Financial Report of Hitachi Rail STS
as at 31 March 2024

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Financial Report of Hitachi Rail STS
as at 31 March 2024

1 Corporate Bodies

BOARD OF DIRECTORS

(Appointed by the Shareholders' Meeting on 28 July 2021 for the 2021/2023 three-year period)

LUCA D'AQUILA
Managing Director and Legal Representative

MAURIZIO MANFELLOTTO
Chair and Legal Representative

ALBERTO DE BENEDICTIS
Vice Chair and Legal Representative

ANDREA PEPI
Director

ULDERIGO ZONA
Director

SERGIO PAOLINI
Secretary of the Board of Directors

BOARD OF STATUTORY AUDITORS

(Appointed by the Shareholders' Meeting of 17 July 2023 until approval of the financial statements as at 31 March 2026)

ALESSANDRA STABILINI
Chair

PAOLO NAGAR
Statutory Auditor

UMBERTO LA COMMARA
Statutory Auditor

ALTERNATE AUDITORS

MONICA VALENTINO

ROBERTO CACCIAGLIA

AUDIT FIRM

(for the period 2022/2024)

EY S.p.A.
(appointed by the Shareholders' Meeting of 18 July 2022)


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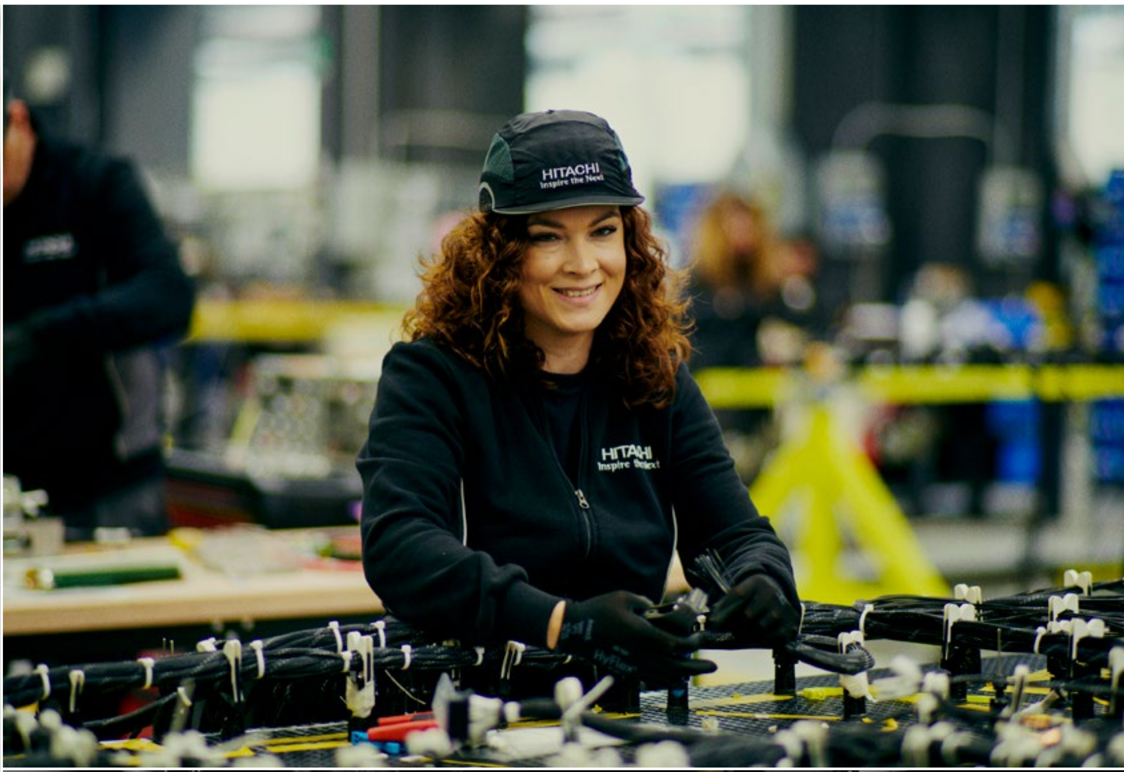
Directors' Report as at 31 March 2024



2. Financial position and results of operations of the group

The STS Group's results for the year are positive and complementary to the overall objectives of the business unit to which it belongs.
The outlook during the year remained uncertain due to geopolitical risks, price fluctuations and developments in the financial and currency markets; in such a general economic environment, the STS Group has been able to achieve consistent results by responding to market changes.

The Rail Business Unit, of which the Group is a part together with the UK parent company and the Japanese side, intends to become a leader in the mobility sector also through the acquisition of the signalling business (Ground Transportation Systems) from the Thales Group, as highlighted in previous reports; in particular, last October, the European Commission and the UK Competition and Market Authority (CMA) approved the acquisition of Thales GTS by Hitachi Rail, on condition that Hitachi Rail divested its mainline signalling activities in France, Germany and the UK. In January 2024, the Hitachi Rail and Mer Mec groups signed a put option agreement for the sale of the mainline signalling business in France and the signalling businesses in Germany and the UK. This agreement, designed to meet the requirements of European and UK regulators, is one of the pillars of the growth strategy and will guarantee a long-term future for the businesses concerned. In particular, for the STS group, it consists of the transfer of the German company to the French company, the spin-off from the French company of the CBTC business and the final sale to the buyer. The formalisation of these steps and their economic and financial impacts are anticipated to occur in the first part of the next financial year.
Further details will be provided in the course of this report.

2.1 Main performance indicators of the Hitachi Rail STS Group

Briefly:

(EUR/000)	**31.03.2024**	31.03.2023	**Changes**
New orders	**4,291,792**	**6,250,653**	(1,958,861)
Order backlog	**15,831,536**	**12,790,478**	3,041,058
Revenues from contracts with customers	**3,425,885**	**2,999,117**	426,768
Operating earnings (EBIT)	**205,126**	**164,072**	41,054
Net profit/loss	**128,115**	**107,543**	20,572
Net working capital	**(7,761)**	**46,751**	(54,513)
Net invested capital	**751,825**	**844,483**	(92,659)
Net Financial Position (credit)	**(396,083)**	**(270,350)**	(125,733)
R.O.S.	**6.0%**	**5.5%**	0.5%
R.O.E.	**11.3%**	**9.5%**	1.8%
Research and Development	**50,163**	**46,108**	4,055
Headcount (no.)	**8,485**	**8,047**	438

As at 31 March 2024, the Group posted a positive net result of EUR 128.1 million (EUR 107.5 million in the previous 12 months), turnover of EUR 3,425.9 million (EUR 2,999.1 million in 2023) and a positive net financial position of EUR -396.1 million (EUR -270.4 million as at 31 March 2023).
Orders taken during the year, which increased the order backlog (see note "Composition of non-GAAP alternative performance indicators and other indicators for a definition of "Order Backlog"") amounted to EUR 4,291.8 million (EUR 6,250.7 million in the 12 months of the previous period) and the value of the order backlog stood at EUR 15,831.5 million (EUR 12,790.5 million in the previous year).
The operating result (EBIT) amounted to EUR 205.1 million with a ROS of 6.0% (EUR 164.1 million with a ROS of 5.5% in the previous period).

Research and Development expenses allocated directly to the income statement net of contributions amounted to EUR 50.2 million (EUR 46.1 million in the previous period); it should be noted that assets of EUR 21.9 million (EUR 38.4 million in the previous 12 months restated) were capitalised during the year.
Group headcount at 31 March 2024 was 8,485, compared to 8,047 on 31 March 2023.

To provide further information on the Group's income statement, balance sheet and financial position, the reclassification schedules "Consolidated Income Statement", "Consolidated Statement of Financial Position", "Consolidated Net Financial Debt (cash)" and "Consolidated Cash Flow Statement" have been prepared below, highlighting the construction by the period of the data, following the classification adopted by the reference shareholder.

Consolidated income statement

(EUR/000)	**31.03.2024**	31.03.2023
Revenues from contracts with customers	**3,425,885**	**2,999,117**
Purchases and personnel expenses(*)	(3,132,097)	(2,767,948)
Amortisation, depreciation and write downs	(113,819)	(87,419)
Other operating income (expenses), net (**)	20,948	18,452
Change in work in progress, semi-finished products and finished goods	18,350	16,202
Net operating financial income (charges)	(14,142)	(14,333)
EBIT	**205,126**	**164,072**
Net financial income (charges)	(9,782)	(2,582)
Income tax	(67,229)	(53,946)
Profit/(loss) from non-current assets destined for sale		
Net Profit (Loss)	**128,115**	**107,543**
of which Group	128,093	107,544
of which pertaining to Minority interests	22	(1)

Linked entries between reclassified consolidated income statement and Consolidated Income Statement:

(*) Includes the items "Costs for purchases", "Costs for services", 'Personnel costs net of the item "Capitalised costs for internal production".

(**) Includes the net amount of "Other operating revenues" and "Other operating expenses" (net of accruals to (use of) the provisions for completion of loss-making contracts).

In summary, the operating result and consequently the net result increased compared to the previous period, mainly due to the increase in volumes and the effect of a different mix of job orders processed in the two periods under comparison, partly offset by higher operating costs.

Consolidated statement of assets and financial position

(EUR/000)	**31.03.2024**	31.03.2023
Non-current assets	772,761	870,532
Non-current liabilities	(62,582)	(72,800)
	710,179	**797,732**
Inventories	620,728	514,038
Contract assets	1,231,106	1,280,944
Trade receivables	1,223,185	1,062,758
Trade payables	(1,441,595)	(1,439,179)
Contract liabilities	(1,531,611)	(1,253,426)
Working capital	**101,812**	**165,135**
Provisions for risks and charges	(95,997)	(113,009)
Other net assets (liabilities) (*)	(13,576)	(5,375)
Net working capital	**(7,761)**	**46,751**
Assets held for sale	170,214	-
Liabilities held for sale	(120,808)	-
Net assets held for sale	49,406	-
Net invested capital	**751,825**	**844,483**
Equity attributable to the owners of the parent	1,147,907	1,114,832
Equity of Third Parties	-	2
Equity	**1,147,907**	**1,114,833**
Total net financial debt (cash)	**(396,083)**	**(270,350)**

* Includes “Tax assets” and “Other current assets”, net of “Tax liabilities” and “Other current liabilities”.

The balance sheet includes the effects of the transaction (put option) mentioned in the introduction, valued under assets and liabilities held for sale for a net EUR 49.4 million.
Total consolidated non-current assets and liabilities amounted to EUR 710.2 million, down from the value recorded at the end of the previous period of EUR 797.7 million, mainly due to the sale of equity investments in consortia.
Net Working Capital was EUR -7.8 million compared to EUR 46.8 million in the previous year.
The change is essentially due to both the reclassification mentioned above and the value of advances from customers recorded during the year, partly offset by the increase in trade receivables.

2.2 Consolidated financial situation

(EUR/000)	**31.03.2024**	31.03.2023
Short-term financial liabilities	4,148	74,480
Medium/long-term loans and borrowings		
Cash and cash equivalents	(409,050)	(354,655)
BANK LOANS AND BORROWINGS	**(404,902)**	**(280,175)**
Related party loan assets		
Other financial receivables	(26,514)	(24,986)
FINANCIAL RECEIVABLES	**(26,514)**	**(24,986)**
Related party loans and borrowings	-	1,752
Other short-term financial debt	2,224	84
Other medium-/long-term loans and borrowings	425	425
Short-term debts for leasing	11,473	11,506
Medium-/long-term loans and borrowings for leasing	21,210	21,043
Related party loans and borrowings for leasing		
OTHER DEBTS	**35,332**	**34,810**
NET FINANCIAL DEBT (CASH)	**(396,083)**	**(270,350)**
Net financial position assets held for sale	(18,853)	-
TOTAL FINANCIAL DEBT (CASH)	**(414,935)**	**(270,350)**

The Group's net creditor financial position was positive, i.e. financial receivables and cash and cash equivalents prevailed over financial payables, at 31 March 2024 amounting to EUR -396.1 million, compared to EUR -270.4 million at 31 March 2023; in particular, dividends of EUR 85.0 million were distributed during the year (EUR 165.0 million in the previous year). The effects of the put option transaction mentioned in the introduction amount to EUR -18.9 million. It should be noted, in accordance with IAS 7, that cash and cash equivalents include the value of the correspondence account with Hitachi International Holland B.V. for EUR 102.6 million, while financial receivables include the countervalue of Libyan dinars received as an advance in Libya and deposited with a local bank pending the resumption of operations for EUR 9.5 million, and in financial payables, the values relating to leasing contracts are EUR 21.2 million for the non-current portion and EUR 11.5 million for the current portion.

The financial information prepared according to the "Statement of Liability" format required by CONSOB communication no. DEM/6064293 of 28 July 2006, updated with the provisions of ESMA guideline 32-382-1138 of 4 March 2021 as implemented by CONSOB warning notice no. 5/21 of 29 April 2021:

		31.03.2024	31.03.2023
A	Cash and cash equivalents	85	98
B	Cash equivalents	408,965	354,558
C	Other financial assets	26,514	24,986
D	**Liquidity (A+B+C)**	**435,564**	**379,641**
E	Current financial debt	6,373	76,317
F	Current portion of non-current financial debt	11,473	11,506
G	**Current financial debt (E+F)**	**17,864**	**87,823**
H	**Net current financial debt (G-D)**	**(417,719)**	**(291,818)**
I	Non-current financial debt	21,635	21,468
J	Debt instruments	-	-
K	Non-current trade payables and other non-current payables	-	-
L	**Non-current financial debt (I+J+K)**	**21,635**	**21,468**
M	**Total financial debt (H+L)**	**(396,083)**	**(270,350)**
N	Net financial position assets held for sale	(18,853)	-
O	**Total net financial debt (M + N)**	**(414,935)**	**(270,350)**

The impact on the net financial position of the put option transaction mentioned in the introduction is highlighted.

The consolidated cash flow statement at 31 March 2024 is as follows:

Consolidated cash flow statement

(EUR/000)	**31.03.2024**		31.03.2023	
Starting cash and cash equivalents	**354,655**		**509,203**	
Opening cash and cash equivalents from the merger				
Total initial cash and cash equivalents	**354,655**		**509,203**	
Profit	128,115		107,543	
Share of profits (losses) of equity-accounted investees	(18,832)		(18,816)	
Income tax	67,229		53,946	
Italian post-employment and other employee benefits	3,668		3,394	
Gains (losses) on the sale of assets	(1,083)		52	
Net financial income/charges	(13,368)		25,629	
Amortisation, depreciation and write downs	103,873		83,908	
Changes in provisions for risks and charges	80		(982)	
Other operating income/charges	39,031		33,149	
Write-downs/write-ups of inventories and work in progress	(22,544)		22,559	
Gross cash flows from operating activities	**286,168**		**310,383**	
Changes in other operating assets and liabilities	(8,803)		(93,324)	
Funds From Operations		***277,366***		***217,059***
Changes in working capital	51,025		23,606	
Cash flows from (used in) operating activities	**328,391**		**240,665**	
Cash flow from regular investing activities	(120,081)		(127,798)	
Free Operating Cash Flow		***208,310***		***112,866***
Strategic investments				
Other changes investing activities	65,496		18,128	
Cash flows from (used in) investment activities	**(54,585)**		**(109,670)**	
Dividends paid	(85,000)		(165,000)	
Cash flow from financing activities	(132,861)		(114,960)	
Cash flows generated (used) in financing activities	**(217,861)**		**(279,960)**	
Translation difference	**(1,551)**		**(5,582)**	
Closing cash and cash equivalents	**409,050**		**354,655**	
HFS cash and cash equivalents	28,045		-	
Total cash and cash equivalents	**437,095**		**354,655**	

Closing cash and cash equivalents as at 31 March 2024 amounted to EUR 409.1 million, up year-on-year by EUR (354.7) million. The put option effect amounted to EUR 28.0 million.

2.3 “Non-GAAP” alternative performance indicators and other indicators

The management of STS assesses the economic and financial performance of the Group also based on certain indicators not envisaged by IFRS - EU.
As required by CESR Communication CESR/05 - 178 b, and taking into account the guidelines contained in the ESMA Communication of 30 June 2015 Guidelines on Alternative Performance Measures, the components of each of these indicators are described below:

- **EBIT**: represents an indicator for measuring operating performance and is equal to earnings before tax and before financial income and charges, without any adjustments. The EBIT does not include income and charges on non-consolidated shareholders’ equity investments and securities or the gains (losses) on any disposals shareholders’ of consolidated equity investments, classified under “financial income and charges” on the financial statements or, for shareholders’ equity investments recorded using the shareholders’ equity method, in the item “effect of measuring shareholders’ equity investments using the shareholders’ equity method”.
- ***Free Operating Cash Flow (FOCF):*** is obtained as the sum of the cash flow generated by (used in) operating activities and the cash flow generated by (used in) investing and disinvesting in property, plant and equipment and intangible assets and equity investments, net of cash flows attributable to the purchase or sale of equity investments that, due to their nature or significance, qualify as «strategic investments». The method of construction of the FOCF for the financial years presented for comparison is presented in the reclassified consolidated cash flow statement in the section on the consolidated financial position.
- ***Funds From Operations (FFO)***: is the cash flow generated (used) by operations, net of the component represented by changes in Working Capital. The method of construction of the FFO for the periods presented for comparison is presented in the reclassified consolidated cash flow statement in the section on the consolidated financial position.
- ***Net Working Capital***: includes trade receivables and payables, inventories, assets and liabilities from contracts, provisions for risks and charges, net of other current assets and liabilities.
- ***Net Invested Capital***: is the algebraic sum of non-current assets, non-current liabilities and net working capital.
- ***Net Debt (Net) or Net Financial Position***: the scheme for calculation complies with that provided for in paragraph 127 of the CESR/05-054b recommendations implementing Regulation EC 809/2004.
- ***Return on Sales (ROS)***: is calculated as the ratio of EBIT to revenues from contracts with customers.
- ***Return on Equity (ROE):*** is calculated as the ratio between the twelve-month net result and the average equity value in the two compared periods.
- ***R&D costs:*** are the sum of costs incurred for research and development, expensed and sold. Normally, research costs means costs referring to the so-called “basic technology”, i.e., aimed at achieving new scientific and/or technical knowledge applicable to different new products and/or services. The research costs sold are those commissioned by the customer in respect of which there is a specific sales order and which are treated from an accounting and management perspective identical to an ordinary supply (sales order, profitability, billing, advances, etc.).
- ***Orders Acquired***: is the sum of the contracts signed with the client in the period under consideration that generate rights and obligations to be entered in the order book.
- ***The Order Backlog shows revenues not yet recognised for orders received.*** The Order Backlog at the end of the accounting period is calculated as follows:
  - order backlog at the start of the accounting period;
  - plus new orders during the period;
  - less revenues in the period;
  - less any changes to the initial order backlog following variations in the scope, change in exchange rates and any order changes.
- ***Headcount***: is given by the number of employees on the register on the last day of the period considered.

2.4 Transactions with related parties

Transactions with related parties relate to ordinary activities and take place at arm's length conditions (unless governed by specific contractual terms), as does the settlement of interest-bearing receivables and payables.
They mainly concern the exchange of goods, the provision of services and the provision and use of financial resources to and from the parent company, affiliated companies, and joint ventures (joint ventures), consortia, as well as unconsolidated subsidiaries.
No atypical and/or unusual transactions took place during the year.

The following table summarises the values of transactions with related parties (details are provided in the Notes to Financial Statements 16 and 17) as at 31 March 2024 and 31 March 2023.

31.03.2024 (EUR/000)	**Ultimate parent**	**Unconsolidated subsidiaries**	**Associated companies**	**Joint ventures**	**Consortia (*)**	**Other group companies**	**Total**
Non-current receivables							
-financial	-	-	3,217	-	-	-	**3,217**
- other	-	-	-	-	-	-	**-**
Current receivables							
-financial	-	-	-	-	-	-	**-**
- trade	43,348	1,073	38,630	-	69,344	31,651	**184,046**
- other	-	-	-	-		-	**-**
Intercompany Deposit							
- other	-	-	-	-	-	102,631	**102,631**
Non-current payables							
-financial	-	-	-	-	-	-	**-**
- other	-	-	-	-	-	3,749	**3,749**
Current payables							
-financial	-	-	-	-	-	-	**-**
- trade	46,374	850	10,077	-	15,899	6,359	**79,558**
- other	-	-	-	-	8	334	**342**

31.03.2024 (EUR/000)	**Ultimate parent**	**Unconsolidated subsidiaries**	**Associated companies**	**Joint ventures**	**Consortia (*)**	**Other group companies**	**Total**
Revenues	67,096	2,993	156,056	-	92,729	699	**319,573**
Other operating revenues	8,425	30	845	-	-	950	**10,251**
Costs	78,758	7,187	76,605		51,067	23,025	**236,641**
Financial income	-	-	2,208	-	-	7,227	**9,435**
Financial charges	-	-	-	-	-	13,006	**13,006**
Other operating expenses	-	-	-	-	-	-	**-**

31.03.2023 (EUR/000)	Ultimate parent	Unconsolidated subsidiaries	Associated companies	Joint ventures	Consortia (*)	Other group companies	Total
Non-current receivables							
-financial	-	-	-	-	-	-	**-**
- other	-	-	60,340	-	-	-	**60,340**
Current receivables							
-financial	-	-	-	-	-	-	**-**
- trade	22,298	1,553	26,238	-	49,503	13,725	**113,316**
- other	-	-	-	-		-	**-**
Intercompany Deposit							
- other	-	-	-	-	-	168,250	**168,250**
Non-current payables							
-financial	-	-	-	-	-	-	**-**
- other	-	-	-	-	-	459	**459**
Current payables							
-financial	-	-	-	-	59	1,693	**1,752**
- trade	42,475	2,286	26,615	-	17,764	10,354	**99,493**
- other	-	-	-	-	8	355	**363**

31.03.2023 (EUR/000)	Ultimate parent	Unconsolidated subsidiaries	Associated companies	Joint ventures	Consortia (*)	Other group companies	Total
Revenues	96,703	1,429	5,092	-	115,463	3,809	**222,496**
Other operating revenues	7,612	30	3,006	-	-	900	**11,548**
Costs	78,503	5,099	76,923		62,068	18,273	**240,866**
Financial income	-	-	-	-	-	312	**312**
Financial charges	28	-	-	-	-	3,312	**3,340**
Other operating expenses	-	-	-	-	-	-	**-**

(*) Consortia over which significant influence is exercised or subject to joint control. A description of accounting and measurement of consortia on the consolidated financial statements is provided in note 14.2.1.

It should be noted that, as part of the rules of Corporate Governance with which the Group is endowed, specific principles of conduct have been envisaged to ensure that any transactions between related parties are carried out in compliance with criteria of procedural and substantive fairness.
All related party transactions between the Parent and related parties take place at arm's length conditions. The transactions mainly refer to the delivery of projects to end customers
It should be noted that the Group companies signed a contract with the parent company Hitachi Ltd. for the use of the Hitachi brand reimbursed with the payment of a fee equal to 1% of third-party revenues.
Payables and costs to the parent company mainly relate to this.

2.5 Performance

2.5.1 The market and commercial situation

Amidst global uncertainty fuelled by inflation, escalating interest rates, ongoing Russian-Ukrainian conflict, and recent Israeli-Palestinian tensions, the railway sector is undergoing transformation. This includes advancements in infrastructure, signalling and control systems, as well as the adoption of new services and digital solutions aimed at reducing CO_2 emissions. Initiatives like the European Green Deal, which aims for climate neutrality by 2050, are expected to positively influence the demand for railway solutions.

Existing technologies such as ERTMS (European Rail Traffic Management System), CBTC (Communications-Based Train Control), DAC (Digital Automatic Coupling), 5G applications, as well as cybersecurity, guarantee the sector attractiveness, making public transport more appealing, safe and convenient.

In Hitachi Rail's product and technology development context, Digital Asset Management plays a crucial strategic role. By collecting and analysing data (analytics), and employing artificial intelligence (AI), it enhances asset management to optimise operational efficiency and cut costs. Generative artificial intelligence opens up new horizons in the field of engineering and development of railway products, both for mechanics and for hardware and software. Hitachi is dedicated to researching and integrating cutting-edge technologies like Industry 4.0 (Smart Factory) to elevate the performance of its production facilities in Italy and globally, aiming to establish them as leaders in the digital factory landscape.

Investment programmes supported by governments, such as the NRRP (National Recovery and Resilience Plan) within the European Union or the IIJA (Infrastructure Investment and Jobs Act) in the United States, aim to support, among others, modernisation projects in the railway sector.

Concerning product policies, the growing commitment to sustainability goals at a global level (European Union and United Nations) is reflected in a growing demand for platforms with a reduced environmental impact. Consequently, research activity is oriented towards rail transport solutions with a strong focus on recyclability and renewability, the replacement of thermal traction with hybrid solutions (to ensure an environmentally sustainable transport service on non-electrified lines) and the development of vehicles with alternative traction (battery and hydrogen) such as the innovative BLUES tri-hybrid trains.

The volume of orders acquired in fiscal year 2023 amounted to EUR 4,292 million, compared to EUR 6,251 million in the previous year (characterised by the Jumbo Project in Canada); in particular, the Vehicles Line of Business (LoB) accounted for orders of EUR 2,430 million (EUR 2,276 million in fiscal year 2022) and Rail Control LoB for EUR 1,862 million (EUR 3,975 million in fiscal year 2022).
The main information by Line of Business and geographical area is given below.

VEHICLES

ITALY

<u>HIGH SPEED Platform</u>
In November 2023, the Italian company signed a framework agreement with Trenitalia S.p.A. (FS Italiane Group) for 40 new *ETR 1000* trains (30 + option for a further 10), signing the first application contract worth EUR 861 million for the supply of the first 30 trains, to be built exclusively by Hitachi Rail STS S.p.A. Since 2010, 64 *ETR 1000s* have been ordered by Trenitalia S.p.A.; with the additional 30, the total rises to 94 trains, confirming the company's leadership position in the Italian high-speed rail sector.

The company also acquired a further EUR 70 million variant in December 2023 for the technological upgrade of 9 *ETR 1000* trains to enable them to run on the corridor between Italy, Austria and Germany. In addition, with reference to the Full Service contract, a variant for the decoration of the *ETR 1000* fleet was also contracted in May 2023 for approximately EUR 40 million.

With regard to the contract for the supply of *ETR 1000 'Spain'* trains (signed in August 2020), in December 2023 the customer Trenitalia S.p.A. contracted a further three eight-car trains worth EUR 63 million.

With reference to the full service contract for 16 *ETR 700* trains, in December 2023, the customer Trenitalia S.p.A. exercised the option to extend the duration of the contract for a further 5 years, for a value of EUR 87 million. A contract was also signed for logistical support for the *ETR 500* trains for approximately EUR 30 million.

REGIONAL Platform

With reference to the Framework Agreement for the supply of *Caravaggio* high-capacity double-decker trains for the customer Ferrovie Nord S.p.A. (signed in 2018), Hitachi Rail STS S.p.A. was awarded the sixth application contract worth EUR 158 million for the supply of 18 new trains, in July 2023, for the Lombardy region, of which 10 are five-carriage and 8 are four-carriage. The total number of trains acquired amounts to 118 compared to the 120 in the Framework Agreement.

With reference to the Framework Agreement for the supply of *Caravaggio 'Rock'* high-capacity double-decker trains (signed in 2016), Trenitalia S.p.A. awarded Hitachi Rail new application contracts for the supply of a further 31 trains:
- 12 trains in the five-car configuration for transport services in the regions of Campania and Piedmont for EUR 112 million;
- 19 trains in the six-car configuration for transport services in the regions of Lazio, Tuscany and Veneto for EUR 226 million.

The total number of contracted trains amounts to 288 units from the start of the supply (90 6-car trains, 173 5-car trains, 25 4-car trains) compared to the 300 envisaged by the Framework Agreement.
It should also be noted that for the *Caravaggio 'Rock'* fleet, the following agreements were signed with the customer Trenitalia S.p.A:
- a new integrated logistics support contract worth EUR 98 million.
- a new contract for the implementation of *ERTMS BL3*, for on-board signalling in the fleet, for a total of EUR 44 million.

MASS TRANSIT Platform

With reference to the *Metro* segment, a contract was signed in March 2024 with the City of Naples for the supply of 22 vehicles (fourth-generation Metro Genoa type), divided into two lots of 6 + 16 vehicles, for a value of EUR 131 million.
With reference to the *Tram* segment:
- in December, the contract execution report was signed as a matter of urgency for line 3.2.1 (Piazza Libertà - Bagno a Ripoli section) involving the Concessionaire Tram di Firenze S.p.A. (with Hitachi Rail STS S.p.A. holding a 10.2% stake), the Municipality of Florence, and RTI Costruttori (a consortium comprising CMB as the agent, and Alstom Ferroviaria S.p.A., Hitachi Rail STS S.p.A., Com.Net, and MerMec STE as the principals) for the executive design and construction of the line. Specifically, Hitachi Rail STS S.p.A. is in charge of the supply of 16 trams in the five-car configuration worth EUR 57 million;
- in January, a contract was signed between RTI (composed of CMB, Alstom Ferroviaria S.p.A., Hitachi Rail STS S.p.A. and Com.Net) and the Municipality of Florence, for the supply of 8 trams in the five-car configuration intended for the transport service for line 4.2 (Le Piagge - Campi Bisenzio section) of the Florence tramway, for a value of EUR 28 million, with an option for the supply of a further 8 trams intended for line 4.1.

In both cases the trams are bidirectional, with passenger door configuration on both sides.

ASIA PACIFIC

In June 2023, a new *Taiwan High Speed* contract was signed with the customer *Taiwan High Speed Rail Corporation*. The project involves the supply of 12 new trains for high-speed lines. Hitachi Rail STS S.p.A. will take care of the EUR 53 million *On Shore Portion*, the purpose of which is mainly project and customer management in Taiwan, while the engineering and production part is being handled by Hitachi Ltd. in Japan.

AMERICAS

In September 2023, a variant for the *WMATA 8000 series project was signed* with the customer Washington Transit Authority for an additional USD 42 million. This is a major project for the supply of 64 *new Heavy Rail Transi*t vehicles (in four-car configuration for a total of 256 units), plus this additional variant for some changes in train design (see section on business development for further details).

RAIL CONTROL

ITALY

As part of the *IRICAV 2* consortium, the client RFI awarded the contract for the construction of the first functional lot (Verona - Vicenza junction) of the new HC/HS *(High Capacity/High Speed) Verona-Padua* railway line in 2020. In September 2023, the consortium was entrusted with the construction of the second functional lot (Vicenza crossing), which, together with subsequent variants during the year, increase the total value of the contract by EUR 389 million.

With regard to the *Framework Agreement (AQ2) ERTMS Lot 1 Centre North* for the design and implementation of the new *ACCM/ERTMS* Level 2 system, Hitachi Rail was awarded a further 29 Application Contracts (CAP/CAE) with a total value of approximately EUR 126 million in 2023.

With regard to the *Framework Agreement (AQ1) ERTMS Sicily/Roccasecca/FCU* in 2023, Hitachi Rail was awarded a further 5 Application Contracts (CAP/CAE) with a total value of approximately EUR 16 million.

With regard to the *Naples-Bari High-Speed* project (for the Maddaloni Cervara section), the acquisition of a variant for the supply of the new ACCM2 worth EUR 35 million is reported.

With regard to the Metro and Tram segments, it should be noted that the following were signed:

- the variant to the *Naples Metro Line 6* project worth EUR 39 million (in March 2024), related to the supply of new on-board systems for the 22 new vehicles;
- the variant for the *Milan Metro Line 4* project worth EUR 18 million (in March 2024);
- the new contract for the supply of signalling equipment for lines 2 and 3 of the *Florence tramway* worth EUR 13 million (in January 2024).

REST OF EUROPE

FRANCE

Hitachi signed a further variant with customer SNCF on the *Bi-Standard* signalling project worth EUR 24 million.

SPAIN

Concerning the provision of maintenance services on the *Madrid – Lerida* high-speed line, a contract extension was signed until September 2027 for a value of EUR 48 million

NORTH AFRICA AND MIDDLE EAST

For the *Etihad Stage 2* project, a project variant was signed in September to upgrade to conventional-speed passenger service for approximately EUR 85 million.
In March 2024, with regard to the contract for the *operation and maintenance of Lines 3, 4, 5 and 6, for which Hitachi is leader of the Flow Consortium with Alstom Transport SA and Ferrovie dello Stato Italiane S.p.A., a variant was signed for approximately EUR 96 million concerning the extension of the mobilisation phase.*

AMERICAS

In May, a variant was signed for the *Bay Area Rapid Transit District (BART)* project for a total of approximately USD 21 million, and in March, a variant was contracted for the *Los Angeles LA 650 upgrade* project for USD 29 million.
Hitachi Rail STS S.p.A. also acquired a new contract for the maintenance of the *Metro Lima Line 2* project worth EUR 67 million.

ASIA PACIFIC

In connection with the *ETCS L2 contract in Brisbane*, Hitachi Rail STS acquired variants totalling EUR 160 million, including the extension of the existing project to the new *TOC 3&4 (Target Outturn Cost) phases within the ETCS Alliance*. As part of the *Rio Tinto Programme* framework agreement, variants worth EUR 76 million were signed in 2023. Hitachi Rail STS won a new contract in Australia's *Queensland Train Manufacturing Programme (QTMP)* for customer Hyunday Rotem for the supply of 65 on-board equipment worth EUR 47 million.

2.5.2 Business performance

Production volume in fiscal year 2023 amounted to EUR 3,426 million (+14.2% compared to the previous year's figure of EUR 2,999 million); the *Vehicles* portion amounted to EUR 1,579 million (+9.7% compared to EUR 1,439 million in fiscal year 2022), while the *Rail Control* portion amounted to EUR 1,847 million (+18.4% compared to EUR 1,560 million in fiscal year 2022).

VEHICLES

ITALY

HIGH SPEED Platform

ETR 1000 Italia Trains [14+30 8-car trains]
With reference to the contract stipulated with Trenitalia S.p.A. in 2019 for the supply of an additional 14 ETR 1000 trains and their *Full Service*, the first 8 trains (TSI 2008 configuration lot) have been in passenger service for over two years. The remaining 6 trains (lot in TSI 2019 configuration) will be delivered in the new *'full Hitachi'* configuration, following the transfer of the intellectual property rights and business activities of the V300 Zefiro platform. *Design reviews* of the main systems are being finalised, while the authorisation for entry into service (type AISM) is expected by 2025.
With reference to the contract signed with Trenitalia S.p.A. in November 2023, for the supply of a further 30 trains, in the new *'full Hitachi'* configuration, these will be manufactured in the Italian plants in Naples and Pistoia. The plan is for the first deliveries to start in spring 2026, at a rate of 8-10 vehicles per year.

ETR 1000 France trains [5 + 4 eight-car trains]
With regard to the amending act of 2017 by which Trenitalia S.p.A. exercised the option for the configuration change and homologation of 5 *ETR 1000s* of the basic fleet for commercial operation between Milan and Paris, the trains are currently available for commercial service.
With the amendment act of October 2021, Trenitalia S.p.A. exercised the option to modify a further 3 trains of the *ETR 1000* Italia base fleet and to obtain the authorisation for multiple composition. This amending act was followed by the order for the modification of an additional train, the ninth, which is expected to be delivered in October 2024. The multiple composition authorisation tests have been completed and the preparation of the technical dossier for the request for authorisation to the European agency (ERA) is underway.

ETR 1000 Fleet Maintenance Full-Service Contract [50 + 14 eight-car trains]
Full Service activities on the fleet of 57 trains currently in operation, which includes Level I and Level II preventive maintenance activities together with corrective maintenance activities, continue to be carried out regularly maintaining a good level of fleet availability. Decorative and extra-warranty work is also carried out together with filming and repainting activities.

The following should also be noted:
- *ETR 700 Fleet Maintenance Full Service Contract* for which Level I and II preventive maintenance activities continue. Improvements in reliability brought about by the implementation of multiple enhancements and retrofits and the effectiveness of maintenance activities have increased the availability of the *ETR 700* Freccia Rossa.
- *ETR 500 Fleet Maintenance Service Contract,* for which the implementation of the new CO_2 air conditioning system in the driver's cabs continues.

REGIONAL Platform

Caravaggio Trenitalia (Rock) 288 double-decker trains (EMU) [train unit-cars 180-5 + 25-4 + 83-6]

The application contracts signed during the year increased the contracted fleet by 31 units.
A total of 186 trains were delivered and put into service, of which 33 during the year.

Caravaggio Ferrovienord 118 double-decker trains (EMU) [train units-carriages 48-4 + 70-5].

The application contracts signed during the year increased the contracted fleet by 18 units. A total of 78 trains were delivered and put into service, of which 24 were delivered during the year and all related to the fourth application contract.

Masaccio Trenitalia (Blues) 96 single-deck trains (HMU) [train units-carriages 27-3 + 69-4]

The passenger service of the *Blues* trains, delivery of which started in 2022, continues. The company affirms its commitment to timely deliveries, although there were delays in certain shipments, ensuring a consistent flow of trains reaching customers. Throughout the period, a total of 51 trains were delivered and put into operation, including eight within the year

Full-Service Contract for Masaccio - HMU trains

The 15-years *Full-Service* maintenance contract concerns a fleet of 96 trains located in 8 regions (Sicily, Sardinia, Calabria, Lazio, Puglia, Valle D'Aosta, Friuli-Venezia Giulia and Tuscany). The service started in December 2022 and is currently active in the regions of Sicily, Sardinia, Lazio, Calabria, Friuli-Venezia Giulia, Tuscany and Apulia.

MASS TRANSIT Platform

Milan Metro L1-L2 “Leonardo” [30+15+15+12 6-car trains]

The contractual obligations for a further 30 vehicles were completed in December 2023 (for a total of 60 vehicles). Guarantee activities (*Full Service* maintenance) of the remaining 12 trains of the fleet are also being carried out, and a defined guarantee phase-out with ATM S.p.A. is scheduled for December 2025.

Milan Metro L1-L3 [21 + 25 6-car trains]

The contract covers the design, production, commissioning and five-year warranty of 46 trains, of which 21 for Line 1 (first application contract signed in September 2022) and 25 for Line 3 (second application contract signed in November 2022). Design and production activities are proceeding with the aim of shipping the first vehicle for Line 1 in October 2024, followed by commissioning in April 2025.

Milan Metro Line 4 [47 4-car trains]

14 vehicles are in commercial service, with good performance in terms of availability and reliability. A further 33 vehicles, which are at the Milan site, are ready for the activation of the entire Linate - San Cristoforo line planned for September 2024.

Genoa Metro [14 4-car trains + Hardware]

Testing activities for the project are nearing completion. The first train is scheduled to be shipped to Genoa by mid-May 2024, and the second train by June 2024. Qualification and approval tests in Genoa are scheduled for completion by December 2024.

Turin tram [30 + 40 5-car trains]

The current contract for the supply of the 70 trams, for the customer Gruppo Torinese Trasporti S.p.A., consists of the first application contract for the supply of 30 vehicles (signed in May 2020) and the second application contract for the supply of 40 vehicles (signed in October 2022). In 2023, a further 20 trams were delivered for a total of 26 vehicles delivered under the first application contract, of which 7 are currently in commercial service.

Rome Metro [14 6-car trains]

In December 2022, the Framework Agreement was entered into with Roma Capitale for the supply of up to 30 HRV *(Heavy Rail Vehicle)* 6-car trains for the Rome Metro Lines A and B, which was followed by the first application contract for the supply of 14 trains for an amount of EUR 111 million, signed in February 2023. In March 2024, the necessary documentation was submitted to initiate the process for obtaining the Technical Clearance from the Ministry of Transport, and production also began with the initial stages of constructing the car bodies. The first train is expected to be shipped by December 2024.

REST OF EUROPE

GREAT BRITAIN

Abellio East Midlands Trains [Development of AT300 SXR platform + Supply of bogies and structural subgroups for 33 5-car trains]

The activities relating to detailed engineering are being completed; the first train has started the validation tests and the results from the field are being managed and implemented. Production continues at the Naples plant of bogies (184 bogies produced out of a planned total of 330) and of the structural subgroups (approximately 88% have been produced) for the 33 5-car trains, to be set up at the Newton Aycliffe plant.

West Coast Partnership [Supply of bogies for 13 5-car trains + 10 7-car trains + Construction of 42 car bodies]

The production of bogies continues at the Naples plant (238 bogies produced out of a planned total of 270). During the year, contracts were signed for the construction of 42 painted cars for six 7-car trains. Currently, work is underway at the Pistoia plant for the construction of the steel structural units that will be subsequently sent to Newton Aycliffe where the vehicles will be fitted out. During the year, 30 painted car bodies were built.

SPAIN

ETR 1000 Spain Trains [20+3 8-car trains]

By the end of the previous fiscal year 2022, 15 trains had been delivered to the customer of which 14 were in passenger service on the Madrid-Barcelona and Madrid-Valencia routes with an availability level in line with contractual requirements. In August 2023, the supply of the 20 trains envisaged by the contract was completed. The delivery of the 3 additional trains, which are the subject of the option exercised by Trenitalia S.p.A., is scheduled for 2026.

Full-Service Contract Fleet Maintenance ETR 1000 Spain

The commercial operation of the *ETR 1000* Spain fleet and the related *Full Service* contract started in November 2022; to date, the measured mileage and availability for the fleet in commercial operation is in line with contractual requirements.

GREECE

Thessaloniki Metro [18 + 15 4-car trains]

All 18 trains in the base fleet completed the dynamic vehicle tests on the line. A new schedule for the opening of passenger services at the end of 2024 has been defined in agreement with the customer. Vehicle integration activities at system level are currently underway. The additional 15 trains, ordered for the extension of the line, are in production at the Pistoia site.

AMERICAS

Washington Metro [64 4-car trains]

In September 2023, a modification to the train design was approved, now incorporating the *'Open Gangway'* feature, allowing passenger passage between carriages. The vehicles will be produced at the new production plants in *Hagerstown*, expected to be completed by 2024. Hitachi successfully delivered the *Soft Mock up* of the train to the customer at the end of the fiscal year.

Baltimore Metro [39 2-car trains]

The project involves the replacement of the existing fleet (together with the rail traffic management system) with 39 new two-car vehicles (*Married Pair*), with entry into commercial service currently scheduled for July 2025. The first three trains have been delivered to Baltimore, the remaining trains will be produced at the new production facility in *Hagerstown*.

Honolulu metro [20 4-car trains]

In June 2023, the project was opened for commercial operation. It is the first fully autonomous underground system in the United States, with a total fleet of 20 four-car trains, capable of accommodating up to 800 passengers each. At present, 19 vehicles have been delivered, 12 of which are in commercial service, while the remaining seven are going through the acceptance process. The last train is expected to be delivered in June 2024.

Lima Metro [42 6-car trains]
Hitachi Rail STS S.p.A., part of the concessionaire consortium for *Metro de Lima Line 2*, is supplying a total of 42 automated guided vehicles, which will be operational on Line 2 and Line 4, consisting of 35 stations and 35 km of tunnels. The first part of the line *(Stage E1A)* entered commercial service in December 2023. To date, 37 trains have been delivered and production of the last 5 trains is underway at the Reggio Calabria plant.
In March 2024, the Arbitration Board issued its award in CIADI Case No. ARB/17/3.
This legal action was initiated by the concessionaire company Metro de Lima Linea 2 (in which Hitachi holds a 27% stake) to ask the State of Peru for reimbursement of the extra costs arising from the extension of the project schedule by approximately four years due to the delay in finalising both the expropriations of the concession areas and the approval of the same project. It concerns both the *Vehicles and Rail Control* part.
The ruling is currently under final review by the parties and evaluation of a possible appeal by the State of Peru.

