in the first part of 2023, however, the second part of the year was characterised by a more efficient industrial management with a consequent recovery of margins due to the effect of higher volumes and stabilisation in the management of the procurement market.

In terms of financial management, the increase in working capital as a result of higher volumes, together with the significant investments in production capacity, led to a slight increase in the net financial position of debt management compared to 2022. Despite this, thanks also to the significant improvement in margins, the Debt-to-EBITDA ratio reached the historic milestone of 2.89, below three times, a threshold to be considered structural for the future.

Results summary

The figures below do not include the economic results of the Argentine business, as more fully described in the section 'Significant Events in the financial year 2023'. For details on the results of the Argentine component, please see Section 5b) of the Notes to the Consolidated Financial Statements.

The financial year 2023 closed, as previously illustrated, with an excellent progression in consolidated turnover, which reached 846.298 million euros, up 15.80% compared to 730.826 million euros in the previous year. For the DriveTech Business Area, sales improved by 10.15% compared to 2022, while for the Agritalia Business Area, sales increased by 52.35%.

Group profitability reaches important levels with an improvement over 2022 more than proportional to the increase in turnover. EBITDA as at 31 December 2023 was 81.069 million euros (9.58% of turnover), up 43.26% from 56.590 million euros (7.74% of turnover) in 2022; 2023 EBIT amounted to 54.719 million euros (6.47% of turnover), up 81.50% compared to 30.149 million euros (4.13% of turnover) in 2022.

Net financial expenses amounted to 20.845 million euros (-2.4% of turnover), an increase compared to 17.256 million euros (-2.4% of turnover) in 2022. This was influenced by the general increase in interest rates. The item also includes the extraordinary charge related to the early redemption of the 180 million euros bond maturing in January 2025 for the residual amortised cost of about 2.22 million euros.

Foreign exchange gains amounted to 579 thousand euros (0.07% of turnover), an improvement over the previous year (positive 15 thousand euros). It should be noted that the Group operates with policies for balancing trade flows ('natural hedges') and hedging transactions.

Taxes for the period amounted to a total of 7.804 million euros (0.92% of turnover) compared to 4.781 million euros (0.65% of turnover) in the previous year.

The result from discontinued operations for the financial year 2023 amounted to -6.262 million euros, worsening compared to -2.445 million euros in the previous year.

The Group's consolidated net profit amounted to 19,086 million euros (2.26% of turnover), a significant increase compared to the 2022 profit of 5.567 million euros (0.76% of turnover).

The consolidated net financial position of operations as of 31 December 2023 was a debt of 234.451 million euros and worsened compared to 31 December 2022 (a debt of 205.378 million euros) as mentioned in the introduction due to the significant industrial investments made as well as the trend in net working capital of operations.

It is noted that as at 31 December 2023, all the financial parameters provided for by both the regulations of the bonds in place and the agreements with credit institutions were met.

Research and Development: innovation, new applications and value chain

The Group's 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, the financial commitment to R&D in 2023 was about 3.54% of turnover (it was 4.16% in 2022) in line with expectations.

There remains a constant focus on formulating and proposing solutions to customer requirements, exploiting existing products where possible, leveraging customisation capabilities with different levels of technical and technological complexity, or proposing innovative new products to meet specific business and market needs, as well as paying attention to product cost optimisation activities.

Noteworthy is the major effort made in 2023 to approve new suppliers, new processes and materials, thus addressing the impending need to integrate ESG factors within its value chain, and consequently exploiting the resulting cost synergies that the Group expects from 2024 onwards.

Product renewal activity is stable as a result of commercial activities and customer requests.

Developments in the axles range and transmission systems

The renewal of the ranges was aimed at grasping the directives of the strategic plan by introducing new solutions to expand the offer in the CWL, TBH, WEX and aerial platform segments 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 of vehicle ranges 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 2023, and is now ready for prototype production. The design enabled the complete development of a technical solution (Carraro's intellectual property) that could easily be used with customers wishing to electrify small 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 is gaining approval from customers in the validation phase, and performance is unanimously considered to be at the level of the most emblazoned competitors, while a major effort is required to improve product margins. The T135 project will go into production in 2024 for a new tractor range produced in Agritalia. It is also very relevant to note that the T135 was well received in the Turkish market where a major customer has already issued orders for production. 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.

Automotive R&D has dedicated a team of engineers focused on the industrialisation of the product for the INEOS Automotive customer.

Tractors

The year 2023 saw Carraro engineering dedicated to solving the production and industrialisation problems of the Stage V tractor range, finally stabilising production volumes on 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 where, despite delays, test fleets performed well in terms of performance and reliability. The project for tractors with continuously variable transmission continued with good results. See above for agricultural CVT transmissions. 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, industrialisation and cost optimisation activities through revision of specifications and approval of new suppliers were not neglected.

SIGNIFICANT EVENTS IN FINANCIAL YEAR 2023

The most significant events that occurred during the year are summarised below.

On 17 January 2023, the company Carraro Lux-Tech R&D Center S.à.r.l. was incorporated to carry out Research and Development activities, as well as IT, engineering and consulting activities, with the aim of providing any service related to these activities to the Group and third parties.

On 23 January 2023, Carraro Drive tech Italia Spa repurchased the remaining part of the shareholding held in SIAP S.p.A. from Friulia S.p.A., thus returning to full ownership.

On 22 February 2023, a capital increase in Siap S.p.A. was subscribed from 18,903,000 euros to 19,953,000 euros by means of a contribution in kind by the sole shareholder Carraro Drive Tech Italia S.p.A. of the intellectual property related to designs for synchronisers.

Subsequently, again on 22 February 2023, as a new investment agreement was stipulated between Carraro Drive Tech Italia S.p.A. and Friulia S.p.A., a further capital increase in SIAP S.p.A. was subscribed in cash from 19,953,000 euros to 24,725,000 euros, fully subscribed and paid up by Friulia S.p.A.

To date, Siap S.p.A. is 80.70% owned by Carraro Drive Tech Italia S.p.A. and 19.30% owned by Friulia S.p.A..

On 16 February 2023, Siap S.p.A. signed a preliminary joint venture agreement with the Indian company Bhavani Industries India LLP for the establishment of the company Bhavani Synchrotec Private Limited, whose core business will be the manufacture of synchronisers for the Carraro Group's internal needs and for marketing. 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 of 31 December 2023, the payments made by Siap S.p.A. to the JV corresponded to a total of 4,488,767 euros, of which 3,372,942 euros was contributed in cash and 1,050,000 euros through the contribution of an Intellectual Property (IP), relating to projects for synchronisers.

With an effective date of 31 October 2023, a supply agreement was signed between Carraro S.p.A. - Agritalia Division and Antonio Carraro S.p.A. under which new ranges of specialised tractors under the Antonio Carraro brand name will be designed and manufactured at Carraro S.p.A.'s Rovigo plant.

On 6 November 2023, a new senior unsecured bond loan of 120 million euros was issued, maturing in November 2028 and bearing a fixed rate of 7.75%, listed on the Luxembourg Stock Exchange and on the MOT. On 11 December 2023, the senior unsecured bond loan of 180 million euros, issued in 2018 with a fixed rate of 3.5%, listed on the Luxembourg Stock Exchange and on the MOT, was repaid in advance of its maturity date of January 2025.
For more information on the application of IFRS 5 and its effects on this Report, in addition to that already reported in this paragraph, please also refer to paragraph 5.b other extraordinary events of the Notes to the Financial Statements.

SUBSEQUENT EVENTS

There are no significant subsequent events to report.

EXPECTED BUSINESS OUTLOOK 2024

Uncertainties in commodity and financial markets persist and the effects of political tensions in various parts of the world continue to threaten the economy in general and European markets. Volatility in the financial and commodity markets could remain high throughout the year. Although the trends point to a slowdown in demand for 2024, especially for the agricultural market, which will be reflected in a slight drop in sales, good margins are expected to be maintained for 2024, in line with 2023. In this regard, in fact, the management is carefully monitoring the evolution of the international geopolitical situation with the aim of intercepting the criticalities that could emerge on the supply chain and in general limiting the continuation of the already current negative inflationary effects.

BALANCE SHEET AND FINANCIAL DATA

Turnover

Consolidated turnover as at 31 December 2023 reached 846.298 million euros, an increase of 15.80% compared to the 2022 turnover of 730.826 million euros.

The following table breaks turnover down by business segment:

	SALES			SALES TO THIRD PARTIES			INTRA-GROUP SALES		
(amounts in Euro thousands)	**2023**	**2022(*)**	**Diff. %**	**2023**	**2022(*)**	**Diff. %**	**2023**	**2022(*)**	**Diff. %**
CARRARO DRIVE TECH	697,479	633,185	10.2	635,776	605,048	5.1	61,703	28,137	
CARRARO DIV. AGRITALIA	179,806	118,022	52.3	176,528	114,421	54.3	3,278	3,601	-9.0
UNALLOCATED REVENUES	69,814	47,309	47.6	33,995	11,356	199.4	35,820	35,952	-0.4
TOTAL SEGMENTS	**947,099**	**798,516**	**18.6**	**846,299**	**730,825**	**15.8**	**100,801**	**67,690**	**48.9**
INTRA-GROUP ELIMINATIONS	-100,801	-67,690	48.9	-	-		-100,801	-67,690	48.9
CONSOLIDATED TOTAL	**846,298**	**730,826**	**15.8**	**846,299**	**730,825**	**15.8**	-	-	

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

Intra-group sales refer to sales realised between companies from different business areas (in particular the Divisione Drivetech and Divisione Agritalia).