Ontario Line RSSOM [31 4-car trains]
In November 2022, the contract for the new *Ontario Line RSSOM (Rolling Stock, Systems, Operations and Maintenance)* was signed by SPV Connect 6ix for the customer Metrolinx; the *Vehicles* business line will provide a fleet of 31 trains (fixed 4-car configuration), driverless, travelling at a frequency of 90 seconds through the heart of the city on a 15.6 km long route. It is currently in the preliminary design stage, with efforts underway to consolidate interfaces with civil works and signalling systems. In the fiscal year 2023, the first six planned design packages were submitted to the customer.

ASIA PACIFIC

Sanying metro [29 2-car trains]
Standard production has started at the Kasado plant in Japan and currently the first 16 trains of the 29 planned are being set up. During 2023, 2 trains were delivered and a further 3 trains are expected to be delivered in May 2024.

RAIL CONTROL

ITALY

RAILWAYS

A total of 57 activations and/or reconfigurations of various plants and technologies were completed throughout the country, both on Conventional Projects and on the NRRP and FA ERTMS projects. Here are some of the most important results:

- in May, the activation of the *Francavilla - Ortona section (Phase 1), the Naples-Bari section (Phase A)* and the reconfiguration of the *Naples SCC* were completed;
- in June, the activation of the *ACC Turro (Phase 1*) was completed;
- Phase 3 of the *ERTMS Brescia - Verona section and the Verona - Padua* section was activated in July and the reconfiguration of the Palermo SCC was also completed in the same period;
- the modernisation of the *SCCM of the Rome-Naples* section was completed in October;
- finally, the activation of the *ACC Rebaudengo* was successfully completed in December

HIGH SPEED

With reference to the new *HS/HC Milan-Genoa line (Terzo Valico dei Giovi)*, in December 2023, the first 8.5 km of the new Rivalta Scrivia and Tortona railway line were activated. The new tracks form the final, northbound section of the new line. In addition, the thirteenth supplementary act defining the new construction programme for the Milan-Genoa line was signed in November by the client COCIV (General Contractor) and Rete Ferroviaria Italiana S.p.A.
With reference to the *HS/HC Brescia-Verona line*, activities are underway to build the *Mazzano ACC*, which represents the entry point on the west side of the aforementioned line; in addition, a new line construction programme is being negotiated with the customer CEPAV 2 and Rete Ferroviaria Italiana S.p.A.
Finally, construction work is in progress on the *1st and 2nd Verona Porta Vescovo junction*, the west side entrance point of the *Verona-Vicenza HS/HC* line.

MAINTENANCE, SERVICE AND SPARE PARTS

The activities relating to assistance and maintenance services in Italy mainly concerned proprietary technology systems with the customer RFI, maintenance of *ERTMS* systems of Frecciarossa high-speed trains with customer Trenitalia, traditional SCMT systems, also with other railway operators, maintenance of proprietary systems of line C of the Rome Metro and, lastly, the provision of assistance and repair services to other railway and underground operators.

MASS TRANSIT

Naples Metro Line 6

Work on phase 2 (San Pasquale - Municipio) has been completed and integration tests are currently in progress. Due to some problems with the LTR 90 trains (owned by the operator ANM), an update of the project schedule was agreed with the Municipality of Naples and the operator, which foresees the opening of the entire Mostra/Mergellina-Municipio section in 2024.

Rome Metro Line C

Work continues on the completion of the section up to the Fori Imperiali station, while for the section P. Venezia - Colosseo the design has been completed and has been approved by the customer. Delivery of the line is currently scheduled for the end of 2025.
Concerning the economic-financial disputes of 'Metro C' with the customer, which are still ongoing, please refer to the Litigation section.

Milan Subway Line 4

In July, the third functional section Linate - San Babila of the new M4 metro line in Milan was also inaugurated; in March 2024, dynamic tests also began for the Sforza-San Cristoforo section. Work is scheduled to be completed in mid-2024; the line will have 21 stations and will extend for 15 km, starting from Linate airport and crossing the Cerchia dei Navigli to Lorenteggio, with terminus in San Cristoforo.

Alifana

During the year, for the *Piscinola - Aversa Centro* line, work continued on the construction of the Melito station, the new provisional maintenance workshop (OPM4), and the line-related facilities, ramps and trunks.
With regard to the *Piscinola - Capodichino* line, work continues on Phase 1, on the Piscinola-Secondigliano section, including the Miano, Regina Margherita and Secondigliano stations. For Phase 2 (Di Vittorio - Secondigliano section), works are currently expected to start in mid-2025. The overall work programme is currently being discussed with the customer and a variant to the project is expected to be signed.

RESTO OF EUROPE

TURKEY

Works relating to the extension of the CBTC system on the M4 line of the Ankara Metro were completed and the line entered into service in April 2023.

GREECE

With regard to the Thessaloniki project, all civil and signalling installations were completed with the exception of some finishes impacted by archaeological delays. Since April 2023, integration tests have been underway on the functional section and on the rest of the line according to the works programme last approved by the customer. Since October 2023, the operator has been selected to start training on the project. With regard to the Kalamaria extension, installation of the signalling system is underway.

DENMARK

With reference to the extension of the M4 line of the *Copenhagen Cityringen* metro to *Sydhaven*, the project is in the final installation, testing and safety approval phase. Entry into operation is expected in mid-2024.
The operation and maintenance activities of *Copenhagen Cityringen*, contracted until September 2027, continue successfully.

GREAT BRITAIN

In Great Britain, with regard to the *Glasgow* Metro, the tests for automatic train protection have been completed, the *CPX* milestone has been reached with the commissioning of the first 2 trains with historic signalling systems, and the tests for the rest of the fleet with 7 new trains, already in operation, are underway. Tunnel installations and tests of the OCC operations centre continue.

BELGIUM

Work continues on the project for the technological renewal of the *Brussels* metro signalling system. Installations on the first 8 stations have been completed and dynamic tests with the new *CBTC* signalling system continue on both M6 and M7 vehicle types. The new work programme and related commercial agreement was approved. The commissioning of the new *Erasme* depot is planned for the beginning of the new fiscal year.

SPAIN

The provision of services on the *Madrid-Lerida* high-speed line, extended until September 2027 continues successfully, including level 1 and level 2 maintenance of the *ERTMS* system, supervision systems, auxiliary systems, facilities and power supply of technical rooms.

In November 2023, an inauguration ceremony was held for the commissioning of the new *La Robla - Pola de Lena high-speed* line, based on the *Interlocking* and *ERTMS* level 2 system.

FRANCE

The *LGV+ project (IXL Paris-Lyon)* completed dynamic tests with the new *Digital Interlocking* signalling system on the Paris-Lyon high-speed section.

NORTH AFRICA AND MIDDLE EAST

SAUDI ARABIA

Concerning the *Metro Riyadh Line 3* project, commissioning, integration and testing activities are proceeding and the trial run is scheduled to start in July.

In the *Operation & Maintenance contract for Lines 3, 4, 5 and 6*, in which Hitachi is the leader of the Flow Consortium with Alstom Transport SA and Ferrovie dello Stato Italiane S.p.A., Lines 4 and 6 entered into service, while the trial run of Line 5 was started.

Activities for the operation and maintenance of the *Automated People Mover at Princess Noura University (PNU)* continue with very high levels of service availability, in full compliance with the contractual parameters for the maintenance of the transport system and related facilities.

ARAB EMIRATES

As part of the *Etihad Rail Stage 2* project, a section of the line was handed over to the customer following completion of the line for freight traffic. Work is continuing on the remaining sections, as well as on the adaptation to the transit of passenger trains, as stipulated in a variant signed in September.

LIBYA

The local railways project is still on hold and it is difficult to say when activities will resume.

AMERICAS

USA

Work is progressing on the Boston *MBTA North Side ATC (Automatic Train Control)* project, for which the *Western* section activities have been completed (phase 3) and the last construction activities are nearing completion.

For the *Maryland Transit Administration Baltimore (Train Control and Railcar Replacement)* project, the Test Track was completed and important ATC phase 1 test milestones were achieved.

For the *CBTC Bay Area Rapid Transit* (BART) project in San Francisco, test track installation activities are ongoing and the new work programme has been approved by the client.

In *Honolulu*, Hawaii, the project opened for commercial operation for Segment 1 in June 2023 and the construction and testing phases of Segment 2 are progressing.

CANADA

The *Hurontario Light Rail Transit* project in Mississauga, Ontario, has finished the preliminary design and is moving forward with constructing the buildings for the line’s operation and maintenance.

All activities related to the *RSSOM Ontario* contract for which the first design phase was submitted to the client are proceeding.

PERU

For the *Lima Metro* project, after acceptance of the works in July 2023, test runs on part of the line began and, in December, phase E1A (GoA2) went into service; the design, material procurement and installation phases for the subsequent phases *E1B and E2* continue.

As already noted above, in March 2024, the Arbitration Board issued the award in CIADI Case No. ARB/17/3. It concerns both the *Vehicles* part and the *Rail Control part*.

The ruling is currently under final review by the parties and evaluation of a possible appeal by the State of Peru.

PANAMA

Work is proceeding on the *Panama* project, which is currently in the detailed design phase; in particular, the installation of equipment in the depot began in October.

ASIA PACIFIC

In connection with the *ETCS L2 contract in Brisbane* for the Queensland State Government in Australia, the first phase of the *ETCS L0* signalling system went into operation and the dynamic integration tests between on-board and trackside systems for the *ETCS L*1 phase began.

Also in Australia, work continues on the *ETCS New Generation Rollingstock (NGR)* project for the technology upgrade of 75 on-board systems for customer *Queensland Rail's* fleet.

As regards *SanYing's* contract to build the new driverless metro in *New Taipei City (Taiwan)*, the design has been approved by the customer for all subsystems and installation has started. Dynamic tests of the signalling system are planned for the end of 2024.

The *China CBTC Program project*, for which Hitachi Rail is a partner to supply signalling systems for several metro lines in China, is progressing. In fiscal year 2023, 11 of the 18 lines were successfully migrated to the new version of the *CBTC system*.

Regarding the *North South Commuter Railway Project - CP04* contract, between Hitachi Rail and the customer Department of Transport of the Government of the Philippines, design activities for the supply of the innovative *ETCS Level 2* system are progressing.

The *Chennai Metro Phase 2* contract for the Communication-Based Train Control (CBTC) system is progressing, with the preliminary design and procurement phase for the main sub-systems completed during 2023.

In India, the Kolkata Metro was successfully inaugurated in February 2024. The project is based on CBTC GOA-2 (semi-automatic) technology and covers 16.6 km with 12 stations, including a submarine section. Only the first 14.6 km are currently in service, while commercial service approval for the entire line is expected in the coming months.

2.6 Reconciliation statement of the result for the year and the equity of the parent company with the consolidated results as at 31 March 2024

EUR/000	Equity	of which: profit result for the year
Parent's equity as at 31 March 2024 and profit for the year then ended	**869,658**	**174,018**
Difference between the equities shown in the annual financial statements (including profits for the year) compared with the carrying amounts of investments in companies consolidated on a line-by-line basis	158,477	3,262
Difference between the shareholders' equities shown in the annual financial statements (including profits for the year) compared with the carrying amounts of investments in companies consolidated on an equity basis	93,288	18,832
Consolidation adjustments for:		
- Dividends from consolidated companies		
- Translation reserve		(67,998)
- Differenza da traduzione	26,484	
Group total	**1,147,907**	**128,093**
- Non controlling interests	-	22
Total equity at 31 March 2024 and profit for the year then ended	**1,147,907**	**128,115**
Consolidated Equity and Profit	**1,147,907**	**128,115**

3. Economic performance and financial situation of the parent company

3.1 Key performance indicators of the parent company

The main data concerning the economic and financial performance of the parent company for the period from 1 April 2023 to 31 March 2024 are shown in the table of "Key data":

Values in EUR/000	**31.03.2024**	31.03.2023
New orders	3,680,919	3,384,294
Order backlog	11,157,807	10,180,703
Economic Turnover	2,707,224	2,122,556
Revenues from contracts with customers	2,640,342	2,245,377
Operating earnings (EBIT)	228,268	115,908
Net profit/loss	*174,018*	*87,667*
Net working capital	(43,762)	(33,477)
Net invested capital	*563,501*	*687,616*
Net Financial Position (credit)	(306,157)	(99,867)
R.O.S.	8.6%	5.2%
R.O.E.	20.0%	11.1%
Research and Development	30,954	26,761
Headcount (n,)	5,125	4,978

3.2 The parent company's schedules showing its financial position and results of operations

The tables on the Company's economic and financial situation are shown in detail, highlighting the construction by the period of the data.

Income statement

To provide complete information on the financial, economic and equity situation of Hitachi Rail STS S.p.A. (hereinafter also referred to as HRSTS, Hitachi Rail STS or STS) reclassification statements have been prepared, relating to the financial performance for the year and the comparison with the previous year.

(EUR/000)	**31.03.2024**	31.03.2023
Revenues from contracts with customers	**2,640,342**	**2,245,377**
Purchases and personnel expenses (*)	(2,388,662)	(2,092,484)
Change in work in progress, semi-finished products and finished goods	13,035	7,277
Amortisation, depreciation and write-downs	(88,244)	(63,143)
Other operating income (expenses), net (**)	21,945	39,730
Other operating financial income	101,327	73,867
Other operating financial charges	(71,475)	(94,717)
Adjusted EBITA	**228,268**	**115,908**
Restructuring costs	-	-
Operating earnings (EBIT)	**228,268**	**115.908**
Net financial interest	(6,839)	(82)
Net profit *before tax*	**221,430**	**115,826**
Income tax	**(47,412)**	**(28,159)**
Net profit *before discontinued*	**174,018**	**87,667**
Result of discontinued operations		
Net profit/loss	**174,018**	**87,667**

Notes on the Reconciliation of the Reclassified Profit and Loss Account and the Income Statement:

(*) Includes 'Costs for purchases', 'Costs for services', 'Personnel costs' and 'Accruals/releases for losses on contracts' net of 'Restructuring charges' and 'Capitalised costs for internal construction'.

(**) Includes the net amount of 'Other operating income' and 'Other operating expenses' (net of Restructuring Charges of Accruals/releases for losses on contracts).

The Company posted revenue of EUR 2,640.3 million (EUR 2,245.4 million in the previous 12 months), an increase of EUR 394.9 million due to the greater progress on works underway; total procurement and personnel costs increased by EUR 296.2 million.
EBIT amounted to EUR 228.3 million (8.6% of revenue) compared to EUR 115.9 million (5.2% of revenue) in the previous period; the increase was due to the effect of higher volumes, a different and favourable mix of orders placed in the two periods under comparison, higher operating expenses, and higher dividend income (EUR 68.0 million, whereas EUR 11.2 million was recorded in the previous year).
Income tax amounted to EUR 47.4 million (1.8% of revenue) compared to EUR 28.2 million (1.3% of revenue), which, compared to the pre-tax result, represented 21.4% (24.3% last year), due to the weight of dividends; the net result was EUR 174.0 million compared to EUR 87.7 million in the previous period.

Statement of Financial Position

The following table provides an analysis of the balance sheet structure as at 31 March 2024 and a comparison with the values as at 31 March 2023:

(EUR/000)	**31.03.2024**	31.03.2023
Non-current assets	628,040	763,502
Non-current liabilities	(44,853)	(42,409)
	583,187	**721,093**
Inventories	514,679	409,659
Assets/Liabilities from contracts	947,581	926,689
Trade receivables	1,062,641	885,587
Trade payables	(1,391,053)	(1,353,823)
Progress payments and advances from customers (net)	(1,107,038)	(823,618)
Working capital	**26,810**	**44,494**
Provisions for risks and charges S/T	(65,065)	(71,342)
Other net current assets (liabilities), net (*)	(5,507)	(6,629)
Net working capital	**(43,762)**	**(33,477)**
Assets held for sale	**24,076**	**-**
Net invested capital	563,501	687,616
Equity	**869,658**	**787,483**
Total net financial debt (cash)	**(306,157)**	**(99,867)**

Reconciliation notes between the reclassified statement of financial position items and the statement of financial position:

(*) Includes 'Income tax receivables', 'Other current assets' and 'Derivative assets' net of 'Income tax payables', 'Other current liabilities' and 'Derivative liabilities'.

Net invested capital, EUR 563.5 million, was down from the previous year's figure of EUR 687.6 million, mainly due to the sale of substantial equity investments and the collection of related financial receivables.
Non-current assets and liabilities amounted to EUR 583.2 million compared to EUR 721.1 million in the previous year, and net working capital was EUR -43.8 million compared to EUR -33.5 million in March 2023; in particular, the reduction in inventories as a whole and the increase in trade payables were partially offset by the increase in trade receivables.
The change in shareholders' equity of EUR 82.2 million was mainly due to the recognition of the profit for the year of EUR 174.0 million, partially offset by the distribution of dividends of EUR 85.0 million.
Also of note is the presence of assets held for sale in the amount of EUR 24.1 million due to the effects of the transaction (put option) mentioned above.

Net financial position

Below is the net financial debt (cash) as at 31 March 2024 compared to the corresponding figure as at 31 March 2023:

(EUR/000)	**31.03.2024**	31.03.2023
Short-term financial liabilities	9,704	79,816
Cash and cash equivalents	(302,779)	(229,279)
Bank loans and borrowings	**(293,075)**	**(149,463)**
Related party loan assets	(92,365)	(83,927)
Other financial receivables	(9,515)	(9,574)
Loan assets	**(101,880)**	**(93,501)**
Related party current loans and borrowings	81,814	139,337
Related party non-current loans and borrowings	0	0
Other financial payables	6,984	3,761
Financial payables	**88,797**	**143,097**
Net financial debt (cash)	**(306,157)**	**(99,867)**

Net cash and cash equivalents as at 31 March 2024 showed a negative balance, i.e. a prevalence of financial receivables and cash and cash equivalents over financial payables, of EUR -306.2 million, compared to the balance of EUR -99.9 million recognised as at 31 March 2023.
Specifically, it should be noted that financial receivables, amounting to EUR 101.9 million as of 31 March 2024 (EUR 93.5 million as of 31 March 2023) mainly consisted of the correspondence current account with the American subsidiary; financial payables (EUR 88.8 million compared to EUR 143.1 million) mainly consisted of payables for correspondence current accounts with the Australian (EUR 31.4 million) and Spanish (EUR 38.7 million) subsidiaries.
Financial receivables include recording in corresponding value of the Libyan Dinar advances received in Libya and deposited in a local bank (EUR 9.5 million).
Financial liabilities include the accounting of leasing commitments as required by IFRS16, amounting to EUR 6.6 million in the non-current part and EUR 5.5 million in the current part.

The Parent Company's financial information prepared according to the "Statement of Liability" format required by CONSOB communication no. DEM/6064293 of 28 July 2006, updated with the provisions of ESMA guideline 32-382-1138 of 4 March 2021 as implemented by CONSOB warning notice no. 5/21 of 29 April 2021:

	(EUR/000)	**31 March 2024**	31 March 2023
A	Cash and cash equivalents	37	47
B	Cash equivalents	302,743	229,232
C	Other financial assets	101,880	93,501
D	**Liquidity (A+B+C)**	**404,659**	**322,780**
E	Current financial debt	86,046	213,898
F	Current portion of non-current financial debt	5,472	5,255
G	**Current financial debt (E+F)**	**91,518**	**219,153**
H	**Net current financial debt (G-D)**	**(313,141)**	**(103,627)**
I	Non-current financial debt	6,984	3,761
J	Debt instruments	0	0
K	Non-current trade payables and other non-current payables	0	0
L	**Non-current financial debt (I+J+K)**	**6,984**	**3,761**
M	**Total financial debt (H+L)**	**(306,157)**	**(99,867)**

It should be noted that a reconciliation with the net financial position is not necessary as the values coincide.

Also shown is the reclassified *cash flow statement* as at 31 March 2024, compared to the year ended 31 March 2023.

(EUR/000)	**31.03.2024**	31.03.2023
Starting cash and cash equivalents	**229,279**	**383,096**
Profit	174,018	87,667
Income tax	47,412	28,159
Italian post-employment and other employee benefits	1,657	1,483
Costs for defined benefit plans	500	(1,210)
Net financial income	(23,014)	20,932
Amortisation, depreciation and write downs	88,244	60,718
Provisions to/release of provision for risks and expenses	6,276	3,425
Accruals to/reversal of provisions for risks		
Gross cash flows from operating activities	**295,094**	**201,173**
Changes in other operating assets and liabilities	(187,823)	(198,949)
Fund From Operations	**107,271**	**2,224**
Changes in working capital	17,621	(16,658)
Cash flows from (used in) operating activities	**124,892**	**(14,433)**
Cash flow from regular investing activities	*29,164*	*(64,908)*
Free operating cash-flow	**154,057**	**(79,341)**
Dividends received from STS Group companies	52,234	
Cash flows from (used in) investment activities	**81,398**	**(64,908)**
Dividends paid	(85,000)	(165,000)
Cash flow from financing activities	(40,691)	97,319
Capital payments of lease liabilities	(7,100)	(6,795)
Cash flows generated (used) in financing activities	**(132,791)**	**(74,476)**
Increase (decrease) in cash and cash equivalents	**73,500**	**(153,817)**
Closing cash and cash equivalents	**302,779**	**229,279**

The Free Operating Cash-Flow trend is a function of the different projects progress, the higher dividends collected and the lower dividends distributed.

4. Key operations of the financial year and after the end of the reporting year as at 31 March 2024

As mentioned in section 2 Operating Performance and Financial Position and section 16.1 Assets and Liabilities held for sale, in the months following the end of the financial year, the agreements for the sale of the mainline signalling activities in France, Germany and the United Kingdom were finalised with the signing on 5 April 2024 of a “Sale and Purchase Agreement” with Mer Mec. On 31 May 2024, the process of establishing the scope to be divested as regards the STS Group was completed with the transfer by the Parent Company of the stake held in the German subsidiary to the French subsidiary and with the spin-off from the French subsidiary of the CBTC business, which was transferred to a newly established company in France.

On 31 May 2024, with all the preconditions for the completion of the acquisition of the Ground Transportation Systems (GTS) signalling business from the Thales Group having been met in the previous month, Hitachi Rail Ltd and Thales SA announced the completion of the transaction.
Hitachi Rail thus expands its global presence in 51 countries and reinforces the Group’s strategic focus on serving current and potential Hitachi Rail and GTS customers through the transition to sustainable mobility as people move from private to sustainable public transport, driven by digitisation. The agreement heralds a period of organic growth for the entire Rail business of the STS Group as well.

5. Risks and uncertainties

The risks highlighted below result from consideration of the characteristics of the market and the business of Hitachi Rail STS, together with the main findings of the updated Risk Assessment.
The Risk Assessment is aimed at identifying and assessing the main risks that may impact on the achievement of objectives, concerning the processes identified as relevant and the related mitigation actions, as well as the definition of further actions to be taken to reduce the risk further or improve the performance of the process. The process of Risk Assessment adopted by Hitachi Rail STS refers to the internationally recognised "Enterprise Risk Management" framework of the "Committee of Sponsoring Organisations of the Treadway Commission" (COSO report) which aims to integrate Risk Assessment into the processes of planning, implementation of business objectives and internal control to create value according to appropriate risk management and mitigation plans, as well as exploiting any opportunities.
Particular attention was paid to the main risks, those that could have the greatest impact on multiple strategic objectives. The main risks and uncertainties are presented below according to the classification adopted by Hitachi Rail STS (strategic, operational, financial and compliance risks). There may be risks that are currently unidentified or not considered significantly relevant that could nevertheless have an impact on activities.
Finally, it should be noted that the Group has no exposure to Russia and Ukraine.
In compliance with corporate governance, the Group Risk Management activities and in particular the results of the Risk Assessment are periodically submitted to and discussed in the Audit Risk & Compliance Committee.

5.1 Strategic risks

5.1.1 Changes in the macroeconomics and market context

Hitachi Rail STS operates in a global market, which is exposed to risks arising from changes in the geopolitical and macroeconomic environment that may compromise growth prospects, impact the supply chain and lead to a reduction in contracts profitability.
The deteriorating geopolitical situation and economic instability caused by the ongoing Russia-Ukraine war, along with new conflicts in the Middle East and the Red Sea, have resulted in further pressures in terms of price volatility and raw material shortages, higher transport and insurance costs, and persistently high interest rates. These factors impact the global economy and elevate the cost of debt associated with Hitachi Rail's business.
Escalating trade tensions between the US, China and Taiwan, increased trade barriers, protectionism, and sanctions and shortage of electronic components could negatively impact production times and costs and contracts profitability, as well as hinder access to global markets.

5.1.2 Inflation and profitability of contracts

Generalised raw materials price increases may not be fully compensated by price adjustments, where contractually provided for or negotiated. This scenario would result in the acquisition of lower-margin orders, cancellation or delayed acquisition of contracts and, in particular, significant extra costs with a negative impact on the profitability of ongoing projects and new acquisitions. Prices volatility (with particular reference to raw materials, energy and labour costs) remains a critical issue, despite the gradual reduction in energy prices.

5.1.3 Innovation as a competitive factor

The activities of Hitachi Rail STS are characterised by a significant level of technological innovation and digitalisation, which is an important competitive factor. Developments in technical standards that the company does not promptly implement or the shortage in the market of adequate technical skills could negatively affect competitiveness and market share.
The ability to anticipate technological changes and implement an effective and efficient investment and talent acquisition policy is therefore paramount. Innovation needs, the content of research and development projects, their benefits and priorities may not be assessed appropriately and promptly, with the risk of delays in the availability of new products and technical solutions, instability of new products, additional development costs on projects and loss of business opportunities.

The rapid evolution of technology, in contrast to contractual commitments requiring the availability of spare parts for long periods, creates a risk of obsolescence against which specific processes have been put in place to manage it effectively.

5.2 Operational risks

5.2.1 Competitiveness

Weak competition on international markets, the complexity of contracts, price pressure, the presence of global and local players and recent merger operations require an efficient structure in order to compete. The evolution of markets and the increasing rigour of customers in investing public resources may outpace the Group's ability to react and manage contractual relations with third parties and suppliers. This could lead to a decrease in profitability and the acquisition of orders, extra costs in execution and weak competitive positioning in the market.

5.2.2 Availability of electronic components

Despite improved lead times, supply diversification and improved forecasting capacity, the unavailability of electronic components globally and price increases could lead to project delays and increased production costs, respectively. The increase in costs may not be readily offset by price adjustments or be fully transferred to customers, leading to a temporary drop in profitability.

5.2.3 Contract complexity

The tightening of contractual and financial conditions in new contracts downstream of the financial crisis, together with the increase in their complexity (Turnkey, Project Financing) and of projects on lines in operation, which entail higher risks, could have negative effects on competitiveness and performance, such as difficulties in acquiring orders, shrinking margins on new orders acquired and exposure to more demanding contractual conditions.
Based on these assumptions, the drafting of the offer quotation and the determination of the price are the result of an accurate, articulated and punctual estimation exercise that involves many corporate functions and is further supplemented by risk assessments to cover any areas of uncertainty inevitably present in each offer (so-called contingency). Notwithstanding these monitoring activities during the execution of contracts, the costs and revenues, and consequently the margins that the Company realises, may vary, even significantly, from the estimated amounts, for various reasons related to, for example (i) poor performance/productivity of suppliers and subcontractors; (ii) poor performance/productivity of resources; (iii) changes to the project (so-called change order) not recognised by the customer; (iv) increases in the cost of raw materials (e.g. steel, copper, fuels, etc.); (v) increases in the cost and unavailability of electronic components; (vi) delays in the delivery of the Group's areas due to delays in civil works. All of these factors, in addition to other risks generally inherent in the sector in which the Group operates, may entail additional costs, such as the non-recognition of revenues and the consequent reduction of estimated margins, leading to an even significant decrease in profitability or losses on projects. The materialisation of such significant differences could deteriorate the Group's financial results and damage the Group's reputation in the relevant market.

5.2.4 Reliance on public customers and complex long-term contracts

The business of Hitachi Rail STS depends significantly on public procurement and, particularly in the business of the turn-key systems, on complex, multi-year contracts of significant amounts.
Delays, amendments, revisions or cancellations of one or more significant contracts acquired could negatively impact its activities and its financial position and results of operations.
Furthermore, assessing long-term contracts using the percentage of completion method requires the estimates of costs to complete the activities, project risks (technical, legal, tax and commercial) and contract state of progress. These estimates are based on assumptions about the effects of future events that, due to the nature and complexity of the projects to be executed, could manifest themselves differently than expected, with a negative effect on the economic and financial performance of the project. There is, in fact, often an element of uncertainty related to third-party performance of civil works for transport infrastructure and the related impacts on programs cannot always be covered with contractual clauses.

Mitigating these risks are the diversification of markets and the monitoring of country and regulatory risk, structured processes of project review with the involvement of the company executive, the evaluation and periodic updating of estimates of contract budgets and schedules, and the adoption of risk management processes, both in the bidding and project execution phases, and Lifecycle management based on the constant comparison between physical progress and accounting progress.

5.2.5 Contract budgeting and planning processes

The project team may be unable to develop the order within the budget and timeframe, particularly in complex projects, due to less than fully effective planning and control activities, shortcomings in technical project management, and varying contractual requirements. Such risks could lead to delays in identifying enforcement issues and subsequent recovery actions and inaccurate reporting and planning, adversely affecting the Company's economic, asset and financial situation.
Mitigating this risk are defined and monitored processes for controlling physical and accounting progress and risk management, the clear assignment of responsibilities to the project team, processes for evaluating managerial progress of the project, processes for analysing estimates during the bidding phase, and the independent evaluation performed by the risk management function.

5.2.6 Third parties (subcontractors, sub-suppliers)

The business of the Group is characterised by significant use of subcontractors for supplying sub-systems or assembly and installation services and sub-suppliers of products or services. Therefore, the ability to fulfil one's obligations towards the principal is conditional on the proper performance of contractual obligations by subcontractors and sub-suppliers. Therefore, the latter's default could cause STS to default, with negative impacts on its reputation and, barring possible compensation through recourse actions against subcontractors and sub-suppliers, on its economic, asset and financial situation.
In particular, in turn-key projects, in association with other operators, each party is generally jointly and severally liable to the client for the realisation of the entire work. In the event of non-performance or damage by an associated operator towards the client, STS may be called upon to replace the non-performing or damaging party and fully compensate the damage caused, without prejudice to its right of recourse against the defaulting associated company. If the right of recourse against the operator responsible for the breach or damage is ineffective or protracted, this could negatively impact the company's operations as well as its equity, financial position and results of operations.
The preliminary evaluation and subsequent selection and qualification of suppliers, subcontractors and sub-suppliers, particularly in new markets, may be inadequate, with negative impacts on the competitiveness of the technical solutions offered or on the performance of projects.
Mitigating these risks are the processes of selecting and qualifying suppliers, subcontractors and sub-suppliers; defining, signing and managing appropriate contractual and grouping clauses; the processes of risk management and requiring, where applicable, appropriate guarantees.

5.2.7 Requirements management and adequacy of technical references

Differing interpretations of requirements and undefined or incomplete specifications could negatively impact the suitability of the product, adherence to the budget and delivery time, and the performance of the project and customer satisfaction.
Ineffective configuration management due to difficulties tracking products/components could result in poor spare parts, repair and maintenance management.
To mitigate these risks, requirements and configuration management processes are in place to ensure project and development management's quality, time and efficiency. Specific initiatives are in place to monitor the proper implementation of these company processes to projects.
The technical requirements of the market and possible solutions are also updated during product development.

5.2.8 Liability to customers or third parties for products defects or delivery delays

The technological complexity and the timing of delivery of products and systems could expose the company to liability for the possible delay or non-delivery of the contractual products or services, for the possible non-responsiveness of the same to the customer's requirements, due to, for example, design and manufacturing defects, to defaults and/or delays in marketing, in the provision of after-sales services and in the maintenance and overhaul of the products.

Furthermore, many products and systems supplied are subject to certifications and approval, including by third-party entities. This liability could be directly attributable to STS or to third-party operators, such as sub-suppliers or subcontractors. Should these risks occur, they could negatively impact the company's operations, its equity, financial position, results and reputation. Among these negative effects could be incurring costs for repair activities on defective products or, in extreme cases, their withdrawal from the market. In relation to these effects, even if adequate insurance is in place, the insured sum could be exceeded or the premiums could be raised following a claim, negatively impacting the company's equity, financial position and results of operations.

5.2.9 Human resource management

The Group supplies products and systems with high technological content in a global market to realise that it is necessary to employ human resources with specific training that is often difficult to acquire in the local market.
The success of business development plans, particularly in new markets, also depends on attracting, retaining and developing human resources skills, particularly to operate in a global market environment, in complex projects and with technical skills not always available on the market.
Particular critical issues may arise in "non-domestic" markets, where the absence of pre-existing local structures and specific sector skills may delay the monitoring and operations of the project teams necessary for customer and other local stakeholders management.
To mitigate this risk, it should be noted that the organisation was reviewed, and resource management, remuneration policies, and human resources planning were correlated with business needs. Plans are in place (Local Key Competence) for the identification and development of key competencies and a programme of Training on the job for their transfer according to business needs.

5.2.10 Business Continuity

A worsening geopolitical environment and/or exposure to major natural events (such as earthquakes, tidal waves, floods, torrential rains, tornadoes and volcanic eruptions) or even accidents (such as fires and explosions), widespread epidemics and pandemics, labour conflicts, terrorism and political changes could impact the supply chain, projects in execution and/or preclude future opportunities and business continuity.
The preparation of specific procedures for the management and communication of the crisis, with special recovery plans, is in progress, after issue of specific procedures and collection of information on critical areas.

5.2.11 IT systems

Information systems are an essential tool of the operational structure and require management aligned with the Group's strategic objectives. IT solutions that do not meet the needs of the business or updates of such solutions that are not in line with the needs of the users, such as inefficient management of systems and suppliers in outsourcing, could jeopardise the efficient and effective performance of the business.
Furthermore, the possible unavailability or interruption of IT services, and the possible violation of the integrity of networks and data (including sensitive or intellectual property), even due to external cyber-attacks, could hurt STS's operations.
To mitigate this risk, it should be noted that IT policies are defined in correlation with organisational and process change initiatives and that STS has a Governance system inspired by best practices and follows structured and monitored processes for managing infrastructure and applications, including cyber-security protections, where mandatory training on phishing has also been provided.
The necessary attention to cyber-security issue is confirmed by the periodic risk analysis and recorded events reporting, which is assessed within the Audit Risk & Compliance Committee, as required by the Governance on a four-monthly basis.
A global increase in cybersecurity threats and higher levels of professionalism in cybercrime pose a risk to the security of products, systems and networks and data confidentiality, availability and integrity. This trend accelerated during the Covid-19 pandemic and with the ongoing international geopolitical tensions.

5.3 Compliance risks

5.3.1 Health, safety and environment

The Group is subject to health, safety and environmental regulations in the various countries in which it operates. Failure to comply with these regulations due to inadequately supervised operational processes and, in particular in countries that follow not high standards, are exposed to specific risks, such as high crime, terrorist acts, and epidemics; as a consequence of inadequate assessment of the required compliance and necessary protective measures, this could expose STS to risks with significant impacts on its business, economic, asset and financial situation and reputation.

To mitigate this risk, it should be noted that the Group adopts health, safety and environmental management systems to ensure strict compliance with regulations following best best practices. These processes are certified to the OHSAS 18001 standard for workplace safety and ISO14001 for the environment at the main sites.

Requirements on new markets are evaluated at the time the bid is prepared and the assistance of external advisors is also sought. In addition, common policies and procedures have been defined to ensure uniform behaviour in the various realities while considering specific local regulations.

The health and safety of workers may be at risk due to worsening geopolitical situations in some countries where STS operates and/or due to natural disasters (such as major earthquakes, tsunamis, floods, torrential rains, hurricanes and volcanic eruptions), including accidents (such as fires and explosions, epidemics/pandemics) and conflicts (such as demonstrations, labour disputes), terrorism and political changes.

The coronavirus health emergency necessitated the implementation of stringent actions at all sites to minimise the spread of the virus to pursue the protection of employees and the company's reputation and business continuity.

An HSE plan was provided to the auditors and the supervisory body with all measures implemented under the measures imposed by the government (lock down, travel ban, quarantines and other emergency public safety measures), which is continuously being revised with updates and consequent actions.

5.3.2 Legal Disputes and Export Control Compliance

The complexity of relations with third parties (customers, subcontractors/sub-suppliers), particularly in international projects, the content of the systems and products manufactured, as well as the risks specific to the business, expose the Group to risks of legal disputes. This could also concern the awarding of tenders. Settlement of disputes could be complex and time-consuming, causing delays in project implementation with negative effects on the business and the economic, asset and financial situation. To mitigate this risk, we highlight the processes of risk management in both the bidding and management phases, the regular monitoring of litigation, the careful verification of contractual clauses with the support of the legal department, and the adoption of a prudential approach in recognition of special items under contract costs and risk provisions.

Moreover, the company, operating in an international and complex environment, could be exposed to risks of non-compliance with export control regulations. A lack of awareness or underestimation of this risk could hurt the company's reputation and profitability.

To mitigate this risk, the company has defined a process of mapping and evaluating the controls in place and to be implemented and training programmes.

5.4 Financial risks

5.4.1 Ability to finance a high level of current assets and obtain guarantees

The realisation of orders requires:

- adequate funding of current assets;
- the issuing of bank and/or insurance guarantees in favour of the client at the various stages of the life of the projects (bid bond, advance payment bond, performance bond, retention money bond, warranty bond and/or Parent Company Guarantee).

Current assets are usually funded through sums paid by customers in the form of payments on account and payments related to work state-of-progress reports.

The ability to obtain guarantees under economically viable conditions depends on the economic, asset and financial evaluation, which is generally linked to various evaluation indices, including the economic and financial analysis, the risk analysis of the order, experience and competitive positioning in the relevant sector.

In the event of difficulties in negotiating adequate financial terms in new contracts, delays and/or interruptions in payments and the worsening of already agreed payment terms, or in the event of the failure or reduction of the ability to obtain guarantees under economically viable conditions, there would be negative effects on the business and the economic, asset and financial situation of the Parent Company and the Group as a whole.

Due to the acquisition of contracts with less favourable financial conditions, working capital is subject to constant monitoring and specific initiatives to reduce its impact in the current economic and market phase.

The underestimation of binding clauses and/or inability to transfer the terms of obligations to the customer back to back to suppliers due to a lack of awareness of guarantee instruments and expiration dates could lead to potential unrecovered losses by suppliers in the event of the activation of guarantees or claims for damages.

6. The environment

The Group acknowledges its Social Responsibility in every aspect towards the communities it serves, aiming to be more than just an economic enterprise, but also a promoter and facilitator of growth and quality of life.
In the 2030 Agenda for Sustainable Development, transport is one of the most integrated sectors in the various sustainability and social impact goals.
This is the task of the group in its sector, with its leadership and concrete examples of innovation and sustainability. Examples of technologies that contribute to achieving one or more of the Sustainable Development Goals (SDGs) typically include SDGs 8, 9, 11, 12, 13 and 17.

Sustainable growth is only possible through a holistic, all-round approach, aimed at understanding the various aspects of positive impact, risk management and development of opportunities, with continuous professional quality control, for the protection of natural resources, safeguarding and environmental protection.
The group encourages collaboration with governments, companies, non-governmental organisations and consumers around the world to support policies aimed at strengthening environmental protection, ensuring decent working conditions, supporting the transition to clean energy, combating climate change and social inequalities and protecting human rights.
The creation of value and the positive impact pursued by the Group as its mission is continuously verified by compliance with current regulations and the effective response to the needs of the various Stakeholders. To this end, the Group pursues an approach based on continuous analysis of the impacts of its activities in order to identify and implement mitigation of environmental risks.
The Group has thus established a non-financial reporting system and procedure focused on ESG (Environmental, Social, and Governance), which is continually updated to track the progress toward its objectives.
In 2023, the Group continued to pursue its ambitions and commitments, also expressed in various areas of communication and institutional relations, as an innovator in improving its climate impact, while maintaining its goal of achieving ‘carbon neutrality’ across the entire value chain by fiscal year 2050.
Establishing a culture of corporate social responsibility and sustainability involves ongoing training updates for all staff members.
Hitachi’s sustainability strategy encompasses all ESG aspects, underscored by the various certifications maintained throughout 2023. These include ISO 14001 (Environment) which, together with SA 8000 (Social Accountability) and the achievement of ISO 30415 (Human Management for Diversity, Equity & Inclusion) in Italy, confirmed the overall ESG framework.
It is worth noting in relation to products that the BSI PAS 2080 certification was obtained: a global standard for carbon management of infrastructure that was created to meet the requirements of the World Trade Organisation. BSI PAS 2080 is a certification that ensures the quantification of CO2 emissions in a consistent and transparent manner at key points of infrastructure provision, promoting data sharing along the value chain.

The areas of improvement in which the company has taken action include:
- initiatives to raise staff awareness of environmental protection, encouraging the adoption of virtuous behaviour to promote energy saving and more responsible waste management with a view to continuous improvement;
- E-learning on the fundamentals of environmental and social sustainability, with new training courses on basic and advanced concepts related to ESG issues as well as training for SA8000 for all employees;
- energy efficiency initiatives, through interventions aimed at optimising office lighting with the installation of low-consumption systems and building insulation systems to reduce the use of heating;
- internal mobility services with electric cars car-sharing for work purposes in and out of company offices, replacing fossil fuel vehicles, with free and simplified use thanks to a specific company App digital solution;
- initiatives to reduce landfill by promoting practices for the reuse and recycling of products and packaging;
- contribution to local communities for the restoration or protection of endangered or protected species of flora and fauna;
- preliminary analysis and start-up of initiatives aimed at self-production of energy through the installation of photovoltaic systems in some of the main production plants;
- strengthening of the consumption monitoring system, completion of the Pilot project at the Reggio Calabria site and gradual extension to other sites during 2024.

In the light of current social and environmental challenges, regulatory and reputational risks, and new market opportunities created in particular by technology and digitisation, it is evident that ESG aspects - Environmental, Social and Governance- are growing in importance.
The management of ESG aspects in Hitachi is integrated into internal processes and controls, recognising their importance for value creation, starting from the analysis of investments to the definition of environmental protection programmes.
With the publication of the Rail Group's ESG Report, the values, strategies, policies and choices in terms of economic, environmental and social sustainability were expressed transparently, according to the new reporting criteria of the Global Reporting Initiative corresponding to a complete application of the GRI Standards.
The GRI Standards increasingly emphasise the identification and analysis of Stakeholder expectations, identifying the issues of greatest interest to both the Group and its stakeholders through the materiality matrix underlying the ESG Report process.
The Rail Group has thus equipped itself with a new ESG reporting model that not only explains and defines the reporting flow and strategic data analysis, but also confirms the fight against attitudes and possible greenwashing trends, identifying individual managers for improvement actions, correct impacts measurement methodology and performance indicators aimed at the continuous progression of improvement actions.

The Company is in full compliance with current legislation and regulations and coherence with the Code of Ethics and Business Conduct, Corporate Model 231, the Policies and all regulations on Health, Safety and Environment (HSE), operates by pursuing sustainable management of social and environmental issues related to the services of all its business areas.

Strategic orientation and management approach

In fiscal year 2023, Hitachi Ltd. reconfirmed its commitment to tackling climate change by strengthening its goal to contribute to a net-zero society. In this context, the Group is committed to achieving carbon neutrality along the entire value chain, including production, procurement and use of products and services by fiscal year 2050.
Hitachi Rail has implemented a Global Environment, Safety and Quality Management System, GBMS (Global Business Management System), establishing comprehensive policies and procedures to ensure the controlled management of processes and activities to work safety and environmental protection.
The integrated management model steers and coordinates the process, outlining short and long-term guidelines and principles and stimulating internalisation of the sustainability and environmental protection and safety strategies. Through an ongoing process of actions, monitoring and evaluation, significant environmental benefits have been achieved, in particular on the rational use of resources and reducing CO_2 emissions.

The ISO 14001 Standard and the EMAS Regulation (Environmental Management and Audit Scheme - certification obtained for the production site in Tito and implementation of the EMAS Regulation in 2021 for the production sites in Naples, Reggio Calabria and Pistoia) represent the model indicated for the development of management systems whose certification is the tool to further promote a lasting environmental awareness. The system consists of internal environmental management standards implemented to ensure the timely identification of the most relevant impacts and the adoption of the most effective management and mitigation measures through a structured performance monitoring system.
Hitachi Rail was awarded the national EMAS 2023 award for the Tito Scalo (PZ) site in category 3 for projects and initiatives aimed at energy autonomy.
The two main projects considered are the revamping of the plant's entire electrical system, including the upgrading of the distribution system and the replacement of lighting fixtures with a Wi-Fi home automation system, and the installation of a photovoltaic system to generate electricity from renewable sources.
Hitachi Rail was awarded by ISSA (International Social Security Association) at the HSE World Congress, as the first company to implement the Vision Zero Environment standard, creating a systemic approach to contribute to better environmental protection, based on the following rules:

1. Assume leadership – demonstrate commitment
2. Identify hazards – control the risks
3. Define objectives – develop programmes
4. Ensure an environmental system – be well organised
5. Ensure that operating processes and workplaces are environmentally safe
6. Improve qualifications – develop skills
7. Invest in people – motivate through participation

In addition to the ISO 14001 standard, the company has obtained certification in ISO 50001 since 2022, which focuses on the principles of efficient energy control and management across its facilities. In 2023, Hitachi Rail was also awarded the Platinum medal in the EcoVadis assessment, the world's largest provider of corporate sustainability assessments for more than 85,000 companies.
This ranking of non-financial reporting places the company among the best in sustainable mobility.

Innovation and dissemination of good practices

More specifically, the above-mentioned Environmental Management System is applied to the following activities:

- Production facilities, for the manufacture of products used in safety, control and monitoring systems supplied;
- Headquarters (non-production) mainly for signalling equipment design, safety, reliability and availability analysis, laboratory testing, order management and control, research and development, procurement, prevention and protection;
- Work sites for activities in relation to management and coordination, surveillance and control of production, commissioning and roll-out of plant and delivery to the customer. With respect to environmental issues as a result of such activities, the Group operates in accordance with operating control procedures, based on an initial analysis of the work to be performed at the site, prepared and agreed with the subcontractors; this is followed by a monitoring plan to continuously ensure legal compliance and that all possible steps are taken to limit the environmental impact that the opening of any site inevitably entails.

It is recalled that as part of their commitment to decarbonisation and a greener future, Hitachi Rail STS and A2A signed an agreement in 2022 with the Virtual PPA (Power Purchase Agreement) formula, which envisages the implementation of new plants that will reduce CO2 emissions by about 7,000 tonnes per year. Over the next two years, photovoltaic panels will be installed on the surrounding land and on the roofs of the production sites in Reggio Calabria, Naples and Pistoia.
The new latest generation photovoltaic panels will be able to produce around 12 GWh/year of energy, equal to 40% of the average annual requirements of the Italian sites; the partnership will provide green energy for self-consumption in the Hitachi Rail production areas.
The Virtual PPA will also provide electricity to the Genoa, Tito Scalo and Turin sites.

Energy efficiency

Energy efficiency research is divided into the following macro-areas:

- Supporting the design of "Turn-key" systems through holistic hardware in-the-loop simulators aimed at providing an energy-efficient transport system;
- "Operation-rail & driverless", whose focus is on finding the optimal speed profile, taking into account scheduling and driving behaviour;
- 'Energy Saving Technologies' focuses on ground source recovery systems, geothermal heat pumps and simulators for optimal super capacitor storage system dimension. In order to reduce electricity consumption, the company carries out constant monitoring of its real estate assets aimed at increasing their environmental efficiency. Energy-saving lighting and heating/air conditioning technologies are used as much as possible.

On this subject the Group has been working on this issue for some years now:

- Sharing policies, best practices and technical/economic tools for energy management;
- Carry out training on the use of the H-Vision monitoring platform;
- Implementing and certifying Energy Management Systems according to ISO50001 at Naples, Reggio Calabria and Pistoia production sites.

Eco-design

The Group has completed the project to integrate ISO 14006 "*Environmental design guidelines*" into its management systems. The structure of the ISO 14006 standard consists of the standards relating to the quality management system (ISO 9001) and the environmental management system (ISO 14001).
S-LCA (Social Life Cycle Assessment) has been applied to assess the positive and negative performance of products/services and/or organisations in several cases (see UNEP 2022 pilot projects). After the first implementation of the S-LCA to the Blues train and its life cycle, this project's main objective is to develop a social impact communication scheme according to the ISO 14025: (Social Product Declaration). Following the process of issuing the S-LCA and the related PCR, Hitachi obtained SPD (Social Product Declaration) certification for the Blues train in November 2023.

Commitment to combating climate change

The Group is committed to progressively reducing CO_2 emissions in all stages of operations. Activities and initiatives to tackle climate change are undertaken as part of a globally developed Carbon Management strategy.

To establish an improvement strategy, the company reports direct and indirect greenhouse gas emissions following the GHG Protocol, striving for their reduction through specific programmes:

During 2023, a detailed analysis of the risks and opportunities related to climate change was carried out and these risks were integrated into the Enterprise Risk Management (ERM) Risk register.

Communication, training and information

The Group is increasingly focussed on training related to environmental issues.
A specific training process is fundamental to fostering a sense of environmental responsibility and constructive environment-related dialogue among employees and suppliers/contractors.
The interventions carried out are aimed at raising awareness:

- the importance of complying with the Environmental Policy and the Environmental Management System requirements;
- the importance of applying the principles laid down in the GBMS;
- actual or potential significant environmental impacts of activities and the environmental benefits that each individual can pursue;
- roles and responsibilities in order to comply with the Environmental Policy and the Environmental Management System requirements, including the preparation of contingency and response plans;
- the potential consequences of deviating from the operating procedures;
- The potential that implementing a joint policy on quality, environment and safety represents for the development of business and the development of rail transport;
- of the importance that each element of the organisation contributes to the achievement of environmental objectives and in particular reducing energy consumption, CO_2 emissions, waste production and circular economy.

Subsequent Environmental Management System training sessions are held for personnel, based on the specific corporate processes and related environmental aspects relevant to their activity.
The Company keeps records of all training provided to personnel in its facilities.
The training and educational sessions are held by experts in the topic concerned and the people responsible for organising them produce the related documentation.

During the year, the *Be Safe* campaign was launched, with the aim of creating a highly reliable health and safety culture in order to protect one's own health and safety and that of others.

To achieve this goal, various initiatives were launched, including:

- The first World Health and Safety Day was organised, actively involving staff in all locations;
- An in-person active educational workshop was organised for all managers of all offices, *Safety Leadership Workshop*, in order to involve leaders in the dissemination of a highly reliable health and safety culture;
- 11 Life Saving Rules (LRS) to be observed to take into account critical safety risks were defined and shared. These were defined through the active cooperation of staff at all locations;
- A global Reporting Tool, EcoLine, is used for reporting incidents and good practices through the use of a QR Code.

In the area of involvement and empowerment on environmental issues, the 'Be Green, a greener tomorrow starts with me' campaign was launched to ensure the participation of all levels of the company in the joint effort of environmental goals. The campaign involves training all employees and implementing concrete actions and initiatives aligned with these goals.

Management of water resources

The Group remains committed to the rational use of water resources, including through training and raising of awareness on this issue. Water consumption is related to sanitary purposes and the operation and cooling of air conditioning systems; only in some locations is it also used for green areas.

Energy consumption, CO_2 emissions

The main Sustainable Facility strategic objectives (integrated into the two "Energy Efficiency Management" and "Resource's Efficiency" pillars) are:

1. To implement energy management optimisation plans globally according to the sustainability roadmap, which covers the period 2020-2030;
2. To lead global partnerships with a subject matter expert (Hitachi Europe) to implement an energy optimisation strategy and approach from 2020;
3. To ensure efficient and effective management of real estate properties at global level, with the aim of maintaining their appropriateness;
4. In order to develop a holistic approach to achieve the decarbonisation objective, every investment, equipment enhancement and proposed initiative is assessed through the 3Rs approach: Reuse, Recycle, Reduce.

The Group recognises that achieving Sustainable Development Goal 7 ("Ensuring access to affordable, reliable, sustainable and modern energy for all") will benefit people around the world who use its products and its transport solutions.

Management of dangerous substances

The policy consists of strengthening the principle of waste reuse, recycling and recovery. All sites are equipped with waste collection areas according to the type of waste and the site structure. Specialised external companies collect and treat both hazardous and non-hazardous waste. The most important waste at production sites concerns paper, cardboard and wood packaging, metals and equipment at the end of its useful life.

The hazardous substances used in production processes are handled in full respect of the environment and applicable standards, by adopting all possible precautions.
Critical risk management procedures, including the management of hazardous substances and their storage, have been defined to guide a consistent and standardised approach to the environmental and safety risks associated with these substances.

7. Research and development

The costs allocated to the income statement for research and development activities totalled EUR 50.2 million (EUR 46.1 million in the previous period), of which EUR 12.2 million for the Vehicles segment (EUR 3.6 million in 2022) and EUR 38.0 million for the Rail Control segment (EUR 42.5 million in 2022); income from grants totalled EUR 10.4 million (EUR 9.9 million in 2022), of which EUR 1.0 million for the Vehicles segment (EUR 3.5 million in 2022) and approximately EUR 9.4 million for the Rail Control segment (EUR 6.4 million in 2022).
It should also be noted that, during the year, the conditions occurred for some activities that allowed for the capitalisation of a total of approximately EUR 21.9 million, of which EUR 4.9 million for the Vehicles part and around EUR 17.1 million for the Rail Control part; depreciation and amortisation recorded in the period amounted to approximately EUR 38.7 million, of which EUR 31.9 million for the Vehicles part and around EUR 6.8 million for the Rail Control part.
In general, after identifying strategic projects for the company's future development, the ability to generate future economic benefits was assessed based on forecasts concerning the market, the products being researched and the likelihood of commercialisation.

Vehicles

The main activities during the year were related to the consolidation of the high-speed train platform, through the development of systems previously outsourced to third parties, and the development of the hybrid rail vehicle platform, with electric and battery power. A Proof of Concept of an assisted driving system was also realised.
With regard to the funded projects, as at 31 July 2023 the *REINFORCE* research project activity was completed. This project was part of a broader project financed through a Development Agreement by the Ministry of Economic Development, aimed at expanding the capacity of the Italian production units of the Proponent in order to consolidate competitiveness in the railway market.
In particular, the Industrial Research and Experimental Development Project *REINForce: REsearch to INspire the Future* enabled the achievement of digital transformation goals and the renewal of platforms: trams, metros, light-alloy regional transport trains, and an asset management system for fleet management. The *REINFORCE* project also benefitted from the collaboration of the Universities of Florence, Cassino and Southern Lazio, Naples Federico II, Salerno, and the National Research Council.
During the financial year, the preliminary investigation of the research project ULISSE - sUstainable rolLIng Stock to inSpire the nExt, relating to the then Ministry of Economic Development's call for Innovation Agreements, for a value of EUR 15.6 million, was completed. The Innovation Agreement was signed with MIMIT and the Concession Decree was also issued in March 2024. Work had already started in March 2023 on the development of battery-powered vehicles and the consolidation of the platform for high-speed trains, pending the completion of the preliminary investigation, as allowed by the call.
Within the framework of the EU Joint Undertaking Europe's Rail, the activities of the first Rail4Earth project continued according to schedule. The project has a duration of four years and a value of approximately EUR 5 million, including ancillary activities. The main theme is the development of environmentally friendly and energy-efficient vehicles.
Within the framework of the participation in the activities of the National Centre for Sustainable Mobility MOST, established and financed by a MIUR announcement, with reference to the 'PoC and Scalability' call, the project proposal BAT4TRAIN, worth approximately EUR 750,000, for the development of a traction battery system for rail vehicles was submitted and accepted during the financial year. The activities are ongoing, and will be completed in the next financial year.
Regarding the ARTES4.0 Competence Centre call for proposals, the HEADS project proposal was submitted and approved during the year. This project, valued at approximately EUR 800,000, aims to develop an energy-saving and decarbonisation rail vehicle driving system using artificial intelligence methods.

RAIL CONTROL

Capitalised projects are mentioned:
- *Core CBTC Dragon* - the programme, called DRAGON, concerning the evolution of the Communication Based Train Control (CBTC) product, pursues the objectives of optimising the transport capacity and management of complex lines, improving the operational flexibility of urban and metropolitan lines brownfield (existing lines already in public operation with greater constraints) and improving energy efficiency;
- *Hermes Dragon* - a programme linked to the Automated Train Supervision System (ATS), a key element of the CBTC solution for the metro market that will contribute to meeting customer needs and continuous improvement in the areas of maintainability, scalability, availability, extensibility, safety and portability;

- *ON BOARD BSL3 R2* – completion of evolutionary development activities in the ERTMS market to offer a modular, scalable and competitive application solution;
- *ERTMS Oriented* - development program relating to the ERTMS roll-out plan and part of the Italian NRRP. Development activities mainly focus on the technological improvement of track-side signalling technologies and related tools;
- *ATO over ETCS (GoA2)* - finalisation of the “On Board” ATO (Automatic Train Operation) development programme. This version of the ATO product complies with the ETCS standard and implements the GoA2 (Grade of Automation 2) functionalities;
- *ARGOS RBC* - development of a new generation Radio Block Centre (RBC) in line with the standards and technological developments of the future French ERTMS market.

Concerning activities whose costs were directly attributed to the profit and loss account, among the projects financed by the European Commission through the *Shift2Rail JU*, the following are highlighted:
- X2RAIL 4 - advanced signalling and automation system, contemplating activities for advanced automation systems, train integrity, evolution of traffic management and smart objects controller, completed in December 2023;
- IN2SMART2 - innovative smart maintenance of resources through integrated technologies, completed in September 2023;
- VOLIERA, concerning the development of an innovative multi-sensor prototype capable of providing information on the relative and absolute position and odometry;
- EXTENSIVE, to increase the attractiveness of transport for the end user, completed in September 2023;
- X2RAIL5, Completion of activities for Adaptive Communication, Moving Block, Fail safe Train Location (including satellite), Zero on site Testing, Formal Methods and Cyber Security, completed in October 2023.

In January 2023, the following projects were started, financed by Europe’s Rail JU, which incorporated the Shift2Rail JU:
- MOTIONAL (“MObility managemenT multImodal envirOnment aNd digitAl enabLers”).
- R2DATO (“Rail to Digital and Automated Train Operations”).
- IAM4RAIL (“holistic and Integrated Asset Management for Europe’s RAIL System”).
- TRANS4M-R (“Transforming Europe’s Rail Freight”).
- FutuRe *(“Delivering Innovative rail services to revitalise capillary lines and Regional rail services”*).

In the satellite context, the SBS 2 project (“SBS RailS Phase 2.1- Technology Demonstrator for the certification of an ERTMS L2 solution for regional lines based on a satellite signal”), whose aim is to design, develop and test (both in the laboratory and in the field at the Novara-Rho line) an ERTMS Level 2 Regional solution. This is based on satellite localisation of the train and ground-to-train communications implemented via IP protocols, using the services of public networks, starting with the MLCP platform developed within SAT4Train.
The Baseline Design Review, Critical Design Review, FAT and SAT milestones were achieved during the period under review.
The FAT and SAT tests were carried out with a solution that was developed, validated and certified and for which the SC (under contract Lot 1-Phase 4) was issued.
In April 2024, the Final Review will be held to close the project.

Additional development activities that do not receive external funding related to:
In Italy:
- MacroLok Interlocking Platform;
- Radio Based Communication RBC;
- Maintenance of the “Automation v2.0” platform;
- Maintenance of the OnBoard platform (ELO).

In France:
- CBTC (Communication-Based Train Control);

In the USA:
- Automatic Train Supervision (ATS) - Metro applications;
- Crew Management System - Metro applications;
- Maintenance of the “Automation v2.0” platform;
- Interlocking MicroLok.

Briefly:
- activities to develop CBTC to integrate the generic functions and the testing and verification of the safety of ongoing contracts continued;
- ATS Metro evolutionary developments continued jointly with the CBTC roadmap;
- RBC developments (on the MacroLok platform), aiming to adapt the generic application to the more advanced ERTMS standards;
- with regard to the Interlocking MicroLok platform, efforts were focused on the implementation of the PTC application for the North American Freight market ViPro V3.X;
- with regard to On Board (ELO), the Baseline 3 R2 delivery activities continued in Italy. For the North American market, development activities started for the PTC application, and activities concerning the application for ‘mass transit’ systems are being finalised.

With regard to Smart Mobility, the work relating to “360Pass”, the innovative mobility app with smart ticketing functionality that Hitachi Rail launched first in Genoa and then in Trento, should be highlighted;
Ongoing advancements are incorporating a new back-end technology that facilitates the purchase and validation of bus and train tickets through a solution requiring minimal hardware installation and utilising mobile applications. This innovation aims to revolutionise urban and metropolitan travel by digitally connecting public and private transport systems worldwide.
The 360Pass app offers a wide range of personalised information on public transport travel including the fastest and cheapest multimodal options as well as real-time updates and information on the crowding levels of the various transport means, allowing the choice of less crowded ones. In addition to the passengers 360Pass app, the Lumada Intelligent Mobility Management suite (360Motion and 360Flow) provides operators with the ability to connect, scale and optimise the entire city transport network in real time. With the creation of a *“digital twin”* of end-to-end multimodal journeys, the operator can optimise services, the timetable and create a system that allows the management of the various peaks and drops in users. It can also identify possible problems that discourage the use of public transport, such as congestion, emissions, crowding or service gaps.

8. Human resources and Organisation

The year saw a substantial confirmation of the organisation focused on two Lines of Business (LoBs) - each responsible for providing customers with end-to-end service, from sales to project delivery, maintenance and services, in key regions - defined earlier.

In particular, two new roles in the Rail Business Unit were established to report directly to the CEO:
- Public and Government Affairs, as the main point of reference of Hitachi Rail for governmental and institutional relations at global level, responsible for managing relations with government bodies, independent administrative and regulatory authorities and in support of the transaction and integration envisaged for the acquisition of Thales GTS.
- *Chief Procurement Officer*, directly responsible for the procurement of indirect purchases, including the definition of the strategy and its execution. Furthermore, with functional reporting lines to the procurement units of the business lines, it is responsible for ensuring the effective alignment of strategy and processes. Main point of contact for procurement at Hitachi Corporate and responsible for leading the governance and coordination of procurement at Hitachi Rail, as well as providing support in the planned integration of Thales GTS.

Other minor organisational changes were implemented within the two Business Lines in order to consolidate the organisational model defined. Specifically, in the Rail Control business line, certain activities were regionalised, particularly in North America, France and Great Britain, and a general streamlining of the entire organisation was carried out in order to ensure a better level of span of control. In the Vehicles business line, there was a general alignment of the organisational model implemented in the various regions and the completion of the consolidation of the S&M business; Testing activities were reallocated to Quality Control in order to ensure the necessary focus and in compliance with Hitachi's guidelines and best practices.

The integration and harmonisation of the Performance and Talent Management processes were implemented in line with the Group's directives and guidelines.
Concerning the evaluation of Performance, the annual Global Performance Management (GPM) process was launched for the entire corporate population using the Group's HiNext platform. The target-setting phase for FY2023 was launched in May, further finalised in the Mid-Term Review in October.
During the Mid-Year review, significant changes were implemented in the Hitachi Group Skills. Initiatives were launched to introduce new skills to employees, managers and individual contributors through extensive briefings and e-learning sessions with dedicated gamification.
The final evaluation phase was launched at the end of February and is still ongoing, and has seen a strengthening in the communication of the Group's new Skills mainly through dedicated work of the N-1 business leaders in the evaluation of their leadership teams.
The Talent Review process has been substantially completed; it is aimed at identifying resources based on the general level of performance and potential, as well as legitimate aspirations, to define consequent and coherent development actions to support growth. In order to support the Line Managers in the process, a dedicated e-learning was again announced to ensure a greater understanding of the Talent Review process, together with mass briefings provided to managers at various organisational levels.
Continuity was given to the construction of the company's Talent Management system, aimed at promoting the company's human capital and ensuring corporate continuity for strategic positions.
The main activities performed were:
- Identifying key positions in the organisation, up to level N-3 for the support functions and up to level N-4 for the two lines of business;
- Defining succession plans for identified key positions, also based on the Talent Review process results.

As part of the Group's development processes, the following initiatives are also mentioned:

- Future50 programme, aimed at fostering the growth of talent. Some key changes were introduced in the process in 2023 in order to encourage rigorous selection for Business Units through the introduction of the Group Interview Model;
- Hitachi Group's 360° Leadership Assessment Programme, aimed at identifying strengths and areas for improvement to support resource growth. The process will be extended to several categories of talent within the BU;
- Group Training/Development programmes (Hitachi Discovery Program, GAP-K, GAP-L, GAP-M and R2L) promote growth and development globally. The number of participants was significantly increased, in particular for the *GAP M and R2L* programmes.

Training and Development

In total, more than 119,000 hours of training were provided during the year.
The most significant initiatives are listed below:

- Learning Need analysis process:

The process of analysing training needs, extended with a more detailed collection phase, contributed to the definition and implementation of a multi-year training plan to be implemented. This plan highlighted additional priorities, particularly in technical-specialist areas, facilitating the identification of synergies and optimising training investments.

Management Training

- LEAD – Leadership Enhancement and Development

LEAD is an in-person workshop on Leadership aimed at supporting the development of a common culture aligned with the values and key skills of the Hitachi Group with the aim of also providing concrete tools for team management.

- BAIC – Building an inclusive culture

During the year, the global BAIC (Building An Inclusive Culture) program, aimed at developing inclusive behaviours based on the company's values and in line with Diversity & Inclusion (D&I) policies, was implemented.
Building an inclusive culture is fundamental to the success of corporate strategy; improving interpersonal interaction at any level is a lever to enhance personal and collective performance.
The following workshops were provided:
- Unconscious Bias
- Culture Dimensions
- Inclusive Recruitment
- Respect@work
- Transgender inclusion in the workplace

Various e-learning contents have also been developed, such as
- Culture Awareness
- Unconscious Bias awareness
- Inclusive Behaviours
- Psychological safety
- Disability Awareness

- Business Continuity

Business Continuity (BC) means the ability of the company to continue its business in the face of adverse events that could affect it. It is a process that defines activities, tools and responsibilities to anticipate critical scenarios threatening the organisation and to increase organisational resilience and responsiveness to safeguard stakeholder interests, production activities, reputation, brand and value creation activities.
Several workshops were organised remotely involving the resources assigned to support the BC, i.e. the Regional Emergency Board (REB); the workshops were experiential and allowed for the simulation of critical situations to be handled.

• New Onboarding framework
During the year, the new Onboarding framework was implemented, with the aim of:
- ensuring an understanding of the context, values, culture and business of the Hitachi Group and Hitachi Rail;
- fostering greater awareness of the main challenges and objectives/expectations that the organisation has;
- transferring the skills necessary for the integration of new recruits into work teams, fostering an effective path to filling the assigned role;
- encouraging networking, relationships with colleagues and - consequently - a sense of belonging.

The process included a number of new elements aimed at improving the overall induction experience for new colleagues, leveraging the digital tools that the company provides:
- *Orientation Partner*: a contact person dedicated to new hires to welcome them and provide all the necessary support;
- *Quick Start and Getting Started*: a portal to access an overview of the entire path and the various opportunities available;
- *Onboarding plan*: a structured plan to formalise the Onboarding objectives in Hinext;
- *Feedback from New Joiner*: a mechanism to further improve the Onboarding experience by ensuring a dynamic process.

• HSE Leadership Excellence
During the year, numerous sessions of the "HSE Leadership Excellence" training course were provided to improve the health and safety culture. Leaders were made aware of its importance for them, their teams and the company as a whole and to reflect on the current approach to HSE leadership by emphasising how behaviours influence the HSE culture in the organisation. Practical advice and tools were provided in order to spread a positive culture, raise awareness of available systems and tools and support leaders in conducting effective conversations on health and safety.

• Project Management
During the year, several Basic and Advanced Project Management sessions were launched, involving colleagues working within the project teams. Three additional modules (learning springs) were also organised, such as PM Leadership, Stakeholder Management, Contract Management and some modules dedicated to PE and WPL.
The training was provided in response to the needs identified in the global analysis process. *Project Management* managers from all regions supported the training design to encourage a strong project management culture, ensuring the development of content that meets the needs and challenges to be addressed.

• Quality UP
The Quality UP Programme, focused on creating a new culture of Quality and Excellence, involved around 600 project team resources in training.

Regulatory training
• PDP (*Personal Data Protection*)
In line with what was planned in the previous year, with the aim of deepening the topic of personal data protection, e-learning training was provided to all group employees.

• Training Italian Legislative Decree 231/2001
In relation to Italian Legislative Decree 231/2001, three meetings were organised during the year with senior management and members of the Supervisory Body on the following topics:
- Corruption between Private Individuals and Relations with the Public Administration.
- Occupational Safety and Environment.
- Corporate and Tax Offences.

The design of e-learning training on Decree 231, addressed to all employees of the Italian company and its affiliated branches, was also initiated and will be made available in the new fiscal year.

Language training:
The language training course was mainly characterised by the project to support communication in English. The project saw the combination of two learning methods: self-study through a dedicated platform, and one-to-one remote individual lessons; all within an easy design architecture in line with the person's modular learning. In addition to the English language, virtual classes were organised to strengthen the learning of Spanish, French and German.

Technical and specialist training:
• Certifications on special processes
A robust training program focused on the main special processes in the Lob Vehicles manufacturing area was launched. In particular, training courses were held on painting for the attainment of ICF and CCF qualifications (corrosion protection activities inspector and coordinator), on bonding for the attainment of the EAB (European Adhesive Bonder) qualification and in welding for the attainment of IWT-IWE (International Welding Technologist - Engineer) and torque tightening in production qualifications.

• Other certifications
Training courses were held in the field of non-destructive tests to achieve and maintain certifications on Ultrasound, Visual and Penetrating liquid methods.
Training courses were held for the attainment of ADACI qualifications for buyer personnel with both basic and advanced level certification (Explorer course, still ongoing).
Specifically, the L1 certification process continued with the preparation of training aimed at attaining the L2 certification.
The attainment of the ADACI professional qualification at L2 level allows the achievement of the standard of knowledge, information and updates essential to cover key roles in the procurement area. The training program envisages a continuous dialogue environment between teachers and learners, the performance of group exercises and the plenary discussion of the work carried out by the participants. In addition, homework was assigned to be carried out in the weeks between the different course days. Divided into groups, the resources prepared a paper that was subject to a final assessment by the commission, which then issued the final L2 certification.

• Worker personnel training
An impressive training program was launched for all blue-collar personnel.
This initiative combines the need to ensure the professional updating of blue-collar personnel through a structured, mainly technical program, and the need to fulfil the contractual training hours requirement.
The program was launched in parallel at the Pistoia, Naples, Tito and Reggio Calabria sites and covered mandatory issues such as the group's code of ethics, climate change, the SA 8000 standard, rather than issues of common interest such as the environment and energy, packaging procedures, mechanical processing methods, recovery of materials in the warehouse, workplace organisation, self-control and quality.

Training was provided in accordance with Italian Presidential Decree no. 137 of 7 August 2012 to meet updating obligations for personnel enrolled in the national register of engineers.

The annual technical training program was carried out for employees with authority to sign projects/specifications/reports in the name and on behalf of the company. This program made it possible to gain the professional training credits necessary to maintain registration.

• CENELEC
Following the training on the CENELEC standard and its recent updates, delivered during the previous fiscal year, and with the aim of extending the training content to a wider range of colleagues, the design of an e-learning course dedicated to this topic was initiated.

• Corporate programmes
Finally, some of Group training initiatives were conducted focusing on cross-cutting issues, in particular:
- Hitachi Group Code of Ethics and Compliance;
- Programmes focused on developing digital and green skills.

Hitachi Insight: Global Employee Survey

Once again this year, the company participated in the "Hitachi Insight: Global Employee Survey", and participation was very high, exceeding 90% of staff. The results revealed a high level of 'favourability' with particular strengths such as Environmental Sustainability, Engagement, pride in working for Hitachi, Manager Effectiveness and Teamwork. The results were shared with more than 500 managers through special sessions, in which the most relevant issues were discussed in depth and feedback and contributions were collected.
The action plans to be worked on will focus on enhancing communication to raise awareness of business strategies and corporate MTMP, cascading these initiatives across all levels of the company.

Industrial relations

In July 2023, the Italian company management met with the trade unions. National and Territorial of FIM-FIOM-UILM and UGL-FISMIC with the relevant RSU to represent the performance of the Italian Company and the Group, as provided for in Article 9 Sec. I of the current sectoral CCNL.
Also in July, the Agreement Minutes were signed relating to:
• the finalisation of the performance bonus for the financial year 2022;
• the definition of the Performance Bonus objectives for the 2023 fiscal year, with the articulation of the benchmarks of Profitability, Effectiveness and Quality.
In June 2023, the National Trade Unions of FIM-FIOM-UILM and UGL-FISMIC formalised three different Platforms relating to the renewal of the Company Integrative Contract, and discussion tables were started, which continued in January, February and March 2024. The outline of the negotiation envisaged that for each topic meeting minutes would be signed and that each of them would then be merged into the final Agreement Minutes which - at the end of the negotiation - would have determined the actual effectiveness of everything signed up to that point. The meeting to ratify all the minutes, by signing the single agreement minutes, was held at the Unione degli Industriali di Napoli in April 2024.
The topics discussed during the meetings covered a variety of issues, such as, for example: the Performance Bonus and Welfare (January 2024); Workers' Compensation and Travel Allowances (February 2024); items related to Innovation, ESG (Environmental, social, and governance) and DEI (Diversity, Equity & Inclusion) issues, the agreed procedure for the prevention of collective disputes, a renewed and more flexible Smart Working and the Procurement regulation (March 2024).

8.1 The STS Group and the Parent Company

The Hitachi Rail STS Group is active worldwide in the design, construction and operation of transport and signalling systems for freight and passenger railways and underground railways, as well as the design, construction, repair, rehabilitation, marketing and leasing of railway vehicles in general. The Group operates as a Main Contractor and supplier of turnkey systems worldwide. Under the direction and coordination of its Ultimate Parent Company Hitachi Ltd., Hitachi Rail STS S.p.A. also provides industrial and strategic direction and control, coordinating the activities of its operating subsidiaries (together, the “Hitachi Rail STS Group” or the “Group”).
Hitachi Rail STS S.p.A. is a joint-stock company with registered office in Naples, Via Argine 425 and a secondary office in Genoa, Via Paolo Mantovani 3/5, with share capital equal to EUR 100,000,000.00, fully subscribed and paid-up, represented by 200,000,000 ordinary shares with a nominal value of EUR 0.50 each, entirely held by Hitachi Rail Limited, sole shareholder and English registered shareholder of the Company from 31 October 2019.
For further information on the Company’s Corporate Governance and ownership structure, please refer to the specific paragraph in the Report on Operations.
In addition, as with the previous year, the company decided to prepare both the separate financial statements of the parent company Hitachi Rail STS S.p.A. and the consolidated financial statements of the Group in the same file. Therefore, in the present document, the term financial statements will refer both to the consolidated financial statements of the Hitachi Rail STS Group and to the separate financial statements of the parent company Hitachi Rail STS S.p.A., unless specified otherwise.

The main governance positions of the Company, as at 31 March 2024, are as follows:
- Chairman of the Board of Directors: Mr Maurizio Manfellotto;
- Deputy Chairman of the Board of Directors and Legal Representative: Mr Alberto de Benedictis;
- Managing Director and Legal Representative: Dr Luca D’Aquila,
- Board members: Mr Andrea Pepi and Mr Ulderigo Zona.

During the reporting period, the Company continued with the organisational integration between the different business lines to ensure a unified management of the business across the multiple companies of the Hitachi Group operating in the Railway sector.
In addition, as part of the planned acquisition by Hitachi Rail Ltd - a company that directly holds all of the Company’s shares - of the Ground Transportation Systems branch of Thales S.A., and in the face of rulings by the European and British Antitrust Authorities, the Company initiated, as a necessary remedy, a process of divestment of certain assets of its subsidiaries and, in particular, of the mainline signalling business in France, Germany and the United Kingdom. The scope of the divestment in question provides in particular for the transfer to the acquiring company of the company Hitachi Rail STS France S.A.S., with the exception of the CBTC (Communication-based Train Control) business conducted by the same, of the company Hitachi Rail STS GMBH (Germany) and only the ‘Mainline Signalling business’ of the company Hitachi Rail Limited (United Kingdom), the latter area of operations not falling within the Hitachi Rail STS scope.
For changes relating to equity investments held by the Company, please refer to the notes to the Consolidated Financial Statements as at 31 March 2024 (section 16.4 investments in equity investments).
It should be noted that the Shareholders’ Meeting of the Company, held on 28 July 2021, after having determined the number of Directors at five, appointed the new Board of Directors of the Company for the financial years 2021-2023, i.e. until the approval of the Financial Statements as at 31 March 2024. In particular, the Shareholders’ Meeting appointed the Directors of Hitachi Rail STS S.p.A. currently in office, namely: Maurizio Manfellotto (Chairman), Mr Alberto de Benedictis, Mr Luca D’Aquila, Mr Andrea Pepi and Mr Ulderigo Zona. On the same date, the Board of Directors appointed Mr Luca D’Aquila as Chief Executive Officer and also appointed Mr Alberto de Benedictis as Deputy Chairman of the Company. Therefore, the members of the Board of Directors will be renewed at the Shareholders’ Meeting to approve the Financial Statements as at 31 March 2024.

With regard to the current structure of the Supervisory Body, the current members are Mr Raimondo Premonte (Chairman), Mr Andrea Niccolai and Mr Sergio Paolini, the latter as internal member. The members of the Supervisory Body thus appointed will remain in office for a three-year period and therefore until the approval of the financial statements as at 31 March 2025.
For more details, please refer to section 4, “Significant Transactions during the Year and Transactions Occurring After the Closing Date of 31 March 2024”.

8.2 Subsidiaries

Below is the structure of the direct subsidiaries and wholly-owned subsidiaries of Hitachi Rail STS S.p.A. as at 31 March 2024, with the relative Country Representatives:

- Hitachi Rail Espana S.L.U: Chief Executive Officer Roberto Vitali;
- Hitachi Rail Ontario Holdings Inc.: Country Representative Joseph R. Pozza;
- Hitachi Rail STS Australia Pty Ltd: Country Representative Sarfaraz Samnakay;
- Hitachi Rail STS Deutschland GmbH*: Country Representative Alessandro De Grazia;
- Hitachi Rail STS France S.A.S.*: Country Representative Gilles Pascault;
- Hitachi Rail STS Hurontario Holdings Inc.: Country Representative Joseph R. Pozza;
- Hitachi Rail STS Railway Signalling Technology (Beijing) Company Limited: Executive Director and Legal Representative Ito Kunihiko;
- Hitachi Rail STS Sweden AB: Country Representative Ulf Hammarbäck;
- Hitachi Rail STS USA Inc.: Country Representative Joseph R. Pozza;
- Hitachi Rail Systems France S.A.S.: Country Representative Francois Destribois;

* Subsidiaries falling within the scope of the above-mentioned remedy imposed by the European and British Antitrust Authorities and involving the transfer of the company Hitachi Rail STS France S.A.S., except for the CBTC (Communication-based Train Control) business and the company Hitachi Rail STS GMBH (Germany).

8.3 Headcount at 31 March 2024

The Group's headcount as at 31 March 2024 stood at 8,485, compared to 8,047 as at 31 March 2023, an increase of 438 resources or 5.4%. The Group's average headcount was 8,223 compared to the previous year's figure of 7,793. The distribution of the workforce as at 31 March 2024 is shown below:

Company	**mar-2024**	mar-2023
Hitachi Rail STS SpA	5,125	4,978
Vehicles	*2,609*	*2,527*
Rail Control	*2,516*	*2,451*
Hitachi Rail STS France	644	650
Hitachi Rail STS APAC Group SubCo	941	940
Hitachi Rail STS USA / Canada	1,094	1,085
Rail Control	*1002*	*993*
Vehicles	*92*	*92*
Hitachi Rail STS Sweden	69	66
Hitachi Rail STS China	70	72
Hitachi Rail STS Deutschland GMBH	18	14
Hitachi Rail Espana, S.L.U.	280	242
Hitachi Rail Arabia Limited	244	-
TOTAL	**8,485**	**8,047**

8.4 Incentive Plans

The Group had developed and regulated:

- a cash long-term incentive plan (Hitachi Rail Global Executive 2021-2023);
- a cash long-term incentive plan (Hitachi Rail Global Executive 2022-2024);
- a long-term cash incentive plan (Hitachi Rail Global Executive 2023-2025);
- a long-term cash incentive plan (Hitachi Rail Long Term Bonus 2022);
- a long-term cash incentive plan (Hitachi Rail Long Term Incentive Plan 2023);

These plans are part of a complex structure of short-, medium- and long-term variable incentive schemes and represent a significant element of the overall remuneration of the Group's management.
They are structured in such a way as to link significant portions of the remuneration of managers to the achievement and improvement of economic/financial parameters, as well as to strategic objectives particularly relevant to value creation.

Hitachi Rail Global Executive Cash Plan 2021-2023

The most senior executives are included in the cash rolling Long Term Incentive Global Executive plan centrally managed by the Hitachi parent company.
The following four performance objectives of the RSBU have been identified for said plan:
Orders, Revenues, Adjusted EBITA and Cash Flow from operations.
Each of the targets mentioned above has a relative weight of 25%; at the beginning of the first year of the plan's life, the relevant target values are defined and communicated to the participants, while the payment of the accrued sums is scheduled for July following the end of the relevant financial year.
Due to the results accrued in the fiscal year 2021, participants will receive, under the overperformance and adjustment system provided for in the regulation, approximately 111% of their allocated share in each of the 3 years of the plan's life.

Hitachi Rail Global Executive 2022-2024 Cash Plan

The following four performance objectives of the RSBU have been identified for said plan:
Orders, Revenues, *SG&A Ratio, Adjusted Op. Income*.
Each of the targets mentioned above has a relative weight of 25%; at the beginning of the first year of the plan's life, the relevant target values are defined and communicated to the participants, while the payment of the accrued sums is scheduled for July following the end of the relevant financial year.
Following the results accrued in the fiscal year 2022, participants will receive, for each of the three years of the plan's life, approximately 184% of their allocated share.

Hitachi Rail Global Executive Cash Plan 2023-2025

The following four performance objectives of the RSBU have been identified for said plan:
Orders, Revenues, *SG&A Ratio, Adjusted Op. Income*.
Each of the targets mentioned above has a relative weight of 25%; at the beginning of the first year of the plan's life, the relevant target values are defined and communicated to the participants, while the payment of the accrued sums is scheduled for July following the end of the relevant financial year.
Following the results accrued in the fiscal year 2023, participants will receive, for each of the three years of the plan's life, approximately 157% of their allocated share.

Hitachi Rail 2022 Long Term Bonus cash plan

For the fiscal year 2022, a selected number of Executives and Managers was included in the 2022 Long Term Bonus plan. The following four performance objectives of the RSBU have been identified for said plan: Orders, Revenue, SG&A Ratio, Adjusted Op. Income.
Each of the above-mentioned objectives has a relative weighting of 25%; the disbursement of the amounts accrued is scheduled for a 20% share in December 2023, for a 30% share in December 2024, and for the remaining 50% share in December 2025.
Following the results accrued in the fiscal year 2022, participants will receive overall 100% of their allocated share.

Cash plan Hitachi Rail Long Term Incentive Plan 2023

For the fiscal year 2023, a selected number of Executives and Managers was included in the 2023 Long Term Incentive Plan. The following four performance objectives of the RSBU have been identified for said plan:
Orders, Revenues, *SG&A Ratio, Adjusted Op. Income*.
Each of the above-mentioned objectives has a relative weighting of 25%; the disbursement of the amounts accrued is scheduled for a 20% share in December 2024, for a 30% share in December 2025, and for the remaining 50% share in December 2026.
Following the results accrued in the fiscal year 2023, participants will receive overall 100% of their allocated share.

9. Litigation

1. Metro C Società Consortile per Azioni v Roma Metropolitane S.r.l.
In 2007, the joint-stock consortium company Metro C, entrusted with the works, design and construction of the new 'C' line of the Rome Metro, notified the client Roma Metropolitane S.r.l. of an arbitration request for the award of higher compensation and longer timeframes due to delays in the validation of the executive project of T4 and T5 routes.
Pending the conclusion of the arbitration, a settlement committee was set up, which, at the end of 2011, proposed a draft agreement with rescheduling of the work timetable and reformulation of the claims on a lump-sum and all-inclusive basis, in the amount of EUR 230 million. In December 2012, the CIPE resolved to allocate to Roma Metropolitane the amounts needed to finance the Settlement Agreement between Roma Metropolitane and Metro C. However, instead of implementing the Settlement Agreement provisions, the newly-installed City Council called its contents into question. The situation became more tense and Metro C was forced to suspend/slow down the work, given the enormous financial difficulties produced by the persistent failure to pay.
In September 2013, Roma Metropolitane and Metro C signed "the Implementation Act of CIPE Resolution no. 127 of 11 December 2012 and consequent adjustment of the Contract of 12 October 2006" that established, among other things, the redetermination of the terms for the completion of the functional phases following the variants occurred during the works, the recognition to Metro C of the amount of EUR 230 million and an additional EUR 90 million as charges of General Contractor plus VAT, for the additional costs claimed, the exclusion of any acknowledgement relating to further reserves, the waiver by Metro C of all reserves entered as at the date of the Deed and the waiver by Roma Metropolitane of the appeal against the partial award.
In January 2014, due to the non-payment of the amounts certified and invoiced under the Implementation Act, mainly the portion of the charges of General Contractor, Metro C was forced to notify an Injunction Decree which Roma Metropolitane intended to oppose, asking to be authorised to call the Lenders to join as third parties, which the presiding Judge granted.
In a subsequent phase, Roma Metropolitane arranged the partial payment of the total amounts due to Metro C which consequently, against the amounts invoiced, continued to claim a residual receivable of EUR 71.5 million, plus interest on arrears.
In 2018, the Court of Rome revoked the Injunction Decree, rejecting the request for payment; In January 2019, Metro C filed an appeal against the aforementioned first instance ruling. Currently, the case has been postponed June 2024, subject to the possibility of a subsequent application for a stay of proceedings.
In addition to the foregoing matter, at the end of 2015, given the persistent non-payment of the instalment relating to the Implementation Act, to which were gradually added amounts invoiced for works duly executed and certified, Metro C sued Roma Metropolitane S.r.l. and the Municipality of Rome Capital, contesting a series of defaults with reference to the period September 2013 - October 2015, and requesting the payment of sums under various titles including liquid and collectable credits for a total amount of approximately EUR 350 million. In a partial judgment published in November 2019, the College, accepting Metro C's defence arguments, rejected all the preliminary and preliminary objections raised by Roma Metropolitane and the Municipality of Rome. The Court therefore ordered the continuation of the proceedings and currently the decision has been deferred by the judge, who assigned the parties the deadline for the filing of final statements.