The following table breaks down total turnover by geographical area:

(amounts in Euro thousands)	**31.12.2023**	**%**	**31.12.2022(*)**	**%**	**Diff. 2023-2022%**
India	129,414	15.29%	133,349	18.25%	-2.95%
Germany	85,976	10.16%	66,571	9.11%	29.15%
Turkey	76,306	9.02%	48,873	6.69%	56.13%
China	70,738	8.36%	68,338	9.35%	3.51%
France	64,218	7.59%	36,073	4.94%	78.02%
North America	59,344	7.01%	92,763	12.69%	-36.03%
Switzerland	38,466	4.55%	20,822	2.85%	84.74%
United Kingdom	35,238	4.16%	23,454	3.21%	50.24%
Sweden	20,800	2.46%	14,562	1.99%	42.84%
South America	19,735	2.33%	23,594	3.23%	-16.36%
Other EU areas	32,462	3.84%	38,638	5.29%	-15.98%
Other non-EU areas	12,168	1.44%	10,749	1.47%	13.20%
Total Abroad	**644,865**	**76.20%**	**577,786**	**79.06%**	**11.61%**
Italy	201,433	23.80%	153,040	20.94%	31.62%
Total	**846,298**	**100.0%**	**730,826**	**100.00%**	**15.8%**
of which:		-			
Total EU area	**422,555**	**49.93%**	**315,144**	**43.12%**	**34.08%**
Total non-EU area	**423,743**	**50.07%**	**415,682**	**56.88%**	**1.94%**

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

It should be noted that the Group mainly sells to the production sites of OEMs that may reside in different countries from the nations of end users of their products.

In terms of ranking among the foreign countries, India remains in first place overall with a slight slowdown (-2.95%) due to the economic reasons explained in the introduction.

The group's historical market, North America (down 36.03%) slipped to sixth place due to the slowdown in the agricultural market explained above.

As far as sales in European markets are concerned, Germany, up 29.15%, retains the top position, followed by France, whose increase is generated by sales of axles to INEOS Automotive.

EBITDA and EBIT

The following tables show the details of EBITDA and EBIT. As explained in the introduction, there are no non-ordinary items in 2023 and 2022.

(amounts in Euro thousands)	**31.12.2023**	**% of turnover**	**31.12.2022(*)**	**% of turnover**	**Diff. %**
EBITDA	**81,069**	**9.58**	**56,590**	**7.74**	**43.26**
EBIT	**54,719**	**6.47**	**30,149**	**4.13**	**81.50**

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

Amortisation, depreciation and impairment of fixed assets

(amounts in Euro thousands)	**31.12.2023**	**% of turnover**	**31.12.2022 (*)**	**% of turnover**	**Diff. %**
Depreciation and amortisation	27,142	3.2	26,654	3.1	1.8
Adjustment deprec. property, plant and equipment	-608	-0.1	-196	-0.0	n.r.
Adjustment to amortisation of intangible assets	-184	-0.0	-17	-0.0	n.r.
Amortisation, depreciation and impairment	**26,350**	**3.1**	**26,441**	**3.1**	**-0.3**

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

Amortisation and depreciation amounted to 26.350 million euros (3.1% of turnover), essentially in line with the 26.441 million euros (3.1% of turnover) in 2022. Depreciation and amortisation relating to the purchase price allocation for the merger with FLY S.r.l., which took place in 2022, amounted to 4.8 million euros.

Net financial expenses

(amounts in Euro thousands)	**31.12.2023**	**% of turnover**	**31.12.2022 (*)**	**% of turnover**	**Diff. %**
Net financial expenses	-20,845	-2.5	-17,256	-2.4	-20.8

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

Financial expenses increased by 20.8% from 17.256 million euros to 20.845 million euros. This was influenced by the general increase in interest rates.
The item also includes the extraordinary charge related to the early redemption of the 180 million euros bond maturing in January 2025 for the residual amortised cost of about 2.2 million euros.
Expenses also include the fees paid on the bonds, absorbed in the repayment schedule, based on the amortised cost method.

Exchange differences

(amounts in Euro thousands)	**31.12.2023**	**% of turnover**	**31.12.2022 (*)**	**% of turnover**	**Diff. %**
Exchange differences	579	0.07	15	0.00	n.r.

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

Exchange rate differences as at 31 December 2023 were positive in the amount of 579 thousand euros (0.07% of turnover). In 2022, exchange differences were positive amounting to 15 thousand euros (0.00% of turnover). Thanks to a natural hedge policy, the Group's sales flow profile is substantially balanced.

Net profit/(loss)

The financial year 2023 closed with a Group net profit of 19.086 million euros (2.26% of turnover), an important increase compared to 2022, which showed a profit of 5.567 million euros (0.76% of turnover). Taxes as at 31 December 2022 amounted to 7.804 million euros (-0.92% of turnover) compared to 4.781 million euros (-0.65 of turnover) as at 31 December 2022.

(amounts in Euro thousands)	31.12.2023	% of turnover	31.12.2022 (*)	% of turnover	Diff. %
EARNINGS BEFORE TAX	**34,453**	**4.07%**	**12,908**	**1.77%**	**n.r.**
Current and deferred income taxes	-7,804	-0.92%	-4,781	-0.65%	
Net operating result from disposals	-6,262	-0.74%	-2,445	-0.33%	
Profit/(loss) pertaining to minorities	-1,301	-0.15%	-115	-0.02%	
NET PROFIT/(LOSS)	**19,086**	**2.26%**	**5,567**	**0.76%**	**n.r.**

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

Investments

(amounts in Euro thousands)	31.12.2023	31.12.2022
Investments	**49,461**	**41,926**

Investments as at 31.12.2023 came to 49.461 million Euros, up considerably compared to 41.926 million Euros as at 31.12.2022.

The year 2023 also saw the Group give a major boost to investments in order to increase the production capacity required to support its portfolio targets, with particular reference to the purchase of a plant by SIAP as well as the start-up of production lines and the installation of high-tech plant and machinery.

Net financial position of operations

(amounts in Euro thousands)	31.12.2023	30.06.2023	31.12.2022
Net financial position of operations	-234,451	-222,962	-205,378

The consolidated net financial position of operations as at 31 December 2023 was a debt of 234,451 million euros, a worsening compared to 31 December 2022 (a debt of 205,378 million euros) due to the significant industrial investments made as well as the net working capital requirements related to turnover.
It is noted that as at 31 December 2023, all the financial parameters provided for in the regulations of the bonds in place, as well as those provided for in the agreements with the credit institutions, had been met.

Treasury Shares

At 31 December 2023, the Company held 2,626,988 treasury shares for a total investment of 6.666 million euros. No purchases and/or sales of treasury shares were made during the year.

HUMAN RESOURCES

Workforce trend

Figures as at 31.12.2023

	31.12.2023	31.12.2022
Executives	33	30
Clerical staff	784	737
Factory workers	2,234	2,188
Temporary workers	808	826

Total	**3,859**	**3,781**

Group headcount at 31 December 2023 (including temporary workers, trainees and interim workers), amounted to 3,859 persons against 3,781 persons actually working at 31 December 2022. The increase is spread over all plants, with a significant growth spike at SIAP S.p.A., and is mainly due to the increase in production volumes.

In terms of the geographic breakdown, at 31 December 2023, there were 1,795 employees in Italy and 2,064 in other countries, of which 1,655 in India, 280 in China, 116 in Argentina, 3 in the United States and 10 in Luxembourg.

PERFORMANCE OF THE PARENT COMPANY

Carraro S.p.A.

Carraro S.p.A. is the parent company, with functions of strategic guidance, control and coordination, and R&D. The company also includes a production site, Divisione Agritalia, in Rovigo, whose activities are focused on the development, production and distribution of agricultural tractors on the basis of agreements with major international manufacturers (Agco, John Deere, Claas), as well as tractors with the Carraro brand.

In addition, as of 2023 Carraro S.p.A. saw the marketing of the first automotive axle line produced by the Group in the SIAP S.p.A. plant come on stream.

In 2023, Carraro S.p.A. realised sales revenues of 248.858 million euros (164.539 million euros as at 31 December 2022, +51.2%). The increase in turnover is attributable, as will be seen in the specific section, to the increase in volumes from the Agritalia division and the start of the serial marketing of the automotive axle line for customer INEOS produced in the dedicated SIAP S.p.A. plant.

EBIT was negative for 3.288 million euros, -1.3% of turnover (year 2022 was negative for -6.772 million euros, -4.12% of turnover) and EBITDA was positive for 4.066 million euros 1.6% of turnover (year 2022 was positive for 0.815 million euros 0.5% of turnover). Both indices improved mainly due to the better performance of Agritalia.

In 2023, depreciation and amortisation amounted to 7.593 million euros, substantially in line with the previous year (7.587 million euros). Purchase price allocation depreciation and amortisation of 2.237 million euros weighed on 2023.

Dividends of 17.5 million euros were recognised in 2023. In 2022, dividends of 13 million euros were recognised.

Net financial expenses amounted to 9 million euros (3.6% of turnover), a deterioration in absolute terms compared to 6.7 million euros (4.1% of turnover) at 31 December 2022.

Taxes amounted to 2.983 million euros (2.087 thousand euros in 2022) and the 2023 financial year closed with a net profit of 8.2 million euros (3.3% of turnover) compared to the 2022 result of 1.5 million euros (0.93% of turnover).

Gross investments amounted to 7.881 million euros in 2023, up on 6.703 million euros as at 31 December 2022.

The net financial position of operations, which was negative for 155.215 million euros at 31 December 2022, was negative for 148.683 million euros at 31 December 2023, a slight improvement.

Carraro S.p.A.'s shareholders' equity as at 31 December 2023 amounted to 75.328 million euros, slightly down from 77.194 million euros in 2022 due to the combined effect of the result for the year and the distribution of the dividend to shareholders.

The workforce as at 31 December 2023 totalled 590 employees (of which 201 were involved in the strategic guidance and control and coordination function, including the R&D area with 106 people, and 389 in the Rovigo Divisione Agritalia plant).