In May 2019, a specific writ of summons was served on Roma Metropolitane and on Roma Capitale, to demand compensation for the malicious acts of the customer planned to cause unjust damage to the General Contractor. With this Summons, Metro C claimed an amount for damages incurred by way of financial charges and prevention from reinvesting the sums due, as well as the amount subject to the arbitrary restitution claims of Roma Metropolitane on the new prices agreed and paid for the works.
In January 2023, the court declared the withholdings made by Roma Metropolitane on the new prices unlawful and rejected the claim for damages.

During the course of the year, the parties entered into negotiations to try to reach a satisfactory overall agreement that would allow work to continue smoothly and subsequent supplementary acts to be signed.

The judicial authority intervened for analyses and the acquisition of documentation as part of the investigations initiated in relation to the construction of Line C of the Rome Metro, in particular in the relationships between the company and the client relating to the use of the system of reserves and the associated settlement agreements.

2. Hitachi Rail STS S.p.A. - Metro C S.c.p.A.
In December 2014, the procedure to form the arbitration panel for the dispute introduced by Hitachi Rail STS S.p.A. versus Metro C S.p.A. commenced. It involved the company's request for greater expenses and extra costs (for delays in the delivery of areas, archaeological finds and requests for variations from the customer) incurred due to delays which led to longer times to complete the contracts for the system engineering, construction of the sub systems for the automated train controls and on-board communications.
The panel issued definitive awards at the end of April 2019, ordering Metro C to pay the company the higher charges, compensating legal and running costs of the panel and the court-appointed expert witness. In May 2019, STS filed an application for the correction of material errors in the ATC – TLC award, which Metro C opposed. The panel ruled that the required corrections do not need to be made, confirming the awards issued. On the one hand, Hitachi asked for and obtained from the Court of Rome the decree of exequatur of the arbitration awards, and, on the other hand, Metro C challenged the awards before the Court of Appeal of Rome.
During the year, the parties resumed negotiations and in December 2023 reached a final settlement by signing a specific transaction. The dispute can therefore be declared closed.

3. Hitachi Rail STS S.p.A. - Palazzina Riviera di Chiaia building collapse
The Company is involved in the criminal proceeding following the accident on 4 March 2013 where a building located in Via Riviera di Chiaia 72, Naples, partially collapsed, allegedly due to the works underway to construct the Arco Mirelli station for Line 6 of the Naples metro. In this project, the Company is the operator appointed by the Naples Municipal Authority. The alleged offences were those claimed when the case was recorded on the crime notification register, i.e. those under Articles 676 and 434 of the Criminal Code, respectively: “Destruction of buildings or other constructions” and “Collapse of buildings or other malicious disasters”. In 2015 and up to the first hearing before the GUP, the defendants of the Company were called for spontaneous questioning. Based on the results of this questioning and the findings of the preliminary investigations, two employees were committed for trial, while the motion to dismiss the case for a third employee was pending. During the preliminary hearing of June 2015, certain third parties joined the proceeding as civil parties seeking damages, including the Naples municipality. The Judge for the Preliminary Hearing set another hearing for December 2015, during which the Company was held liable for compensation of pecuniary and moral damage to the civil parties. Following the request for the exclusion of the Company as the civilly liable party and the integration of the notices to the civil parties, a series of scheduled hearings were held for the relative measures, as a result of which the exclusion of the Company as the civilly liable party was declared and the requests for the admission of the requested evidence were handled. After the examination of the CTUs appointed in the initial phase of the proceedings, the trial phase took place during 2018, with hearings scheduled until December, and the questioning of the indicted persons took place. Two defendants (one of whom is no longer on the payroll) remained in the case, as the third was dismissed after the Court of Cassation rejected the appeal lodged by a party that had filed a civil suit. Once this procedural phase was completed with the questioning of the defendants, the phase of the examination of the witnesses and advisors of the defendants began at the beginning of 2019. At the hearing in December 2023, the judge pronounced the sentence, sentencing the two defendants to two years' imprisonment with suspension, and sentenced them, jointly and severally with the other convicted defendants, to pay damages - to be settled separately - in addition to the payment of the defence fees and expenses specifically indicated in the amount for each of the civil parties' lawyers. The filing of the grounds from which the time limit for lodging an appeal will begin is pending.
On the other hand, as regards the civil legal proceedings related to the building collapse, it should be noted that, following the signing in December 2022 of the settlement agreement with the insurance companies Generali and Zurich, all financial obligations related to the pending civil proceedings both in first instance and on appeal, and all financial obligations relating to summons for damages by third parties, are entirely borne by the same companies Generali and Zurich.

4. Arbitration Consortium Hitachi Rail STS v/Alstom - Société Nationale des Chemins de Fer Tunisiens
In May 2014, the arbitration panel was constituted regarding the dispute between the consortium *Hitachi Rail STS S.p.A (STS) - Alstom, against the Société Nationale des Chemins de Fer Tunisiens (SNCFT*), inherent to the claim for compensation for higher charges and extra costs incurred by the consortium in respect of technical variants and additional works requested by the client in the execution of the activities for the technological modernisation of the *Tunis Ville* and *Borj Cédria* railway line. The Parties have duly constituted the arbitration panel, which adjudicates according to the procedural rules of the International Chamber of Commerce (ICC) and

under French substantive law. The arbitration panel issued its final award in September 2016 in favour of the Consortium; with reference to the party STS, sums were recognised for damages due to delays and variations in the amount of roughly EUR 2.5 million, plus interest, outstanding invoices and legal costs. In December 2017, SNCFT filed an appeal for annulment of the arbitration award, instigating the related proceedings before the Paris Court of Appeal. STS and Alstom filed their respective briefs in May 2018. At the end of 2019, the Paris Court of Appeal rejected SNCFT's appeal.
The Client appealed to the local judicial authorities for appropriate action against the Company in opposition to the orders issued by the Paris authorities for the alleged submission by the Consortium Companies of false documents (i.e. declarations and certificates produced in the arbitration proceedings). Believing the entire investigation procedure to be flawed, no one attended the hearing called by the investigating judge during the year. The Court of First Instance of Tunis, in a public verdict, sentenced in absentia both the employee of Hitachi Rail STS S.p.A. and the employee of Alstom Transport S.A. to two years' imprisonment, rejecting SNCFT's civil compensation claims. The ruling is not yet available for the consideration of consequential actions.

ATM procedure
Concerning the tender launched by the ATM company in Milan for the construction of the new CBTC signalling system of the Milan Metro Line 2, it is announced that criminal proceedings were initiated in July 2020 against, among others: (i) Hitachi; (ii) a current Manager of Hitachi; (iii) and a former Hitachi sales manager, who, from November 2019, no longer works with the company.
The criminal proceedings above concern, among other things allegations of bid-rigging and corruption occurring in the context of certain tender procedures organised by ATM (including the one mentioned above).
Hitachi was involved in the proceedings as an entity subject to liability assessment administrative liability of entities under Legislative Decree No. 231/2001 concerning the bribery hypothesis challenged to natural persons traceable to the company.
In relation to the corruption case, the Public Prosecutor removed from the original proceedings the positions of the natural persons indicated above attributable to Hitachi and, consequently, that of the Company itself (involved pursuant to Italian Legislative Decree no. 231 of 2001) in order to request and order their archiving, which took place in July and December 2022 respectively.
In relation to the bid-rigging hypothesis, with particular reference to the current manager of Hitachi, the Public Prosecutor indicted him in June 2023 and the trial at first instance is ongoing.
With regard to the aforementioned contract under investigation, it should be noted in any case that Hitachi did not submit any offer to ATM, and therefore did not participate in the related tender.
Furthermore, it should be noted that the pending criminal proceedings indicated above against the current Manager is not relevant for the purposes of the application of art. 80, paragraph 1, of Italian Legislative Decree 50/2016 - whose effectiveness, moreover, is limited to cases where a definitive conviction or a conviction decree has become irrevocable or, also, a judgement imposing the requested penalty pursuant to art. 444 of the Italian Code of Penal Procedure - and therefore cannot constitute grounds for exclusion. Similarly, it is believed that the proceedings in question cannot in any way impact - by questioning it or jeopardising it - on Hitachi's reliability and integrity and, therefore, cannot be relevant even for the purposes of the application of art. 80, paragraph 5, letter c) and c bis) of the aforementioned Italian Legislative Decree 50/2016. It should be noted that the indictment request and the consequent pending preliminary hearing do not concern Hitachi as a legal person and that with respect to the latter, a decree of dismissal has been issued for the offence originally raised against it.
In addition to what stated above, it should be noted that, in relation to the above procedure, Hitachi Rail STS SpA promptly and constantly implemented further improvements to its internal processes with a view to self-cleaning by adopting a new Organisational Model pursuant to Italian Legislative Decree 231/2001 and implementing new procedures that are subject to continuous monitoring.

Other small claims
The Group has also allocated provisions for risks in the financial statements to cover potential liabilities deriving from pending legal disputes relating to labour and non-labour disputes. For more Details on the provisions made can be found in Note 24.16. At the date, it is considered that the sums set aside in the provision for risks and charges are, in the aggregate, of an amount adequate to meet the estimated charges to be borne and deemed probable.

10. Corporate governance and ownership structure of the company

Hitachi Rail STS S.p.A. is a joint-stock company with registered office in Naples, Via Argine 425 and a secondary office in Genoa, Via Paolo Mantovani 3/5, with share capital equal to EUR 100,000,000.00, fully subscribed and paid-up, represented by 200,000,000 ordinary shares with a nominal value of EUR 0.50 each, fully owned by Hitachi Rail Limited, the sole shareholder of the Company.
Hitachi Ltd. administers and coordinates the activities of Hitachi Rail STS S.p.A. pursuant to Article 2497 et seq. of the Italian Civil Code.
With regard to the structure and composition of the Board of Directors, it should be noted that the Shareholders' Meeting of the Company, held on 28 July 2021, after having determined the number of Directors at five, appointed the new Board of Directors of the Company for the financial years 2021-2023, i.e. until the approval of the Financial Statements as at 31 March 2024. In particular, the Shareholders' Meeting appointed the Directors of Hitachi Rail STS S.p.A. currently in office, namely: Maurizio Manfellotto (Chairman), Mr Alberto de Benedictis, Mr Luca D'Aquila, Mr Andrea Pepi and Mr Ulderigo Zona. On the same date, the Board of Directors appointed Mr Luca D'Aquila as Chief Executive Officer and also appointed Mr Alberto de Benedictis as Deputy Chairman of the Company. On 13 October 2021, the Board of Directors appointed as the new Secretary of the Board of Director Mr Sergio Paolini as the new Secretary of the Board of Directors for the financial years 2021, 2022 and 2023, i.e. until the approval of the Financial Statements as of 31 March 2024.
The Board of Statutory Auditors of the Company, appointed by the Shareholders' Meeting of 17 July 2023, is composed of: Alessandra Stabilini (Chair), Paolo Nagar (Standing Auditor), Umberto La Commara (Standing Auditor) and by Alternate Auditors Monica Valentino and Roberto Cacciaglia.
The firm appointed to audit the statutory and consolidated financial statements for the fiscal years 2022, 2023 and 2024 and thus until approval of the financial statements as at 31 March 2025 is Ernst & Young.
The Supervisory Body pursuant to Italian Legislative Decree No. 231/2001 consists of Raimondo Premonte (Chairman), Andrea Niccolai and Sergio Paolini, the latter as internal member. The members of the Supervisory Body thus appointed will remain in office for a three-year period and therefore until the approval of the financial statements as at 31 March 2025.
On 21 March 2023, the Company's Board of Directors ratified the approval of a new, uniform Code of Ethics and Business Conduct for all companies of the Hitachi group.
Concerning the Company's Internal Audit function, the Board of Directors of 28 July 2017 resolved to appoint Mr Andrea Crespi as the Head of the Internal Audit function, from 1 October 2017.

The main governance tools the Company has adopted are outlined below:

- Statute;
- Code of Ethics and Business Conduct of the Hitachi Group;
- Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01;
- Whistleblowing Policy & Speak-Up Policy
- Anti-Money Laundering Policy
- Books & Records Policy
- Privacy Policy
- Anti-Bribery & Anti-Corruption Policy Export and Trade Compliance Policy

11. Outlook

The Parent Company Hitachi Ltd has a simplified structure consisting of three business sectors; *Green Energy & Mobility (GEM), Digital Systems & Services (DSS) and Connective Industries (CI)*.
The Rail Group is part of the sector called "*Green Energy and Mobility*" (GEM); it is called upon to contribute to Hitachi's "green business" and the realisation of a sustainable zero-emission society, in synergy with the three business units of the *Green Power* sector.
In the GEM sector, there are four Business Units: *Power Grids, Nuclear Energy, Hitachi Power Solutions and Railway Systems*.
The Rail Group is one of Hitachi's global organisations with a presence in multiple regions and will play a key role in the growth of the Hitachi Group.
The railway sector experienced a positive year; acquisition of orders and results in the delivery of the main projects.
The year 2024 sees the crucial challenge of integrating Thales GTS, which will be a major objective. It is crucial, however, not to lose sight of the completion of ongoing programmes. The Rail Group wants to become the market leader in rail control: the task is to make the most of this market position to ensure the continued growth of the industry.
Overall, the sector is considered to be in an important position with the support of decarbonisation, the promotion of connectivity with electricity grids, green energy and the transition from individual to public transport.
Safety and compliance remain the top priority.
However, the fiscal year 2024 will continue to be characterised by the development of activities and revenues related to the portfolio projects acquired in recent years.

12. Proposal to shareholders' meeting

Shareholders,

We submit the financial statements for your approval for the year ended 31 March 2024.

The financial statements of Hitachi Rail STS SpA closed with a net profit of EUR 174,017,891.04.

You are also reminded that, pursuant to Art. 2433 of the Italian Civil Code, the shareholders' meeting is required to resolve on allocation of the profit for the year resulting from the annual financial statements.

In this regard, we propose to distribute a dividend of EUR 174,000,000.00 and allocate the remainder of the net profit of EUR 17,891.04 to the retained earnings reserve.

No provision to the statutory reserve is planned, as it amounts to EUR 20,000,000.00, equal to 20% of the share capital, which represents the maximum amount provided for by Art. 2430 of the Italian Civil Code.

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Shareholders,

If you agree with the above proposal, we invite you to approve the following resolution:
"The Ordinary Shareholders' Meeting of Hitachi Rail STS S.p.A.
- *Having regard to the Report of the Board of Directors;*
- *Having regard to the Report of the Board of Statutory Auditors;*
- *seeing the financial statements as at 31 March 2024;*
- *Acknowledging the Report of the independent auditors EY S.p.A..*

decided

- to approve the Report on Operations prepared by the Board of Directors and the Financial Statements for the year ended 31 March 2024, which closed with a net profit for the year of EUR 174,017,891.04
- considering that the legal reserve is equal to 20% of the share capital, as provided for by Article 2430 of the Italian Civil Code, to distribute to the sole Shareholder as a dividend part of the net profit for the year resulting from the financial statements as at 31 March 2024, which have just been approved, in the amount of EUR 174,000,000.00;
- to allocate the remaining part of the net profit for the year for EUR 17,891.04 to the item "Retained earnings";
- to pay the above amounts as from September 2024;
- to grant a mandate to the Board of Directors and, on its behalf, the Chair, the Vice Chair and the Chief Executive Officer so that the same, severally, including through special attorneys, with the broadest powers, without exception or exclusion, may proceed to the formalisation of all fulfilments and formalities related to the execution of this resolution."

Naples, 26 June 2024

For the Board of Directors
The Chair
Mr. Maurizio Manfellotto

Financial statements and notes to the Consolidated Financial Statements as at 31 March 2024

13. Consolidated Financial Statements

13.1 Consolidated income statement

(EUR/000)	Notes	31.03.2024	of which from related parties	31.03.2023	of which from related parties
Revenues from contracts with customers	17.2	**3,425,885**	319,573	2,999,117	222,496
Other operating revenues	17.3	**34,507**	10,251	54,906	11,548
Costs for purchases	17.4	**(1,095,433)**	(18,541)	(978,937)	(28,294)
Costs for services	17.4	**(1,348,811)**	(223,567)	(1,156,867)	(214,766)
Personnel costs	17.5	**(707,385)**	5,467	(662,447)	2,195
Amortisation, depreciation and write-downs of financial assets	17.6	**(113,819)**	-	(87,419)	-
Other operating expenses	17.7	**(13,559)**		(36,454)	
Change in work in progress, semi-finished and finished products		**18,350**	-	16,202	-
(-) Internal work capitalised	17.8	**19,532**		30,303	
Operating financial income	17.9	**45,823**	9,255	73,817	300
Operating financial charges	17.9	**(78,797)**		(106,966)	(28)
Share of profits (losses) of equity-accounted investees	17.10	**18.832**	-	18,816	-
Operating earnings (EBIT)		**205,126**		**164,072**	**-**
Financial Income /Charges	17.9	**(9,782)**	(12,827)	(2,582)	(3,300)
Profit (loss) before tax		***195,344***		***161,489***	
Income tax	17.11	**(67,229)**		(53,946)	
Profit/(loss) from non-current assets destined for sale					
Net Profit (Loss)		**128,115**		**107,543**	
of which Group		128,093		107,544	
of which pertaining to Minority interests		22		(1)	

13.2 Consolidated statement of comprehensive income

(EUR/000)	**31.03.2024**	31.03.2023
Profit for the year	**128,115**	**107,543**
Items that will not be reclassified to profit or loss:		
- Actuarial gains (losses) on defined benefit plans	(1,380)	7,043
- Tax effect	175	(1,856)
	(1,205)	**5,187**
Items that will or may be reclassified to profit or loss:		
- Net change in fair value of cash flow hedges	(12,952)	18,145
- Translation adjustment	1,744	(833)
- Tax effect	2,880	(4,431)
	(8,328)	**12,881**
Other Comprehensive Income, net of tax effect	**(9,533)**	**18,068**
Total comprehensive income for the period	**118,582**	**125,611**
Attributable to:		
- Group	118,560	125,612
- Minority interests	22	(1)

13.3 Consolidated statement of assets and financial position

(EUR/000)	Notes	31.03.2024	of which from related parties	31.03.2023	of which from related parties
ASSETS					
Non-current assets					
Intangible assets	16,3	131,757		157,084	
Property, plant and equipment	16,4	373,768		371,749	
Equity investments	16,5	171,228		186,689	
Loans and Receivables	16,6	29,953	3,217	74,338	60,340
Deferred tax assets	16,10	64,729		79,218	
Other non-current assets	16,6	1,326		1,453	
		772,761		**870,532**	
Current assets					
Inventories	16,7	620,728		514,038	
Contract assets	16,8	1,231,106		1,280,945	
Trade receivables	16,9	1,223,185	184,046	1,062,758	113,316
Income tax receivables	16,10	62,082		41,464	
Loan assets	16,9	26,514		24,986	
Other current assets	16,11	177,102		190,283	
Cash and cash equivalents	16,12	409,050	102,631	354,655	168,250
		3,749,765		**3,469,129**	
Assets held for sale	16,1	170,214	-	-	-
Total assets		**4,692,740**		**4,339,661**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' Equity					
Share capital	16,13	100,000		100,000	-
Reserves	16,14-16,15	1,047,907		1,014,832	-
Equity attributable to the owners of the parent company		*1,147,907*		*1,114,832*	
Equity of Third Parties	*16,16*	-	-	*1*	-
Total shareholders' equity		**1,147,907**		**1,114,833**	
Non-current liabilities					
Non-current financial payables	16,17	21,635		21,468	
Employee benefits	16,19	31,878		44,769	
Deferred tax liabilities	16,10	13,085		11,955	
Other non-current liabilities	16,20	17,619	3,749	16,076	459
		84,217		**94,268**	
Current liabilities					
Contract liabilities	16,8	1,531,611		1,253,426	
Trade payables	16,21	1,441,595	79,558	1,439,179	99,493
Financial payables	16,17	17,845	-	87,823	1,752
Income taxes payable	16,10	41,291		14,288	
Provisions for risks and charges	16,18	95,997		113,009	
Other current liabilities	16,20	211,468	342	222,834	363
		3,339,808		**3,130,560**	
Liabilities held for sale	16,1	120,808			
Total liabilities		**3,544,833**		**3,224,828**	
Total Liabilities and Shareholders' Equity		**4,692,740**		**4,339,661**	

13.4 Consolidated cash flow statement

(EUR/000)	Notes	31.03.2024	of which from related parties	31.03.2023	of which from related parties
Cash flows from operating activities:					
Profit		128,115		107,543	
Share of profits (losses) of equity-accounted investees		(18,832)		(18,816)	
Income tax		67,229		53,946	
Italian post-employment and other employee benefits		3,668		3,394	
Gains (losses) on the sale of assets		(1,083)		52	
Net financial income/charges		(13,368)		25,629	
Amortisation, depreciation and write downs		103,873		83,908	
Changes in provisions for risks and charges		80		(982)	
Other operating income/charges		39,031		33,149	
Write-downs/write-ups of inventories and work in progress		(22,544)		22,559	
Gross cash flows from operating activities	**18**	**286,168**		**310,383**	
Inventories		(122,557)		(40,663)	
Contract assets/liabilities		347,582		1,060	
Trade receivables and payables		(173,999)	50,796	63,209	42,441
Changes in working capital	**18**	**51,025**		**23,606**	
Changes in other operating assets and liabilities	18	168,218	3,270	88,751	438
Net interest paid	18	(115,152)		(111,924)	
Income taxes paid	18	(61,869)		(70,151)	
Cash flows from (used in) operating activities		**328,391**		**240,665**	
Cash flows from investment activities:					
Investments in property, plant and equipment and intangible assets and others		(108,117)		(127,808)	
Disposal of property, plant and equipment and intangible assets and others		4,260		2,201	
Acquis./Cover. Equity invest. Net cash acq.		-		(2,191)	
Disposal of equity investments		26,133		-	
Dividends received		7,048		-	
Change in other non-current financial assets		-		-	
Other investments		65,496		18,128	
Strategic Investment Activities		-		-	
Change in scope of consolidation		(49,405)		-	
Cash flows from (used in) investment activities		**(54,585)**		**(109,670)**	
Cash flows from financing activities:					
Net change in other financing activities		(132,861)	(1,752)	(114,960)	(93,483)
Dividends paid		(85,000)		(165,000)	
Merger effect		-		-	
Cash flows used in financing activities		**(217,861)**		**(279,960)**	
Net increase (decrease) in cash and cash equivalents					
Translation difference		(1,551)		(5,582)	
Cash and cash equivalents as at 1 January		354,655		509,203	
Cash and cash equivalents at end of period		**409,050**		**354,655**	
HFS cash and cash equivalents		28,045		-	
Total cash and cash equivalents		**437,095**		**354,655**	

13.5 Statement of changes in consolidated shareholders' equity

The changes in shareholders' equity are detailed in the following table:

(EUR/000) Notes 16.13 to 16.15	Share capital	Retained Earnings and Consolidation Reserves	Cash Flow Hedge reserve	Translation reserve	Other reserves	Total Group Shareholders' Equity	Total equity pertaining to minority interests	Total Shareholders' equity
Net equity at 31 March 2022	**100,000**	**1,061,723**	**(24,950)**	**(6,608)**	**25,120**	**1,155,286**		**1,155,286**
Change in scope and equity-accounted investees	-	- 937	-	- 129	-	(1,067)	2	(1,065)
Other comprehensive income net of taxes (including companies at equity)	-	-	18,144	- 833	757	**18,068**	**-**	**18,068**
Allocation of the year's result to the legal reserve	-	-	-	-	-	**-**	**-**	**-**
Dividends	-	(165,000)	-	-	-	**(165,000)**	**-**	**(165,000)**
Net change in treasury shares	-	-	-	-	-	**-**	**-**	**-**
Other transactions	-	-	-	-	-	**-**	**-**	**-**
Profit (loss) as at 31 March 2023	-	107,544	-	-	-	**107,544**	**(1)**	**107,543**
Net equity as at 31 March 2023	**100,000**	**1,003,330**	**(6,805)**	**(7,570)**	**25,877**	**1,114,832**	**1**	**1,114,833**
Reclassification from/ to reserves	-	-	-	-	-	-	-	-
Change in scope and equity-accounted investees	-	(708)	-	224	-	**(484)**	**(23)**	**(507)**
Other comprehensive income net of taxes (including companies at equity)	-	-	(12,952)	1,744	1,675	**(9,533)**	**-**	**(9,533)**
Allocation of the year's result to the legal reserve	-	-	-	-	-	**-**	**-**	**-**
Dividends	-	(85,000)	-	-	-	**(85,000)**	**-**	**(85,000)**
Net change in treasury shares	-	-	-	-	-	**-**	**-**	**-**
Other transactions	-	-	-	-	-	**-**	**-**	**-**
Profit (Loss) as at 31 March 2024	-	128,093	-	-	-	**128,093**	**22**	**128,115**
Net equity as at 31 March 2024	**100,000**	**1,045,715**	**(19,757)**	**(5,602)**	**27,552**	**1,147,907**	**-**	**1,147,907**

14. Notes to the Consolidated financial statements as at 31 March 2024

14.1 General Information

The Hitachi Rail STS Group is active worldwide in the design, construction and operation of transport and signalling systems for freight and passenger railways and underground railways, as well as the design, construction, repair, rehabilitation, marketing and leasing of railway vehicles in general. The Group operates as a Main Contractor and supplier of turnkey systems worldwide. As the parent company, Hitachi Rail STS S.p.A. also provides industrial and strategic direction and control, coordinating the activities of its operating subsidiaries (together, the "Hitachi Rail STS Group" or the "Group").
The parent company Hitachi Rail STS S.p.A. is a joint-stock company with a registered office in Naples, Via Argine 425 and a secondary office in Genoa, Via Paolo Mantovani 3/5, with share capital equal to EUR 100,000,000.00, fully subscribed and paid-up, represented by no. 200,000,000 ordinary shares with a nominal value of EUR 0.50 each, entirely held by Hitachi Rail Limited, sole shareholder and English registered shareholder of the Company from 31 October 2019.
For further information on the Company's Corporate Governance and ownership structure, please refer to the specific paragraph in the Report on Operations.
In addition, as with the previous year, the company decided to prepare both the separate financial statements of the parent company Hitachi Rail STS SpA S.p.A. and the consolidated financial statements of the Group in the same file. Therefore, in the present document, the term financial statements will refer both to the consolidated financial statements of the Hitachi Rail STS Group and to the separate financial statements of the parent company Hitachi Rail STS SpA, unless specified otherwise.
The following names will be used without distinction in this document: HRSTS, STS or Hitachi Rail STS.

14.2 Basis of preparation

Under EC Regulation No. 1606/2002 of 19 July 2002, these financial statements as at 31 March 2022 have been prepared following International Accounting Standards IAS/IFRS (hereinafter IFRS-EU) endorsed by the European Commission, supplemented by the relevant interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Standard Interpretations Committee - IFRS IC) issued by the International Accounting Standard Board (IASB) and in force at the end of the financial year.
The general principle adopted in the preparation of these financial statements is that of historical cost, except for those balance sheet items which, according to IFRS-EU, are mandatorily recognised at fair value (where fair value means the price that would be received for the sale of an asset, or paid for the transfer of liability, in a regular transaction between market participants at the valuation date) or for which this measurement has been opted for, as indicated in the valuation criteria for the individual items.
The financial statements are formed of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement, the table of changes in consolidated shareholders' equity and the relative explanatory notes.
The Group has chosen, from the various options permitted by IAS 1, to present balance sheet items according to the current/non-current distinction (considering Current, Assets that are realised and Liabilities that are considered to be extinguished in the normal production cycle) and the income statement by classifying items by nature. The consolidated cash flow statement has been prepared using the indirect method. The income statement presents the Operating profit (EBIT), a significant indicator of the operating performance of the Group. EBIT: the unadjusted profit before income taxes and financial income and charges. EBIT also includes income and charges arising from the management of non-consolidated equity investments and securities, as well as the results of any disposals of consolidated equity investments, classified in the financial statements within "operating financial income and charges" or, for the results of equity investments accounted for using the equity method only, within "effects of valuation of equity investments using the equity method."

In line with the requirements of IFRS 7 and IAS 1 Presentation of financial statements, it is important to point out that Covid-19 also affects the accounting processes, introducing additional elements of uncertainty, especially regarding measurement aspects and supporting information. Further details of the accounting standards adopted are provided in paragraph 14.2.1.

Unless otherwise indicated, all values are displayed in EUR Thousand (EUR/000), as permitted by law.
The financial statements as at 31 March 2024 of the Hitachi Rail STS Group were approved by the Board of Directors on 15 June 2023, which authorised their dissemination within the terms and in the manner prescribed by current regulations.
These financial statements prepared following IFRS-EU have been audited by EY S.p.A.

14.2.1 Accounting standards adopted

Discretionary Valuations and Significant Accounting Estimates
The application of generally accepted accounting standards for the preparation of the financial statements and the interim accounting reports requires the company management to make accounting estimates based on complex and/or subjective opinions, estimates based on past experience and assumptions deemed reasonable and realistic on the basis of the information known at the moment of the estimate.
The use of these accounting estimates affect the values of assets and liabilities in the financial statements and information on potential assets and contingent liabilities at the date of the financial statements, as well as the amount of revenues and costs in the financial year in question. Actual results may differ from those estimated because of the uncertainties that characterise the assumptions and conditions on which estimates are based.

The following are the accounting standards and budget items that require more than others a higher subjectivity on the part of the Administrators in the preparation of estimates and for which a change in the underlying assumptions could have a significant impact on the financial statements:

Revenue Recognition and Measurement of Contract Assets and Liabilities
The processes and methods of recognising revenues and measuring contractual assets and liabilities on long-term contracts are based on an estimate of the revenues and costs throughout the entire lifetime of multi-year projects, which are influenced by major evaluations that, due to their nature, require a judgement call on the part of directors, particularly for the estimate of costs to complete each project included in the risks and contractual penalties estimate, where applicable, assessment of changes to the contract planned or being negotiated and any changes in the estimate compared with the previous year.
The Group operates in a business that typically involves complex contractual arrangements, which are recognised in the financial statements using the percentage-of-completion method. Revenues and the associated margins are recognised on the income statement based on the progress of the contract and the margins that will be recognised on the entire work on completion: the company fulfils its "performance obligation" over time and measures the progress made through an input-based method, i.e., the costs incurred to satisfy the aforementioned obligation. For the purposes of correctly recognising work in progress and revenue related to projects yet to be completed, management is required to make an accurate estimate of costs to finish, expected increases and delays, additional costs and penalties which could have an impact on both the expected margin and the work in progress and, consequently, on project revenues. Another aspect to consider in measuring the value of contractual activities is requests for additional sums (so-called claims or change orders), compared with the contractually agreed ones, if they are basically approved by the customer in the subject and/or in the price.
More specifically, the process of estimating the costs to finish involves estimates of the cost of materials, the number of hours to be spent on the execution of the contractually planned works, the financial charges incurred to cover guarantees issued by financial institutions, and the possible outcome of disputes with the contractual counterparty, partners and suppliers. The measurement of work in progress considers the estimation of the possible impacts arising from disputes with customers; in cases where there are disputes with a risk of probable future liabilities, management sets aside specific work in progress provisions. To better support management estimates, the Group has adopted contract risk management and analysis schemes aimed at identifying, monitoring and quantifying the risks related to the performance of such contracts. The values entered in the financial statements represent the best estimate at the date of preparation of the financial statements made by management, with the aid of the aforementioned procedural aids.
It should be noted that there are no significant financing components in the contracts signed by the Group companies, obligations regarding reimbursements and other types of guarantees, other than those provided and reported in paragraphs 16.22 and 24.20.

Bad debt provisions:
iThe Group has analysis procedures for some types of receivables excluded from the application of the simplified model above, aiming to identify, monitor and quantify the risks of the counterparty in order to correctly reflect them in the bad debt provision, which therefore represents the best estimate at the time of preparation of the financial statements. Refer to the paragraph "Credit risk management" for further information.

Impairment of assets:
Group assets are subject to impairment tests on at least an annual basis if they have an indefinite life or more often if there are indicators of impairment. Similarly, impairment tests are conducted on all assets with indications of impairment, even if the depreciation process has already begun. The impairment tests are generally conducted using the discounted cash flow method. This methodology is, however, highly sensitive to the assumptions contained in the estimated future cash flows and interest rates used.

For these valuations, the Group uses the plans approved by the corporate bodies and financial parameters in line with those resulting from the current trend of the reference markets. Expected cash flows may be quantified in light of the information available at the moment of the estimate, on the basis of subjective judgements regarding the future performance of variables such as prices, costs, demand growth rates and production profiles, and are discounted using a rate that takes into account the risk inherent in the asset concerned.
It should be noted that, regarding the financial year ending 31 March 2024, no impairment indicators have been identified that would determine the need to perform an impairment test regarding the assets described above.

Hedging of long-term contracts against exchange rate risk:
In order to hedge exposure to changes in flows of collections and payments associated with long-term construction contracts denominated in currencies other than the functional currency, the Group uses specific hedges for the expected individual cash flows from the contracts. The hedges are entered into at the moment the contracts are finalised. Generally, exchange rate risk is neutralised using so-called plain vanilla (forward) instruments.
In all cases where the hedge is ineffective, changes in fair value of such instruments are immediately recognised in the income statement as financial items. In contrast, the underlying is valued as if it were not hedged, affected by changes in the exchange rate. The effects of this accounting treatment are described in the section on “financial income and charges”. Hedges which fall under the first case are recognised as cash flow hedges, considering the premium or the discount as the ineffective part in the case of forwards, or time value in the case of options. The ineffective part is recognised under financial items.

Taxes:
Current taxes for the year are calculated on the basis of estimated taxable income and the tax rates in force at the reporting date. As described above, deferred tax assets are recognised if their recovery is deemed probable; this probability depends on the effective existence of taxable income in the future, which can be used to offset the deductible temporary differences, the determination of which requires conducting a significant estimation process. Budget results and plans consistent with those used for the impairment tests have been taken into account in determining future taxable income, also because deferred tax assets refer to temporary differences/tax losses that may be recovered over a long time horizon, thus hypothetically also beyond the time horizon implied in the plans mentioned above.

Determining the implicit interest rate for leasing contracts
When the interest rate implicit in the lease cannot be easily determined, IFRS 16 provides for the use of an incremental borrowing rate at the date of effectiveness of the lease to calculate the present value of the payments due for the lease. This rate corresponds with the one the lessee must pay for a loan, with a similar duration and guarantees, needed to obtain an asset of a similar value to the asset consisting of the right of use in a similar economic context. In the absence of observable inputs, and taking account of the fact that STS does not have any bank loans, the Group decided to use the incremental borrowing rate determined by the parent company Hitachi Ltd.
In particular, the latter is equal, except for the rates for China, Malaysia and India, to the average yield of bonds issued and outstanding in the same sector and with the same rating as the parent company Hitachi Ltd. The rate used for China is published by the People’s Bank of China (excluding Hong Kong and Taiwan). Malaysian and Indian rates, on the other hand, are equal to the average yield on bonds issued and in circulation in the same sector obtained by Bloomberg, but due to the limited number of available market data, rates include B, BB or BBB ratings.

Methodology and consolidation area

These financial statements of the Hitachi Rail STS Group as at 31 March 2024 include the financial statements of the companies/entities included in the scope of consolidation (hereinafter referred to as “consolidated entities”) prepared following *IFRS - EU* accounting standards. Listed below are the entities included in the consolidation area and the relative percentages of direct or indirect ownership by the Group:

List of companies consolidated on a line-by-line basis

Company Name	Direct/ indirect control	Registered office	Share/ quota capital (/000)	Currency	% Share Held
HITACHI RAIL STS AUSTRALIA PTY LTD	Direct	Eagle Farm (Australia)	38,151	AUD	100
HITACHI RAIL STS SWEDEN AB	Direct	Solna (Sweden)	4,000	SEK	100
HITACHI RAIL ESPANA S.L.U.	Direct	Madrid (Spain)	3	EURO	100
HITACHI RAIL STS HONG KONG LTD	Indirect	Hong Kong (China)	100	HKD	100
HITACHI RAIL STS FRANCE S.A.S.	Direct	Les Ulis (France)	5,000	EURO	100
HITACHI RAIL SYSTEMS FRANCE SAS	Direct	Paris (France)	100	EURO	100
UNION SWITCH & SIGNAL INC	Indirect	Wilmington (Delaware USA)	1	USD	100
HITACHI RAIL STS MALAYSIA SDN BHD	Indirect	Petaling Jaya (Malaysia)	3,000	MYR	100
HITACHI RAIL STS CANADA INC	Indirect	Toronto (Canada)	-	CAD	100
HITACHI RAIL STS USA INC	Direct	Wilmington (Delaware USA)	0.001	USD	100
HITACHI RAIL STS USA INTERNATIONAL CO	Indirect	Wilmington (Delaware USA)	1	USD	100
HITACHI RAIL STS INDIA PVT LTD	Indirect	Bangalore (India)	5,612,915	INR	100
HITACHI RAIL STS DEUTSCHLAND GMBH	Direct	Munich (Germany)	26	EURO	100
HITACHI RAIL STS RAILWAY SIGNALING TECHNOLOGY (BEIJING) COMPANY LTD	Direct	Beijing (China)	10,250	CNY	100
HITACHI RAIL STS HURONTARIO HOLDINGS INC.	Direct	Toronto, Ontario (Canada)	0.1	CAD	100
HITACHI RAIL STS MOBILINX HURONTARIO GP INC.	Indirect	Toronto, Ontario (Canada)	0.1	CAD	100
HITACHI RAIL HONOLULU JV	Direct	Honolulu (USA)	36	USD	100
HITACHI RAIL ARABIA LIMITED	Direct	Riyadh (Saudi Arabia)	5	Saudi Riyals	75
HITACHI RAIL ONTARIO HOLDINGS INC.	Direct	Toronto, ON (Canada)	0.1	CAD	100
HITACHI RAIL ONTARIO GP INC.	Indirect	Toronto, ON (Canada)	0.1	CAD	100
HITACHI RAIL ONTARIO O&M INC.	Indirect	Toronto, ON (Canada)	0.1	CAD	100

List of companies measured using the shareholders’ equity method

Company Name	Direct/ indirect control	Registered office	Share/ quota capital (/000)	Currency	% Share Held
ALIFANA DUE SCARL	Direct	Naples (Italy)	26	EUR	53.34
PEGASO SCARL (in liq.)	Direct	Rome (Italy)	260	EUR	46.87
METRO 5 S.p.A.	Direct	Milan (Italy)	53,300	EUR	31.9
INTERNATIONAL METRO SERVICE S.r.l.	Direct	Milan (Italy)	700	EUR	49
MOBILINX HURONTARIO GP	Direct	Toronto, ON (Canada)	-	CAD	20
METRO DE LIMA LINEA 2 S.A.	Direct	Lima (Peru)	120,000	USD	28.5
OPERATION ALLIANCE OPS CO.	Direct	Riyadh (Saudi Arabia)	100	Saudi Riyals	50
MOBILINX HURONTARIO SERVICE LTD	Direct	Toronto, ON (Canada)	0.1	USD	20
CONNECT 6IX ONTARIO LINE SERVICES LTD	Direct	Toronto, ON (Canada)	-	CAD	50
CONNECT 6IX GENERAL PARTNERSHIP	Direct	Toronto, ON (Canada)	-	CAD	20.1

List of companies measured using fair value

Company Name	Direct/ indirect control	Registered office	Share/ quota capital (/000)	Currency	% Share Held
Metro C S.c.p.A.	Direct	Rome (Italy)	150,000	EUR	14
I.M. Intermetro S.r.l. (in liq.)	Direct	Rome (Italy)	2,461	EUR	16.66
Tram di Firenze S.p.A.	Direct	Florence (Italy)	12,000	EUR	10.19
Consorzio Iricav Uno	Direct	Rome (Italy)	520	EUR	26.77
Consorzio Iricav Due	Direct	Vicenza (Italy)	510	EUR	17.05
Consorzio San Giorgio Volla2	Direct	Naples (Italy)	71	EUR	33.33
Consorzio Ascosa Quattro (in liq.)	Direct	Naples (Italy)	57	EUR	33.33
Siit S.C.p.A.	Direct	Genoa (Italy)	600	EUR	2.3
Saturno Consortium	Direct	Rome (Italy)	31	EUR	33.33
IANUA Consortium	Direct	Genoa (Italy)	50	EUR	16.67
MM4 Consortium	Direct	Milan (Italy)	200	EUR	34.63
Radiolabs Consortium	Direct	Rome (Italy)	154	EUR	33.33
SPV Linea M4 S.p.A	Direct	Milan (Italy)	61,532	EUR	0.66
Hitachi Baltimore Rail Partners LLC	Indirect	Wilmington (Delaware USA)	1	USD	100
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Direct	Rome (Italy)	40	EUR	24
Dattilo S.c.a.r.l.	Direct	Naples (Italy)	100	EUR	27
Metro B S.r.l.	Direct	Rome (Italy)	20,000	EUR	2.47
Meditech Consortium	Direct	Naples (Italy)	750	EUR	6.66
Mobilinx Hurontario DBJV	Indirect	Toronto, ON (Canada)	-	CAD	30.4
HITACHI RAIL STS S.p.A. AKTOR S.A. CONSORTIUM	Direct	Athens (Greece)	-	EUR	85
Ditecfer SCARL	Direct	Pistoia (Italy)	114	EUR	1.75
RTA Railtec Arsenal	Indirect	Vienna (Austria)	36	EUR	14.8
Ferromovil 9000 SL	Indirect	Madrid (Spain)	3	EUR	10
HSC Consortium	Direct	Naples (Italy)	50	EUR	5
Consorzio Universitario in Ingegneria per la Qualità e l'Innovazione (QUINN)	Direct	Pisa (Italy)	142	EUR	12.5
CRM Consortium	Direct	Naples (Italy)	30	EUR	5
Hitachi Rail Washington LLC	Direct	Delaware (USA)	1	USD	100
Secure Rail India Private LTD	Direct	Haryana (India)	-	INR	0,00007
France Metro Caracas (Frameca)	Direct	Caracas (Venezuela)	456	EUR	1,7

Subsidiaries and Joint control entities

The entities on which the Hitachi Rail STS Group exercise control, both on the basis of the direct or indirect ownership of the majority of exercisable votes as an effect of the dominant influence expressed by the power to determine the financial and management decisions of the Company/Entity, obtaining the related benefits also regardless of the share-based relationships, are consolidated with the line-by-line method.