Summary results of the parent company and the companies it directly controls, not attributable to any of the Business Areas, are given below.

(amounts in Euro thousands)

	Carraro S.p.A.					Carraro Finance SA				
	31.12.2023	**% of turnover**	**31.12.2022**	**% of turnover**	**Diff. %**	**31.12.2023**	**% of turnover**	**31.12.2022**	**% of turnover**	**Diff. %**
Turnover	248,858		164,539		51.2	1,387		1,058		31.1
EBITDA (*)	4,066	1.6	815	0.5	n.r.	-837	-60.3	-788		6.2
EBIT (*)	-3,228	-1.3	-6,772	-4.1	-52.3	-1,031	-74.3	-970		6.3
Net Sh.	8,170	3.3	1,534	0.9	n.r.	-1,113	-80.2	-3,393		-67.2
Amortisation, depreciation and impairment	7,593	3.1	7,646	4.6	-0.7	194	14.0	182		6.6
Investments	7,881		6,703			236		230		
Net financial position of operations (*)	-148,694		-154,677			3,027		88,802		
Shareholders' equity	75,328		77,194			3,245		1,358		

	Carraro International SE					MiniGears Inc.				
	31.12.2023	**% of turnover**	**31.12.2022**	**% of turnover**	**Diff. %**	**31.12.2023**	**% of turnover**	**31.12.2022**	**% of turnover**	**Diff. %**
Turnover	-		-			-		-		
EBITDA (*)	-383		-389		-1.5	-		-		
EBIT (*)	-383		-389		-1.5	-		-		
Net Sh.	2,380		1,878		26.7	-		-		
Amortisation, depreciation and impairment						-		-		
Investments						-		-		
Net financial position of operations (*)	-40,016		-53,146			-		1		
Shareholders' equity	19,613		17,880			-		1		

(*) for the breakdown, please refer to the "Summary of financial year" section, which describes the alternative performance indicators

Performance and results of the Carraro Group Business Areas

DRIVELINES & COMPONENTS - DRIVE TECH BUSINESS AREA

SUBCONSOLIDATED INCOME STATEMENT AS AT 31.12.2023
DRIVELINES & COMPONENTS - DRIVE TECH BUSINESS AREA

(amounts in Euro thousands)	31.12.2023	%	31.12.2022(*)(*)	%	Change 31.12.2023 - 31.12.2022	%
REVENUES FROM SALES	**697,479**	**100.00%**	**633,185**	**100.00%**	**64,294**	**10.15%**
Purchases of goods and materials (net of changes in inventories)	-415,111	-59.52%	-385,831	-60.93%	-29,280	-7.59%
Services and use of third-party goods	-122,606	-17.58%	-119,649	-18.90%	-2,957	-2.47%
Personnel costs	-74,397	-10.67%	-69,290	-10.94%	-5,107	-7.37%
Amortisation, depreciation and impairment of assets	-20,816	-2.98%	-20,349	-3.21%	-467	-2.29%
Provisions for risks	-4,612	-0.66%	-3,378	-0.53%	-1,234	-36.53%
Other income and expenses	2,435	0.35%	3,698	0.58%	-1,263	-34.15%
Internal construction	389	0.06%	447	0.07%	-58	-12.98%
OPERATING COSTS	**-634,718**	**-91.00%**	**-594,352**	**-93.87%**	**-40,366**	**-6.79%**
OPERATING PROFIT/(LOSS) (EBIT)	**62,761**	**9.00%**	**38,833**	**6.13%**	**23,928**	**61.62%**
Income from equity investments	-	0.00%	-	0.00%	-	
Other financial income	1,218	0.17%	1,084	0.17%	134	12.36%
Financial costs and expenses	-11,079	-1.59%	-7,650	-1.21%	-3,429	-44.82%
Net gains/(losses) on foreign exchange	614	0.09%	49	0.01%	565	
Value adj. of financial assets	-	0.00%	-	0.00%	-	
Income (expenses) from hyperinflation	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**-9,247**	**-1.33%**	**-6,517**	**-1.03%**	**-2,730**	**-41.89%**
PROFIT/(LOSS) BEFORE TAXES	**53,514**	**7.67%**	**32,316**	**5.10%**	**21,198**	**65.60%**
Current and deferred income taxes	-10,163	-1.46%	-6,863	-1.08%	-3,300	-48.08%
NET RESULT FROM CONTINUING OPERATIONS	**43,351**	**6.22%**	**25,453**	**4.02%**	**17,898**	**70.32%**
Net operating result from disposals	-6,262	-0.90%	-2,445	-0.39%	-3,817	
Profit/(loss) pertaining to minorities	-1,301	-0.19%	-115	-0.02%	-1,186	
NET PROFIT/(LOSS)	**35,788**	**5.13%**	**22,893**	**3.62%**	**12,895**	**56.33%**
EBITDA (*)	**83,329**	**11.95%**	**59,161**	**9.34%**	**24,168**	**40.85%**

(*) for the breakdown, please refer to the “Summary of financial year” section, which describes the alternative performance indicators

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

SUBCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2023

DRIVELINES & COMPONENTS - DRIVE TECH BUSINESS AREA

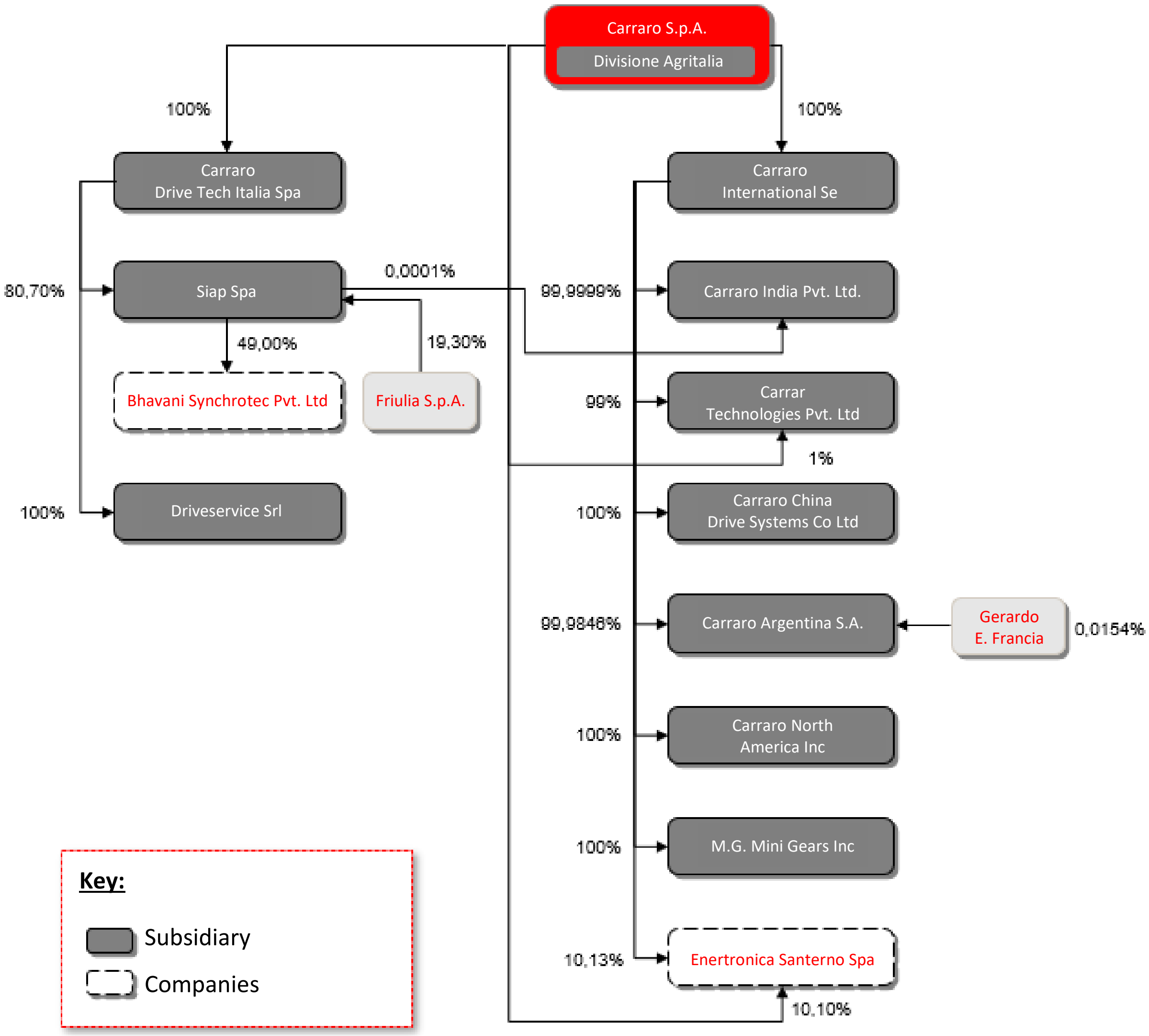
(amounts in Euro thousands)	31.12.2023	31.12.2022
Property, plant and equipment	190,164	173,558
Intangible fixed assets	82,499	81,417
Real estate investments	155	155
Equity investments in subsidiaries, associates and joint ventures	4,788	299
Financial assets	34	880
Deferred tax assets	7,872	7,860
Trade receivables and other receivables	5,064	4,093
NON-CURRENT ASSETS	**290,576**	**268,262**
Closing inventory	125,052	134,923
Trade receivables and other receivables	123,359	113,361
Financial assets	353	601
Cash and cash equivalents	39,986	102,566
CURRENT ASSETS	**288,750**	**351,451**
DISCONTINUED OPERATIONS	8,163	-
TOTAL ASSETS	**587,489**	**619,713**
Share capital	5,000	5,000
Reserves	161,632	176,933
Foreign currency translation reserve	-3,961	-2,404
Profit/loss for the year	35,788	22,893
Minority interests	16,372	4,850
SHAREHOLDERS' EQUITY	**214,831**	**206,278**
Financial liabilities	77,070	68,515
Trade payables and other payables	6,447	1,370
Deferred tax liabilities	15,193	17,129
Provision for severance indemnity and retirement benefits	6,361	6,539
Provision for risks and liabilities	3,486	4,356
NON-CURRENT LIABILITIES	**108,557**	**97,909**
Financial liabilities	21,855	43,477
Trade payables and other payables	221,802	261,494
Current tax payables	3,303	2,986
Provision for risks and liabilities	9,749	7,569
CURRENT LIABILITIES	**256,709**	**315,526**
LIABILITIES HELD FOR SALE	7,392	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**587,489**	**619,713**

ANALYSIS OF NET WORKING CAPITAL OF OPERATIONS AT 31.12.2023
DRIVELINES & COMPONENTS - DRIVE TECH BUSINESS AREA

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
Trade receivables	87,981	73,784
Closing inventory	125,052	134,923
Trade payables	-166,051	-216,563
Net Working Capital from Operations (*)	**46,982**	**- 7,856**

(*) for the breakdown, please refer to the "Summary of financial year" section, which describes the alternative performance indicators.