All the subsidiaries are included in the scope of consolidation from the date control is acquired by the Group. Entities are excluded from the scope of consolidation from the date the Group loses or transfers control.

Equity investments in entities (including Special Purpose Entities) whose control is exercised jointly with third parties by virtue of contractual agreements are consolidated on the basis of the provisions of IFRS 11:

- with the shareholders' equity method, the Joint Arrangements, based on which the control on an asset is attributed jointly to two or more operators are classified as Joint Operations (JO) or Joint Ventures (JV) according to an analysis of the contractual underlying rights and obligations.
- with the line by line method, the Joint Operations are Joint Arrangements in which the participants hold rights on the assets and direct obligations on the liabilities. In this case, the single assets and liabilities and the related costs and revenues are recognised in the financial statements of the investing company based on the rights and obligations of each of them, regardless of the interest held through the line-by-line consolidation.

Business combinations

The business combinations are recognised by applying the purchase method, where the acquisition cost is equal to the fair value, on the acquisition date, of the sold assets, the liabilities assumed, and any capital instruments issued by the acquirer. The transaction cost is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date. Any difference between the transaction cost, the minority interests in application of the partial goodwill method and the fair value at the date of purchase of the assets and liabilities acquired is attributed to goodwill. If the process of allocating the acquisition price results in a negative difference, it shall be recognised in the income statement. The accessory charges connected to the acquisition are recognised in the income statement as at the date on which the services were provided.
In the event of acquisition of controlling interest which does not comprise the totality of the shares, the goodwill is recognised only for the portion attributable to the parent company. The value of the minority interests is determined as a proportion of the equity investments held by third parties in the identifiable net assets of the acquired entity.
If a business combination takes place in several phases, at the time of acquisition of control, the equity investments previously held are remeasured at fair value and any difference (positive or negative) is recognised in the income statement.
The values from relations between consolidated entities are cancelled, in particular those deriving from receivables and payables in existence at the end of the financial year; the costs and revenues as well as financial income and charges and other financial income and charges are recognised in the income statement.

Other equity investments

Equity investments held in entities over which significant influence is exercised, generally involving an equity investment of between 20% (10% if listed) and 50% (equity investments in associates), are valued according to the equity method. In the case of application of the equity method, the value of the equity investment is aligned with the adjusted equity, where necessary, to reflect the application of the IFRS-EU international accounting standards and includes the recognition of goodwill, net of any impairment, identified at the time of acquisition as well as for the effects of the adjustments required by the standards relating to the preparation of the financial statements. Gains and losses realised between entities consolidated according to the equity method, and other Group entities consolidated on a line-by-line basis, are eliminated.
If the Group has reason to believe that the investment has lost part of its value, in excess of what may already be recognised through the equity method, any impairment is determined as the difference between the recoverable amount of the equity investment and its carrying amount and recognised in the income statement.
Any impairment exceeding the carrying amount is recorded in the Provision for risks on equity investments, to the extent that there are legal or implicit obligations to cover the losses and in any case within the limits of the recognised shareholders' equity.

The fair value of the equity investments in the portfolio, in cases where this criterion is applicable, is determined by referring to the market prices (bid price) of the last trading day of the month as at which the IFRS-EU situation prepared, 31 March 2024 in the case of these financial statements, or by using financial valuation techniques in the case of unlisted instruments as required by IFRS 13.
Equity investments held for sale, such as those acquired with the sole purpose of being disposed of within the following 12 months, are classified separately under "assets held for sale".

Companies excluded from the scope of consolidation

In the following cases, companies are excluded from consolidation using the line-by-line method:
- consortia that are not stock companies as well equity investments in consortia that are stock companies which, since costs are charged back to the shareholders, do not have their own economic results and whose financial statements, net of intragroup assets and liabilities, have no significant balance sheet values and do not have any debt;
- companies at a particular developmental stage, for example no longer operating companies, companies without assets and without personnel or whose failure to consolidate on a line-by-line basis does not entail the loss of relevant information;
- the Companies whose liquidation process appears to be almost completed; this would be irrelevant both from a quantitative and qualitative point of view for the purposes of a correct representation of the equity, economic and financial situation of the Group. These equity investments in associated companies are consolidated using the equity method.

These companies are excluded as their consolidation would be irrelevant or distorting the disclosure with reference to the Group's operating dynamics. With particular reference to consortium companies, it should be noted that they are non-profit legal vehicles, normally established for the sharing between partners of some common costs related to the implementation of a project; for this reason, consortia always close their income statement in balance, since any operating surplus or deficit is reversed to the consortium members before the end of the year.

Sector reporting

In compliance with the aggregation criteria envisaged by IFRS 8, for the year ended 31 March 2024 pursuant to IFRS 8, paragraph 5b, the STS Group has identified two operating segments differentiating "*Rail Control*" and "*Vehicles*". This assessment was carried out as the organisation adopted starting from the year ended in March 2024 was that of an organisation broken down into lines of business.
It should be noted that both business lines relate to the Rail System Business Unit in the broader '*Green Energy & Mobility*' segment as defined by the ultimate parent company Hitachi Ltd for IFRS 8 purposes.

Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through their continued use. These non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Selling costs are the additional costs directly attributable to the sale, excluding financial charges and taxes.
The condition for classification as held for sale is considered satisfied only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The actions required to complete the sale should indicate that significant changes in the sale are unlikely to occur or that the sale will be cancelled. Management must be committed to the sale, which should be completed within one year from the date of classification.
Depreciation of property, plant and equipment and intangible assets ceases when they are classified as available for sale.
Assets and liabilities classified as held for sale are presented separately under current items in the balance sheet.
Assets held for sale are excluded from the result of operating activities and are presented in the statement of profit/(loss) for the year in a single line as Net profit/(loss) from discontinued operations.

Identification of the functional currency

The balances included in the financial statements of each Group company/entity are recorded in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of the Hitachi Rail STS Group are drawn up in Euro, which is the Parent Company's functional currency.

Conversion of items in a foreign currency

Items expressed in a currency other than the functional currency, whether monetary, cash and cash equivalents, receivables or payables due in pre-set or measurable amounts, etc. or non-monetary advances to suppliers of goods and/or services, goodwill, intangible assets, etc., are initially recognised at the current exchange rate at the date on which the transaction takes place. Subsequently, the monetary items are translated into the functional currency, based on the exchange rate at the reporting date, and any differences resulting from this conversion are recognised in the income statement. Non-monetary elements are expressed at the transaction exchange rate except in the case of persistent unfavourable trend in the reference exchange rate; in this case, exchange differences are recognised in the income statement.

Translation of financial statements expressed in currencies other than the functional currency

The rules for the translation of financial statements in a different currency to the functional currency, with the exception of currency in hyper-inflationary economies (a case not applicable to the Group) are as follows:

- assets and liabilities presented are translated at the year-end exchange rate;
- costs and revenues, income and charges are translated at the average exchange rate of the year or at the transaction date exchange rate if it varies significantly from the average rate of the year;
- the "translation reserve" includes both the exchange differences generated by the conversion of the economic items at a rate different than that at the end of the reporting year and those generated by the translation of the opening shareholders' equity at an exchange rate different from that at the end of the reporting year.

The translation reserve is reversed to the income statement when the equity investment is disposed of.

Adjustments arising from fair value related to the acquisition of a foreign entity are treated as assets and liabilities and translated at the year-end exchange rate.
The exchange rates applied in the conversion of financial statements and balances in currency other than the Euro as at 31 March 2024 and as at 31 March 2023 are as follows:

	As at 31.03.2024	**Average for the 12 months as at 31.03.2024**	As at 31.03.2023	Average for the 12 months as at 31.03.2023
JPY	163.24000	156.79750	145.72000	140.96500
USD	1.08110	1.08489	1.08750	1.04165
CAD	1.46720	1.46283	1.47370	1.37763
INR	90.13650	89.80520	89.39950	83.69395
AUD	1.66070	1.64885	1.62680	1.52182
SEK	11.52500	11.49225	11.28050	10.80721
CNY	7.81440	7.77584	7.47630	7.13596
HKD	8.45940	8.48830	8.53670	8.16504
BRL	5.40320	5.35143	5.51580	5.36839
GBP	0.85510	0.86333	0.87920	0.86443
MYR	5.11680	5.03703	4.79860	4.62946
BWP	14.82990	14.65188	14.17860	13.24446
ZAR	20.52260	20.31236	19.32750	17.69791
KZT	485.68000	493.89602	491.50000	479.46714
AED	3.97030	3.98425	3.99380	3.82560
KRW	1.458.67000	1.432.07529	1.420.26000	1.362.60989
SAR	4.05410	4.06834	4.07810	3.90635
RUB	117.20100	117.20100	117.20100	117.20100
TWD	34.59610	34.07874	33.13980	31.63780
CHF	0.97660	0.96109	0.99680	0.99396
DKK	7.45800	7.45434	7.44850	7.44008
PEN	4.02010	4.04564	4.09170	3.99502

Intangible assets

Intangible assets comprise clearly identifiable non-cash asset without physical substance and from which future economic benefits are expected to flow to the company. They are recognised at purchase and/or production cost, including the costs directly related to preparing them for use, and stated net of accumulated amortisation (except for assets with indefinite lifetimes) and any impairment losses. Amortisation begins when the assets are ready for use and is charged systematically over the residual useful lifetime of the assets, as estimated. In the period in which the intangible asset is recognised for the first time, the amortisation rate applied takes into account the period of actual use of the asset. The useful service life estimated by the Group for the various asset classes are shown below:

Goodwill:	indefinite service life
Other development costs:	3-5 years
Patent and similar rights:	3-5 years
Licences and trademarks:	3-5 years
Other fixed assets:	3-5 years

(i) Concessions, licences and trade marks

This category includes trademarks consisting of signs attesting to the origin of goods or merchandise from a particular company and licences of know-how, software applications owned by others. The costs, including direct and indirect costs incurred to obtain such rights, can be capitalised as assets after receiving title to the rights themselves and are amortised systematically over the shorter between the period of expected use and ownership of the rights.

(ii) Research and development costs

Research costs are posted on the income statement in the period when they are incurred.
Intangible assets produced in-house and the related development costs are recognised only when all the following conditions exist simultaneously:

- the asset can be identified;
- the asset is likely to produce future economic benefits;

- the cost to develop the asset can be measured reliably;
- there is a reference market for the product resulting from the development activity.

If these conditions are not met, development costs are posted to the income statement when incurred. Development costs, which are capitalised only when the above four conditions are met, are amortised on a straight-line basis over the entire useful lifetime.
The initial capitalisation of development costs is also based on whether the management opinion on the technical and economic feasibility of the project is confirmed, and capitalisation includes only those expenses incurred that can be directly attributed to the development process.

(iii) Non-recurring expenses
The Group classifies the costs incurred for the design, prototyping and adaptation to technical/functional specifications of potential customers amongst "intangible assets", in the item "development costs"; these non-recurring expenses are recognised under "intangible assets", whereas the loans collected are recognised under "other liabilities" at nominal value, distinguishing between the current and non-current portion on the basis of the expected payment date. In all cases, non-recurring expenses are kept pending under intangible assets until the contract is formally acquired; subsequently, they are amortised on the basis of the units produced compared to those expected.

Property, plant and equipment

These assets are stated at purchase or production cost, net of accumulated depreciation and any impairment losses. The cost includes all costs directly incurred to prepare the assets for use, as well as any dismantling and removal costs that will be incurred to return the site to its original conditions.
The expenses incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly recognised in the income statement in the financial period in which they are incurred. Capitalisation of costs inherent in the expansion, upgrading or improvement of the structural elements which are owned or which belong to third parties are carried out exclusively to the extent that they fulfil the requirements in order to be classified separately as an asset or part of an asset. Any public capital grants related to property, plant and equipment are deducted directly from the asset to which they refer.
The value of an asset is adjusted by systematic depreciation, calculated over its estimated residual useful lifetime. Depreciation is calculated considering the actual date when the asset is ready for use, in the year in which an item of property, plant and equipment is initially recognised.

The useful service life estimated by the Group for the various asset classes are shown below:

Land:	indefinite service life
Buildings:	20-33 years
Plant and machinery:	5-10 years
Equipment:	3-7 years
Other assets:	3-8 years

The estimated residual value and useful lifetime of an asset are periodically reviewed.
Depreciation of an asset ceases on the date the asset is sold or classified as available for sale.
Where the asset being depreciated is composed of separately identifiable significant elements whose estimated useful life differs from that of the other parts comprising the asset, depreciation is calculated separately for each of the parts comprising the asset in the application of the principle of the component approach.
Gains and losses from the sale of assets or groups of assets are calculated by comparing the sales price with the related net book value.
Financial charges related to the acquisition, construction or production of certain assets that require a significant period to be ready for use or sale (qualifying assets) are capitalised together with the asset itself.

Real Estate Investments

Property held to earn rentals or for capital appreciation is classified under "Property investments" and is measured at purchase or production cost, increased by transaction costs, if any, and net of accumulated depreciation and any impairment.

Impairment of property, plant and equipment and intangible assets (impairment of assets)

Assets with indefinite lifetimes are not depreciated or amortised, but are subject to at least annual impairment tests to ascertain the recoverability of their book value.

It should be noted that, regarding the financial year ending 31 March 2024, no impairment indicators have been identified that would determine the need to perform an impairment test regarding the assets described above.

For assets that are depreciated or amortised, an assessment is made to determine whether there is any indication of impairment: if so, the recoverable value of the asset is estimated, with any excess being recognised on the income statement.
The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use, calculated based on the discounted cash flow model. The discount rate, including taxation, includes the risks specific to the asset for which the future cash flow estimates have not been adjusted.
Assets that do not generate independent cash flows are tested based on the cash-generating unit.
When the reasons for previous impairment cease, the book value of the asset is reinstated, up to the book value that it would have had if impairment not been recognised in previous years. Value reinstatements are posted on the income statement. The value of goodwill is never reinstated to its previous level after a write-down.

Assets in leasing

Assets for rights of use and lease liabilities are recognised in accordance with the provisions of IFRS 16.

<u>(i) Group entities are lessees of a financial lease.</u>
At the commencement or modification date of the contract (i.e. the date on which the underlying asset is available for use), the lessee recognises an asset consisting of the right to use and financial liability for the lesser of the fair value of the asset or the present value of the minimum payments due at the commencement date of the contract using the implied interest rate of the lease or the marginal interest rate of the loan. Subsequently, an amount equal to the depreciation of the asset determined based on the leasing contract and the financial charges deducted from the lease payment during the year are charged to the income statement.
After the effective date, the lease liability is measured at amortised cost using the effective interest rate method and redetermined when certain events occur.

The STS Group applies the exception to the recognition envisaged for short-term leases to its contracts with a duration of twelve months or less from the effective date. It also applies the exception to the recognition envisaged for leases in which the underlying asset is of "low value" and the amount of which is considered insignificant. For example, the Group leases some office equipment (i.e. PCs, printers and photocopiers) which are considered of low value. Payments due for short-term leases and leases in which the underlying asset is of low value are recognised as cost on a straight-line basis for the duration of the lease.

<u>(ii) Group entities are lessors of a financial lease.</u>
From the lessor's perspective, the accounting treatment of the lease according to IFRS 16 remains essentially unchanged with respect to IAS 17. When it acts as the lessor, the Group determines, at the start date of the lease, whether it is a financial or operating lease, using the same classification criteria provided by IAS 17.

Right-of-use assets

Right-of-use assets are measured at cost, net of accumulated depreciation and impairment, and adjusted for any remeasurement of the lease liabilities. The cost of right-of-use assets includes the sum of lease liabilities recorded, initial direct costs incurred and lease payments made at or before the lease commencement date, minus any incentives received. Assets for the right of use are amortised on a straight-line basis from the commencement date and up to the end of the useful life of the right-of-use asset or the end of the lease, whichever comes first, as follows:
- Buildings
- Vehicles
- Specific systems
- Heavy transport vehicles

If the lease transfers ownership of the underlying asset to the lessee when the lease ends, or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee may amortise the right-of-use asset from the commencement date up until the end of the useful life of the underlying asset.

Leasing liabilities

At the lease commencement date, the Group records lease liabilities by measuring them at the current value of payments due for the lease and not paid at that date. Payments due include fixed payments, minus any lease incentives receivable, variable lease payments that depend on an index or a rate, and the amounts that it is expected will have to be paid as guarantees on the residual value. Lease payments do not include the price of exercising a purchase option, since the Group is not reasonably certain that said option will be exercised.
For calculation of the current value of the payments due, the Group uses the incremental borrowing rate at the start date, if the implicit interest rate cannot be easily determined. Details on the rate used are provided in the paragraph "Discretionary assessments and significant accounting estimates" of these Explanatory Notes.

Within the Group, contracts that fall under the scope of application of IFRS 16 relate primarily to two classes of property, plant and equipment, i.e. buildings for office or industrial use and vehicles. Furthermore, in relation to the separation of lease and non-lease components, the Group has applied the option of no separation.

Inventories

Inventories are stated at the lower cost, determined by reference to the weighted average cost method, and net realisable value, and do not include financial charges and general overhead. The net realisable value is the sale price during normal operations, minus the estimated costs to finish the goods and those needed to make the sale.

Assets/liabilities from contracts with customers

Contract assets and liabilities are posted and measured in accordance with the guidelines of IFRS 15, the standard governing revenues from contracts with customers. Revenues are recognised by applying a model divided into the following five steps: 1. Identification of the contract with the customer; 2. Identification of the performance obligations according to the contract; 3. Calculation of the consideration of the transaction; 4. Allocation of the consideration to the individual performance obligations; 5. Recognition of revenues at the moment of (or during) satisfaction of the individual performance obligation. Together with development of the five-step model, IFRS 15 deals with other aspects, such as contractual costs, amendments and financial reporting. The methods of application of IFRS 15 used by the Group are summarised below.

1. Identification of the customer contract

A contract with a customer is identified and measured according to IFRS 15 after binding signing of the contract that results in mutual obligations between the Group and the customer. The conditions of paragraph 9 of IFRS 15 are considered in the identification of the contract, as follows: a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations; b) the entity can identify each party's rights regarding the goods or services to be transferred; c) the entity can identify the payment terms for the goods or services to be transferred; d) the contract has commercial substance (i.e., the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer

2. Identification of performance obligations and allocation of contractual consideration

IFRS 15 defines a performance obligation as the promise in the contract with the customer to transfer: a) a separate good and/or a service (or a combination of goods and services), or b) a set of separate goods or services that are substantially similar and are transferred to the customer with the same methods. In contracts with the customers of the Group, the performance obligation is usually the work as a whole. In fact, although the individual performance obligations according to the contract might be separate to each other, in the context of the contract they are characterised by a major interdependency and integration, serving to transfer to the customer the tangible and intangible structure as a whole. However, certain contractual items involve supply of additional services that must be considered as separate performance obligations. These include post-completion maintenance services following final testing and contractual warranty services supplementary to or different from those required by law or normal sector practises. In cases where several performance obligations forming part of the same contract are identified, it is necessary to allocate an appropriate portion of the contractual consideration to the separate performance obligations, in accordance with IFRS 15. In the Group business practices, the price components for each contractual item are usually specified in detail (price observable from the contract). There are not normally obligations relating to returns and reimbursements, due to the nature of the goods and services supplied. Specific warranties are generally provided to customers, based on development of the type of activity performed.

3. Determination of Deadlines for Performance Obligations and Recognition of Revenues

According to IFRS 15, revenues must be recognised when the performance obligation has been fulfilled by transferring the promised good or service to the customer. The asset is transferred when the customer acquires control of it. The contracts with customers typically signed within the Group relate to the performance of long-term contracts with obligations that are fulfilled over time, based on gradual progress in the activities and transfer in time of control of the work to the customer. The reasons why recognition over time ('over time') is considered more representative are: • the customer controls the work under the contract when it is constructed; • the work under construction cannot have an alternative use, and the Group holds the right to collect the consideration for services rendered during construction. In order to recognise revenues, IFRS 15 requires measurement of progress in satisfying the performance obligation, choosing the criterion that best represents transfer of control of the infrastructure to the customer during construction. Measure of progress must allow what has been done to transfer control of the work to the customer to be reflected. In this sense, the appropriate method of recognition of revenues must be viewed in relation to the sector where the Group operates and the complexity of the combination of goods and services supplied. IFRS 15 provides two alternative methods for "over-time" recognition of revenues: a) Output method; b) Input method. With the first method, revenues are recognised on the basis of direct measurements of the goods or services transferred up to the date considered (such as physical state of progress, contractual milestones, number of units delivered, etc.). With the input method, on the other hand, revenues are recognised on the basis of the resources used by the entity to satisfy the contractual performance obligation (such as resources consumed, labour hours expended, costs incurred, time lapsed or machine hours used) compared with the total estimated inputs. The method deemed most representative for recognition of revenues is the cost-to-cost method, determined by applying the percentage of completion, equal to the ratio between costs incurred and total estimated costs, to the overall contractual revenue expected. In calculating the ratio between costs incurred and estimated costs, only costs contributing to the effective transfer of control over the goods and/or services are considered. Using this method allows a more objective measurement of transfer of control to the customer, as it considers the quantitative variables relating to the contract as a whole. In choice of the most appropriate method to measure transfer of control to the customer, for the contracts currently managed by the Group, the method based on outputs (such as physical state of progress) has not been used, as it has been concluded that, although the output method would allow direct assessment of the progress on the contract, it would also involve operational difficulties in managing and monitoring progress in relation to completeness of the resources needed to perform the work. Furthermore, choice of an output method would require the identification of criteria and variables that cannot be directly observed and would also result in excessive costs to obtain the information needed. In conclusion, it must also be considered that, in the sector where the Group operates, the objective of contractual outputs (milestones) relates, among other things, to modulation of the cash flows to obtain the financial resources needed to perform the activities, as well as to definition of the technical specifications of the work and the related construction times.

4. Determination of the contractual fee

In view of the complexity of the engineering and operations, the size and long-term duration of the work, the contractual consideration includes not only the price established in the contract, but also additional fees that must be taken into account. In particular, the fees deriving from reserves are additional fees requested when higher costs have been (and/or will be) incurred, for reasons or events that are unforeseeable and attributable to the customer, for more work performed (and/or to be performed) or for variants not formalised in additional agreements. Calculation of additional fees is, by its nature, subject to a certain degree of uncertainty, in both the sums that will be recognised by the customer and in the collection times, which, as a rule, depend on the result of negotiations between the parties or decisions by the awarding entities. This type of contractual consideration is governed by IFRS 15 and relates to the case of "Contract modifications". According to the standard, a contract modification exists when it is approved by both the parties to the contract. Also according to IFRS 15, approval may be in writing, through a verbal agreement or according to standard sector practises. The standard also states that a contract modification may exist even when there is a dispute over the subject and/or price of the contract. In this case, it is necessary first to assess whether the rights to the fee are envisaged by the contract and thus an "enforceable right". Once the enforceable right has been identified, for recognition of the reserves and the amounts of the additional requests to the customer, it is necessary to follow IFRS 15 in relation to "Variable consideration". Therefore, in order to adjust the transaction price due to additional consideration deriving from reserves with the customer, it is necessary to establish whether the circumstance that the associated revenues will not be reversed in the future is to be considered as “highly probable”. For purposes of these assessments, all relevant aspects and circumstances, including the terms and conditions of the contract itself, business and negotiating practises in the sector and other supporting evidence are taken into consideration.

4.a Change Order
The consideration from Change Orders is additional consideration for future work not yet defined and/or ordered by the customer when entering into the contract. Consideration from Change Orders is envisaged in the contracts with customers, as it represents potential future work that is interrelated to the main work. However, most contracts provided for said additional work to be expressly defined and approved by the customer before being performed. In the absence of that approval, the contractor does not have an “enforceable right” on the activity. Therefore, based on what is described above and on sector practises, it is concluded that this type of consideration is a case of “Contract modification”, so, according to IFRS 15, it may be considered in assessment of the contractual consideration if approved by both parties to the contract. In that case, the enforceable right may only be identified with specific approval or instruction of the customer, presented according to practice and operating customs.

4.b Penalties
The contract with the customer might envisage penalties payable as a result of breaching specific contractual clauses (such as failure to comply with delivery times). At the moment when the entity possesses the elements to define as the accrual of contractual penalties as “reasonably foreseeable”, these are considered as a reduction of the contractual consideration. Said assessments are made by analysing all the indicators available at the reporting date, in order to estimate the probability of a breach of contract resulting in the payment of penalties.

4.c Significant financial component
It is common practice in the construction and major works sector for the consideration for the work (usually long-term) to be paid through a payment on account and subsequent billing in instalments (so-called Work State-of-Progress Report or SAL). This cash flow method is often established in competitive bidding procedures. In general, the flow of payments from customers (payments on account and subsequent SAL) is designed to ensure that performance of the work is sustainable and that exposure is limited. It should, in fact, be remembered that, in the major works sector, the contractor is involved in contracts for huge sums and the need for initial resources is usually high. The contractual advance is used for the following purposes: to finance the initial contract investments and pay the related contractual advances to subcontractors; as a form of contractual guarantee to cover any risk of contractual default by the client. The contractual payment on account is recovered through the subsequent SAL, in line with the production cycle of a multi-year contract. It is also necessary to consider that the Group operating cycle is normally multi-year and that the correct time-frame must be considered in determining the existence of a major financial component. Based on the above considerations, the presence of major financial components in the contractual consideration has not been assessed in contracts that envisage payments in advance and billing in instalments, in line with sector practices and/or a sum with the function of ‘guarantee’ and with timing suited to the cash flows required for performance of the work.

5. Losses to finish
IFRS 15 does not specifically govern the accounting treatment of loss-making contracts, but refers to the accounting treatment defined by IAS 37, which governs the methods of measurement and classification of onerous contracts (previously laid down by IAS 11). In detail, according to the definition of IAS 37, a contract is onerous when the non-discretionary costs (“unavoidable costs of meeting the obligation”) exceed the expected economic benefits. A provision must be made on the expected loss in a specific provision for risks on the balance sheet, at the point when said loss appears likely according to the most recent estimates of the management. Non-discretionary costs are all those costs that: are directly proportional to the contract and increase the performance obligation contractually transferred to the client; do not include those costs that will be incurred irrespective of the fulfilment of the performance obligation; future actions cannot avoid them. Assessment of any loss-making contracts (onerous test) must be performed at the level of each individual performance obligation. This approach is more representative of the different contract margins, in relation to the nature of the goods and services transferred to the customer.

6. Contractual costs

6.a Incremental costs of obtaining the contract

IFRS 15 allows the capitalisation of costs to obtain the contract, provided that they are considered to be “incremental” and recoverable through the future economic benefits of the contract. Incremental costs are all costs that are incurred as a consequence of acquisition of the contract. Costs that are incurred independently of acquisition of the contract cannot be qualified as incremental, so they are charged to the income statement, as they do not contribute to contractual progress (cost not attributable to Cost-to-Cost). In the phase prior to participation in a bidding procedure for a new contract/project, the Group incurs “bid” costs that cannot be considered as recoverable, as they relate mostly to general and administrative activities and are therefore expensed as incurred.

6.b Costs for the Performance of the Contract

IFRS 15 provides for the capitalisation of contract performance costs, i.e. those costs that meet all of the following criteria: relate directly to the contract; generate and enhance resources that will be used to fulfil the contractual performance obligation; are recoverable through the future economic benefits of the contract. The practice in the sector where the Group operates is for this type of costs to be remunerated through the overall margin on the contract. Specific recognition of these costs implies that, at the moment they are incurred, the process of transfer of control of the contract work starts. As a consequence, said costs must not be capitalised and must contribute to calculation of contractual progress.

7. Balance sheet exposure

According to IFRS 15, the classification between contract assets and liabilities is based on the relationship between the Group’s service and the customer’s payment: the items in question represent the sum of the following components, analysed individually for each contract:

(+) Value of work progress, determined on the basis of percentage of completion;

(-) Advances received on certified works (work progress report);

(-) Contractual advances;

(-) Write-down reserve.

If the resulting value is positive, the net balance of the contract is shown under “Contract assets”; on the other hand, if it is negative, it is shown under “Contract liabilities”.

Contract assets and liabilities are recognised net of any allowances for write-downs.

However, if, based on the contract, the values in question express an unconditional right to the consideration, they are presented under receivables. Invoicing follows the contractual agreements made with the customer according to the progress of the work. The effect of invoicing, therefore, leads to a reduction in the value of contract assets.

8. Changes

Contracts with payments in a currency other than the functional currency (EUR for the Group) are measured by converting the portion of payments due, calculated using the percentage-of-completion method, at the exchange rate at the end of the period.

However, according to the Group exchange risk policy, all contracts with cash inflows and outflows are significantly exposed to exchange rate fluctuations are promptly hedged, and the recognition methods described in “Hedging long-term contracts against the exchange risk” below are applied.

Financial instruments

A financial instrument is any contract that results in a financial asset for an entity and a financial liability or an instrument representing capital for another entity.

Financial assets

Initial detection

On initial entry, financial assets are classified, depending on the circumstances, on the basis of subsequent measurement methods, i.e. at amortised cost, at the fair value reported on the statement of comprehensive income in OCI and at the fair value reported on the income statement.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model the Group uses to manage them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value, through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the price of the transaction.

In order to classify and measure a financial asset at amortised cost or at fair value through OCI, it must generate cash flows that depend solely on payments of principal and interest on the amount of principal to be repaid. This evaluation is referred to as the SPPI test and is performed at the instrument level. Financial assets with cash flows that do not satisfy the above requirements are classified and measured at fair value recognised in the income statement.
The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will arise from collecting contractual cash flows, the sale of financial assets or both.
Financial assets classified and measured at amortised cost are held as part of a business model whose objective is to own financial assets to collect contractual cash flows. In contrast, financial assets that are classified and measured at fair value through OCI are held as part of a business model whose objective is to collect contractual cash flows and sell financial assets.
Subsequent evaluation
For subsequent measurement, financial assets are classified into four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income with the reclassification of accumulated gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without a reversal of accumulated gains and losses on derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

The Group classifies financial assets in the following categories:
- amortised cost;
- *fair value recognised in profit/(loss) for the year*;
- *fair value recognised in other components of profit or loss*.

The management determines the classification of these assets when they are recognised for the first time, also in relation to the characteristics of the contractual cash flows; initial recognition is at fair value. Trade receivables without a significant financial component are initially recognised at the transaction price.

<u>(i) Financial assets measured at amortised cost</u>
This category includes financial assets held to collect contractual cash flows (Held to Collect), represented solely by the payment of principal and interest on the principal amount to be repaid. All receivables are included in this category. These assets are measured at amortised cost in compliance with the effective interest rate approach, minus losses for impairment. Interest income, exchange gains and losses and losses for impairment are recognised in profit or loss for the year, as are gains or losses on derecognition.

<u>(ii) Financial assets at fair value through other components of profit or loss</u>
This category includes financial assets held for the dual purpose of collecting contractual cash flows, represented solely by the payment of principal and interest on the principal amount to be repaid, and selling the financial asset (Held to Collect and Sell).

<u>(iii) Financial assets at fair value through profit or loss</u>
This category includes financial assets not classified at amortised cost or at fair value recognised in other income statement components. It includes all derivative instruments and financial assets held for trading. The fair value of financial assets held for trading is based on market prices at the annual or interim reporting date, or on financial valuation models and techniques. Classification as current or non-current reflects management expectations about their trading: they are included under current assets when they are expected to be traded within the next twelve months or when they are recognised as held for trading.

Write-downs of financial assets

Recoverability of financial assets representing debt instruments not measured at fair value, with effects on the income statement, is measured on the basis of the so-called "Expected Credit Loss Model". In particular, the Group, considering the characteristics of the business in which it operates, has judged the credit risk to be represented by the exposure to potential losses stemming from non-fulfilment of the obligations assumed by customers, which, in the majority of cases, are attributable to government authorities, therefore, the management of this type of risk is structured through a complex process which starts from the phase of evaluation of the offers to be presented, through a careful analysis of the characteristics of the countries and of the customers. In addition, for customers for whom there are no disputes or specific events, the Group also analyses the exposure to credit risk based on past due amounts.

Derivatives

In particular, the Group uses derivatives as part of its hedging strategies to neutralise the risk of changes in the fair value of assets or liabilities on its balance sheet or the risk associated with contractual commitments (fair value hedge) or the risk of changes in expected cash flows in contractually defined or highly probable transactions (cash flow hedge). For information on the policy governing the exchange risk on long-term contracts, reference should be made to the paragraph on "Hedging long-term contracts against the exchange risk".
The efficacy of the hedging transactions is documented and tested both at the beginning of the transaction and periodically (at least on each financial statements or interim financial statements publication date) and it is measured by comparing the changes in fair value of the hedging instrument against the element which is covered (dollar offset ratio) or, for more complex instruments, through analysis of the statistical type based on risk variation.

(i) Fair value hedge

The changes in the value of the derivatives designated as fair value hedges and which qualify as such are recognised in the income statement, similarly to the variations in fair value of hedged assets or liabilities which are attributable to the risk which is neutralised through hedging transactions.

(ii) Cash flow hedge

Changes in the fair value of derivatives designated as cash flow hedges and qualifying as such are recognised, limited to only the 'effective' portion, in a specific equity reserve ('reserve from cash flow hedges'), which is subsequently recognised in profit or loss when the underlying hedged item becomes effective. The change in fair value attributable to the ineffective portion is immediately recognised in profit or loss for the period. If the occurrence of the underlying transaction is no longer considered highly probable. In that case, the portion of the "cash flow hedge reserve" relating to it is immediately recognised in profit or loss. On the other hand, if the derivative instrument is sold or no longer qualifies as an effective hedge of the risk against which the transaction was entered, the portion of the "cash flow hedge reserve" relating to it is retained until the underlying contract is unwound.

(iii) Determination of the fair value of the Financial Instruments

The Group values financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.
The fair value is the price that would be obtained from sale of an asset or which would be paid to transfer a liability in a normal transaction between market operators at the measurement date. Measurement of fair value assumes that sale of the asset or transfer of the liability takes place:
- on the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability

A fair value measurement of a non-financial asset considers the ability of a market participant to generate economic benefits by deploying the asset to its highest and best use or by selling it to another market participant who would deploy it to its highest and best use.
Specifically, the fair value of instruments listed on public markets is determined by reference to the prices (bid price) at the end of the financial year. The fair value of unlisted instruments is measured by reference to financial valuation techniques. In particular, the fair value of interest rate swaps is measured by discounting expected cash flows. In comparison, the fair value of forwards on exchange rates is determined based on market exchange rates at the reference date and the rate differentials between the currencies concerned.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised according to the fair value hierarchy, as described below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability;
- Level 3 - valuation techniques for which the input data are not observable for the asset or liability.

The fair value measurement is classified entirely in the same level of the fair value hierarchy in which the lowest level input used for the valuation is classified.
It should be noted that for the financial statements as at 31 March 2024, there were no transfers between levels of the hierarchy. At each reporting date, the Group finance office analyses changes in the values of assets and liabilities for which write-up or recalculation is required by the Group accounting standards.
For this analysis, the main inputs applied in the most recent valuation are verified, linking the information used in the valuation to contracts and other relevant documents.
The Group finance office performs a comparison of each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.
For the purposes of the fair value disclosure, the Group determines the classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as discussed above (see Section 19 'Financial Risk Management').

Cash and cash equivalents
They include money, deposits with banks or other credit institutions available for current transactions, current postal accounts and other cash equivalents. Cash and cash equivalents are recorded at fair value.

Shareholders' Equity
(i) Share Capital
The share capital is the subscribed and paid-up capital of the parent company. Costs closely related to the issue of shares are classified as a reduction of share capital when they are directly attributable to the capital transaction, net of the deferred tax effect.

(ii) Treasury shares
They are recognised as a reduction of the Group's shareholders' equity. Gains or losses on the purchase, sale, issue or cancellation of treasury shares are not recognised in the income statement.

(iii) Dividends
The parent company recognises a liability for the payment of a dividend when the distribution is appropriately authorised and is no longer at the company's discretion. Under current European company law, a distribution is authorised when the shareholders approve it. The corresponding amount is recognised directly in equity.

Payables and other liabilities
Payables and other liabilities are initially recognised at fair value less transaction costs and are subsequently measured at amortised cost, using the effective interest rate method.
Payables and other liabilities are classified as current liabilities unless the Group has a contractual right to settle its obligations at least 12 months after the balance sheet or interim reporting date.

Taxes
The tax burden of the Group consists of current and deferred taxes. If they relate to components recognised in income and charges recognised in equity within the statement of comprehensive income, these taxes are recognised with a balancing entry in the same item.
The current taxes are calculated based on the tax legislation applicable in the countries in which the Group operates, as at the reporting date; any risks relative to differing interpretations of the positive and negative income components and also any disputes ongoing with the tax authorities are assessed at least every quarter in order to adjust the allocations in the financial statements.
Deferred taxes are calculated based on temporary differences between the balance sheet's book value of assets and liabilities and their value for tax purposes. Deferred tax assets and liabilities are measured by applying the rate expected to be in force when the temporary differences reverse; this forecast is made based on the tax legislation in force or substantially in force at the reporting date.

Deferred tax assets are measured at the tax rates that are expected to be applied when the temporary differences are reversed, using tax rates applied or substantively in force at the reporting date.

Employee benefits

(i) Post-employment benefits:

Group companies use various pension (or supplementary) schemes which can be divided into:

- Defined contribution plans where the Group pays fixed contributions to a separate entity (e.g. a fund) and will have no legal or constructive obligation to pay further contributions if the designated entity does not have sufficient assets to pay the benefits in respect of the service rendered while employed by the Group. Contributions to the plan are recognised in the accounts only when employees have rendered their services in exchange for those contributions;
- Defined benefit plans in which the Group is required to grant the benefits agreed upon with the employees in service and for the former employees, assuming the actuarial and investment risks relative to the plan. Therefore, this plan's cost is not defined according to the contributions due for the year but is redetermined based on demographic, statistical and salary dynamics assumptions. The methodology applied is called the 'projected unit credit method'. The value of the liability entered in the balance sheet is therefore aligned with the value resulting from the actuarial valuation of the same, with full and immediate recognition of actuarial gains and losses, in the period in which they arise, with a direct counter-entry in a specific equity reserve (actuarial (gains) losses reserve in equity).

(ii) Other long-term benefits and post-employment benefits

Group companies recognise certain benefits for employees (e.g., upon reaching a certain presence in the company, seniority bonuses), which, in some cases, are also recognised after retirement (e.g. medical care). The accounting treatment is the same as for defined benefit plans, since the 'projected unit credit method' also applies to these cases. However, in the case of 'other long-term benefits', any actuarial gains or losses are recognised immediately, and in full in the year they arise in the income statement.

(iii) Benefits due to employees for termination of employment and leaving incentive plans

Termination benefits are recognised as a liability and an expense when the Group is demonstrably committed to terminate the employment of an employee or group of employees prior to normal retirement or to provide termination benefits as a result of a proposal to encourage voluntary redundancies. Employee termination benefits do not provide the company with future economic benefits and are therefore recognised immediately as an expense.

Provisions for risks and charges

Provisions for risks and charges are recognised for losses and charges of a given nature, whose existence is certain or probable, but whose amount and/or date of occurrence could not be determined at the balance sheet date. Recognition is recognised only when a current obligation (legal or constructive) exists for a future outflow of economic resources due to past events. Such an outflow will probably be required to settle the obligation. The provision represents the best-discounted expenditure estimate required to settle the obligation. The rate used in determining the current value of the liability reflects the current market values and includes additional affects relative to the specific risk associated with each liability.

The risks for which a liability is only possible are indicated in the appropriate section on the disclosure on commitments and risks of these notes to the financial statements and no provision is made.

If the review of whole-life estimates reveals a loss (onerous contract), it is recognised in its entirety in the financial year in which it becomes reasonably foreseeable and accrued in a 'Provision for expected losses to complete contracts', which is recorded under provisions for current risks and charges. The reversal of these provisions is recognised within 'Other operating charges'.

Revenue recognition

Following IFRS 15, the recognition of revenue from contracts with customers is performed by applying a model involving five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligation under the contract; (iii) determination of the transaction consideration; (iv) allocation of the transaction consideration to the performance obligation; (v) recognition of revenue at the time (or during) satisfaction of the individual performance obligation. For further details, please refer to the paragraph “Contractual assets and liabilities” of these notes.

Grants

Contributions, including non-monetary contributions, measured at fair value, are recognised when there is a reasonable certainty that the Group will comply with the terms and conditions, and the contributions are received. Operating grants, where there is a formal allocation resolution, are recognised on an accrual basis in direct correlation with the costs incurred. Systems subsidies are recognised in the income statement in direct relation to the depreciation process which the goods/projects refer to and directly reduce that depreciation.

Net financial income and charges

Interest is recognised on an accruals basis using the effective interest method, applying the interest rate that matches the cash inflows and outflows (including any premiums, discounts, commissions etc.) of a certain transaction. Financial charges related to the acquisition, construction or production of certain assets that require a significant period to be ready for use or sale (qualifying assets) are capitalised together with the asset itself.

Dividends

Dividends are recognised as soon as shareholders obtain the right to receive payment, which is normally when the shareholder’s meeting approves the distribution of dividends.

Related-party transactions

Transactions with related parties all take place on an arm’s length basis.

Costs

Costs are ascertained according to the criteria of correct classification, accrual and classification envisaged by the accounting standards adopted by the company. Costs are recognised when they relate to goods and services sold or consumed during the financial year or by systematic allocation, or when their future usefulness cannot be identified.
Personnel costs include the amount of remuneration paid, provisions for pension funds and for holidays accrued but not taken, social security and welfare charges in application of contracts and current legislation.
Costs aimed at the acquisition of new knowledge or discoveries, the study of alternative products or processes, new techniques or models, the design and construction of prototypes or, in any case, incurred for other scientific research or technological development activities, are generally considered current costs and recognised in the income statement in the year they are incurred; these costs are only recognised in the balance sheet (‘Intangible assets’) when they meet the conditions described by IAS 38.

Changes in accounting standards

New accounting standards, interpretations and amendments adopted by the Group

The Group has applied certain standards or amendments for the first time, effective from 1 January 2023. The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new accounting standard for insurance contracts that considers recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features; some exceptions to the scope apply. The general objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts for insurers.

In contrast to the requirements of IFRS 4, which are largely based on the maintenance of previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.
IFRS 17 is based on a general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable commission approach)
- A simplified approach (the premium allocation approach) mainly for short-term contracts.