CORPORATE STRUCTURE OF THE BUSINESS AREA DRIVELINES & COMPONENTS - DRIVE TECH AS AT 31.12.2023



Drivelines & Components - Drive Tech Business Area

Sales in 2023 were up significantly compared to the previous year, mainly due to the growth in volumes related mainly to the construction equipment segment, which was positively impacted by the drive for infrastructure development by various states.
Compared to 2022, capacity utilisation has improved significantly, despite the reduced availability of direct personnel, especially in Italy, due to the huge investments in automation and high-tech machinery. Production of axles for the 'Ineos Grenadier' off-road vehicle also reached an output level in line with expectations in the second half of the year. Also of importance is the start-up of the new Montereale Valcellina plant dedicated to the production of gears for the truck segment, which strengthens the Group's already established presence in the heavy duty gears market.

Drivetech's sales revenue as at 31 December 2023 totalled 697.479 million euros, compared to 633.185 million euros in 2022, an increase of 10.15%.

Turnover from third parties, which accounts for 91.2% of total turnover, was equal to 635.776 million euros compared to 605.048 million for the previous year (95.6% of total turnover) up by 5.1%.

Below is the detailed analysis of the main target markets.

Agricultural market

The year 2023 was characterised by a slowdown in demand for new agricultural machinery in all major regions of the world.
Sales related to the agricultural market, which account for 31.72% (36.71% in 2022) of the total turnover of the Drive Tech Business Area, decreased year-on-year by -4.83%.
The segment's main market is Asia, although India recorded a decrease in sales volumes compared to the previous year, mainly due to adverse weather conditions that impacted harvests. India accounts for 8.9% of the turnover (11.43% in 2022). However, there remains potential for growth in the near future, as the increase in income is directly related to the price of agricultural commodities, which increases farmers' ability to spend on new tractors.
China, which accounts for 3.84% of total sales (5.26% in 2022), also recorded a year-on-year decrease in sales (-19.8%) due to the erratic nature of industry subsidies.
In contrast to the general market, in 2023 in Europe the agricultural sector of the Business Area recorded an increase in sales compared to 2022. In particular, sales growth in Italy accounted for 6.50% of total sales in 2023 (5.97% in 2022). The French market (3.33% in 2023, 2.95% in 2022) and, above all, the Turkish market (4.16% in 2023, 3.04% in 2022) also showed sustained growth in absolute terms due to the stability of both local demand and agricultural commodity prices.
In North America, turnover decreased.Moreover, the outlook is uncertain due to the high cost of money decided by the Fed to combat persistent inflation. The NAFTA market, accounting for 1.58% of sales in 2023 (2.63% in 2022), decreased by -34.0% year-on-year.
Also worth mentioning is the decrease in sales volumes in Latin America. Despite high prices of agricultural commodities, farmers complained of difficulties in accessing credit not compensated by adequate government subsidy schemes (SAFRA plan in Brazil).
Overall, the South American market shows a decrease of -30.1% compared to the previous year, with figures of 0.67% in 2023 and 1.05% in 2022. It should be noted that, for financial statement presentation reasons, the turnover of Carraro Argentina (reclassified to AFS) has not been considered in this analysis.

Construction equipment market

In 2023, the construction equipment sector confirmed a positive trend in line with previous years. The strong recovery in demand for machinery was supported by investments in infrastructure and high raw material prices. The Construction equipment segment accounted for 45.20% of 2023 sales (43.22% in 2022), an increase of +15.20% over 2022.
India, with 8.34%, is the largest market in this segment and shows a sustained increase over 2022 (+14.4%) due to continued investment in major infrastructure projects, which continue to generate a certain amount of demand for new construction vehicles. Note that Carraro is the market leader in this segment.
In Europe, bucking the general trend of a slight decline, the year ended with sales above expectations. Germany was the largest market with 6.72% of sales (5.82% in 2022), up 27.0% from 2022, followed by Italy with sales of 6.32% of the overall total (6.99% in 2022).
China continues to be one of the world's leading markets for construction and earthmoving machinery, despite a decrease in infrastructure incentives in 2023 by the central government. In contrast to the market in general, the significant

increase in sales for the Business Area is mainly attributable to the aerial platform market, which is residual until 2022. The year therefore ended with strong growth over the previous year (+23.7% compared to 2022), which brought the total turnover to 5.94% (5.28% in 2022).
The Turkish market, which accounts for 6.22% of total turnover (4.19% in 2022) continues the growth trend that had characterised 2022 (+63.3% compared to last year).
In North America, sales are down year-on-year (-32.8%) and the outlook is uncertain due to the high cost of money. The 2023 turnover ratio is 2.30% compared to 3.76% in 2022.
In Latin America, demand for new vehicles slowed down due to difficulties in accessing credit for the sector's economic operators, leading to a -13.4% decrease in sales 2023. This market represents 1.80% of the total (2.28% in 2022).

Material handling market

The Material Handling segment accounted for 2.16% of the total turnover (2.43% in 2022) and decreased by 2.26% compared to the previous year.

Automotive Market

The 'relatively new' Automotive segment accounts for 7.24% of the total turnover for the Drivetech Business Area, compared to 3.01% in the previous year, and shows a growth of 164.91% over 2022.
Europe, and in particular Italy (5.74% of total sales in 2023, 2.06% in 2022), is the main sales market for this segment.
As far as 2023 is concerned, it is reported that series production of the Grenadier off-road axles has increased as planned.

Replacement parts

Spare parts turnover, with an increase of 1.12% compared to 2022, covers 9.01% of total turnover (9.82% in 2022).
Germany, where the main OEMs of the sectors in which the Group operates are based, remains the main target market (1.86% of demand in 2023, 2.15% in 2022), followed by the US (1.52% of demand in 2023, 1.82% in 2022).

Results summary

Thanks to the higher volumes mentioned in the previous paragraphs, the analysis of the economic data shows an overall improvement in results. Specifically, turnover rose to 697.479 million euros with an increase of 10.15% and margins improved in terms of both EBIT and EBITDA by +9.0% and +11.9%, respectively.

A breakdown of turnover between sales to third parties and intra-group is provided below:

(amounts in Euro thousands)	SALES			SALES TO THIRD PARTIES			INTRA-GROUP SALES		
	31.12.2023	**31.12.2022 (*)**	**Diff. %**	**31.12.2023**	**31.12.2022 (*)**	**Diff. %**	**31.12.2023**	**31.12.2022 (*)**	**Diff. %**
CARRARO DRIVE TECH	697,479	633,185	10.2	635,776	605,048	5.1	61,703	28,137	119.3

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

Intra-group sales concern companies belonging to different business areas (in particular between the Divisione Drivetech and Divisione Agritalia).

Turnover from third parties, which accounts for 91.2% of total turnover, was equal to 635.776 million euros compared to 605.048 million for the previous year (95.6% of total turnover) up by 5.1%. Turnover from Group Companies amounted to 61.703 million euros (8.8% of total turnover), with a 119.3% increase compared to 28.137 million euros (4.4% of total turnover) in 2022.

The following table breaks down total turnover by geographical area:

(amounts in Euro thousands)	**31.12.2023**	**%**	**31.12.2022**	**%**	**difference % '23 - '22**
India	131,614	18.87%	135,416	21.39%	-2.81%
Turkey	76,251	10.93%	48,827	7.71%	56.17%
China	70,753	10.14%	68,187	10.77%	3.76%
Germany	67,543	9.68%	61,981	9.79%	8.97%
North America	55,396	7.94%	69,210	10.93%	-19.96%
France	33,819	4.85%	26,492	4.18%	27.66%
United Kingdom	28,608	4.10%	23,448	3.70%	22.01%
Sweden	20,800	2.98%	14,562	2.30%	42.84%
South America	19,703	2.82%	23,438	3.70%	-15.94%
Belgium	6,384	0.92%	8,822	1.39%	-27.64%
Other EU areas	24,508	3.51%	26,633	4.21%	-7.98%
Other non-EU areas	14,790	2.12%	12,468	1.97%	18.62%
Total Abroad	**550,169**	**78.88%**	**519,484**	**82.04%**	**5.91%**
Italy	147,310	21.12%	113,701	17.96%	29.56%
Total	**697,479**	**100.00%**	**633,185**	**100.00%**	**10.15%**
of which:					
Total EU area	**300,364**	**43.06%**	**252,191**	**36.16%**	**19.10%**
Total non-EU area	**397,115**	**56.94%**	**380,994**	**60.17%**	**4.23%**

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

In analysing turnover, it should be noted that the Group mainly sells to the production sites of OEMs that may reside in different countries from the nations of end users of their products.