The amendments had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting standards and error correction. They also clarify how entities use valuation techniques and inputs to develop accounting estimates.
The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to assist entities in applying materiality judgements to accounting standards disclosures. The amendments aim to help entities provide more useful accounting standards disclosures by replacing the requirement for entities to disclose their 'significant' accounting standards with a requirement to disclose their 'material' accounting standards and by adding guidance on how entities apply the concept of materiality in making accounting standards disclosure decisions.
The amendments had an impact on the disclosure of the Group's accounting standards, but not on the measurement, recognition and presentation of items in the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equally taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform – Pillar Two Model Rules – Amendments of IAS 12

The amendments to IAS 12 were introduced to respond to the OECD's BEPS Pillar Two rules and include:
- A temporary mandatory exemption to the recognition and disclosure requirements for deferred taxes resulting from the implementation in jurisdictions of the Pillar Two rules; and
- Disclosure requirements for affected entities to help users of financial statements better understand the income tax impacts of such legislation, particularly prior to the effective date.

The temporary mandatory exemption – for the use of which notice is required – is immediately applicable. The remaining disclosure requirements apply for financial years beginning on or after 1 January 2023, but not for interim periods prior to 31 December 2023.

The group is involved in a centralised project (Hitachi LTD) for reporting information useful for Pillar II audits.

15. Sector Reporting

The STS Group has identified two operating sectors, namely the "*Rail Control*" unit and the "*Vehicles*" unit (hereinafter also Vehicles), both of which are part of the *Rail System* Business Unit in the broader "*Green Energy & Mobility*" segment as defined by the ultimate parent company Hitachi Ltd for IFRS 8 purposes; therefore, the operating sectors have been aggregated into a single "reportable segment" and consequently the information required by IFRS 8 is provided in line with what is described in paragraph 2.5 of the report on operations.
It should be noted that in the year as at 31 March 2024, the methods for aggregating information by business segment were revised in order to ensure correspondence with the reporting system use by Top Management and the ultimate Parent Company which exercises management and coordination activities.
Below are the figures for the year ended as at 31 March 2024 compared with the previous year, in line with what is described in paragraph 2.5.

(EUR/000)	**31.03.2024**	31.03.2023
Revenues from Rail Control contracts	1,847,242	1,560,488
Revenues from Vehicles contracts	1,578,643	1,438,629
Total revenues	**3,425,885**	**2,999,117**

Some consolidated accounting information is then provided on a geographical basis in line with previous years.

Revenues (EUR/000)	**31.03.2024**	31.03.2023
Italy	1,824,902	1,555,997
Rest of Europe	408,215	406,057
North Africa and the Middle East	228,261	221,378
Americas	619,326	510,992
Asia Pacific	345,181	304,693
Total	**3,425,885**	**2,999,117**

Property, plant and equipment and intangible assets (EUR/000)	**31.03.2024**	31.03.2023
Italy	332,101	364,822
Rest of Europe	16,253	41,768
North Africa and the Middle East	1,460	2,177
Americas	136,155	107,060
Asia Pacific	19,557	12,997
Total	**505,525**	**528,833**

16. Notes to the statement of financial position

In general, the values shown in the tables below are affected by the change in scope and put options indicated in the introduction.

16.1 Assets and Liabilities held for sale

(EUR/000)	31.03.2024
ASSETS	
Non-current assets	
Intangible assets	6,345
Property, plant and equipment	18,184
Loans and Receivables	860
Deferred tax assets	9,265
Other non-current assets	34,654
	34,654
Current assets	
Inventories	23,446
Contract assets	38,354
Trade receivables	26,714
Income tax receivables	11,516
Other current assets	7,483
Cash and cash equivalents	28,045
	135,560
Total Non-current assets held for sale	**170,214**
Non-current liabilities	
Non-current financial payables	5,838
Employee benefits	14,439
Deferred tax liabilities	2,244
Other non-current liabilities	1,836
	24,357
Current liabilities	
Contract liabilities	49,275
Trade payables	20,730
Financial payables	3,355
Income taxes payable	1,336
Provisions for risks and charges	5,031
Other current liabilities	16,726
	96,451
Total Liabilities held for sale	**120,808**

As mentioned in the previous sections, during the year, in the process of acquiring the signalling business (Ground Transportation Systems) from the Thales Group, Hitachi Rail Ltd. received approval from the European Commission and the UK Competition and Market Authority (CMA) last October on the condition that Hitachi Rail divest its mainline signalling activities in France, Germany and the UK.
In January 2024, the Hitachi Rail and Mer Mec groups signed a put option agreement for the sale of the mainline signalling business in France and the signalling businesses in Germany and the UK. For the STS group, this transaction involves the transfer of the German company to the French company, the spin-off from the French company of the CBTC business and the final sale to the buyer. The formalisation of these steps and their economic and financial impacts are anticipated to occur in the first part of the next financial year.
The transaction defined above has not been measured as a "discontinued operation" under IFRS 5.32, in view of the fact that the transaction:

- Does not represent an independent line of business, as the Group is involved in the same signalling business;
- Does not represent a significant geographic area for operational purposes, since, as also stated earlier in the sector reporting, management assessments are made at the European area level and not at the individual country level.

As a result of these considerations, the Group was deemed to fall within the category of 'non-current assets held for sale' as all the conditions set forth in IFRS 5.7 (highly probable sale), IFRS 5.8 (definition of acquirer) and IFRS 5.9 (estimated sale within one year) were met as at 31 March 2024. Finally, in accordance with IFRS 5.4, in view of the fact that certain companies or business units will be sold in a single transaction, these assets and liabilities have been treated as a 'disposal group', thus reclassifying all assets and liabilities related to the equity investments that will be sold under the appropriate balance sheet items.
Non-current assets held for sale totalled EUR 170,214 thousand and liabilities amounted to EUR 120,808 thousand; the net balance of the transaction (put option) mentioned in the introduction is EUR 49,406 thousand, comprising fixed assets of EUR 16,135 thousand, net working capital of EUR 14,418 thousand and net financial assets of EUR 18,853 thousand.
In accordance with IFRS 5.4, the Company performed an impairment test in order to assess whether the book value was lower than the fair value less costs to sell: this activity, which used the price under the put option as an approximation of the fair value of the transaction, did not reveal any indicators of impairment.

16.2 Related party assets and liabilities

In general, trade relations with related parties are conducted on an arm's length basis, as are interest-bearing receivables and payables, unless governed by specific contractual conditions. The amounts relating to the balance sheet and income statement balances are shown below. The impact of related party transactions on cash flows is instead reported directly in the consolidated cash flow statement.

Receivables as at 31.03.2024 (EUR/000)	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Intercompany Deposit**	**Other current receivables**	**Total**
Ultimate parent							
Hitachi Ltd (Rail)	-	-	-	4,471	-	-	**4,471**
Hitachi Rail Ltd	-	-	-	38,876	-	-	**38,876**
Subsidiaries							
Alifana Due S.c.r.l.	-	-	-	1,073	-	-	**1,073**
Associated companies							
Metro 5 S.p.A.	-		-	144	-	-	**144**
Metro Service A.S.	-		-	164	-	-	**164**
SPV M4 SpA	-		-	175	-	-	**175**
Tram di Firenze S.p.A.	3,217		-	2,840	-	-	**6,057**
Mobilinx Hurontario General Partnership				34,707			**34,707**
Metro de Lima linea 2 S.A.	-	-	-	600	-	-	**600**
Consortia							
Saturno Consortium	-	-	-	38,993	-	-	**38,993**
MM4 Consortium	-	-	-	26,859	-	-	**26,859**
San Giorgio Volla Due Consortium	-	-	-	1,767	-	-	**1,767**
TRAIN CONS.	-	-	-	410	-	-	**410**
CRM CONSORTIUM	-	-	-	227	-	-	**227**
HSC CONSORTIUM	-	-	-	1,088	-	-	**1,088**
Other group companies							
Hitachi International (Holland) B.V.	-	-	-	-	102,631	-	**102,631**
Hitachi Europe Srl	-	-	-	199	-	-	**199**
Connect 6ix General Partnership	-	-	-	30,799	-	-	**30,799**
Connect 6ix Ontario Line Services Ltd	-	-	-	30	-	-	**30**
Hitachi Digital L.L.C.	-	-	-	623	-	-	**623**
Total	**3,217**	**-**	**-**	**184,046**	**102,631**	**-**	**289,894**
Related parties as a percentage of the total of the corresponding balance sheet item	**11%**			**15%**	**25%**		

Receivables as at 31.03.2023 (EUR/000)	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Intercompany Deposit	Other current receivables	Total
Ultimate parent							
Hitachi Ltd (Rail)	-	-	-	1,824	-	-	**1,824**
Hitachi Rail Ltd	-	-	-	20,474	-	-	**20,474**
Subsidiaries							
Alifana Due S.c.r.l.	-	-	-	1,553	-	-	**1,553**
Associated companies							
Metro 5 S.p.A.	-	3,300	-	136	-	-	**3,436**
Operation Alliance OPS Co.		-		195			**195**
Metro Service A.S.	-	-	-	2,815	-	-	**2,815**
SPV M4 SpA	-	53,983	-	84	-	-	**54,066**
Tram di Firenze S.p.A.	-	3,058	-	3,017	-	-	**6,075**
Mobilinx Hurontario General Partnership	-	-	-	19,650	-	-	**19,650**
Metro de Lima linea 2 S.A.	-	-	-	340	-	-	**340**
Consortia							
Saturno Consortium	-	-	-	23,654	-	-	**23,654**
MM4 Consortium	-	-	-	22,291	-	-	**22,291**
San Giorgio Volla Due Consortium	-	-	-	2,065	-	-	**2,065**
TRAIN CONS.	-	-	-	410	-	-	**410**
CRM CONSORTIUM	-	-	-	112	-	-	**112**
HSC CONSORTIUM	-	-	-	973	-	-	**973**
Other group companies							
Hitachi International (Holland) B.V.	-	-	-	-	168,250	-	**168,250**
Hitachi Europe Srl	-	-	-	199	-	-	**199**
Connect 6ix General Partnership	-	-	-	13,420	-	-	**13,420**
Connect 6ix Ontario Line Services Ltd	-	-	-	106	-	-	**106**
Total	**-**	**60,340**	**-**	**113,316**	**168,250**	**-**	**341,906**
Related parties as a percentage of the total of the corresponding balance sheet item		**81%**		**11%**	**40%**		

Payables as at 31.03.2024 (EUR/000)	**Non-current financial payables**	**Other non-current payables**	**Current financial payables**	**Trade payables**	**Other current payables**	**Total**
Ultimate parent						
Hitachi Rail Ltd	-	-	-	22,681	-	**22,681**
Hitachi Ltd	-	-	-	23,693	-	**23,693**
Subsidiaries						
Alifana Due S.c.r.l.	-	-	-	850	-	**850**
Associated companies						
SPV M4 SpA	-	-	-	22	-	**22**
Pegaso S.c.a.r.l. (in liq.)	-	-	-	58	-	**58**
Metro Service A.S.	-	-	-	9,996	-	**9,996**
Consortia						
Saturno Consortium	-	-		136	-	**136**
Ascosa Quattro Consortium	-	-	-	36	8	**44**
TRAIN Consortium	-	-	-	688	-	**688**
San Giorgio Volla Due Consortium	-	-	-	46	-	**46**
MM4 Consortium	-	-	-	1,026	-	**1,026**
QUINN Consortium	-	-	-	190	-	**190**
CRM Consortium	-	-	-	3,221	-	**3,221**
HSC Consortium	-	-	-	10,556	-	**10,556**
Other group companies						
Hitachi Australia PTY Ltd	-	-	-	21	-	**21**
Hitachi High-Technologies Europe GmbH	-	-	-	3	-	**3**
Hitachi Europe Ltd	-	-	-	4,971	-	**4,971**
Hitachi Industrial Engineering	-	-	-	8	-	**8**
Hitachi Transport Sistem Forwarding PTY LTD	-	-		16	-	**16**
MetroB S.r.l.	-	-	-	-	334	**334**
HITACHI ENERGY ITALY S.P.A.	-	-	-	70	-	**70**
TRASFOR S.A	-	-	-	34	-	**34**
Hitachi Europe S.r.l. (ITALY)	-	-	-	99	-	**99**
HITACHI VANTARA ITALIA S.R.L.	-	-	-	(1)	-	**(1)**
Connect 6ix General Partnership	-	3,749	0	-		**3,749**
Connect 6ix Ontario Line Services Ltd	-	-	0	117	-	**117**
HITACHI ENERGY LTD.				1,022		**1,022**
Total	**-**	**3,749**	**0**	**79,558**	**342**	**83,650**
Related parties as a percentage of the total of the corresponding balance sheet item	**0%**	**23%**	**0%**	**6%**	**0%**	

Payables as at 31.03.2023 (EUR/000)	Non-current financial payables	Other non-current payables	Current financial payables	Trade payables	Other current payables	Total
Ultimate parent						
Hitachi Rail Ltd	-	-	-	18,193	-	**18,193**
Hitachi Ltd	-	-	-	24,282	-	**24,282**
Subsidiaries						
Alifana Due S.c.r.l.	-	-	-	2,286	-	**2,286**
Associated companies						
SPV M4 SpA	-	-	-	77	-	**77**
Operation Alliance OPS Co	-	-	-	8,726		**8,726**
Pegaso S.c.a.r.l. (in liq.)	-	-	-	58	-	**58**
Metro Service A.S.	-	-	-	17,753	-	**17,753**
Consortia						
Saturno Consortium	-	-	59	160	-	**219**
Ascosa Quattro Consortium	-	-	-	36	8	**44**
TRAIN Consortium	-	-	-	688	-	**688**
MM4 Consortium	-	-	-	605	-	**605**
QUINN Consortium	-	-	-	63	-	**63**
CRM Consortium	-	-	-	2,951	-	**2,951**
HSC Consortium	-	-	-	13,262	-	**13,262**
Other group companies						
Hitachi Australia PTY Ltd	-	-	-	56	-	**56**
Hitachi High-Technologies Europe GmbH	-	-	-	3	-	**3**
Hitachi Europe Ltd	-	-	-	4,877	-	**4,877**
WestPole S.p.a.	-	-	-	14	-	**14**
Hitachi India - Rail	-	-	-	24	-	**24**
Hitachi America, Ltd.	-	-	-	13	-	**13**
Logisteed Europe B.V.	-	-	-	1,087	-	**1,087**
Hitachi Industrial Engineering	-	-	-	8	-	**8**
Hitachi America Capital	-	-	1,693	-	-	**1,693**
Hitachi Transport Sistem Forwarding PTY LTD	-	-		20	-	**20**
MetroB S.r.l.	-	-	-	-	355	**355**
HITACHI ENERGY ITALY S.P.A.	-	-	-	35	-	**35**
TRASFOR S.A	-	-	-	46	-	**46**
Hitachi Europe S.r.l. (ITALY)	-	-	-	196	-	**196**
HITACHI VANTARA ITALIA S.R.L.	-	-	-	6	-	**6**
ABB POWER GRIDS SECHERON SA	-	-	-	350	-	**350**
Hitachi Energy Australia Pty ltd	-	-	-	2	-	**2**
Connect 6ix General Partnership	-	459	-	-	-	**459**
Connect 6ix Ontario Line Services Ltd	-	-	-	3,616	-	**3,616**
Total	**-**	**459**	**1,752**	**99,493**	**363**	**102,067**
Related parties as a percentage of the total of the corresponding balance sheet item	**0%**	**3%**	**2%**	**7%**	**0%**	

16.3 Intangible assets

(EUR/000)	Goodwill	Other development costs	Patents and similar rights	Concessions, licences and trade marks	Intangible assets in progress	Other	Total
Value as at 31 March 2022	**-**	**128,738**	**2,589**	**5,274**	**6,522**	**2,438**	**145,561**
Change in scope of consolidation (mergers)		72,526	-	3,859	2,952		**79,337**
Additions	-		1,585	2,142		275	**4,002**
Capitalisation	-	17,953	-	-	20,451	20	**38,424**
Sales / Disposals	-				(14)		**(14)**
Amortisation, depreciation and write downs	-	(24,761)	(1,535)	(3,633)	-	(774)	**(30,702)**
Opening/average net exchange rate	-	391	-	(3)	(305)	(12)	**71**
Transfer from assets under construction	-	2,545	-	614	(3,211)	52	**-**
Reclassifications	-	2,124	-		(2,262)	138	**-**
Grants	-	-	-	(257)	-	-	**(257)**
Value as at 31 March 2023	**-**	**126,991**	**2,639**	**4,138**	**21,181**	**2,137**	**157,084**
Change in scope of consolidation		748			(5,682)	(1,785)	**(6,719)**
Additions	-		1,571	684		346	**2,601**
Capitalisation	-	7,894	-	-	14,012		**21,906**
Sales / Disposals	-						
Amortisation, depreciation and write downs	-	(38,772)	(1,604)	(2,767)	-	(184)	**(43,327)**
Opening/average net exchange rate	-	96	-	(2)	109	7	**210**
Transfer from assets under construction	-		-	707	(707)		**-**
Reclassifications	-	258	-		(285)	27	**-**
Grants	-	-	-		-	-	**-**
Value as at 31 March 2024	**-**	**97,216**	**2,606**	**2,759**	**28,628**	**548**	**131,757**

The total value of intangible assets was EUR 131,757 thousand (EUR 157,084 thousand as at 31 March 2023); the effect of the transaction (put option) mentioned in the introduction is EUR 6,345 thousand; capital expenditure amounts to EUR 24,507 thousand and depreciation to EUR 43,327 thousand.
During the period, capitalisation on the Vehicles part mainly related to developing new train production platforms for the *Regional* segment and the new automation and digitalisation model of process amounting to a total of EUR 21,906 thousand.
Capitalisations considered strategic for the future development of the Rail Control part are mainly related to the *Hermes Dragon, Core CBTC Dragon +, AUT 2.0 wave 1 + wave 2 and IXL WSP tool projects*.
Further information reference is provided in the “Research and development” section of the report on operations.

16.4 Property, plant and equipment

(EUR/000)	Land and buildings	Plant and machinery	Equipment	Assets under construction	Assets for rights of use	Other	Total
Value as at 31 March 2022	**164,793**	**57,862**	**43,300**	**31,750**	**30,136**	**21,240**	**349,082**
Change in scope of consolidation (mergers)	83,763	50,349	37,010	23,966	4,431	-	**199,519**
Additions	2,348	4,714	2,720	44,879	19,192	5,765	**79,618**
Capitalisation	-	-	5,751	264	-	-	**6,015**
Sales / Disposals	-	(22)	(6)	(52)	(2,159)	(1)	**(2,240)**
Amortisation, depreciation and write downs	(6,701)	(12,160)	(12,243)	-	(15,729)	(6,374)	**(53,206)**
Opening/average net exchange rate	687	(47)	13	(1,286)	(671)	(99)	**(1,404)**
Transfer from assets under construction	2,808	5,001	684	(9,293)	-	800	**-**
Reclassifications	15	1,185	2,649	(2,598)	-	(1,251)	**-**
Grants	(1,219)	(4,570)	(51)	-	-	(276)	**(6,115)**
Value as at 31 March 2023	**162,732**	**51,964**	**42,817**	**63,663**	**30,769**	**19,805**	**371,749**
Change in scope of consolidation	(1,735)	-	(3,931)	(757)	(10,236)	(3,131)	**(19,791)**
Additions	4,012	6,418	1,665	40,866	21,808	5,540	**80,309**
Capitalisation	-	-	3,300		-	-	**3,300**
Sales / Disposals	(3)	19	()	-	(1,026)	(54)	**(1,064)**
Amortisation, depreciation and write downs	(7,197)	(13,670)	(20,128)	-	(13,272)	(6,279)	**(60,546)**
Opening/average net exchange rate	193	(20)	4	280	(646)	()	**(190)**
Transfer from assets under construction	8,514	7,991	615	(17,370)	-	250	**0.00**
Reclassifications	1,658	1,502	(1,468)	(5,134)	-	3,441	**-**
Grants							
Value as at 31 March 2024	**168,175**	**54,204**	**22,873**	**81,547**	**27,398**	**19,572**	**373,768**

The value of net property, plant and equipment amounted to EUR 373,768 thousand (EUR 371,749 thousand as at 31 March 2023); the effect of the transaction (put option) mentioned in the introduction is EUR 18,184 thousand.
The overall balance is substantially made up of the value of the Parent Company's real estate holdings (EUR 133,736 thousand), which includes the residual value of the real estate complexes of the sites in Naples, Genoa, Pistoia, Reggio Calabria and Tito Scalo (Potenza). Also to be noted are the real estate of the American subsidiary (EUR 34,220 thousand) as well as the value of fixed assets under leasing.
Capital expenditure for the year amounted to EUR 80,309 thousand and mainly related to:

- EUR 21,807 thousand to new fixed assets under leasing;
- EUR 4,965 thousand for the construction of specific equipment for regional trains and the purchase of various instruments at production sites incurred by the Parent Company;
- EUR 10,044 thousand for extraordinary maintenance of the existing plants at all production sites, in particular in Naples, Pistoia and Reggio Calabria, and for the renovation of the Naples management building;
- EUR 33,396 thousand from the US subsidiary relating to the new production sites.

"Depreciation, amortisation and write-downs" for the year amounted to EUR 60,546 thousand and exchange rate differences, mainly related to opening balances, were negative by EUR 190 thousand.
In general, the property, plant and equipment posted to the balance sheet of the STS Group is not subject to encumbrances or restrictions of any nature. The only exception relates to the parent company for the restriction established by the municipality of Piossasco for the use of the company canteen by third parties.

16.5 Equity investments

Investments in non-consolidated companies carried at Fair Value: (EUR/000)

Value as at 31 March 2023	**53,140**
Change in scope of consolidation	
Acquisitions/subscriptions & increases	
Reversals of impairment losses/impairment losses	
Sales/returns	(28,247)
Value as at 31 March 2024	**24,893**
Equity-accounted investments	**146,335**
Total equity investments	**171,228**

List of equity investments with value in EUR/000:

Company Name	Registered office	Type of activity	Reporting date	Accounting standards	Equity (in/000)	Total assets (in/000)	Total liabilities (in/000)	Currency	% investment	Amount (EUR/000)
Metro 5 S.p.A.	Milan (Italy)	Transport	31/12/2023	IFRS	211,139	718,462	507,323	Euro	31.90%	67,353
International Metro Service S.r.l.	Milan (Italy)	Transport	31.12.2023	ITAGaap	15,655	15,912	257	Euro	49.00%	7,671
Pegaso S.c.r.l. (in liquidation)	Rome (Italy)	Construction	31.12.2023	ITAGaap	260	1,689	1,429	Euro	46.87%	122
Alifana Due S.c.a.r.l.	Naples (Italy)	Transport	31.12.2023	ITAGaap	26	2,706	2,680	Euro	53.34%	14
OPS-OPERATION ALLIANCE OPS CO.	Riyadh (Saudi Arabia)	Transport	31.12.2023	IFRS	8,993	140,979	131,986	Sar	50.00%	1,109
Mobilinx Hurontario GP.	Toronto, Ontario (Canada)	Transport	31.12.2023	IFRS	53,815	874,201	820,386	Cad	20.00%	7,336
Metro de Lima Linea 2 S.A.	Lima (Peru)	Transport	31.12.2023	IFRS	235,217	499,844	264,627	Usd	28.50%	62,008
Mobilinx Hurontario Service Ltd	Toronto, Ontario (Canada)	Transport	31.12.2023	IFRS	4,294	13,167	8,873	Cad	20.00%	629
Connect 6ix Ontario Line Services Ltd.	Toronto, Ontario (Canada)	Transport	31/03/2024	IFRS	273	10,775	10,502	Cad	50.00%	94
Connect 6ix General Partnership	Toronto, Ontario (Canada)	Transport	31/12/2023	IFRS	(27,639)	826,894	854,533	Cad	20.10%	-
Total Equity Investments									**A**	**146,335**
Metro C S.c.p.A.	Rome (Italy)	Transport	31.12.2023	ITAGaap	149,518	466,900	317,382	Euro	14.00%	21,000
Società Tram di Firenze S.p.A.	Florence (Italy)	Transport	31.12.2021	ITAGaap	5,929	440,784	434,855	Euro	10.19%	1,222
Iricav uno Consortium	Rome (Italy)	Transport	31.12.2023	ITAGaap	520	3,193	2,673	Euro	26.77%	139
Iricav due Consortium	Rome (Italy)	Transport	31.12.2023	ITAGaap	516	1,309,214	1,308,697	Euro	17.05%	88
S. Giorgio Volla 2 Consortium	Naples (Italy)	Transport	31.12.2023	ITAGaap	72	145,722	145,649	Euro	33.33%	18
Consorzio Ascosa Quattro (in liq)	Rome (Italy)	Transport	31.12.2022	ITAGaap	57	443	386	Euro	33.33%	14
Siit S.c.p.a	Genoa (Italy)	Research	31.12.2021	ITAGaap	624	1,705	1,081	Euro	2.30%	14
Saturno Consortium	Rome (Italy)	Transport	31.12.2023	ITAGaap	31	631,966	631,935	Euro	33.33%	10
IANUA Consortium	Genoa (Italy)	Transport	31.12.2023	ITAGaap	107	146	39	Euro	16.67%	6
MM4 Consortium	Milan (Italy)	Transport	31.12.2022	ITAGaap	200	25,233	25,033	Euro	34.63%	69
Radiolabs Consortium	Rome (Italy)	Research	31.12.2020	ITAGaap	261	2,545	2,284	Euro	33.33%	52
SPV Linea M4 S.p.A	Milan (Italy)	Transport	31.12.2022	ITAGaap	262,189	816,838	554,649	Euro	0.66%	1,688
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Rome (Italy)	Research	31.12.2023	ITAGaap	260	422	163	Euro	24.00%	10
Dattilo S.c.a.r.l.	Naples (Italy)	Transport	31.12.2020	ITAGaap	102	140	38	Euro	27.00%	-
MetroB S.r.l.	Rome (Italy)	Transport	31.12.2023	ITAGaap	18,242	18,319	77	Euro	2.47%	494
Meditech Consortium	Naples (Italy)	Transport	31.12.2022	ITAGaap	1,296	4,012	2,716	Euro	6.66%	50
Ditecfer SCARL	Pistoia (Italy)	Transport	31.12.2022	ITAGaap	63	735	672	Euro	1.75%	2
RTA Railtec Arsenal	Vienna (Austria)	Transport	31.12.2022	ITAGaap	1,805	13,376	11,571	Euro	14.80%	1
Ferromovil 9000 SL	Madrid (Spain)	Transport	31.12.2022	ITAGaap	13,784	180,195	166,411	Euro	10.00%	0
HSC Consortium	Naples (Italy)	Transport	31.03.2024	ITAGaap	50	7,326	7,276	Euro	5.00%	3
Consorzio Universitario in Ingegneria per la Qualità e l'Innovazione (QUINN)	Pisa (Italy)	Research	31.12.2022	ITAGaap	992	2,385	1,393	Euro	12.50%	11
CRM Consortium	Naples (Italy)	Transport	31.03.2024	ITAGaap	30	4,130	4,100	Euro	5.00%	2
Hitachi Rail Washington LLC	Washington (USA)	Research	31.03.2022	IFRS	1	21,083	21,082	Usd	100%	1
Secure Rail India Private LTD	Haryana (India)	Transport	31.03.2024	IFRS	47,374	70,354	22,981	Inr	0.00%	-
Total equity investments at fair value										**24,893**
Total equity investments										**171,228**

The value of equity investments as at 31 March 2024 was EUR 171,228 thousand, of which EUR 146,335 thousand was measured using the equity method, and EUR 24,893 thousand was measured at cost as an approximation of fair value in the application of IFRS 9; it provides for fair value as the sole valuation criterion for investments in equity instruments. The value of residual investments in unlisted companies, the fair value of which is not substantially measurable, was determined by approximating it to the value of the Group's equity, following the framework defined by IFRS 13.

The provisions of IFRS 9 concerning the classification and measurement of financial assets provide for the following categories: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value with the effects recognised in other comprehensive income (OCI); (iii) financial assets measured at fair value with the effects recognised in profit or loss. Valuation at the cost of a minority interest is permitted in those limited cases where cost represents an adequate estimate of fair value. The cost was considered a good approximation of the relative fair value as the present value of future margins is close to zero.

The overall change in investments in equity investments in the two periods under comparison (EUR -15,461 thousand) is explained by the increase in those valued using the equity method due to the results achieved (EUR 12,786 thousand) and the decrease in those valued at cost (EUR -28,247 thousand) due to the sale of shares in SPV M4 Spa (EUR 26,133 thousand) and Ferromovil 9000SL (EUR 2,077 thousand).
The increase in the value of the equity investments measured with the shareholders' equity method is due to the positive results for the year of Metro 5 S.p.A. (EUR 6,258 thousand), Metro de Lima (EUR 5,087 thousand), International Metro Service S.r.l. (EUR 7,219 thousand), Operation Alliance OPS in Saudi Arabia (EUR 1,569 thousand) and Mobilinx Hurontario Service LTD/Mobilinx Hurontario GP (EUR 1,917 thousand). For the sake of completeness, please note the negative result of Connect 6ix General Partnership (EUR -3,305 thousand).

16.6 Non-current receivables and other assets

(EUR/000)	**31.03.2024**	31.03.2023
Guarantee deposits	3,342	3,610
Other	23,395	10,388
Other non-current receivables from related parties	3,216	60,340
Non-current receivables	**29,953**	**74,338**
Prepaid expenses	1,326	1,453
Other non-current assets	**1,326**	**1,453**

Non-current receivables as at 31 March 2024 amounted to EUR 29,953 thousand (EUR 74,338 thousand as at 31 March 2023); the reduction of EUR 44,385 thousand is mainly due to the collections from the repayment of loans granted to the investees SPV M4 and METRO 5.
In detail, the item consists of:
- EUR 13,673 thousand as a deposit with the Flow Consortium to finance the operational activities related to the Riyadh Operation & Maintenance contract;
- EUR 3,217 thousand for the loan granted to the investee Tram di Firenze;
- EUR 3,342 thousand for security deposits, which mainly includes advances to tenants;

Other non-current assets amounted to EUR 1,326 thousand (EUR 1,453 thousand as at 31 March 2023) and mainly refer to insurance prepayments for premiums prepaid during the year.

16.7 Inventories

(EUR/000)	**31.03.2024**	31.03.2023
Raw materials, auxiliaries and consumables	428,634	381,889
Works in progress and semi-finished products	49,805	35,943
Finished goods and goods for resale	12,436	17,504
Advances to suppliers	129,854	78,702
Total	**620,728**	**514,038**

Inventories amounted to EUR 620,728 thousand, up by EUR 106,690 thousand compared to March 2023 (EUR 514,038 thousand).
The changes in the item's raw materials, ancillary materials and consumables, and advances to suppliers are mainly related to the increases in activities of the vehicle part.
Inventories are shown net of an allowance for inventory write-down of EUR 4,180 thousand (EUR 6,167 thousand at the end of the previous year).

16.8 Contract assets and liabilities

(EUR/000)	**31.03.2024**	31.03.2023
Advances from customers	(90,901)	(89,465)
Progress payments	(1,650,860)	(1,767,722)
Work in progress	2,983,523	3,171,697
Provision for expected losses to complete contracts		
Work in progress provisions	(10,656)	(33,565)
Contract assets	**1,231,106**	**1,280,945**
Advances from customers	(539,713)	(354,182)
Progress payments	(3,571,876)	(3,334,071)
Work in progress	2,582,578	2,437,428
Provision for expected losses to complete contracts		
Work in progress provisions	(2,600)	(2,601)
Contract liabilities	**(1,531,611)**	**(1,253,426)**
Assets / (Liabilities) from contracts	**(300,506)**	**27,519**

Assets/liabilities arising from contracts (EUR -300,506 thousand compared to EUR 27,519 thousand as at 31 March 2023), in accordance with IFRS 15, are determined for each individual Performance Obligation arising from each contract signed with a customer. As shown in the table above, assets/liabilities arising from contracts are determined based on the consideration to be received from customers for work performed (so-called work in progress) net of payments on account for work performed (so-called instalment turnover), advances received and any provisions for impairment losses.

The net change in the total value of assets and liabilities arising from contracts is essentially attributable to the higher turnover compared to the production realised.

It should also be noted that the net balance of work in progress includes the advance (balance) for EUR 89,911 thousand related to the order in Libya that is still suspended due to the well-known events that have affected the country in recent years.

This advance has varied slightly due to the revaluation of the Libyan dinar; however, it largely covers work carried out to date and not yet invoiced. As a consequence, at the reporting date, there were no probable risks which would require any provisions. In accordance with IFRS 9, the Group conducted an analysis of any impairment of assets arising from contracts; this analysis did not reveal the need to make any provisions.

16.9 Trade and financial receivables

(EUR/000)	31.03.2024 Trade	31.03.2024 Financial	31.03.2023 Trade	31.03.2023 Financial
Third parties	1,039,139	26,514	949,442	24,986
Total receivables from third parties	**1,039,139**	**26,514**	**949,442**	**24,986**
Related parties	184,046		113,316	
Total	**1,223,185**	**26,514**	**1,062,758**	**24,986**

The value of trade and financial receivables is stated in the balance sheet at their Fair Value.
Trade receivables as a whole as at 31.03.2024 (EUR 1,223,185 thousand) increased compared to the value recorded as at 31.03.2023 (EUR 1,062,758 thousand). They were mainly affected by the change in the positions of the Parent Company.
Trade receivables are shown net of the bad debt provision of EUR 36,135 thousand (EUR 36,428 thousand as at 31 March 2023). The change is mainly attributable to the parent company. In particular, the disinvestment of receivables deemed doubtful in previous years is highlighted, with a consequent positive effect on the income statement, partially offset by the increases in positions subject to analysis during the year.
During the year, the Parent Company transferred trade receivables by entering into factoring agreements without recourse, in order to optimise the management of working capital.

Financial receivables from third parties as at 31 March 2024 amounted to EUR 26,514 thousand (EUR 24,986 thousand in 2023) and are mainly attributable to credit positions of the Parent Company and the Indian and Chinese subsidiaries.
In detail:
- EUR 9,515 thousand represents the counter value of Libyan dinars received as an advance on the first of the two orders acquired in Libya by the Parent Company, deposited with a local bank, and tied up pending the resumption of operations;
- EUR 16,999 thousand represents the amount of short-term deposits the companies in India and China have with leading banks.

16.10 Income tax receivables and payables

(EUR/000)	31.03.2024 Assets	31.03.2024 Liabilities	31.03.2023 Assets	31.03.2023 Liabilities
Direct taxes	62,082	41,291	41,464	14,288
Total	**62,082**	**41,291**	**41,464**	**14,288**

Direct tax receivables amounted to EUR 62,082 thousand as at 31 March 2024 (EUR 41,464 thousand as at 31 March 2023); the main portion relates to the Parent Company for taxes paid abroad (EUR 28,795 thousand)
Direct tax payables amounted to EUR 41,291 thousand as at 31 March 2024 (EUR 14,288 thousand as at 31 March 2023); they are due to the Parent Company in the amount of EUR 32,338 thousand, to the Australian subsidiaries in the amount of EUR 1,597 thousand, to the US subsidiaries in the amount of EUR 6,157 thousand, to the Chinese subsidiary in the amount of EUR 352 thousand, and to the Spanish subsidiary in the amount of EUR 845 thousand.
In Italy, at the time of the tax return for the tax period ending 31 March 2021, the Company confirmed the option to renew the Patent Box regime and the process to sign a new agreement valid for five years is still ongoing.
The dispute was initiated by the Italian Revenue Agency in April 2024, therefore the Company decided not to recognise the effects of the application of the Patent Box regime for the financial year ending 31 March 2024.

16.11 Other current assets

(EUR/000)	31.03.2024	31.03.2023
Prepaid expenses - current portions	48,601	45,115
Research grants	23,165	18,013
Receivables from employees	3,737	3,293
Receivables due from social security and pension institutions	1,276	1,170
Indirect taxes and other receivables from the Revenue Administration	75,540	75,577
Derivatives	7,929	24,235
Other assets	16,854	22,880
Total other assets	**177,102**	**190,283**
Other assets - Related parties	-	-
Total	**177,102**	**190,283**

Other current assets from third parties as at 31 March 2024 amounted to EUR 177,102 thousand (EUR 190,283 thousand as at 31 March 2023); the main changes relate to the value of indirect tax receivables (mainly in Italy for the VAT credit), derivative assets and the higher value of prepaid expenses.
With regard to Receivables for research grants, please refer to the Report on Operations for details on the projects financed.
Receivables for indirect taxes amounted to EUR 75,540 thousand (EUR 75,577 thousand as at 31 March 2023) and are mainly attributable to the Parent Company for EUR 68,195 thousand for receivables from the tax authorities.
For comments on the item Derivatives, reference should be made to note 16.22.

16.12 Cash and cash equivalents

(EUR/000)	31.03.2024	31.03.2023
Cash-in-hand	85	97
Bank deposits	408,965	354,558
Total	**409,050**	**354,655**

Cash and cash equivalents as at 31 March 2024 amounted to EUR 409,050 thousand.
They mainly refer to the Parent Company in the amount of EUR 302,779 thousand, the company in China in the amount of EUR 38,583 thousand, the Group in the USA in the amount of EUR 20,445 thousand, the Swedish company in the amount of EUR 9,428 thousand and the subsidiaries in Asia Pacific for EUR 26,424 thousand.
Also shown under cash and cash equivalents is the EUR 102,630 thousand value of the corresponding current account with the associate Hitachi International Holland BV.
Cash and cash equivalents are totally available and there are no disposal costs.

16.13 Share capital

The fully paid-up share capital amounts to EUR 100,000,000 and is formed of 200,000,000 ordinary shares with a nominal value of EUR 0.50 each.
It did not undergo any changes over the last two years.
The Parent Company had no treasury shares in its portfolio as at 31 March 2024.

The Company has not been listed since 30 January 2019 and the entire share package is held by Hitachi Rail Limited in the UK.

16.14 Retained earnings/accumulated losses

(EUR/000)	
Value as at 31 March 2023	**1,003,330**
Changes in the scope of consolidation and equity-accounted investees	(708)
Profit for the period	128,093
Dividends	(85,000)
Value as at 31 March 2024	**1,045,715**

Retained earnings/(losses), including the profit for the year and consolidation reserves, amounted to EUR 1,045,715 thousand as at 31 March 2024. The change compared to 31 March 2023 is generated by the profit for the period of EUR 128,093 thousand and the dividend distribution of EUR 85,000 thousand.

16.15 Other reserves

(EUR/000)	Legal reserve	Cash Flow Hedge reserve	Deferred tax reserve relating to items in SE	Translation reserve	Other	Total
31 March 2023	**20,000**	**(6,805)**	**2,604**	**(7,570)**	**3,272**	**11,501**
Reclassification from profits (Losses carried forward) and consolidation reserves	-	-	-	-	-	**-**
Change in the scope of consolidation	-	-	-	224	-	**224**
Transfers to the income statement	-	(4,313)			-	**(4,313)**
Translation differences	-	-	-	1,744	-	**1,744**
Increase/decrease	-	(415)	-	-	(860)	**(1,274)**
Valuations charged to Equity	-	(3,214)	467	-	-	**(2,747)**
Creation of reserve for adjustments to the legal reserve	-	-	-	-	-	**-**
Share capital increase with allocation of available reserves	-	-	-	-	-	**-**
Other transactions	-	(2,047)	1,565	-	-	**(482)**
Impacts from companies at equity		(2,963)	1,024	-	(520)	**(2,459)**
31 March 2024	**20,000**	**(19,757)**	**5,660**	**(5,602)**	**1,892**	**2,192**

Legal Reserve

The Legal Reserve amounted to EUR 20,000 thousand; it did not change as it already accounted for 20% of the share capital as at 31 March 2024.

Cash flow hedge reserve

The reserve includes the fair value of the derivatives used by the Group to hedge its currency exposure; it amounted to EUR -19,757 thousand as at 31 March 2024 due to net changes for the year before deferred tax effects. When the underlying hedged item becomes manifest, the reserve is recognised in the income statement to offset the effects generated by the economic manifestation of the hedged transaction.

Reserve for deferred taxes on items recognised in equity

The reserve for deferred taxes on items charged to shareholders' equity amounted to EUR 5,660 thousand. It was changed to recognise deferred taxes arising from actuarial gains/losses following the adoption of the equity method in respect of defined benefit plans and for hedging transactions cash flow hedge.

Translation reserve

The reserve is used to recognise exchange rate differences arising from the translation of the financial statements of consolidated companies and amounted to EUR -5,602 thousand at 31 March 2024.
The change in the period is highlighted in the Statement of Comprehensive Income for EUR 1,744 thousand; the highest sums are produced by the consolidation of the US and Australian subsidiaries and by the parent company for its branches in non-Euro areas.

Other

This "Other" item (EUR 1,892 thousand) includes the defined benefit plan reserve (EUR -184 thousand), the revaluation reserve under Law No. 413/91 (EUR 832 thousand) and reserves established following the signing of contracts providing for the payment of research grants by the Parent Company (EUR 1,244 thousand). The change in the period is due to the actuarial losses on defined benefit plans (EUR -1,380 thousand).

16.16 Equity of third parties

The Group holds a 75% controlling interest in the company established in Saudi Arabia called Hitachi Rail Saudi Arabia LLC.

(EUR/000)	
Value as at 31 March 2023	**1**
Profit (loss) of minority interests	22
Change in the consolidation reserve	(23)
Dividends for minority interests	-
Value as at 31 March 2024	**-**

16.17 Financial payables

	31.03.2024			31.03.2023		
(EUR/000)	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Bank loans and borrowings	4,149		4,149	74,479		74,479
Other financial payables	2,223	425	2,648	1	425	426
Payables for leasing	11,473	21,210	32,685	11,591	21,043	32,634
Related party loans and borrowings		-	-	1,752	-	1,752
Total	**17,845**	**21,635**	**39,481**	**87,823**	**21,468**	**109,291**

The change for the year is as follows:

(EUR/000)	31.03.2023	**Change in scope of consolidation**	**New Borrowings**	**Repayments/ Write-offs**	**Reclassifications**	**Other transactions**	**31.03.2024**
Bank loans and borrowings	74,479			(70,330)			4,149
Other financial payables	426		2,140			82	2,648
Payables for leasing	32,633	(10,500)	19,921	(10,150)	-	780	32,685
Related party loans and borrowings	1,753			(1,753)			(0)
Total	**109,291**	**(10,500)**	**22,061**	**(82,233)**	**-**	**862**	**39,481**

As required by the accounting standard *IFRS16 - Leases*, at the effective date of the lease, the lessee shall recognise a liability for the obligation to make payments due under the lease ('lease liability') and an asset consisting of the right to use the underlying asset during the lease term ('right-of-use asset').
The balance of liabilities for leases as at 31 March 2024 was EUR 32,685 thousand, in line with the previous year (EUR 32,634 thousand) as the merger effect of the new contracts signed in the period was offset by repayments and write-offs.
The significant decrease in short-term payables to banks (EUR 4,149 thousand) was generated by repayments to the parent company of about EUR 70,330 thousand.

Other financial payables

Other financial payables amounted to EUR 2,648 thousand, down compared to the previous year due to repayments made by the Parent Company.