Drive Tech's total turnover by geographic area shows India with 18.87% (21.39% in 2022) as the main foreign market, followed by Turkey with 10.93% (7.71% in 2022). Germany, with 9.68% (9.79% in 2022) is the largest market in the European Union, followed by France with 4.85% (4.18% in 2022). Turnover in Italy rose (+29.56% compared to 2022).

The following table breaks down total turnover by application segment:

(amounts in Euro thousands)	**31.12.2023**	**%**	**31.12.2022 (*)**	**%**	**difference % '23 - '22**
CONSTRUCTION EQ.	315,256	45.20%	273,657	43.22%	15.20%
AGRICULTURE	221,227	31.72%	232,448	36.71%	-4.83%
SPARE PARTS	62,872	9.01%	62,177	9.82%	1.12%
AUTOMOTIVE	50,489	7.24%	19,059	3.01%	164.91%
MATERIAL HANDLING	15,068	2.16%	15,416	2.43%	-2.26%
OTHER	32,567	4.67%	30,428	4.81%	7.03%
Total	**697,479**	**100.00%**	**633,185**	**100.00%**	**10.15%**

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

EBITDA amounted to 83.329 million euros (11.9% of turnover), up in absolute value from 59.161 million euros (9.3% of turnover) in 2022. EBIT amounted to 62.761 million euros (9.0% of sales) and increased in absolute terms from 38.833 million euros as at 31 December 2022 (6.1% of sales).

(amounts in Euro thousands)	31.12.2023	% of turnover	31.12.2022(*)	% of turnover
EBITDA	83,329	11.9	59,161	9.3
EBIT	62,761	9.0	38,833	6.1

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

Thanks to the increase in sales and more efficient cost management, the marginality improved significantly compared to the previous year, both in absolute terms compared to the previous year, and in percentage terms.

Earnings before tax amounted to 53.514 million euros (7.67% of turnover), up from 32.316 million euros (5.1% of turnover) in 2022.

Net profit amounted to 35.788 million euros (5.1% of turnover), up from 22.893 million euros (3.6% of turnover) of 2022.

(amounts in Euro thousands)	31.12.2023	% of turnover	31.12.2022(*)	% of turnover
NET PROFIT/(LOSS)	35,788	5.1	22,893	3.6

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

The net financial position of operations as at 31 December 2023 was negative for 49.532 million euros, worsening compared to the positive 0.952 million euros as at 31 December 2022 due to the significant industrial investments made, including the new SIAP plants dedicated to the production of automotive axles as well as gears for the heavy duty segment, dividends paid out, and the trend in working capital in relation to the increase in turnover.

Amortisation, depreciation and impairment of fixed assets

(amounts in Euro thousands)	31.12.2023	% of turnover	31.12.2022 (*)	% of turnover	Diff. %
Depreciation and amortisation	21,061	3.0	20,328	3.1	3.6
Impairment of fixed assets	-	0.0	-	0.0	
Adjustment deprec. property, plant and equipment	-478	-0.1	- 151	-0.0	n.r.
Adjustment to amortisation of intangible assets	-15	-0.0	- 3	-0.0	n.r.
Amortisation, depreciation and impairment	**20,568**	**2.4**	**26,441**	**3.5**	**-0.3**

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

Amortisation and depreciation amounted to 21.061 million Euros (3.0% of turnover), an increase compared to 20.328 million Euros (3.1% of turnover) in 2022.

Financial expenses

(amounts in Euro thousands)	31.12.2023	% of turnover	31.12.2022 (*)	% of turnover	Diff. %
Net financial expenses	-9,861	-1.4	-6,566	-1.0	-50.2

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

Financial expenses as at 31 December 2023 amounted to 9.861 million euros (-1.4% of turnover), down from 6.566 million euros (-1.0% of turnover) as at 31 December 2022.

Exchange differences

(amounts in Euro thousands)	**31.12.2023**	**% of turnover**	**31.12.2022 (*)**	**% of turnover**	**Diff. %**
Exchange differences	614	0.0	49	0.0	1,153.1

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

Exchange rate differences as at 31 December 2023 were positive for 0.614 million euros (0.0% of turnover) compared to income of 0.049 million euros (0.0% of turnover) as at 31 December 2022.

Thanks to a natural hedge policy, the Group's sales flow profile is mainly well balanced.

Net profit/(loss)

The financial year 2023 closed with a business area profit of 35.788 million euros (5.13% of turnover), an increase over the 2022 result of 22.893 million euros (3.62% of turnover). Taxes at 31 December 2023 amounted to 10.163 million euros (-1.46% of turnover) against 6.863 million euros (-1.08% of turnover) at 31 December 2022.

(amounts in Euro thousands)	**31.12.2023**	**%**	**31.12.2022 (*)**	**%**
PROFIT/(LOSS) BEFORE TAXES	**53,514**	**7.67%**	**32,316**	**5.10%**
Current and deferred income taxes	-10,163	-1.46%	-6,863	-1.08%
NET RESULT FROM CONTINUING OPERATIONS	**43,351**	**6.22%**	**25,453**	**4.02%**
Net operating result from disposals	-6,262	-0.90%	-2,445	-0.39%
Profit/(loss) pertaining to minorities	-1,301	-0.19%	-115	-0.02%
NET PROFIT/(LOSS)	**35,788**	**5.13%**	**22,893**	**3.62%**

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

Investments

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022 (*)**
Investments	45,235	35,550

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please refer to section 5.b other extraordinary events in the Notes to the Financial Statements.

In 2023, investments were made for new production plants, as well as the purchase of high-tech machinery and the maintenance and modernisation of plant and equipment.

Net financial position of operations

(amounts in Euro thousands)	31.12.2023	31.12.2022 (*)
Net financial position of operations	-49,532	952

(*) The values for the year 2022 have been restated in accordance with IFRS 5. For further information, please see section 5.b Other Extraordinary Events of the Notes to the Financial Statements. The net financial position of operations as at 31 December 2023 was a negative 49.532 million euros, worsening from the positive 0.952 million euros as at 31 December 2022.

HUMAN RESOURCES

Workforce trend

(amounts in Euro thousands)	31.12.2023	31.12.2022
Executives	11	10
Clerical staff	523	485
Factory workers	1,987	1,953
Temporary workers	738	760
Total	**3,259**	**3,208**

The increase in personnel compared to 31 December 2022 is mainly due to the increase in production volumes at Siap (+74 people), Carraro Drive Tech Italia S.p.A. (+21 people) and Carraro China (+11 people). As at 31 December 2023, the employees are divided between the various geographical areas of the world as follows: Italy 1,154 persons, India 1,655 persons, China 280 persons, Argentina 116 persons, USA 3 persons.

Summary data of companies belonging to the Business Area Drivelines & Components - Drive Tech as at 31.12.2023

	Carraro Drive Tech Italia S.p.A. (1)					Siap S.p.A.				
(amounts in Euro thousands)	31.12.2023	% of turnover	31.12.2022	% of turnover	Diff. %	31.12.2023	% of turnover	31.12.2022	% of turnover	Diff. %
Turnover	406,323		366,756		10.8	139,082		102,127		36.2
EBITDA (*)	38,279	9.4	24,331	6.6	57.3	12,303	8.8	6,501	6.4	89.2
EBIT (*)	33,229	8.2	19,346	5.3	71.8	6,530	4.7	1,040	1.0	n.r.
Net profit/(loss)	24,676	6.1	12,098	3.3	n.r.	6,223	4.5	992	1.0	n.r.
Amortisation, depreciation and impairment	5,199	1.3	5,024	1.4	3.5	6,113	4.4	5,571	5.5	9.7
Investments	9,519		7,279			24,601		16,478		
Net financial position of operations (*)	-26,950		-22,722			-20,655		--10.434		
Shareholders' equity	33,235		24,912			60,633		41,740		

	Driveservice S.r.l.					Carraro India Pvt. Ltd.				
(amounts in Euro thousands)	31.12.2023	% of turnover	31.12.2022	% of turnover	Diff. %	31.12.2023	% of turnover	31.12.2022	% of turnover	Diff. %
Turnover	3,949		3,984		-0.9	203,676		201,393		1.1
EBITDA (*)	662	16.8	627	15.7	5.6	16,236	8.0	14,617	7.3	11.1
EBIT (*)	169	4.3	135	3.4	25.2	11,582	5.7	10,020	5.0	15.6
Net profit/(loss)	127	3.2	136	3.4	-6.6	6,537	3.2	5,748	2.9	13.7
Amortisation, depreciation and impairment	498	12.6	497	12.5	0.2	4,654	2.3	4,597	2.3	1.2
Investments	196		93			9,167		8,350		
Net financial position of operations (*)	216		-440			-16,315		4,337		

Shareholders' equity	594		467			38,642		36,153		

	Carraro China Drive Systems Co. Ltd.					**Carraro Technologies Ltd. (2)**				
(amounts in Euro thousands)	**31.12.2023**	**% of turnover**	**31.12.2022**	**% of turnover**	**Diff. %**	**31.12.2023**	**% of turnover**	**31.12.2022**	**% of turnover**	**Diff. %**
Turnover	96,094		107,170		-10.3	2,323		2,057		12.9
EBITDA (*)	14,241	14.8	13,134	12.3	8.4	547	23.5	364	17.7	50.3
EBIT (*)	12,278	12.8	11,005	10.3	11.6	345	14.9	187	9.1	84.5
Net profit/(loss)	9,190	9.6	8,330	7.8	10.3	302	13.0	140	6.8	n.r.
Amortisation, depreciation and impairment	1,963	2.0	2,129	2.0	-7.8	202	8.7	177	8.6	14.1
Investments	2,697		2,548			62		524		
Net financial position of operations (*)	13,318		26,542			1,724		1,195		
Shareholders' equity	26,610		33,149			845		1,596		