Financial debt

The repayment schedules for the financial liabilities of the Group and the exposures to interest-rate fluctuations are analysed below:

	Bank loans and borrowings		Other		Total	
31 March 2024 (EUR/000)	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**
Within 1 year	4,149	-	13,697	-	17,846	-
2-5 years	-	-	21,635	-	21,635	-
After 5 years	-	-	-	-	-	-
Total	**4,149**	**-**	**35,332**	**-**	**39,481**	**-**

	Bank loans and borrowings		Other		Total	
31 March 2023 (EUR/000)	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate
Within 1 year	74,479	-	13,344	-	87,823	-
2-5 years	-	-	21,468	-	21,468	-
After 5 years	-	-	-	-	-	-
Total	**74,479**	**-**	**34,812**	**-**	**109,291**	**-**

Financial information is given below:

(EUR/000)		**31.03.2024**	31.03.2023
A	Cash-in-hand	85	98
B	Other cash and cash equivalents (bank current accounts)	408,965	354,557
D	**LIQUIDITY (A+B+C)**	**409,050**	**354,655**
E	**CURRENT FINANCIAL RECEIVABLES**	**26,514**	**24,986**
F	Current bank loans and borrowings	4,149	74,479
H	Other current loans and borrowings	2,224	1,754
I	Current leasing payables	11,473	11,590
J	**CURRENT FINANCIAL DEBT (F+G+H)**	**17,846**	**87,823**
K	**NET CURRENT FINANCIAL (CASH) DEBT (J-E-D)**	**(417,719)**	**(291,818)**
L	Non-current bank loans and borrowings	-	-
N	Other non-current payables	425	425
O	Non-current leasing payables	21,210	21,043
P	**NON-CURRENT FINANCIAL DEBT (L+M+N+O)**	**21,635**	**21,468**
Q	**NET FINANCIAL DEBT (CASH) (k+P)**	**(396,083)**	**(270,350)**
R	Net financial position assets held for sale	(18,853)	-
S	**TOTAL FINANCIAL DEBT (CASH) (Q+R)**	**(414,935)**	**(270,350)**

16.18 Provisions for risks and charges and contingent liabilities

(EUR/000)	Product guarantees	Personnel disputes	Losses on contracts	Other	Total
Balance at 31 March 2023	**3,740**	**3,773**	**99,576**	**5,919**	**113,009**
Change in scope of consolidation	(3,144)	(381)	(1,506)	-	(5,031)
Accruals	1,146	5,625	21,899	-	28,670
Reversal	(247)		(37,158)	-	(37,405)
Utilisations	-	(1,619)	-	(372)	(1,991)
Other transactions	(16)	22	(1,271)	9	(1,256)
Balance at 31 March 2024	**1,479**	**7,421**	**81,541**	**5,555**	**95,997**
Current	*3,740*	*3,773*	*99,576*	*5,919*	*113,009*
Non-current	-	-	-	-	-
Balance at 31 March 2023	**3,740**	**3,773**	**99,576**	**5,919**	**113,009**
Current	*1,479*	*7,421*	*81,541*	*5,555*	*95,997*
Non-current	-	-	-	-	-
Balance at 31 March 2024	**1,479**	**7,421**	**81,541**	**5,555**	**95,997**

In relation to the provisions for risks, the STS Group companies are active in segments and markets where many disputes are only settled after significant time has elapsed, especially when the counterparty is a public body.
Based on current information, specific provisions have not been recorded for various disputes in which the Group is defendant, as they are expected to be resolved satisfactorily and without significant impact on its financial position and results of operations.
Provisions have been recorded for risks that are deemed probable and quantifiable.

Provisions for risks as of 31 March 2024 amounted to EUR 95,997 thousand, a decrease of EUR 17,012 thousand with respect to the balance as of 31 March 2023 (EUR 113,009 thousand), also due to the accounting effect of the transaction (put option) mentioned in the introduction for EUR 5,031 thousand.
During the period, provisions for final losses amounted to (EUR 21,899 thousand), offset in part by absorptions for (EUR 37,158 thousand).
Apart from the above, there are no particular changes in other disputes concerning those reported in the financial statements as at 31 March 2024, to which reference should be made for complete information.

16.19 Employee benefits

Post-employment benefits and defined benefit plans are analysed below:

(EUR/000)	**31.03.2024**	31.03.2023
Italian post-employment benefits	29,412	29,200
Defined benefit pension plans	2,466	15,569
Total	**31,878**	**44,769**

Changes in defined benefit plans and Italian post-employment benefits are shown below:

	31.03.2024	
(EUR/000)	Italian post-employment benefits	Defined benefits plans
Value as at 31 March 2023	**29,200**	**15,569**
Change in scope of consolidation		(14,439)
Current Costs	2,677	506
Contributions paid	(2,100)	(36)
Other transactions	(193)	970
Actuarial losses (gains) taken to equity	(172)	(104)
of which:		
Actuarial losses (gains) in equity resulting from changes in demographic assumptions		
Actuarial losses (gains) in equity resulting from changes in financial assumptions	(19)	(94)
Actuarial losses (gains) in equity resulting from experience adjustments	(153)	(10)
Actuarial losses (gains) – taken to equity and other changes		
Value as at 31 March 2024	**29,412**	**2,466**

The amount recognised on the income statement was determined as follows:

	Italian post-employment benefits		Defined benefit plans	
(EUR/000)	**31.03.2024**	31.03.2023	**31.03.2024**	31.03.2023
Current service costs	1,657	1,483	428	1,040
Interest expense	1,020	511	563	360
Total	**2,677**	**1,994**	**991**	**1,400**

The main actuarial assumptions are indicated below:

	Italian post-employment benefits		Defined benefit plans	
	31.03.2024	31.03.2023	**31.03.2024**	31.03.2023
Discount rate (p.a.)	3.4%	3.6%	3.4%	3.6%
Salary increase rate	N.A.	N.A.	3.0%	3.0%
Turnover rate	1.00% - 5.69%	1.00% - 5.69%	0.11%-8.4%	0.11%-8.4%

A sensitivity analysis was performed for each significant actuarial assumption, showing the effects on the value of the obligation in absolute value:

	Italian post-employment benefits		Defined benefit plans	
	-0.25%	**0.25%**	**-0.25%**	**0.25%**
Discount rate (p.a.)	29,898	28,760	17,583	16,180
Inflation rate	28,916	29,731	16,667	17,056
Turnover rate	29,288	29,347	16,173	17,588

The average duration of Italian post-employment benefits is 14 years and 17 for other defined benefit plans.
The different pension systems included in the calculation do not have peculiarities that may affect the outlook.

16.20 Other current and non-current liabilities

(EUR/000)	31.03.2024 Current	31.03.2024 Non-current	31.03.2023 Current	31.03.2023 Non-current
Employees	92,225		93,170	
Indirect taxes and other tax liabilities	27,829	-	31,698	-
Social security and pension institutions	22,554	-	28,145	-
Deferred income - Others - Third parties	922			
Derivatives	15,942	-	26,176	-
Other third party liabilities	51,653	13,870	43,282	15,617
Total other liabilities to third parties	**211,126**	**13,870**	**222,471**	**15,617**
Other liabilities to related parties	342	3,749	363	459
Total	**211,468**	**17,619**	**222,834**	**16,076**

Other current and non-current liabilities to third parties amounted to EUR 224,996 thousand (EUR 238,088 thousand as at 31 March 2023).
Further details on derivatives are provided in paragraph 16.21.It should be noted that the item Sundry payables to others includes the remaining 62% payable on the subscribed capital of Metro C S.c.p.A. EUR 12,950 thousand, which remained unchanged from last fiscal year.

16.21 Trade payables

(EUR/000)	31.03.2024	31.03.2023
Trade payables	1,362,037	1,339,686
Total third-party trade payables	**1,362,037**	**1,339,686**
Related-party trade payables	79,558	99,493
Total	**1,441,595**	**1,439,179**

In general, the total value of trade payables as at 31 March 2024 (EUR 1,441,595 thousand) is substantially in line with the figure recorded as at 31 March 2023 (EUR 1,439,179 thousand)
The net change from the previous period is mainly attributable to the increase in trade payables to third parties, partially offset by the decrease in trade payables to related parties, detailed in section 24.5. For further details, see Section 16.1 of the Notes to the Financial Statements.
It should be noted that during the year the Parent Company terminated “reverse factoring” transactions. For more details, please refer to paragraph 24.18 of the notes to the Parent Company’s financial statements.

16.22 Derivatives

Assets and liabilities relating to derivatives are shown in the table below:

(EUR/000)	31.03.2024 Income	31.03.2024 Liabilities	31.03.2023 Income	31.03.2023 Liabilities
Fair value hedge	498	1,699	4,080	4,260
Cash flow hedge	7,431	14,244	20,155	21,916
Currency hedges	**7,929**	**15,942**	**24,235**	**26,176**

As at 31 March 2024, the Fair Value of assets and liabilities, included in the total FVH value, amounted to EUR 498 thousand and the related economic effects, with a nil balance, are recorded under operating financial income and charges.

The Company also had cash flow hedges relating to the cash flows of the Abu Dhabi Stage 2, Riyadh Metro, Lima Metro, Kolkata Metro, Glasgow Metro, Panama, Washington, Honolulu, Miami and Baltimore contracts.

Determination of fair value

As at 31 March 2024, the Group held no listed derivative instruments. The fair value of unlisted derivative instruments is measured by reference to financial valuation techniques, in particular, the fair value of forwarding exchange contracts is determined based on market exchange rates at the reference date and the rate differentials between the currencies concerned; the fair value of swap is calculated by discounting future cash flows according to market parameters. Hedges are mostly arranged with the banking system. As at 31 March 2024, the Group has contracts in place for the following notional foreign currency amounts:

(EUR/000)	**31.03.2024**	31.03.2023
Euro	173,968	136,891
US Dollar	929,503	1,020,293
UK Pound	11,101	34,642
Swedish Krona	2,051	7,115
Australian Dollar	55,923	78,064
Japanese Yen	5,981	9,485
Indian Rupee	2,445	1,735
UAE Dirham	107,208	106,577

As at 31 March 2024, the net fair value of derivative financial instruments was negative for approximately EUR -8,013 thousand. The Group is exposed to a limited extent to the risk of fluctuations in interest rates, so it does not hedge the interest rate risk.

16.23 Guarantees

The Group's guarantee portfolio is mainly made up of guarantees given as part of commercial initiatives in favour of customers/third parties (Commercial Guarantees), which represent a key asset of the Group as they are preparatory to participation in tenders and the fulfilment of the main contractual obligations entered into by the Group (enabling the contracts awarded to enter into force or to be managed on a 'whole life' basis).
They are rendered, either directly or through consortia, and are corporate in nature, mainly by first- and second-tier (parent company guarantees) or banking/insurance companies.
Due to their complex nature, the guarantees not directly associated with an underlying business deal and granted to tax agencies, financial institutes, etc., should also be mentioned.

Below are the guarantees in place in the Group as at 31 March 2024:

Direct guarantees and indemnities for guarantees given by third parties on behalf of the Group in favour of principals and other third parties (EUR/million)	**Total**
Personal guarantees issued by Hitachi Ltd (parent company guarantees) to customers/third parties for business transactions	3,187,9
Personal guarantees issued by Hitachi Rail STS SpA (parent company guarantees) to customers/third parties for business transactions	1,466.7
Personal guarantees issued by other legal entities of the Group (parent company guarantees) to customers/third parties for business transactions	22.3
Sureties and bonds (bid bonds, performance bonds, retention bonds, advance payment bonds, counter-guarantees and other minor ones) issued by credit institutions or insurance companies in favour of principals/third parties for business transactions	5,298.1
of which counter-guaranteed by Hitachi Ltd	*1,971*
of which counter-guaranteed by Hitachi Rail STS SpA	*179,059*
Direct and other guarantees issued by Hitachi Rail STS SpA, banks or insurance companies to other third parties for non-contractual/commercial guarantees (financial and tax transactions)	29.55
Total	**9,984.6**

In detail, these are:

Parent Company Guarantee Hitachi ltd
As of 31 March 2024, the Company has outstanding commercial Parent Company Guarantees issued by Hitachi ltd on behalf of Hitachi Rail STS S.p.A. and its subsidiaries for approximately EUR 3,187.9 million.

Parent Company Guarantee Hitachi Rail STS SpA
As at 31 March 2024, the Company has outstanding commercial Parent Company Guarantees issued by Hitachi Rail STS SpA on behalf of the subsidiaries for approximately EUR 1,466.7 million.

Parent Company Guarantees issued by other legal entities
As at 31 March 2024, the Company had outstanding commercial Parent Company Guarantees issued by other Group companies on behalf of the subsidiaries for about EUR 22.3 million.

Guarantees issued through banks and insurance companies fall into the following main categories:

Bid bond
The bid bond is the guarantee provided predominantly in connection with participation in tenders. It usually has a 3/6-month term and corresponds with 1-3% of the basic bid amount or the estimated bid amount.
The weight of the total value of the bid bond is generally modest due to the very nature of the guarantee, which has short release times. In the guarantee portfolio as at 31 March 2024, this typology amounted to approximately EUR 21.9 million.

Performance bond
The performance bond is the guarantee of successful project execution or successful delivery. It is usually required when signing contracts and its term reflects that of the works or the supply for which it has been issued.
The guarantee can be of short duration for supply contracts, whereas for "Turn Key" contracts, it can be much longer if it also includes the "Operation & Maintenance" phase. The amount depends on the type of contract and the relevant context. It usually ranges between 10-15% of the contractual value.
In the guarantee portfolio as at 31 March 2024, this typology amounted to approximately EUR 2,851.7 million.

Retention money bond
Where provided for in the contract, the retention money bond represents the security provided for the release of sums retained as security by customers/clients on services performed and invoiced. They are released progressively and for minimum amounts (such as 5% of works/supplies performed and invoiced). Where not explicitly provided for in the contract, the guarantee can also be released upon completion of work.
In the guarantee portfolio as at 31 March 2024, this typology amounted to about EUR 128.8 million.

Advance payment bond
The advance payment bond, sometimes called down payment bond, guarantees the customer in respect of the contractual advance and down payments paid to the supplier at the start of the project/supply. It generally decreases as the advance is reabsorbed through invoicing of the supplier to the customer. The amount of this type of guarantee varies according to the contract type and the context in which it has been issued. Generally, it can range from 10% to 15% of the contract amount up to 25%-35% in some geographical areas. As at 31 March 2024, this type amounted to approximately EUR 1,770.9 million..

Counter-guarantee
Counter-guarantees are another type of commitment.
They are represented by guarantees subscribed by the Company in favour of credit institutions for its share of the commitments in respect of guarantees given mainly in the context of participation in consortia and special purpose vehicles.
As of 31 March 2024, this type of guarantee amounted to approximately EUR 175.3 million.

Hitachi Ltd guaranteed part of the credit lines for guarantees for a total of EUR 1,971 million. They were mainly used for the issue of guarantees as part of the main projects in the portfolio.

17. Notes to the income statement

17.1 Financial relations with related parties

31 March 2024 (EUR/000)	**Revenues**	**Other operating revenues**	**Costs**	**Financial charges (and operating cash flows)**	**Financial income (and operating cash flows)**	**Other operating expenses**
Ultimate parent						
Hitachi Rail Ltd	37,714	8,347	23,299	-		
Hitachi Ltd (Rail)	29,382	79	55,459			
Subsidiaries						
Alifana Due S.c.r.l.	2,993	30	7,187			
Associated companies						
Metro 5 S.p.A.	492	16		-		
SPV Linea M4 S.p.A	-	670	4	-		
SP M4 S.C.p.A (in liquidation)			-	-	1,246	
Tram di Firenze Spa	21,336	159		-		
OPSLLC Operation Alliance OPS Co	-		39,688	-		
Metro de Lima linea 2 S.A.	111		31	-		
Metro Service A.S.	804		35,600	-		
Hitachi Rail Mobilinx Hurontario GP INC	82,056					
Connect 6ix Ontario Line Services Ltd - Local	56		1,282			
Connect 6ix General Partnership	51,202				962	
Consortia						
Saturno Consortium	51,049		2,586	-		
San Giorgio Volla 2 Consortium	3,186		87	-		
MM4 Consortium	36,329		2,135	-		
TRAIN Consortium	-		9	-		
CRM Consortium	480		8,921	-		
HSC Consortium	1,685		37,329	-		
Other group companies						
Hitachi Digital LLC	-	950		-		
Hitachi India Pvt Ltd	628			-		
Hitachi Asia Ltd	-		1	-		
Hitachi International (Holland) B.V.	-	-	-	13,006	179	
Hitachi Europe Ltd	-		4,513	-		
Hitachi Europe S.r.l.	71			-		
Hitachi Vantara Italia S.r.l.	-		236	-		
Hitachi America Ltd	-		16,783	-		
Hitachi Transport System Forwarding (Australia) Pty Ltd	-		172	-		
Hitachi Energy Italy S.p.a.	-		15	-		
Hitachi Academy CO., LTD.			18			
Hitachi Systems, LTD.			278			
HITACHI ENERGY LTD.			984			
Ferromovil 9000 SL					7,048	
H_0000010056 - Hitachi Australia PTY Ltd.			22			
H_0000011175 - Hitachi (Shanghai) Trading CO., Ltd.			1			
H_9999999999 - Other Hitachi Group Companies			1			
Total	**319,573**	**10,251**	**236,641**	**13,006**	**9,435**	**-**
Related parties as a percentage of the total of the corresponding balance sheet item	**9%**	**30%**	**8%**	**13%**	**16%**	**0%**

31 March 2023 (EUR/000)	Revenues	Other operating revenues	Costs	Financial charges (and operating cash flows)	Financial income (and operating cash flows)	Other operating expenses
Ultimate parent						
Hitachi Rail Ltd	66,965	7,612	25,692	-	-	
Hitachi Ltd (Rail)	29,739		52,811	28	-	-
Subsidiaries						
Alifana Due S.c.r.l.	1,429	30	5,099	-	-	-
Associated companies						
I.M. Intermetro S.p.A. (in liquidation)						
Metro 5 S.p.A.	986	251	-	-	-	-
Pegaso S.c.r.l. (in liquidation)	-	-	18	-	-	-
SPV Linea M4 S.p.A	-	2,689	40	-	-	-
Tram di Firenze Spa	1,074	66	-	-	-	
Metro Brescia S.r.l.		-	-	-	-	-
OPSLLC Operation Alliance OPS Co	-	-	24,957	-	-	-
Metro de Lima linea 2 S.A.	1,802	-	13	-	-	-
Metro Service A.S.	1,091	-	51,896	-	-	-
Mobilinx Hurontario General Partner	138	-				
Consortia						
Saturno Consortium	39,667	-	1,963	-	-	-
San Giorgio Volla 2 Consortium	3,328	-	93	-	-	-
MM4 Consortium	70,677	-	1,977	-	-	-
CRM Consortium	248	-	31,796	-	-	-
HSC Consortium	1,544	-	26,240	-	-	-
Other group companies						
Hitachi Transport System Europe B.V	-	-	-	-	-	-
Hitachi Digital LLC	-	900	-	-	-	-
Trasfor S.A	-	-	85	-	-	-
Hitachi Australia Pvt Ltd	-	-	2,422	-	-	-
Hitachi Asia Ltd	-	-	1	-	-	-
Hitachi High Technologies Europe Gmbh	-	-	1,827	-	-	-
Hitachi International (Holland) B.V.	-	-	-	3,312	12	-
Hitachi Europe Ltd	-	-	8,868	-	-	-
Hitachi Europe S.r.l.	-	-	(243)	-	-	-
Hitachi Vantara Italia S.r.l.	-	-	190	-	-	-
Hitachi System Micro Clinic PVT Ltd	-	-	77	-	-	-
Hitachi America Ltd	-	-	245	-	-	-
ABB Power Grids Secheron SA	-	-	350	-	-	-
Hitachi Rail STS UK Ltd	-	-	(16)	-	-	-
Hitachi Transport System Forwarding (Australia) Pty Ltd	-	-	286	-	-	-
Hitachi Energy Italy S.p.a.	-	-	173	-	-	-
Hitachi Australia PTY Ltd	-	-	1	-	-	-
Logisteed Europe B.V.	-	-	3,587	-	-	-
Hitachi India - Rail	-	-	24	-	-	-
WestPole S.p.a.	-	-	35	-	-	-
Connect 6ix Ontario Line Services Ltd	-	-	360	-	-	-
Connect 6ix General Partnership	3,807	-	-	-	300	-
Total	**222,496**	**11,548**	**240,866**	**3,340**	**312**	**-**
Related parties as a percentage of the total of the corresponding balance sheet item	**7%**	**21%**	**9%**	**3%**	**0%**	**0%**

17.2 Revenues from contracts with customers

(EUR/000)	**31.03.2024**	31.03.2023
Revenues from Rail Control contracts	1,847,242	1,560,488
Revenues from Vehicles contracts	1,578,643	1,438,629
Total revenues	**3,425,885**	**2,999,117**

Total revenues amounted to EUR 3,425,885 thousand as at 31 March 2024, an increase of EUR 426,768 thousand compared to the previous year due to the progress of ongoing projects.
Ongoing contracts include those with principals provided that they meet the conditions set forth in paragraph 9 of IFRS 15; please note that this item includes variable considerations insofar as their realisation is deemed highly probable.
With regard to the breakdown of income by geographical area, please refer to Section 15 Sector Reporting.
It should be noted that for this type of business, almost all revenues are recognised using the output method (overtime).

17.3 Other operating revenues

(EUR/000)	**31.03.2024**	31.03.2023
R&D grants	10,491	9,910
Grants for training expenses	-	-
Disposal gains on PPE and intangible assets	14	3
Reversals of bad debt provision	347	11,124
Reversals of provisions for risks and charges	247	3,134
Release of the provision for expected losses to complete contracts	8,018	4,383
Insurance Reimbursements	-	-
Royalties	-	-
Financial income and exchange gains on operating items	4,791	7,971
R&D tax asset	26	
Other operating revenues	323	6,834
Other third party operating income	**24,257**	**43,358**
Other related-party operating income	**10,251**	**11,548**
Total other operating income	**34,507**	**54,906**

Other operating income, amounting to EUR 34,407 thousand (EUR 54,906 thousand in the previous year), includes financial income and exchange rate gains on operating items, grants for research and development expenses and, in the other income item, interest on trade receivables; the change in the period is essentially due to the lower absorption of the bad debt provision.

17.4 Costs for purchases and services

(EUR/000)	**31.03.2024**	31.03.2023
Purchases of materials	1,136,298	971,632
Change in inventories	(59,406)	(20,989)
Purchases of services	1,125,244	942,100
Total third party purchases and services	**2,202,136**	**1,892,743**
Total related-party purchases and services	**242,108**	**243,061**
Total costs for purchases and services	**2,444,244**	**2,135,804**

Total costs for purchases and services amounted to EUR 2,444,244 thousand (EUR 2,135,804 thousand in the previous year); the change is a function of the increase in production volumes.
Costs for the purchase of materials and changes in inventories amounted to EUR 1,076,892 thousand and costs for services to EUR 1,125,244 thousand.
For more details on positions with related parties, see Section 17.1 ‘Financial relations with related parties’. In particular, this item includes the brand fee paid to Hitachi Ltd for the group’s use of the “Hitachi” brand (EUR 34,125 thousand).
The STS group companies signed a contract with Hitachi Ltd. on the basis of which each company pays the Japanese parent company 1% of the third party income realised during the period.

17.5 Personnel costs

(EUR/000)	**31.03.2024**	31.03.2023
Wages and salaries	556,306	520,300
Social security and pension contributions	132,990	127,138
Italian post-employment benefits	1,657	1,483
Other defined benefit plans	428	1,040
Other defined contribution plans	11,531	10,673
Recovery of personnel costs	(7,243)	(3,727)
Disputes with personnel	5,625	415
Restructuring costs	-	-
Other costs	6,091	5,125
Total personnel costs	**707,385**	**662,447**

Total personnel costs amounted to EUR 707,385 thousand (EUR 662,447 thousand in the previous year); the increase was mainly due to the increase in the average workforce.
The Group’s headcount as at 31 March 2024 stood at 8,485 compared to 8,047 restated headcount as at 31 March 2023 with an increase of 438 resources.
The cost for Italian post-employment benefits and other defined benefit plans relates only to the “service cost” since, as a result of the adoption of the equity method, interest costs are classified under financial charges.

17.6 Amortisation, depreciation and write-downs of financial assets

(EUR/000)	**31.03.2024**	31.03.2023
Depreciation and Amortisation:		
- intangible assets	48,942	30,702
- property, plant and equipment	64,461	53,206
	113,404	**83,908**
Amortisation, depreciation and write-downs of financial assets		
- operating receivables	317	3,769
- Other property, plant and equipment/intangible assets	98	(258)
	415	**3,511**
Total amortisation, depreciation and write downs	**113,819**	**87,419**

Depreciation, amortisation and value adjustments of financial assets amounted to EUR 113,819 thousand, up from the previous year's figure of EUR 87,419 thousand.
These include increased depreciation of property, plant and equipment for the asset class "Assets for rights of use" established following the adoption of IFRS16 (EUR 13,272 thousand).

17.7 Other operating expenses

(EUR/000)	**31.03.2024**	31.03.2023
Provisions for risks and charges	23,045	34,949
Reversals of provisions for risks and charges	(29,140)	(18,072)
Membership fees and contributions	687	235
Disposal losses on PPE and intangible assets	158	55
Exchange rate losses on operating items	6,535	7,207
Indirect Taxes	6,564	6,842
Other operating expenses	5,709	5,236
Total other third party operating expenses	**13,559**	**36,454**
Other related-party operating expenses	**-**	
Total other operating expenses	**13,559**	**36,454**

Total other third party and related-party operating expenses amounted to EUR 13,559 thousand (EUR 36,454 thousand in the previous year).
The overall change (EUR -22,895 thousand) is substantially attributable to the change in the provision for expected losses to complete contracts connected with the valuation and performance of individual projects, particularly in Italy; it recorded provisions of EUR 23,045 thousand and utilisations of EUR 29,140 thousand during the year (see section 16.18 for further details).

17.8 Internal work capitalised

(EUR/000)	**31.03.2024**	31.03.2023
Internal work capitalised	(19,532)	(30,303)

Internal work capitalised amounted to EUR 19,532 thousand (EUR 30,303 thousand in the previous year). This item includes capitalisation of costs for research and development projects mainly recognised by the Parent Company and the French subsidiary (for further details, please refer to the “Research and Development” section of the report on operations).

17.9 Financial Income / (Charges)

	31.03.2024			31.03.2023		
(EUR/000)	**Income**	**Charges**	**Net**	Income	Charges	Net
Interest and fees		32,067	(32,067)		23,462	(23,462)
Net exchange rate losses	14,213	12,231	1,982	23,008	16,671	6,337
Results for the fair value on the income statement	22,355	32,917	(10,562)	43,274	65,929	(22,655)
Interest on employee severance indemnity		1,020	(1,020)		511	(511)
Interest on other defined benefit plans		563	(563)		361	(361)
Other financial income and charges			-	7,235	5	7,231
Total net operating financial income and charges	**36,568**	**78,797**	**(42,230)**	**73,517**	**106,938**	**(33,420)**
Total net operating financial income and charges from related parties	**9,255**	**-**	**9,255**	**300**	**28**	**272**
Total	**45,823**	**78,797**	**(32,974)**	**73,817**	**106,966**	**(33,148)**

Net financial income from operations amounted to EUR -32,974 thousand (EUR -33,148 thousand in the previous year).
It should be noted that financial income and charges are shown in the operating part of the income statement (EBIT); interest income or expenses from banks or on financial receivables/payables are recognised in the financial part.
The change reflects financial transactions relating to gains/losses deriving from exchange rate risk hedging transactions with both fair value hedges and cash flow hedges in addition to charges incurred on assets and liabilities factoring transactions.
Financial income from related parties includes dividends paid by the investees Ferromovil 900 SL and SPV M4 Spa.

	31.03.2024			31.03.2023		
(EUR/000)	**Income**	**Charges**	**Net**	Income	Charges	Net
Interest and fees	9,982	7,855	2,127	3,963	4,375	(412)
Bank interest expense	2,417	399	2,017	1,475	67	1,408
Interests on leases		1,100	(1,100)		279	(279)
Total net financial income and charges	**12,399**	**9,354**	**3,045**	**5,438**	**4,721**	**717**
Total net operating financial income and charges from related parties	**179**	**13,006**	**(12,827)**	**12**	**3,312**	**(3,300)**
Total	**12,578**	**22,360**	**(9,782)**	**5,450**	**8,033**	**(2,582)**

17.10 Effect of valuation with the equity method

(EUR/000)	31.03.2024 Income	Charges	Net	31.03.2023 Income	Charges	Net
Share of profits (losses) of equity-accounted investees	22,137	3,306	18,832	19,307	491	18,816
Total	**22,137**	**3,306**	**18,832**	**19,307**	**491**	**18,816**

The effect of the measurement of equity investments with the shareholders' equity method is positive for EUR 18,832 thousand; this is determined by the positive results of the associated companies Metro 5 S.p.A. (EUR 6,258 thousand), Metro de Lima (EUR 5,087 thousand), International Metro Service S.r.l. (EUR 7,219 thousand), Operation Alliance OPS in Saudi Arabia (EUR 1,569 thousand) and Mobilinx Hurontario Service LTD/Mobilinx Hurontario GP (EUR 1,917 thousand). Finally, the net negative impact of the subsidiaries in Ontario Connect 6ix General Partnership in the amount of EUR -3,306 thousand should be noted.

17.11 Income tax

Income taxes are analysed below:

(EUR/000)	31.03.2024	31.03.2023
IRES	28,044	33,002
IRAP	6,403	7,118
Other foreign income taxes	20,146	10,749
Prior-year taxes	3,860	(442)
Net deferred tax (income) expense	8,776	3,519
Total	**67,229**	**53,946**

The value of taxes was EUR 67,229 thousand, an increase of EUR 13,283 thousand compared to the previous year. The theoretical and effective tax rates are reconciled below:

(EUR/000)	31.03.2024			31.03.2023		
		amount	%		amount	%
Profit before tax	**195,344**	**-**		**161,489**	**-**	
Taxes calculated at the current tax rate		46,882	24.00%		38,757	24.00%
Permanent differentials	(51,937)	(12,465)	-6.38%	(42,169)	(10,121)	-6.27%
	143,406	**34,418**	**17.62%**	**119,320**	**28,637**	**17.73%**
Different rates on foreign taxes and/or due to losses of the year	-	6,733	3.45%	-	6,485	4.02%
IRAP and other taxes calculated on a basis other than pre-tax profit (loss)	-	22,218	11.37%	-	19,267	11.93%
Prior-year taxation	-	3,860	1.98%	-	(442)	-0.27%
Provisions for tax risks	-	-	0.00%	-	-	0.00%
Total effective taxes reported in the income statement		**67,229**	**34.42%**		**53,946**	**33.41%**

The effective tax rate as at 31 March 2024 was 34.4%, in line with that of the previous year of 33.4%.
The breakdown of deferred tax assets and deferred tax liabilities as at 31 March 2024 and the income statement effects of their changes for the year ending at said date are shown below:

	Income statement		**Balance sheet**	
(EUR/000)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Italian post-employment benefits and pension funds	61		162	-
Property, plant and equipment and intangible assets	97		965	6,421
Provisions for risks and charges	103	-	10,731	-
Allowances for WIP and inventories		-	15,146	-
CFH - def. benefit plans			348	274
Tax losses	2,112	-	817	-
Grants			1,025	
Other	8,552	2,148	35,535	6,390
Total	**10,924**	**2,148**	**64,729**	**13,085**

The deferred tax assets arising from the “provisions for risks and charges” item are attributable to the Parent Company (EUR 10.652 thousand).
The deferred tax assets relating to the inventory write-downs and work in progress provisions refer to the Parent Company (EUR 8,079 thousand) and the new French subsidiary (EUR 7,066 thousand).
Deferred tax assets are recognised taking into consideration their recoverability in each component of the financial statements, based on the availability of the forecast future taxable income of the Group.
The item “other” in receivables refers to the Parent Company (EUR 30,561 thousand) and the Australian subsidiary (EUR 4,974 thousand).
Deferred tax liabilities mainly relate to the new French subsidiary (EUR 6,421 thousand), the Canadian subsidiary (EUR 2,416 thousand) and the Parent Company (EUR 3,973 thousand).
Deferred tax assets and liabilities include those recognised with a balancing entry directly in shareholders’ equity, on derivatives recognised as cash-flow hedges (impact of the period of EUR 2,880 thousand) and actuarial gains/losses following adoption of the shareholders’ equity method for defined benefit plans (impact of the period of EUR 175 thousand).
Changes in this asset component during the year are as follows:

(EUR/000)	31.03.2023	**Transfers to the income statement**	**Changes in fair value**	**Other transactions**	**31.03.2024**
Deferred taxes recognised directly in shareholders’ equity	**2,604**		**3,056**	**-**	**5,660**

18. Cash flow generated from operating activities

Cash flows from operating activities are analysed below:

(EUR/000)	**31.03.2024**	31.03.2023
Profit	128,115	107,543
Share of profits (losses) of equity-accounted investees	(18,832)	(18,816)
Income tax	67,229	53,946
Italian post-employment and other employee benefits	2,677	3,394
Gains (losses) on the sale of assets	(1,083)	52
Net financial income	(13,368)	25,629
Amortisation, depreciation and write downs	103,873	83,908
Changes in provisions for risks and charges	80	(982)
Other operating income/charges	40,022	33,149
Write-downs/write-ups of inventories and work in progress	(22,544)	22,559
Total	**286,168**	**310,383**

Changes in working capital, expressed net of the effects of acquisitions and disposals of consolidated companies and exchange rate differences, are broken down as follows:

(EUR/000)	**31.03.2024**	31.03.2023
Inventories	(122,557)	(40,663)
Contract assets/liabilities	347,582	1,060
Trade receivables and payables	(173,999)	63,209
Total	**51,025**	**23,606**

Changes in other operating assets and liabilities, expressed net of the effects of acquisitions and disposals of consolidated companies and exchange rate differences, are broken down as follows:

(EUR/000)	**31.03.2024**	31.03.2023
Payment of Italian post-employment benefits and other defined benefit plans	168,218	88,751
Payment of taxes	(61,869)	(70,151)
Changes in other operating items	(115,152)	(111,924)
Total	**(8,803)**	**(93,324)**

Changes in the cash flow statement are discussed in section 2.3 on the Group financial position.

19. Management of financial risks

The Group is exposed to financial risks related to its operations, in particular to the following:
- market risks, relating to currency rate risk, transactions in foreign currencies other than the functional currency, and interest rate risk;
- liquidity risks, relating to the availability of financial resources and access to the credit market;
- credit risks, arising from normal commercial transactions or financing activities.

The Group specifically monitors each of these financial risks and acts promptly to minimise them, for example via the use of hedging derivatives. The approach adopted by Hitachi Rail STS S.p.A. for the management of these risks, in line with internal policies, is described below.

Currency risk management

As described in the 'treasury management policy', the Hitachi Rail STS S.p.A. Group manages currency risk by pursuing the following objectives:
- limiting potential losses generated by unfavourable exchange rate fluctuations against the currency used by Hitachi Rail STS S.p.A. and its subsidiaries;
- limit the costs, expected or real, associated with the execution of exchange rate risk management policies.

Exchange rate risk should only be hedged if it has a material impact on cash flows with respect to the reference currency.
The costs and risks associated with a hedging policy (hedging, non-hedging or partial hedging) must be acceptable both financially and commercially.
The exchange risk may be hedged using the following instruments:
- purchase and sale of currency forwards, which are the most commonly used cash flows hedges;
- funding/lending in foreign currency: used to mitigate the exchange risk associated with similar receivables and payables with banks or Group companies.

The use of funding and lending in foreign currency as a hedging instrument must only take place when consistent with the Hitachi Rail STS S.p.A. Group's overall treasury management policy and financial position (both long- and short-term).
Buying and selling foreign currency tends to be the hedging instrument used when, for currencies other than the functional currency, markets are not sufficiently liquid or when it is the least costly way of hedging.

Currency risk hedging

There are three main types of exchange risk:
1. The economic risk, which is the impact exchange rate fluctuations can have on capital budgeting decisions (investments, the location of production facilities and supply markets).
2. The transaction risk, which is the possibility that exchange rates may fluctuate between the time a commitment is undertaken to make future collections or payments in foreign currency (price list, budgets, orders preparation and invoicing) and when the actual collection or payment takes place, generating either exchange gains or losses.
3. The translation risk, which is the effect on the financial statements of multinational companies of translating dividends, or of consolidating assets and liabilities, when the exchange rates adopted for consolidation purposes differ from one reporting period to the next.

The Ansaldo STS Group hedges against transactional risk by following the foreign exchange risk management policy, which provides for the systematic hedging of trade flows deriving from the assumption of contractual commitments, assets and liabilities, of a certain nature, in order to guarantee the current exchange rates at the date of acquisition of long-term contracts, thereby neutralising the effects of exchange rate fluctuations.

Cash flow hedge

Hedges are entered into at the time sales contracts are agreed, using plain vanilla instruments (currency swaps and forwards) that qualify for hedge accounting under IAS 39. They are recognised as cash flow hedges, so the changes in fair value of the hedging derivatives are recorded in a specific cash flow hedge reserve for the effective portion once the hedging strategy is demonstrated to be effective.
If the hedge does not prove effective (i.e., does not fall within the 80% to 125% range), fair value gains or losses on hedging instruments are immediately expensed as financial items on the income statement and the related fair value gains or losses accumulated in the hedging reserve up to the date of the most recent successful test of effectiveness are reclassified in the income statement.
The portion of fair value relating to financial income and charges is excluded from the hedge effectiveness calculation as it is recognised directly in net financial income in the income statement. This means both that the impact on the income statement of this component is not deferred, improving the transparency and consistency of the cash flow hedge reserve and that the result of the forex effectiveness test is simplified, as comparison is limited to two notional amounts: the forex and the underlying hedge.

Fair value hedge

Fair value hedging covers exposure to changes in the fair value of a recognised asset or liability, an unrecognised but irrevocable commitment, an identified portion of this asset, liability or irrevocable commitment, related to a particular risk and that could impact profit or loss.
The Group hedges fair value changes relating to the exchange risk on recognised assets and liabilities.
Hedges are mostly arranged with the banking system. As at 31 March 2024, the Group has contracts in place for the following notional foreign currency amounts:

local currency in EUR/000	Sell24	Buy24	**31.03.2024**	Sell23	Buy23	**31.03.2023**
Euro	44,174	129,794	**173,968**	46,619	90,272	**136,891**
US Dollar	724,854	204,649	**929,503**	794,949	225,344	**1,020,293**
UK Pound	9,797	1,304	**11,101**	21,165	13,477	**34,642**
Swedish Krona	543	1,508	**2,051**		7,115	**7,115**
Australian Dollar	4,749	51,174	**55,923**		78,064	**78,064**
Japanese Yen		5,981	**5,981**		9,485	**9,485**
Indian Rupee	2,050	395	**2,445**	1,720	15	**1,735**
UAE Dirham	107,208		**107,208**	106,577		**106,577**
Malaysian Ringgit		32	**32**			

The net fair value of the derivatives in place at 31 March 2024 was negative for roughly EUR -8,013 thousand.

Sensitivity analysis on exchange rates

For the purposes of the presentation of market risks, IFRS 9 requires a sensitivity analysis that shows the effects of the hypothetical changes in the most significant market variables on income statement and shareholders' equity.
Exchange rate risks arise from financial instruments (including trade receivables and payables) recorded in the balance sheet or from highly probable future cash flows expressed in currencies other than the functional currency.
Since the US dollar is the primary foreign currency used by the Group, a sensitivity analysis was performed on financial instruments denominated in dollars at 31 March 2024, assuming a +(-) 5% appreciation (depreciation) of the Euro against the US dollar.

This analysis showed that an appreciation or depreciation of the Euro against the US dollar would have the following impact on the Group's financial statements:

	31.03.2024		31.03.2023	
Exchange rate sensitivity analysis (EUR/000)	**+5% appreciation of the Euro against the US dollar**	**-5% depreciation of the Euro against the US dollar**	+5% appreciation of the Euro against the US dollar	-5% depreciation of the Euro against the US dollar
Income statement	3,026	(24,472)	11,326	(10,248)
Cash flow reserve	34,000	(30,765)	33,468	(30,286)

Greater sensitivity of the income statement to the Euro/US dollar exchange rate fluctuations compared with the analysis conducted the previous year at the reporting date emerged, together with a lower impact on the financial position compared to the previous year.

Interest rate risk management

According to the aforementioned policy, interest rate risk management aims to mitigate the negative effects of interest rate fluctuations, which can affect the Group's income statement, balance sheet and weighted average cost of capital. The management of interest rate risk for the Hitachi Rail STS Group serves to achieve the following objectives:

- stabilise the weighted average cost of capital;
- minimise the Hitachi Rail STS Group's WACC from medium- to long-term. To achieve this, interest rate risk management will focus on the effects of interest rates on both "debt funding" and "equity funding";
- optimise profit on financial investments within a general risk-return trade-off;
- limit the costs related to the execution of interest rate risk management policies, including direct costs related to the use of specific instruments and indirect costs related to the internal organisation necessary to manage the risk itself.

This risk was once again managed in 2024 without the use of derivatives.

Sensitivity analysis on interest rates

A sensitivity analysis was performed on the assets and liabilities exposed to the interest rate risk to assess the impact on profit or loss of a parallel and symmetric change in interest rates of +(-) 50 basis points (0.5%); the range adopted was the one originally chosen by the IFRS for the analysis.

The impact of this scenario on the Group's financial statements at 31 March 2024 is shown in the following table:

	31.03.2024		31.03.2023	
Interest rate sensitivity analysis (EUR/000)	**+50 bps**	**-50 bps**	+50 bps	-50 bps
Income statement	272	(272)	6	(6)
Reserves	-	-	-	-

These impacts are the result of the lower interest income that the net financial position remunerated at the variable rate would have produced assuming interest rates were higher or lower by 50 basis points, respectively.
The change in interest rates would have no impact on the measurement of recognised financial instruments, as there are no financial assets or liabilities (not derivative) recognised at fair value through the income statement. Moreover, the derivatives entered into by the Group are exclusively exchange rate ones and a change in the interest rates of the various currencies would have no relevant impacts on fair value at year-end.
There are no impacts on shareholders' equity, as the Group has no cash flow hedges on the interest rate risk.
The results as at 31 March 2024 are up from those as at 31 March 2023.

Liquidity risk management

The STS Group has rolled out a series of methods to optimise treasury management, with a view to the efficient management of cash and cash equivalents and to help its business grow. This objective was achieved by centralising treasury management with current account contracts between the Parent Company and the Group Companies, and an active presence on the financial markets in order to obtain adequate short- and medium/long-term revocable, cash and unsecured credit lines to meet the Group's needs.
As at 31 March 2024, it had a net financial position in credit for EUR (396,083) thousand, an increase compared to 31 March 2023, when the net financial position was EUR (270,350) thousand.