(1) Subholding company.
(2) This company carries out design, research and development for the Group and third parties and is based in Pune (India)

	Carraro Argentina SA					**Carraro North America Inc.**				
(amounts in Euro thousands)	**31.12.2023**	**% of turnover**	**31.12.2022**	**% of turnover**	**Diff. %**	**31.12.2023**	**% of turnover**	**31.12.2022**	**% of turnover**	**Diff. %**
Turnover	16,476		34,174		-51.8	888		932		-4.7
EBITDA (*)	170	1.0	2,787	8.2	-93.9	5	0.6	7	0.8	-28.6
EBIT (*)	-212	-1.3	2,100	6.1	n.r.	5	0.6	6	0.6	-16.7
Net profit/(loss)	-5,304	-32.2	-2,105	-6.2	n.r.	-	0.0	-	0.0	
Amortisation, depreciation and impairment	382	0.2	687	0.3	-44.4	-	0.0	1	0.1	-100.0
Investments	54		316			-		-		
Net financial position of operations (*)	-588		1,929			-281		-338		
Shareholders' equity	-1,798		5,528			-329		-341		

(*) for the breakdown, please refer to the “Summary of financial year” section, which describes the alternative performance indicators

BUSINESS AREA VEHICLES – AGRITALIA

INCOME STATEMENT AS AT 31.12.2023 – BUSINESS AREA VEHICLES - AGRITALIA

(amounts in Euro thousands)	31.12.2023	%	31.12.2022	%	Change 31.12.2023 - 31.12.2022	%
REVENUES FROM SALES	**179,806**	**100.00%**	**118,022**	**100.00%**	**61,784**	**52.35%**
Purchases of goods and materials (net of changes in inventories)	-145,311	-80.82%	-95,394	-80.83%	-49,917	-52.33%
Services and Use of third-party goods and services	-15,512	-8.63%	-13,786	-11.68%	-1,726	-12.52%
Personnel costs	-17,645	-9.81%	-16,121	-13.66%	-1,524	-9.45%
Amortisation, depreciation and impairment of assets	-2,215	-1.23%	-2,349	-1.99%	134	5.70%
Provisions for risks	-1,525	-0.85%	-1,289	-1.09%	-236	-18.31%
Other income and expenses	1,077	0.60%	3,145	2.66%	-2,068	-65.76%
Internal construction	-	0.00%	-	0.00%	0.00%	0.00%
OPERATING COSTS	**-181,131**	**-100.74%**	**-125,794**	**-106.59%**	**-55,337**	**-43.99%**
OPERATING PROFIT/(LOSS) (EBIT (*))	**-1,325**	**-0.74%**	**-7,772**	**-6.59%**	**6,447**	**82.95%**
Income from equity investments	-	0.00%	-	0.00%		
Other financial income	1	0.00%	79	0.07%	-78	-98.73%
Financial costs and expenses	-86	-0.05%	-68	-0.06%	-18	-26.47%
Net gains/(losses) on foreign exchange	-3	0.00%	-12	-0.01%	9	75.00%
Value adjustments of financial assets	-	0.00%	-	0.00%		
GAINS/(LOSSES) ON FINANCIAL ASSETS	**-88**	**-0.05%**	**-1**	**0.00%**	**-87**	
PROFIT/(LOSS) BEFORE TAXES	**-1,413**	**-0.79%**	**-7,773**	**-6.59%**	**6,360**	**81.82%**
Current and deferred income taxes	-	0.00%	-	0.00%		
CONTRIBUTION TO THE NET PROFIT/(LOSS) OF CARRARO SPA	**-1,413**	**-0.79%**	**-7,773**	**-6.59%**	**6,360**	**81.82%**
EBITDA(*)	**690**	**0.38%**	**-5,423**	**-4.59%**	**6,113**	

(*) for the breakdown, please refer to the "*Summary of financial year*" section, which describes the alternative performance indicators

STATEMENT OF FINANCIAL POSITION AS AT 31.12.2023
BUSINESS AREA VEHICLES – AGRITALIA

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
Property, plant and equipment	21,799	19,955
Intangible fixed assets	214	464
Real estate investments	-	-
Holdings in subsidiaries and associates	-	-
Financial assets	-	-
Deferred tax assets	1,357	1,356
Trade receivables and other receivables	30	13
NON-CURRENT ASSETS	**23,400**	**21,788**
Closing inventory	21,771	29,255
Trade receivables and other receivables	29,452	22,108
Financial assets	-	-
Cash and cash equivalents	-	3
CURRENT ASSETS	**51,223**	**51,366**
TOTAL ASSETS	**74,623**	**73,154**
CONTRIBUTION TO SHAREHOLDERS' EQUITY OF CARRARO SPA	**-5.614**	**10,432**
Financial liabilities	600	641
Trade payables and other payables	1	2
Deferred tax liabilities	-	-
Provision for severance indemnity and retirement benefits	940	939
Provision for risks and liabilities	-	166
NON-CURRENT LIABILITIES	**1,541**	**1,748**
Financial liabilities	1,432	271
Trade payables and other payables	72,471	56,689
Current tax payables	201	-
Provision for risks and liabilities	4,592	4,014
CURRENT LIABILITIES	**78,696**	**60,974**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**74,623**	**73,154**

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ANALYSIS OF NET WORKING CAPITAL AT 31.12.2023

BUSINESS AREA VEHICLES – AGRITALIA

(amounts in Euro thousands)	**31.12.2023**	**31.12.2022**
Trade Receivables	19,099	10,573
Closing inventory	21,771	29,255
Trade Payables	-66,241	-50,848
Net Working Capital from Operations (*)	**-25,371**	**-11,020**

(*) for the breakdown, please refer to the "Summary of financial year" section, which describes the alternative performance indicators.

CORPORATE STRUCTURE OF THE BUSINESS AREA VEHICLES – AGRITALIA AS AT 31.12.2023

Business Area Vehicles – Agritalia

Carraro Agritalia closed the year 2023 with a turnover of 179,806 million euros, a significant increase over the 118,022 million euros of the previous year (+52.3%) thanks to a significant volume effect. The number of tractors sold was in fact 4,015 units compared to 3,315 units in 2022.

The Agritalia division gradually improved its results in terms of product margins and efficiency during the year.

The market introduction of the new Stage V tractor models in 2022, which had imposed a need for the company to reorganise production and a long learning phase necessary for the implementation of the assembly process of the new models, also affected the first part of the year 2023. The management of these critical issues, the alignment of revenues to the increase in costs, and the stabilisation of the general situation in the procurement market allowed for a more orderly industrial management in the second half of the year, which enabled the recovery of margins. The improved results were supported by the large volumes.

EBITDA in 2023 was 0.690 million euros (0.38% of turnover), a significant improvement over the -5.423 million euros (-4.59% of turnover) in 2022. Although EBIT 2023 remained negative, it came to -1.325 million euros (-0.79% of sales), a marked improvement over the -7.772 million euros (-6.6% of sales) in FY2022.

Turnover

The turnover of the Vehicles Business Area as at 31 December 2023 amounted to 179.806 million euros, an increase of 52.5% compared to 118.022 million euros or 31 December 2022.

A breakdown of turnover between sales to third parties and intra-group is provided below:

(amounts in Euro thousands)

	SALES			SALES TO THIRD PARTIES			INTRA-GROUP SALES		
	31.12.2023	**31.12.2022**	**Diff. %**	**31.12.2023**	**31.12.2022**	**Diff. %**	**31.12.2023**	**31.12.2022**	**Diff. %**
CARRARO DIV. AGRITALIA	179,806	118,022	52.53	176,528	114,421	54.3	3,278	3,601	-9

Intra-group sales refer to sales between companies belonging to different business areas (in particular to the Divisione Drivetech).

The following table breaks down total turnover by geographical area:

(amounts in Euro thousands)	**31.12.2023**	**%**	**31.12.2022**	**%**	**difference % '23 - '22**
Switzerland	33,027	18.37%	15,563	13.19%	112.21%
Germany	18,429	10.25%	4,590	3.89%	301.50%
North America	3,948	2.20%	23,553	19.96%	-83.24%
United Kingdom	1,879	1.05%	-	0.00%	n.r.
France	1,761	0.98%	3,130	2.65%	-43.74%
Other EU areas	1,626	0.90%	3,223	2.73%	-49.55%
Other non-EU areas	2,518	1.40%	3,926	3.33%	-35.86%
Total Abroad	**63,188**	**35.14%**	**53,985**	**45.74%**	**17.05%**
Italy	116,618	64.86%	64,037	54.26%	82.11%
Total	**179,806**	**100.00%**	**118,022**	**100.00%**	**52.35%**
of which:					
Total EU area	**171,461**	**95.36%**	**90,543**	**76.72%**	**89.37%**
Total non-EU area	**8,345**	**4.64%**	**27,479**	**23.28%**	**-69.63%**

It should be noted that the Group mainly sells to the production sites of OEMs that may reside in different countries from the nations of end users of their products.

In first place among foreign countries was Switzerland due to increased volumes as well as price recovery activities. In second place was Germany due to increased volumes as well as the relocation of the JD customer to other EU countries.

North America, on the other hand, slips from first to third place: it is recalled that in 2022 sales from the Business Area were affected by the postponement of 2021 deliveries related to Stage IIIB.

EBITDA and EBIT

(*amounts in Euro thousands*)	**31.12.2023**	**% of turnover**	**31.12.2022**	**% of turnover**	**Diff. %**
EBITDA	690	0.4%	-5,423	-4.59%	112.7

(*amounts in Euro thousands*)	**31.12.2023**	**% of turnover**	**31.12.2022**	**% of turnover**	**Diff. %**
EBIT	-1,325	-0.7%	-7,772	-6.59%	83.0

The positive EBITDA of 690 thousand euros (0.4 of sales) is a clear improvement over 2022 when it was negative for -5.423 million euros (-4.59% of sales) thanks to the actions described in the introduction. EBIT remained negative at 1,325 million euros (-0.7% of sales) compared to -7.772 million euros (-6.59% of sales).

The result in terms of margins is due, as explained in the introduction, to the increase in volumes and the recovery of efficiency in the second half of the year.

Amortisation, depreciation and impairment of fixed assets

(*amounts in Euro thousands*)	**31.12.2023**	**% of turnover**	**31.12.2022**	**% of turnover**	**Diff. %**
Amortisation, depreciation and impairment	2,115	1.2	2,349	2.0	-10

Net financial expenses

(amounts in Euro thousands)	31.12.2023	% of turnover	31.12.2022	% of turnover	Diff. %
Net financial expenses	-85	- 0.0	11	- 0.0	n.r.

Contribution to the net profit/(loss) of Carraro SpA

(amounts in Euro thousands)	31.12.2023	% of turnover	31.12.2022	% of turnover	Diff. %
Contribution to the net profit/(loss) of Carraro SpA	-1,413	-0.79%	-7,773	-6.59%	81.82

The 2023 financial year closed with a negative result of -1.413 million euros (-0.79% of turnover), an improvement, albeit still in negative territory, compared to the 2022 result of -7.773 million euros (-6.59% of turnover) for the reasons mentioned above.

Investments

(amounts in Euro thousands)	31.12.2023	31.12.2022
Investments	3,730	2,679

The increase in investments is due to the necessary adjustments to the increased focus on product quality.

HUMAN RESOURCES

Workforce trend

Figures as at 31.12.2023

	31.12.2023	31.12.2022
Executives	3	2
Clerical staff	115	113
Factory workers	205	199
Temporary workers	66	57
Total	**389**	**371**

The increase in personnel with respect to 31 December 2022 is mainly due to the regularisation of a number of employment contracts, due to production volumes.

KEY RISKS AND UNCERTAINTIES TO WHICH CARRARO SPA AND THE GROUP ARE EXPOSED

Carraro's risk management system, in line with the most common, consolidated practices in this area, adopts a five-category classification:

- ***Strategic risks:*** Relating to medium/long-term objectives and the influence of external economic factors that are hard to predict or only partially foreseeable or which cannot be influenced by the Group (for example the macroeconomic context, country risk, market or sector risk);
- ***Financial risks:*** Risks of a financial nature (for example credit risk, liquidity risk, exchange and interest rate volatility, commodities prices, availability of funds);
- ***Operational risks***: Linked to the efficiency and effectiveness of operating capacity, and connected to events that could adversely affect the creation of value (for example risks related to the supply chain, product development, industrialisation, human resources, information systems, health, safety and the environment, product quality);
- ***Legal and compliance risks:*** Related to the capacity to promptly comply with current laws and regulations, or associated to legal disputes and proceedings;
- ***Planning and reporting risks***: Linked to the reliability of financial and planning information.

The following are the main types of risk for the Carraro Group, those of greatest significance for the continuation of the year, appropriately updated to reflect the changed reference context due also to the continuation of the conflict in Ukraine, which has led to an increase in the factors of uncertainty connected with the geopolitical situation in Europe, with particular reference to the continuity of supplies and the prices of raw materials and energy resources.

Strategic risks

Risks associated with the general economic conditions

The Group's financial, capital and borrowing situation is influenced by various factors within the general macro-economic framework, such as changes to the gross national product, the state of the agricultural and construction industries, the cost of commodities and the level of business confidence in the various countries in which the Group operates.

Significant macro-economic events, such as the evolution of the geopolitical situation following the conflict in Ukraine, restrictions on commercial traffic in geographical areas crossed by important transport routes (Suez Canal, Red Sea), a generalised and significant increase in the prices of the main raw materials, a persistent uncertainty and volatility of the financial and capital markets, the presence of recurring inflationary phenomena, a negative trend in interest rates as well as unfavourable fluctuations in the exchange rates of the main currencies to which the Group is exposed, may negatively affect the Group's prospects and activities, its economic results and, lastly, its financial position.

Risks related to the trends on the markets/industrial customers

The market sectors in which the Group operates are influenced to varying degrees by boom and recession cycles, and the dynamics are gradually becoming less predictable. The ways in which our main customers absorb these fluctuations in demand and pass them on throughout the production chain significantly impact the production volumes that the Group is required to fulfil. This has an effect on the purchasing and stock management policies and by implication, on the working capital requirement and the capacity to adequately absorb fixed costs.

Country risk

The Carraro Group operates in different countries and its exposure to them has gradually increased over the years. These markets show cyclical conditions of economic and political instability. This has affected, and may continue to *negatively affect the Group's situation and results. A global presence is fundamental for the Group, encompassing a strategy serving customers and seizing opportunities on new markets for its product range.*

Risks associated with protectionist regulations in various countries in terms of customs and embargoes

The Group is exposed to the risk of protectionist policies in the countries where it operates, which take the form of customs duties. In other cases, the risk may arise from constraints or bans resulting from international agreements that restrict free trade conditions (e.g. embargoes).

To deal with all the risks mentioned above, the Group constantly monitors:

- *macroeconomic variables, with particular regard to the supply of commodities and final destination of products (agriculture, public works and construction);*
- *the direction of government decisions that could have effects in sales markets;*
- *the evolution of protectionist policies;*

through the collection of information and forecasts by its central and local sales and tax offices, in order to take any measures to mitigate potential negative effects.

Financial risks

Risks associated with funding requirements

The Group's liquidity risk is mainly linked to the activation and maintenance of sufficient funding to support industrial operations.

The raising of funds, consistent with the latest business plan, is intended to finance both working capital and investments in R&D and innovation, as well as investments in fixed assets necessary to ensure sufficient and technologically advanced production capacity. This requirement is directly proportional to the trend in customer orders and the resulting trend in the volume of business, and also to the Group's efforts in directing its research and innovation.

The cash flows normally expected in each financial year include, in addition to the dynamics of working capital from operations and investments, the effects of the maturity of current liabilities and the short-term portions of medium- and long-term loans, as well as the effects (assuming constant exchange rates with respect to the previous year) of the closure of derivative financial instruments on currencies in existence at the balance sheet date.

The Group expects to meet the needs arising from the above through cash flows from operations, available liquidity and the availability of new sources of financing.

Liquidity management, funding needs and cash flows are under the constant monitoring and management of the Group Treasury, which operates with the aim of making resources available in the most efficient manner.

Risks relating to fluctuating exchange and interest rates

The Group is exposed to exchange rate risks by virtue of the fact that a significant portion of sales and some of the purchases are made in currencies other than the Group's functional currency, with trade transactions carried out by companies in the euro area with counterparties that do not belong to the euro area and vice versa.

Another aspect of exchange rate risk is the fact that several Group companies present their financial statements in currencies other than the Group's functional currency.

Exposure to exchange-rate risk with reference to each entity is regularly monitored by the Group Treasury according to a strategy which focuses, in particular, on the balance between purchases and sales in foreign currency and activating, for the remaining non-balanced portion and according to the criteria set by the company policy in terms of the management of financial risks, appropriate initiatives to hedge or reduce the risks identified, using the instruments available on the market.

The Group is also exposed to interest rate risks in relation to financial liabilities assumed to fund either normal operations or, where applicable, the Group's expansion by acquisitions. Changes in interest rates may have positive or negative effects on both the financial outcome and on cash flows.

The interest-rate risk on the floating portion is then reduced if needed via specific hedging operations.

Credit risk

The Group includes among its customers leading international manufacturers of agricultural machinery, construction equipment vehicles and industrial. The risk concentration is associated with the size of these customers, which on a global context is on average high, yet balanced by the fact that credit exposure is distributed across a complex network of counterparties active in several geographic segments.

The management of credit is designed to prioritise the acquisition of customers of national and international standing for multi-annual supplies; on this basis consolidated historical relationships have been built up with the main customers. Generally speaking, these relationships are governed by ad-hoc supply contracts. Credit control requires periodic monitoring of the main financial and economic data (including the delivery schedules) relating to each customer.

Except in special circumstances to do with country or counterparty risk, guarantees are not normally obtained on credit.

In recent years, the effects of the pandemic developments and the Russian-Ukrainian conflict have not had any significant consequences on overall customer operations such as to jeopardise the continuity of inflows from the sale of the Group's products.

Receivables are recognised in the accounts net of any write-downs determined by assessing the counterparty's risk of insolvency based on the information available. See also the Notes on the application of IFRS 9.

Raw material, commodity and utility price risk

Given the type of materials mainly used in production, the Group is exposed to changes in the prices of main raw materials, commodities and utilities. Besides continual monitoring of prices and listings, also regarding forecasts, the Group arranges for sales contracts with customers to include, where necessary, a price adjustment mechanism related to the trend of raw materials, commodities and utility prices.

As far as utility prices are concerned, with particular reference to the recent trend in energy and gas prices, the Group has also taken appropriate actions in this field to mitigate the risks associated with these fluctuations, using the instruments available on the market in line with the criteria established by the corporate policy on financial risk management.

Operational risks

Supply chain risks

Achieving the objectives of its strategy require Carraro to operate within a supply chain in which its suppliers must meet the same standards of technological ability, quality, efficiency and ethics that the Group has set for itself. Accordingly, inadequate management of strategic suppliers in terms of quality controls, delivery times and required production flexibility carries a risk of potential operational inefficiencies and the inability to meet customer needs.

To deal with this risk, the Group subjects its suppliers - and in particular strategic suppliers – to initial and periodic assessments. The assessment measures their adequacy in terms of technological and production capacity, overall process and product quality, ISO quality certifications, corporate and financial situation, and compliance with Carraro's ethical principles.

The recent pandemic phenomenon led to some delays in the functioning of the supply chain of materials needed for production at the various production sites of the Company. Keeping this risk characteristic significant in the supply chain were subsequently the increased geopolitical instability due to the continuing conflict between Russia and Ukraine and restrictions on commercial traffic on particular routes (e.g. the Suez Canal or the Red Sea) with an impact on transport times and costs, induced the Company to review supply allocation strategies with the search, where possible, for alternative sources in order to contain these delays.

Risks associated with employee and trade-union relationships

The Group carries out industrial activities through complex production processes that make extensive use of skilled labour in the processing, assembly and handling phases. Relations with employees are mediated by trade unions, which are normally well organised and historically deep-rooted in the various countries. The status of these relationships determines the continuity of production and the ability to plan to meet delivery commitments with customers, with risks of delays or interruptions in activities caused by conflict over contract renewals or the downsizing and closure of production sites.

Risks related to product quality

The success of the products manufactured depends to a large extent on the ability to ensure quality standards appropriate to sales markets, taking into account:

- *for transmission systems (axles, transmissions, etc.), the levels of reliability required by the machines in which the Group's products are used as key components;*
- *for agricultural vehicles, the safety requirements for their use, according to the constraints dictated by applicable laws or legislation and industry standards for road safety, operating safety, occupational safety and environmental safety (noise and engine emissions).*

The risk of defects is therefore mitigated from the design phase, through procurement, production and testing, at all times in dialogue with customers to discuss the results achieved, and with suppliers to ensure required quality levels are met from the start of the industrial supply chain.

Risks regarding health and safety at work

The Group carries out industrial processes consisting to a large extent of machining, assembly of mechanical components. Risks related to health and safety in the workplace arising from work activities mainly comprise risks *typical of the metalwork industry, which involves mechanical processing with interactions between the operator and am automatic or semi-automatic machine, parts assembly, handling of loads, use of high temperature furnaces and other ancillary activities.*

Faced with these risks, the Group has established uniform criteria for the implementation of the EH&S (Environmental Health and Safety) Management Systems based on international best practices adopted across all the production sites.

Risks related to pandemic phenomena

Since the beginning of 2020, the national and international scenario has been characterised by the spread of the Covid-19 virus and the consequent restrictive measures for its containment put in place by the public authorities of the countries concerned.

As is well known, the restrictive measures had led to a slowdown and forced stoppage of production activities in various industrial sectors, including the one in which the Group operates, with some consequent business interruptions at its sites.

In dealing with this situation, the Group acted with a view to preserving the health of its employees in the workplace, providing continuity of operations as far as possible and mitigating the effects of possible discontinuities in the supply chain.

The subsequent evolution of events with the initial expansion of the pandemic, followed by its containment, also thanks to the actions implemented at both local and general level, has to date reduced the relative weight of related risks compared to the universe of Group risks.

Risks related to IT systems and cyber security

IT systems have a major supporting role in business processes; it therefore follows that effective monitoring of the risks related to IT security is a significant matter for the Group.
Statistics from the last few years show a growing number of cyber attacks on private companies and public entities, not only large in scale, with sophisticated techniques to penetrate company networks and which are more aggressive in causing harm to data and information archives.
The significance of these archives, and consequent harm that a breach or damage entails, is assessed based on their significance not only for operations (technical, design, management and reporting data), but also for activities which involve the storage of third-party personal data, i.e. information on external staff and other persons, which must be managed based on specific requirements of law (privacy regulations).
The seriousness of this threat is demonstrated by the fact that even the most well-equipped organisations in IT terms have been affected by the spread of this phenomenon.
Following the cyber attack in September 2020 by a specialised criminal organisation that caused the unavailability of some archives, the loss of data relating to some affiliates and the suspension of activities for a few days, the parent company Carraro SpA, with the support of some companies specialised in cyber security activities, prepared and implemented short and medium/long-term plans that envisage a series of actions and investments aimed at improving defence mechanisms and procedures and reducing the vulnerability of the corporate infrastructure.
The gradual implementation of these mitigation plans over the following years, which is still going on today with the implementation of new defence systems, the expansion of archival backup procedures, the establishment of preventive monitoring operational procedures, and the intensification of technical training, has made it possible to acquire a level of overall protection that is more in line with the evolution of cyber threats.

Environmental risks

The manufacturing processes carried out at the Group's industrial sites are essentially mechanical processing of iron and steel and assembly of purchased components.

These processes have accessory materials such as packaging, lubricants, paints and solvents. The objective of limiting the impact of emissions into the environment has seen a significant improvement from 2008 onwards through an important investment in moving from solvent-based coatings to water-based paints that reduce atmospheric emissions.

Under the EH&S Management System, Each site operates in compliance with local environmental regulations; as a result of relentless management engagement, most of the plants have acquired ISO 14001 Environmental Certification.

Particular attention has been paid to increasing the efficiency of processes in order to maximise energy savings.

Risks related to climate change

The pressure of conclusions reached in scientific circles has gradually led to climate change and its possible effects establishing itself as a topic of increasing importance for international bodies, national authorities, politicians and in public debate.

Faced with worrying signs, resulting in unpredictable climate changes whose root causes seem to have been identified (increased greenhouse gases, global warming), studies are ongoing into the possible consequences on the planet's equilibrium in terms of continuity of access to natural resources, the seasons, and the effect on agricultural, mining and more general productive activities.

The emerging picture of uncertainty leads to new hypothetical types of risks or, at least, risks of a different gradation to those currently identified, with a future direction that is still difficult to imagine and, moreover, quantify even roughly.

Given this situation, the Group has set out to collect and aggregate all the information that gradually becomes available, so as to conduct an analysis that will help to adapt the risk framework of its business segments to the new future of industrial activities in the agricultural and construction equipment sectors.

As already explained with regard to containment of environmental risks, the Group has long brought its standards of conduct up to an adequate level to obtain international certifications in this area.

In terms of production processes, the relentless work to improve energy efficiency is bringing benefits in terms of less energy used for the same output, with a consequent reduction in emissions.

In terms of end products, the impetus given by increasingly stringent vehicle pollution regulations and end customers' need to reduce consumption costs is leading manufacturers such as Carraro to adapt their strategies towards the development of innovative technical solutions in terms of the energy absorbed by vehicle transmission systems. This is a constraint but also an opportunity that the Group must seize by steering its research and development work in this direction – as it is already doing.

As indicated above, in view of the fact that assessing the impacts of climate change on company activities is highly complex and the methods and tools for effectively reporting these effects have not yet been unequivocally defined, the Group decided to adopt an approach when identifying the main risk conditions and opportunities deriving in the abstract from climate change based on strictly qualitative considerations.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties carried out during the period gave rise to relationships of a commercial, financial or advisory nature and were expedited at market terms, in the economic interest of the individual companies involved in the transactions.

No transactions were carried out that were atypical or unusual with compared to normal business operations and the interest rates and terms applied to and by the companies in their reciprocal financial relationships are in line with market terms.

For detailed information, as required by Article 2497-bis of the Civil Code, section 5, on transactions carried out with related parties, see the Explanatory Notes to the Individual Financial Statements.

STANDARDS USED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

These financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ('IASB') and endorsed by the European Union pursuant to Regulation No. 1606/2002, as well as to the measures issued in implementation of Article 9 of Legislative Decree No. 38/2005; Furthermore, these financial statements are based on the assumption that the company is a going concern.

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.

Consolidated non-financial statement

The Carraro Group's consolidated non-financial statements, starting with the statement of 31 December 2021 are prepared on a voluntary basis, pursuant to Legislative Decree 254/16.

The statements constitute a separate report ("Sustainability Report") from this directors' report on operations, as required by Art. 5, paragraph 3, letter b) of Legislative Decree 254/16 and are available on the website www.carraro.com.

STATEMENT OF RECONCILIATION OF CONSOLIDATED NET PROFIT/(LOSS) AND SHAREHOLDERS' EQUITY WITH THE NET PROFIT/(LOSS) AND SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

The following statement illustrates the reconciliation of the consolidated net income and shareholders' equity as disclosed in the Consolidated Financial Statements and the net income and shareholders' equity disclosed in the Financial Statements of Carraro S.p.A:

(amounts in Euro thousands)	Net profit/(loss) for the period	Shareholders' equity for the period	Net profit/(loss) for the previous year	Shareholders' equity for the previous year
Net profit/(loss) and shareholders' equity of Carraro S.p.A.	**8,170**	**75,328**	**1,534**	**77,194**
Net profit/(loss) and shareholders' equity of subsidiaries	41,919	181,694	23,824	162,443
Aggregate	***50,089***	***257,022***	***25,358***	***239,637***
Elimination of carrying amount of subsidiaries	4,932	-245,431	-	-247,234
Consolidation adjustments	-34,634	88,499	-19,676	91,887
Profit and shareholders' equity	**20,387**	**100,090**	**5,682**	**84,290**
Recognition of minority interests	-1,301	-16,372	-115	-4,850
Group share of net profit/(loss) andshareholders' equity	**19,086**	**83,718**	**5,567**	**79,440**

Date: 22 March 2024

The Chairman

Enrico Carraro

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Carraro S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Carraro S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Carraro S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance the Italian law governing financial statements and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of Carraro S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/2010

The Directors of Carraro S.p.A. are responsible for the preparation of the report on operations of Carraro Group as at December 31, 2023, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of Carraro Group as at December 31, 2023 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of Carraro Group as at December 31, 2023 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/2010, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padova, Italy
April 8, 2024

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.