Liquidity analysis – amounts in EUR/000 – figures at 31.03.2024

(EUR/000)	Under 1 year	Between 1 year and 5 years	After 5 years
A - Financial liabilities excluding derivatives			
Non-current liabilities			
Third party loans and borrowings	3,808	14,888	2,939
Other non-current liabilities	3	12,151	262
Current liabilities			
Trade payables to related parties	45,233	17,280	17,045
Trade payables to third parties	1,315,947	34,654	11,436
Third party financial liabilities	17,201	644	-
Total A	**1,382,192**	**79,617**	**31,682**
B - Negative value of derivatives			
Hedging derivatives	15,133	810	
Total B	**15,133**	**810**	**-**
Total A+B	**1,397,325**	**80,427**	**31,682**

The following financial assets were recognised against financial payables and trade payables of EUR 1,509,433 thousand:

(EUR/000)	
C – Financial assets	
Cash-in-hand and cash equivalents	409,050
Third-party trade receivables	1,039,138
Trade receivables - related parties	184,046
Loan assets	26,514
Other assets	-
Positive value of derivatives	7,929
TOTAL FINANCIAL ASSETS	**1,666,677**
D - Revocable Credit Lines	**145,000**
TOTAL C+D	**1,811,677**
C+D-(A+B)	**302,244**

It therefore becomes apparent that the Group, in addition to having a net financial position in credit, has sufficient liquidity to finance itself without having to resort to the banking system to finance its activities. Consequently, it has relatively limited exposure to money market tensions.

Credit risk management

The Group does not have a significant credit risk, either with regard to the counterparties of its commercial transactions or to its financing and investment activities. Its main customers are, in fact, public clients or offshoots of public institutions, concentrated in the Eurozone, the USA and South-East Asia. The rating of the Group's typical customer is therefore medium/high. However, for contracts with customers/counterparties with whom there is no usual business relationship, the approach is to analyse and assess creditworthiness when the bid is placed in order to identify possible future credit risks.
Given the nature of its customers, collection times are longer (and, in certain countries, significantly longer) than those typical of other businesses, leading to overdue amounts, which are sometimes considerable.
As at 31 March 2024, trade receivables from third parties totalled EUR 1,039,138 thousand (EUR 951,486 thousand as at 31 March 2023) and were overdue for EUR 371,746 thousand, of which EUR 212,327 thousand by more than 12 months.
Trade receivables from third parties as at 31 March 2024 mainly relate to the Parent Company in the amount of EUR 888,205 thousand with a total overdue amount of EUR 375,081 thousand.

The following table provides a breakdown of receivables at 31 March 2024:

	Public bodies			Other customers			
(EUR/000)	Area Europe	Area America	Other	Area Europe	Area America	Other	Total
- Retentions	2,301	10,046	4,407	223,851	2	5,643	246,251
- Not overdue	9,801	22,556	4,239	343,406	19,734	21,405	421,141
- Overdue by under 6 months	- 2,171	7,251	6,262	121,550	11,418	5,072	149,382
- Overdue between 6 months and 1 year	-	2,220	580	6,663	440	133	10,037
- Overdue between 1 and 5 years	1,723	2,004	162	192,997	2,228	13,213	212,327
Total	**11,654**	**44,078**	**15,651**	**888,467**	**33,823**	**45,466**	**1,039,138**

Changes in the Group bad debt provision are shown below:

	31.03.2024	31.03.2023
31 March 2023	**36,427**	**44,464**
Change in scope of consolidation	(222)	
Accruals	189	3,769
Releases/Uses	(125)	(11,123)
Other transactions	(134)	(683)
31 March 2024	**36,135**	**36,427**

During the year, the bad debt provision was impacted by the put option effect of the above-mentioned transaction for EUR 222 thousand, the provision for the period amounted to EUR 189 thousand, while the utilisation of EUR 125 thousand was mainly attributable to the risk related to doubtful receivables of the Parent Company.
In relation to the credit risk arising from the positive value of derivatives, it should be noted that the counterparties to derivative contracts are predominantly financial institutions.
The table below provides a breakdown of the positive value of derivatives by counterparty rating class.

The ratings shown below are based on data from the S&P agency.

Rating Class Positive Fair Value	***Fair Value*** **Positive**
A+	0.00%
A	12.00%
BBB +	88.00%
BBB	0.00%
Total FV	**100%**

Classification and fair value of financial assets and liabilities

A breakdown of the Group's financial assets and liabilities by the measurement categories set out in IFRS 9 is provided in the tables below.
Financial liabilities are all measured according to the 'amortised cost' criterion since the Group did not use the fair value option.
Derivative financial instruments are analysed separately.

31.03.2024 (EUR/000)	***Fair value on the income statement***	**Loans and receivables**	**Held to maturity**	**Available for sale**	**Total**	***Fair Value***
Non-current assets						
Non-current related party loans and receivables	**-**	3,217	-	-	**3,217**	**3,217**
Financial assets measured at fair value	**-**	1,326	-	-	**1,326**	**1,326**
Loans and Receivables	**-**	25,411	-	-	**25,411**	**25,411**
Current assets					**-**	
Current receivables from related parties	**-**	184,046	-	-	**184,046**	**184,046**
Trade receivables	**-**	1,039,138	-	-	**1,039,138**	**1,039,138**
Financial assets measured at fair value	**-**	26,514	-	-	**26,514**	**26,514**
Loan assets	**-**	-	-	-	**-**	**-**

31.03.2024 (EUR/000)	***Fair value on the income statement***	**Amortised cost**	**Held to maturity**	**Total**	***Fair Value***
Non-current liabilities					
Non-current related-party liabilities	-	-	-	**-**	**-**
Non-current financial payables	-	21,635	-	**21,635**	**21,635**
Other non-current liabilities	-	12,417	-	**12,417**	**12,417**
Current liabilities					
Current related-party liabilities	-	-	-	**-**	**-**
Related-party loans and borrowings	-	0	-	**0**	**0**
Trade payables	-	1,362,037	-	**1,362,037**	**1,362,037**
Financial payables	-	17,845	-	**17,845**	**17,845**
Other current liabilities	-	168,405	-	**168,405**	**168,405**

31.03.2023 (EUR/000)	*Fair value on the income statement*	Loans and receivables	Held to maturity	Available for sale	Total	*Fair Value*
Non-current assets						
Non-current related party loans and receivables	-	60,340	-	**-**	**60,340**	**60,340**
Financial assets measured at fair value	-	1,453	-	**-**	**1,453**	**1,453**
Loans and Receivables	-	12,545	-	**-**	**12,545**	**12,545**
Current assets					**-**	
Current receivables from related parties	-	113,316	-	**-**	**113,316**	**113,316**
Trade receivables	-	949,442	-	**-**	**949,442**	**949,442**
Financial assets measured at fair value	-	24,986	**-**	**-**	**24,986**	**24,986**
Loan assets	-	-	-	**-**	**-**	**-**

31.03.2023 (EUR/000)	*Fair value on the income statement*	Amortised cost	Held to maturity	Total	*Fair Value*
Non-current liabilities					
Non-current related party loans and receivables	-	-	-	**-**	**-**
Financial assets measured at fair value	-	21,468	-	**21,468**	**21,468**
Loans and Receivables	-	11,980	-	**11,980**	**11,980**
Current assets					
Current related-party liabilities	-	99,493	-	**99,493**	**99,493**
Related-party loans and borrowings	-	1,752	-	**1,752**	**1,752**
Trade payables	-	1,339,687	-	**1,339,687**	**1,339,687**
Financial payables	-	86,071	-	**86,071**	**86,071**
Other current liabilities	-	138,957	-	**138,957**	**138,957**

The carrying amount of short-term financial instruments, such as trade receivables and payables, represents a fair approximation of the fair value.

Derivatives

The IFRS standard provides for the classification of the fair value of derivatives according to benchmarks that can be derived either from the market or from other financial indicators (e.g. interest rate curves, exchange rates, etc.). Financial derivatives on currencies to hedge the exchange risk fall within Level 2 of the hierarchy, since the fair value of these instruments is determined by recalculating the present value through the official fixing of closing exchange and interest rates listed on the market.
The fair value of financial instruments in the portfolio is shown in the table below.
The Group uses cash flow hedges to hedge the exchange rate risk exposure of highly probable expected future transactions and fair value hedges to hedge the exchange rate risk exposure of recognised financial assets and liabilities.

With respect to derivatives hedging future cash inflows and outflows in currencies other than the functional currency, the table below shows the maturities of these cash flows, hedged in US dollars.

Fair value hierarchy at the reporting date	**Fair Value 31.03.2024 Level 2**	Fair Value 31.03.2023 Level 2
Assets		
Currency forward/swap/option		
Trading	-	-
Fair value hedge	498	4,080
Cash flow hedge	7,431	20,155
Liabilities		
Currency forward/swap/option		
Trading	-	-
Fair value hedge	1,699	4,260
Cash flow hedge	14,244	21,916

	31.03.2024 Notional (USD/000)		31.03.2023 Notional (USD/000)	
Maturity	**Collections**	**Payments**	Collections	Payments
Within 1 year	443,223	106,931	288,221	85,567
Between 1 and 3 years	2,760	45,616	239,145	49,964
Between 3 and 9 years	-		382	
Over 9 years	-		153	
Total	**445,982**	**152,547**	**527,901**	**135,531**

20. Remuneration payable to key management personnel

Fees paid to those who have the power to plan, manage and control the Group, including executive and non-executive directors, are as follows:

(EUR/000)	**31.03.2024**	31.03.2023
Directors' fees	155	155
Key managers and CEO fees	8,355	7,021
Post-employment benefit plans	-	-
Termination benefits	-	-
Total	**8,510**	**7,176**

The remuneration due to directors, key managers and the general manager for 2023 amounted to EUR 8,355 thousand.
This includes emoluments and any other sum of a remuneration, social security and welfare nature due for the performance of the function of director, key manager or general manager in the Parent Company and in other companies included in the scope of consolidation, which represented a cost for the Group.
Fees and emoluments also include the remuneration of the members of the Board of Directors.
The remuneration of the Parent Company's auditors amounted to EUR 155 thousand as at 31 March 2024 (EUR 155 thousand as at 31 March 2023).

21. Business outlook

The Parent Company Hitachi Ltd has a simplified structure consisting of three business sectors; *Green Energy & Mobility (GEM), Digital Systems & Services (DSS) and Connective Industries (CI)*.
The Rail Group is part of the sector called “*Green Energy and Mobility*” (GEM); it is called upon to contribute to Hitachi’s “green business” and the realisation of a sustainable zero-emission society, in synergy with the three business units of the Green Power sector.
In the GEM sector, there are four Business Units: *Power Grids, Nuclear Energy, Hitachi Power Solutions and Railway Systems*.
The Rail Group is one of Hitachi’s global organisations with a presence in multiple regions and will play a key role in the growth of the Hitachi Group.
The railway sector experienced a positive year; acquisition of orders and results in the delivery of the main projects. The year 2024 sees the crucial challenge of integrating Thales GTS, which will be a major objective. It is crucial, however, not to lose sight of the completion of ongoing programmes. The Rail Group wants to become the market leader in rail control: the task is to make the most of this market position to ensure the continued growth of the industry and tackle climate change by strengthening its goal to contribute to a net-zero society. Overall, the sector is considered to be in an important position with the support of decarbonisation, the promotion of connectivity with electricity grids, green energy and the transition from individual to public transport. Safety and compliance remain the top priority.
However, the fiscal year 2024 will continue to be characterised by the development of activities and revenues related to the portfolio projects acquired in recent years.

22. Information on fees paid to the independent auditors

The following table shows the fees for the year 2023 for audit and non-audit services rendered by the Independent Auditors itself and entities belonging to its network.

(EUR/000)	Service provider	Beneficiary	2023 audit fees
Audit work	Ernst & Young	Parent	781
	Ernst & Young	Subsidiaries	822
Certification services	Ernst & Young	Parent	378
	Ernst & Young	Subsidiaries	-
Tax advisory services	Ernst & Young	Parent	-
	Ernst & Young	Subsidiaries	-
Other services	Ernst & Young	Parent	-
	Ernst & Young	Subsidiaries	-
			1,981

Naples, 26 June 2024

For the Board of Directors
The Chair
Mr. Maurizio Manfellotto

Financial statements and notes to the Financial statements of the Parent Company as at 31 March 2024

23 Financial statements of the parent company

23.1 Income statement

(in Euro)	Notes	31 March 2024	of which with related parties	31 March 2023	of which with related parties
Revenues from contracts with customers	24.22	2,640,342,408	284,054,087	2,245,377,377	276,012,348
Other operating revenues	24.23	32,111,894	19,380,698	49,658,086	20,029,166
Costs for purchases	24.24	(982,380,801)	(25,103,380)	(883,076,932)	(87,542,603)
Costs for services	24.24	(1,037,478,745)	(241,719,885)	(859,054,497)	(210,556,437)
Personnel costs	24.25	(392,590,741)	8,498,316	(361,252,280)	4,808,547
Amortisation, depreciation and write-downs of financial assets	24.27	(88,244,416)		(63,142,766)	
Other operating expenses	24.23	(378,208)	73,311	(23,423,318)	(210)
Change in work in progress, semi-finished and finished products	24.26	13,034,891		7,277,391	
(-) Internal work capitalised	24.28	13,999,465		24,395,099	
Operating financial income	24.29	101,327,409	69,243,842	73,867,134	11,221,834
Operating financial charges	24.29	(71,474,801)		(94,717,416)	
Operating profit		**228,268,356**		**115,907,880**	
Financial income and charges	24.29	(6,838,513)	(9,535,980)	(81,729)	(31,419)
Profit before taxes and discontinued operations		**221,429,843**		**115,826,150**	
Income tax	24.30	(47,411,952)		(28,158,745)	
Profit (loss) from discontinued operations					
Net profit		**174,017,891**		**87,667,405**	

23.2 Statement of comprehensive income

(In Euro)	31 March 2024	31 March 2023
Net profit	174,017,891	87,667,405
Items that will not be reclassified to profit or loss:		
- Net actuarial gains (losses) on defined benefit plans	395,191	1,862,713
- Tax effect	(112,135)	(529,183)
	283,056	**1,333,530**
Items that will or may be reclassified to profit or loss:		
- Changes in cash-flow hedges	(6,257,149)	(6,640,577)
- Foreign operations translation differences	(3,119,289)	3,863,649
- Tax effect	2,250,344	666,825
	(7,126,095)	**(2,110,103)**
Other comprehensive income (expense), net of taxes	**(6,843,039)**	**(776,573)**
Comprehensive income for the year	**167,174,852**	**86,890,833**

23.3 Statement of financial position

(In Euro)	Notes	31 March 2024	of which with related parties	31 March 2023	of which with related parties
Non-current assets					
Intangible assets	24.2	82,740,061		106,164,472	
Property, plant and equipment	24.3	254,014,363		262,503,291	
Equity investments	24.4	213,966,560		266,188,833	
Loans and Receivables	24.6	24,480,557	3,216,772	67,930,845	60,340,389
Deferred tax assets	24.10	51,512,812		59,262,005	
Other non-current assets	24.6	1,325,551		1,452,664	
		628,039,904		**763,502,110**	
Current assets					
Inventories	24.7	514,679,004		409,658,893	
Contract assets	24.8	947,580,785		926,689,146	
Trade receivables	24.9	1,062,641,063	174,435,826	885,586,699	124,245,675
Income tax receivables	24.10	59,691,783		28,395,432	
Loan assets	24.9	101,879,606	92,364,583	93,500,717	83,926,564
Derivatives	24.11	14,999,313		32,199,066	
Other current assets	24.12	121,041,903		111,485,928	
Cash and cash equivalents	24.13	302,779,155	102,630,664	229,279,281	168,249,545
		3,125,292,612		**2,716,795,161**	
Non-current assets held for sale		24,075,711	24,075,711		
Total assets		**3,777,408,228**		**3,480,297,271**	
Shareholders' equity					
Share capital	24.14	100,000,000		100,000,000	
Other reserves	24.14	204,551,404		211,394,442	
Retained earnings (losses carried forward), including the profit for the period	24.14	565,106,305		476,088,414	
Total shareholders’ equity		**869,657,709**		**787,482,856**	
Non-current liabilities					
Financial payables	24.15	6,983,706		3,760,653	
Employee benefits	24.17	29,317,931		29,200,170	
Deferred tax liabilities	24.10	3,973,254		1,992,414	
Other non-current liabilities	24.19	11,561,940		11,216,331	
		51,836,831		**46,169,569**	
Current liabilities					
Contract liabilities	24.8	1,107,037,794		823,617,750	
Trade payables	24.18	1,391,052,635	116,804,916	1,353,822,770	131,148,152
Financial payables	24.15	91,518,062	81,813,634	219,152,756	139,336,750
Income taxes payable	24.10	32,338,413		7,881,312	
Provisions for risks and charges	24.16	65,065,441		71,341,714	
Derivatives	24.11	20,858,759		36,618,811	
Other current liabilities	24.19	148,042,585	342,205	134,209,733	362,706
		2,855,913,688		**2,646,644,846**	
Total liabilities		**2,907,750,519**		**2,692,814,415**	
Total liabilities and shareholders’ equity		**3,777,408,228**		**3,480,297,271**	

23.4 Cash flow statement

(In Euro)	Notes	31 March 2024	of which from related parties	31 March 2023	of which from related parties
Cash and cash equivalents as at 1 April		**229,279,281**		**383,096,704**	
Cash flows from operating activities:					
Net profit (loss)		174,017,891		87,667,405	
Income tax		47,411,952		28,158,745	
Italian post-employment and other employee benefits		1,656,994		1,482,895	
Costs for defined benefit plans		500,221		(1,210,322)	
Net financial income		(23,014,095)		20,932,011	
Amortisation, depreciation and write downs		88,244,416		60,718,185	
Provisions to /release of provision for risks		6,276,273		3,424,580	
Gross cash flows from operating activities	**24.31**	**295,093,652**	**(59,707,862)**	**201,173,499**	**(11,190,416)**
Inventories		(105,020,111)		201,173,499	
Contract assets / (liabilities)		262,528,404		(90,333,997)	
Trade receivables and payables		(139,887,074)		86,919,855	
Change in operating working capital	**24.31**	**17,621,219**	**(64,533,386)**	**(16,657,644)**	**30,681,511**
Changes in other operating assets and liabilities	24.31	(113,547,014)		(92,092,376)	
Net financial income received (expenses paid)	24.31	(29,161,611)		(50,912,520)	
Income taxes paid	24.31	(45,114,087)		(55,944,120)	
Cash flows from (used in) operating activities		**124,892,158**		**(14,433,160)**	
Cash flows from investment activities:					
Acquisitions of companies, net of cash acquired		(100,000)		(9,400)	
Investments in property, plant and equipment and intangible assets		(45,202,459)		(52,585,490)	
Disposal of property, plant and equipment and intangible assets					
Dividends received from Hitachi Rail STS Group companies		52,233,761			
Use (Acquisitions) of treasury shares					
Net investments in non-consolidated equity investments		28,205,940			
Other investments		46,261,003	57,123,617	(12,312,900)	10,671,426
Cash flows from financing activities:		**81,398,246**		**(64,907,790)**	
Net change in loan assets and loans and borrowings		(40,690,530)		97,318,527	
Capital payments of lease liabilities		(7,100,000)		(6,795,000)	
Dividends paid		(85,000,000)		(165,000,000)	
Cash flows used in financing activities		**(132,790,530)**		**(74,476,473)**	
Net increase (decrease) in cash and cash equivalents		73,499,875	-	(153,817,424)	-
Closing cash and cash equivalents		**302,779,155**		**229,279,281**	

23.5 Statement of changes in shareholders' equity

(In Euro)	Share capital	Profit / loss carried forward	Cash Flow Hedge reserve	Other reserves	Total shareholders' equity
Net shareholders' equity as at 31 March 2022	**100,000,000**	**553,421,009**	**(14,734,745)**	**226,905,759**	**865,592,023**
Other comprehensive income (expense), net of taxes	-	-	(6,640,577)	5,864,004	(776,573)
Change in reserves for SGP Hitachi Rail S.p.A.	-	-	-	-	0
Change in SGP reserves for other companies	-	-	-	0	0
Dividends	-	(165,000,000)	-	-	(165,000,000)
Profit (loss) as at 31 March 2023	-	87,667,405	-	-	87,667,405
Net shareholders' equity as at 31 March 2023	**100,000,000**	**476,088,415**	**(21,375,322)**	**232,769,763**	**787,482,856**
Other comprehensive income (expense), net of taxes	-	-	(6,257,149)	(585,889)	(6,843,039)
Change in reserves for SGP Hitachi Rail S.p.A.	-	-	-	-	-
Change in SGP reserves for other companies	-	-	-	-	-
Dividends	-	(85,000,000)	-	-	(85,000,000)
Profit (loss) as at 31 March 2024	-	174,017,891	-	-	174,017,891
Net shareholders' equity 31 March 2024	**100,000,000**	**565,106,306**	**(27,632,471)**	**232,183,874**	**869,657,709**

24 Notes to the Parent Company Financial Statements at 31 March 2024

24.1 Sector reporting

The Company has identified two operating sectors, namely the *"Rail Control"* unit and the *"Vehicles"* unit (hereinafter also Vehicles), both of which are part of the *Rail System* Business Unit in the broader *"Green Energy & Mobility"* segment as defined by the ultimate parent company Hitachi Ltd for IFRS 8 purposes; therefore, the operating sectors have been aggregated into a single "reportable segment" and consequently the information required by IFRS 8 is provided in line with what is described in paragraph 2.5 of the report on operations.

It should be noted that in the year as at 31 March 2024, the methods for aggregating information by business segment were revised in order to ensure correspondence with the reporting system use by Top Management and the ultimate Parent Company which exercises management and coordination activities.

Below are the figures for the year ended as at 31 March 2024 compared with the previous year, in line with what is described in paragraph 2.5.

(EUR/000)	**31.03.2024**	31.03.2023
Revenues:		
Rail Control	1,102,337	843,759
Vehicles	1,538,006	1,401,619
Total revenues	**2,640,342**	**2,245,378**

Some consolidated accounting information is then provided on a geographical basis in line with previous years.

(EUR/000)	**31.03.2024**	31.03.2023
Revenues:		
Italy	1,825,125	1,555,003
Rest of Europe	210,042	220,618
North Africa and the Middle East	230,388	218,178
Americas	251,151	186,046
Asia Pacific	123,636	65,533
Total revenues	**2,640,342**	**2,245,377**

Non-current property, plant and equipment and intangible assets are allocated according to their location:

(EUR/000)	**31.03.2024**	31.03.2023
Property, plant and equipment and intangible assets:		
Italy	332,101	364,822
Rest of Europe	278	217
North Africa and the Middle East	1,063	2,177
Americas	647	936
Asia Pacific	2,665	516
Total	**336,754**	**368,668**

24.2 Intangible assets

(EUR/000)	Development costs	Patents and similar rights	Concessions, licences and trademarks and other similar rights	Other	Fixed assets in progress	Total
31 March 2023 composed as follows						
Cost	171,274	29,085	23,544	3,462	2,298	229,663
Grants	0	0	(257)	0	0	(257)
Amortisation, depreciation and write downs	(74,166)	(26,446)	(19,202)	(3,428)	0	(123,242)
Carrying amount	**97,109**	**2,639**	**4,085**	**33**	**2,298**	**106,164**
Changes April 2023 - March 2024						
Investments	7,894	1,571	671	130	4,946	15,212
Reclassification from assets under development			707		(707)	0
Grants						
Amortisation	(34,262)	(1,604)	(2,750)	(29)		(38,644)
Exchange differences				8		8
31 March 2024 composed as follows						
Cost	179,169	30,656	24,677	3,537	6,536	244,617
Grants	0	0	0	0	0	0
Amortisation, depreciation and write downs	(108,428)	(28,050)	(21,964)	(3,394)	0	(161,877)
Carrying amount	**70,741**	**2,607**	**2,713**	**143**	**6,536**	**82,740**

Intangible assets showed a balance of EUR 82,740 thousand as at 31 March 2024 compared to EUR 106,164 thousand as at 31 March 2023; the change is due to new investments of EUR 15,212 thousand, amortisation of EUR 38,644 thousand and exchange rate differences of EUR 8 thousand.
In detail:
The item “Development costs” (EUR 70,741 thousand) includes increases of EUR 7,894 thousand and amortisation of EUR 34,262 thousand. The investments relate to the development of new train production platforms for the Regional sector and the new automation and process digitisation model for EUR 4,969 thousand. There are also costs related to the projects “*OB BSL3 R2*” (EUR 101 thousand) concerning solutions for the ERTMS market, On Board, “*Aut 2.0*” (EUR 26 thousand) concerning a new automation platform to improve resource leasing and intelligent maintenance management, “*Core CBTC Dragon*” (EUR 217 thousand) to maximise transport capacity and improve brownfield metro management , “*AUT 2.0 WAWE 2*” (EUR 15 thousand) an automation platform used to increase capacity and maintenance management in an intelligent way and to open up opportunities for energy efficiency, “*ELO Platform*” (EUR 172 thousand), evolution of the generic ONB platform to add functions and interfaces in order to extend its use to other markets, “*ATO Over EYCS-GoA2*” (EUR 158 thousand) for the realisation of a product compliant with the latest European specifications on automatic train driving through traction and braking control, “*IXL WSP Project*” (EUR 1,221 thousand) which aims to renew conventional lines with the ERTMS/ETCS L2 solution, in particular with the evolution of the audio-frequency track circuit and WAYSIDE developments; ‘*ERTMS oriented project*’ (EUR 1,015 thousand) which aims to renew conventional lines with the ERTMS/ETCS L2 solution to renew the signalling system of conventional lines.

The item “Patents and intellectual property rights” (EUR 2,607 thousand) shows a decrease of EUR 32 thousand compared to the previous year; the change is due to new investments for EUR 1,571 thousand and amortisation for EUR 1,604 thousand. More specifically, the investments are mainly attributable to the projects “*Train Configuration Management Database*” for EUR 386 thousand, “*BW Upgrade to 7.5 on HANA*” for EUR 338 thousand, “*Tufin SecureTrack + 60 Firewall Unit*” for EUR 200 thousand and other sundry SW for production and design for EUR 647 thousand.

The item “Concessions, licences, trademarks and other similar rights” (EUR 2,713 thousand) refers to software licences; the investments carried out during the year (EUR 671 thousand) mainly concern the purchase of various licences for design and production, including the “*BPC Project*” project for EUR 495 thousand, “*IT-BPC Project - Vehicle Projects Module*” for EUR 200 thousand, and various licences for EUR 24 thousand.

The item "Other" (EUR 143 thousand) shows an overall increase of EUR 110 thousand compared to the previous year; the change is due to new investments due to software licences acquired by the Branches in the amount of EUR 130 thousand, exchange rate differences in the amount of EUR 8 thousand, and depreciation and amortisation in the amount of EUR 29 thousand.

The item "Work in progress" shows a balance of EUR 6,536 thousand relating to the following projects: "*Project 360 Pass (ITADP256)*" for EUR 2,465 thousand, "*Project 360 Flow/Motion (ITADP277)*" for EUR 340 thousand, "*S/4 project Brownfield upgrade*" for EUR 2,400 thousand, various software licences for design and production for EUR 1,331 thousand.
It should be noted that as a result of the granting of subsidies, assets covered by the subsidies may not be disposed of for a period of five years.

24.3 Property, plant and equipment

Net property, plant and equipment as at 31 March 2024 amounted to EUR 254,014 thousand compared to EUR 262,503 thousand as at 31 March 2023. The change is due to new investments for EUR 42,205 thousand, amortisation for EUR 49,537 thousand, net disposals for EUR 770 thousand and exchange rate differences for EUR 387 thousand.

(EUR/000)	Land and buildings	Plant and machinery	Equipment	Other	Leased fixed assets	Fixed assets in progress	Total
31 March 2023 composed as follows							
Cost	193,713	130,716	93,863	38,972	26,724	29,496	513,484
Grants	(1,219)	(4,570)	(51)	(277)			(6,116)
Amortisation, depreciation and write downs	(64,410)	(77,417)	(55,739)	(28,672)	(18,627)	0	(244,864)
Carrying amount	**128,085**	**48,729**	**38,073**	**10,023**	**8,097**	**29,496**	**262,503**
Changes April 2023 - March 2024							
Investments	4,012	6,032	4,965	4,425	10,385	12,386	42,205
Reclassification from assets under development	8,514	7,991	615	250		(17,370)	0
Exchange differences				25	(411)		(387)
Write-offs	(3)	(20)	0	(69)	(678)		(770)
Reclassifications	(497)	497	(1,590)	1,590			0
Capital grants collected							0
Amortisation	(6,375)	(12,518)	(19,864)	(4,249)	(6,531)		(49,537)
31 March 2024 composed as follows							
Cost	204,585	137,406	92,931	47,055	31,952	24,511	538,441
Amortisation, depreciation and write downs	(70,849)	(86,695)	(70,731)	(35,061)	(21,090)	0	(284,427)
Carrying amount	**133,736**	**50,711**	**22,199**	**11,994**	**10,862**	**24,511**	**254,014**

It should be noted that the company (formerly Hitachi Rail S.p.A.) has two financing contracts with INVITALIA:

- The first one, submitted in 2016 and approved in July 2019, is a production investment project called "*Inspire the Next*", identified with code CDS000531, which provides for the construction at the production units in Naples and Reggio Calabria of both building works to upgrade and modernise existing structures and the purchase of machinery, plant and equipment needed to fully internalise the processing cycle;
- The second, called "*Inspire the Future*", was submitted in 2017 as a proposing entity, together with other participating entities represented by national university and research institutes, and approved in January 2019 when it was assigned the code CDS000609. This is an Industrial Development Programme that envisages both a Production Investment Project aimed at expanding the capacity of the production units of the vehicle business in Naples, Pistoia and Reggio Calabria, and an Industrial and Experimental Research Project, required for the

Production Investment Project, dedicated to the implementation of "digital transformation" processes to increase the productivity of the production platforms at the aforementioned sites.

Overall, the grant recognised for the aforementioned projects is 25% of the eligible costs and is accounted for as a deduction of capitalised costs.

More specifically:
The item "Land and Industrial Buildings", amounting to EUR 133,736 thousand, includes EUR 44,461 thousand related to the property complex of the Pistoia site, EUR 33,444 thousand to the property located in Genoa, EUR 28,292 thousand to the property complex of the Naples site, EUR 20,990 thousand to the property complex at the Reggio Calabria site, EUR 5,126 thousand to the industrial buildings at the Turin and Tito sites and EUR 1,423 thousand to the property complex at the Via Salita della Grotta site in Naples.
The investments made during the year, amounting to EUR 4,012 thousand, mainly relate to the maintenance of buildings.

The item "Plant and machinery" shows a balance as at 31 March 2024, net of the related accumulated depreciation, of EUR 50,711 thousand compared to EUR 48,729 thousand as at 31 March 2023.

The new investments made, amounting to EUR 6,032 thousand, relate to the following projects:
- New production plants and extraordinary maintenance of existing plants at all production sites for EUR 1,577 thousand;
- Naples bogie welding robot for EUR 910 thousand;
- New stators machining centre for EUR 831 thousand;
- New automatic tightening systems in Reggio Calabria and Pistoia for EUR 681 thousand;
- Upgrade of Tito Scalo MV/LV electrical substation for EUR 674 thousand;
- New electrical and mechanical systems building 102 Naples for EUR 424 thousand;
- 60/25 kV power supply unit for power pack tests Naples for EUR 390 thousand;
- Naples plant air treatment plant for EUR 366 thousand;
- Vehicle weighing system for EUR 179 thousand;

The item "Equipment" shows a balance, net of the related accumulated depreciation, of EUR 22,199 thousand compared to EUR 38,073 thousand as at 31 March 2023.
New investments, amounting to EUR 4,965 thousand, mainly relate to the construction of specific equipment for regional trains for EUR 2,875 thousand and the purchase of various instruments at production sites for EUR 2,090 thousand.

The item "Other", equal to EUR 11,994 thousand, increased from the previous year due to new investments for EUR 4,425 thousand, and decreased due to depreciation for EUR 4,249 thousand.
New investments relate to the purchase of electronic office machines at the production sites (EUR 2,113 thousand), various interventions at the branches (EUR 823 thousand), the purchase of furniture and furnishings (EUR 1,016 thousand) and handling equipment in the production departments (EUR 473 thousand).

The item "Leased assets" is a function of the adoption from April 2019 of the new standard IFRS 16 for lease accounting; it shows an increase of EUR 10,385 thousand.

The item "Work in progress" shows a balance of EUR 24,511 thousand, referring to the following projects:
- Works for the Naples management building for EUR 8,946 thousand;
- New *DRS Stainless Steel Robot* system in Pistoia for EUR 5,528 thousand;
- Civil and plant engineering works for re-layout of rep. 60 (F1) Naples for EUR 1,207 thousand;
- NA bogie welding robot for EUR 910 thousand;
- New transhipment wagon in Pistoia for EUR 752 thousand;
- New engine module testing room Naples for EUR 305 thousand;
- Other interventions for EUR 6,890 thousand.

24.4 Equity investments

Equity investments as at 31 March 2024 amounted to EUR 213,967 thousand compared to EUR 266,189 thousand as at 31 March 2023, an overall reduction of EUR 52,222 thousand.

(EUR/000)	**31 March 2024**	31 March 2023
Opening balance	**266,189**	**266,232**
Acquisitions/subscriptions & increases	100	9
Reversals of impairment losses/impairment losses	-	-
Principal repayment	(28,211)	(53)
Withdrawals/Disposals	(36)	-
Reclassifications	(24,076)	
Other transactions	-	-
Final balance	**213,967**	**266,189**

The table below lists equity investments at 31 March 2024 as permitted by IFRS 12, also containing the additional disclosures required by CONSOB (the Italian commission for listed companies and the stock exchange) with communication no. DEM/6064293 of 28 July 2006:

Name	Registered office	Type of activity	Reporting date	Accounting standards	Equity (in/000)	Total assets (in/000)	Total liabilities (in/000)	Currency	% investment	Amount (EUR/000)
Hitachi Rail STS Sweden AB	Solna (Sweden)	Transport	31.03.2024	IFRS	45,645	432,306	386,660	SEK	100.00%	14,792
Hitachi Rail STS France S.A. (*)	Les Ulis (France)	Transport	31.03.2024	IFRS	45,949	158,378	112,429	EUR	100.00%	-
Hitachi Rail STS USA Inc.	Wilmington (Delaware USA)	Transport	31.03.2024	IFRS	73,469	525,861	452,392	USD	100.00%	56,672
Hitachi Rail STS Australia PTY Ltd.	Eagle Farm (Australia)	Transport	31.03.2024	IFRS	95,875	235,179	139,303	AUD	100.00%	25,584
Hitachi Rail STS Deutschland GmbH (*)	Berlin (Germany)	Transport	31.03.2024	IFRS	3,156	29,722	26,566	EUR	100.00%	-
Hitachi Rail STS Railway System Trading (Beijing) Ltd	Beijing (China)	Transport	31.03.2024	IFRS	126,135	488,357	362,222	CNY	100.00%	1,078
Hitachi Rail Espana SLU	Madrid (Spain)	Transport	31.03.2024	IFRS	51,758	75,299	23,541	EUR	100.00%	45,220
Hitachi Rail Ontario Holdings Inc.	Toronto, Ontario (Canada)	Transport	31.03.2024	IFRS	(1)	2,937	2,938	CAD	100.00%	-
Alifana Due S.c.a.r.l.	Naples (Italy)	Transport	31.12.2023	ITAGaap	26	2,706	2,680	Euro	53.34%	14
Hitachi Rail Washington LLC	Washington (USA)	Research	31.03.2022	IFRS	1	21,083	21,082	Usd	50.00%	1
Hitachi Rail STS Hurontario Holdings Inc	Toronto, Ontario (Canada)	Transport	31.03.2024	IFRS	(5)	5	10	CAD	100.00%	0
Hitachi Rail Arabia Limited	Riyadh (Saudi Arabia)	Transport	31.03.2024	IFRS	8	11,301	11,292	SAR	75.00%	9
Hitachi Rail Systems France S.A.S.	Paris (France)	Transport	31.03.2024	IFRS	100	0	0	EUR	100.00%	100
Equity investments in subsidiaries										**143,470**
Metro 5 S.p.A.	Milan (Italy)	Transport	31.12.2023	IFRS	211,139	718,462	507,323	Euro	31.90%	17,002
International Metro Service S.r.l.	Milan (Italy)	Transport	31.12.2023	ITAGaap	15,655	15,912	257	Euro	49.00%	343
Pegaso S.c.r.l. (in liquidation)	Rome (Italy)	Construction	31.12.2023	ITAGaap	260	1,689	1,429	Euro	46.87%	122
OPS-OPERATION ALLIANCE OPS CO.	Riyadh (Saudi Arabia)	Transport	31.12.2023	IFRS	8,993	140,979	131,986	Sar	50.00%	12
Metro de Lima Linea 2 S.A.	Lima (Peru)	Transport	31.12.2023	IFRS	235,217	499,844	264,627	Usd	28.50%	28,125
Mobilinx Hurontario Service Ltd	Toronto, Ontario (Canada)	Transport	31.12.2023	IFRS	4,294	13,167	8,873	Cad	20.00%	-
Metro C S.c.p.A.	Rome (Italy)	Transport	31.12.2023	ITAGaap	149,518	466,900	317,382	Euro	14.00%	21,000
Società Tram di Firenze S.p.A.	Florence (Italy)	Transport	31.12.2021	ITAGaap	5,929	440,784	434,855	Euro	10.19%	1,222
Iricav uno Consortium	Rome (Italy)	Transport	31.12.2023	ITAGaap	520	3,193	2,673	Euro	26.77%	139
Iricav due Consortium	Rome (Italy)	Transport	31.12.2023	ITAGaap	516	1,309,214	1,308,697	Euro	17.05%	88
S. Giorgio Volla 2 Consortium	Naples (Italy)	Transport	31.12.2023	ITAGaap	72	145,722	145,649	Euro	33.33%	18
Ascosa Quattro Consortium (in liq)	Rome (Italy)	Transport	31.12.2022	ITAGaap	57	443	386	Euro	33.33%	14
Siit S.c.p.a	Genoa (Italy)	Research	31.12.2021	ITAGaap	624	1,705	1,081	Euro	2.30%	14
Saturno Consortium	Rome (Italy)	Transport	31.12.2023	ITAGaap	31	631,966	631,935	Euro	33.33%	10
IANUA Consortium	Genoa (Italy)	Transport	31.12.2023	ITAGaap	107	146	39	Euro	16.67%	6
MM4 Consortium	Milan (Italy)	Transport	31.12.2022	ITAGaap	200	25,233	25,033	Euro	34.63%	69
Radiolabs Consortium	Rome (Italy)	Research	31.12.2020	ITAGaap	261	2,545	2,284	Euro	33.33%	52
SPV Linea M4 S.p.A	Milan (Italy)	Transport	31.12.2022	ITAGaap	262,189	816,838	554,649	Euro	0.66%	1,688
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Rome (Italy)	Research	31.12.2023	ITAGaap	260	422	163	Euro	24.00%	10
MetroB S.r.l.	Rome (Italy)	Transport	31.12.2023	ITAGaap	18,242	18,319	77	Euro	2.47%	494
Meditech Consortium	Naples (Italy)	Transport	31.12.2022	ITAGaap	1,296	4,012	2,716	Euro	6.66%	50
Ditecfer SCARL	Pistoia (Italy)	Transport	31.12.2022	ITAGaap	63	735	672	Euro	1.75%	2
RTA Railtec Arsenal	Vienna (Austria)	Transport	31.12.2022	ITAGaap	1,805	13,376	11,571	Euro	14.80%	1
Ferromovil 9000 SL	Madrid (Spain)	Transport	31.12.2022	ITAGaap	13,784	180,195	166,411	Euro	10.00%	0
HSC Consortium	Naples (Italy)	Transport	31.03.2023	ITAGaap	50	7,326	7,,276	Euro	5.00%	3
Consorzio Universitario in Ingegneria per la Qualità e l'Innovazione (QUINN)	Pisa (Italy)	Research	31.12.2022	ITAGaap	992	2,385	1,393	Euro	12.50%	11
CRM Consortium	Naples (Italy)	Transport	31.03.2023	ITAGaap	30	4,130	4,100	Euro	5.00%	2
Total equity investments at fair value										**70,497**
Total equity investments										**213,967**

The total value of investments (EUR 213,967 thousand) consists of: equity investments in Subsidiaries for EUR 143,469 thousand, in Associates for EUR 45,605 thousand, in Consortia and in Other Companies for EUR 24,893 thousand.

The change in the period consists of:

- repayments of principal for EUR 28,211 thousand, relating to the sale of the equity investments in SPV M4 SpA (EUR -26,134 thousand) and Ferromovil 9000 SL (EUR -2,077 thousand), essentially following the completion of the activities in the related projects managed by these companies;
- withdrawals for EUR 36 thousand, relating to the exit from the Train Consortium (EUR 8 thousand) and from Dattilo Scarl (EUR 27 thousand);
- reclassifications for EUR 24,076 thousand, relating to the classification under "non-current assets held for sale" of the equity investments held in the subsidiaries Hitachi Rail STS France SAS (EUR 21,899 thousand) and Hitachi Rail STS Deutschland GmbH (EUR 2,176 thousand).

The value of the equity investment in Metro C represents the subscribed capital, which is paid up for a share of approximately 38%; therefore, against an equity investment value of EUR 21,000 thousand, the portion still to be paid up amounting to EUR 12,950 thousand is recognised in other current liabilities.

The shares held in the investee Metro 5 S.p.A. are pledged as security for the contractual obligations towards the financing institutions in connection with the project financing through which Line 5 of the Milan Metro is being built under concession.
The shares held in the investee company Tram di Firenze are also pledged as part of the agreements with the financing institutions for the construction of the work; a similar guarantee is provided on the loan granted to the investee company.

With regard to the valuation of equity investments in subsidiaries, impairment tests, in application of Group procedures, are performed when preparing the year-end financial statements. These are conducted on individual companies by comparing book values with recoverable values, applying the discounted cash flow method.
The cash flows used are those generated by the company's activities, in their current condition, before financial charges and include investments in fixed assets and monetary movements in working capital, however they do not include cash flows related to financial operations, extraordinary events or dividend payments.
The cash flows thus determined are discounted using a discounting rate (WACC) which is calculated by applying the Capital Asset Pricing Model method. As at 31 March 2024, the average Group WACC used was 9.6%, compared to 9.2% in the previous year.
The tests conducted on the equity investments revealed cover situations and no external indicators of impairment.
The Company performed sensitivity analyses, considering an increase in WACC of 0.5% and 1.0% and reducing the terminal value growth rates by 0.5%. However, these analyses demonstrate extensive coverage of the recoverability of impaired values.
The impairment tests were performed as at 31 March 2024 based on the data included in the Strategic Plan (2023-2025) of the Rail Business Unit as submitted to the Hitachi Group.

The growth rates included in the terminal values were equal to the expected long-term inflation rates in the countries where the Group's investees are based (in line with the International Monetary Fund forecasts).

The company participates in the foreign Joint Arrangement AIASA, set up to construct the Salonicco metro.
Hitachi Rail Honolulu started operating in 2012. The consortium, which was set up by Hitachi Rail STS SpA and Hitachi Rail S.p.A., signed a contract with the HART (Honolulu Authority for Rapid Transportation) in November 2011 to construct the technological part and provide the vehicles of the new driverless metro line in Honolulu (Hawaii). At the end of April 2021, Hitachi Rail STS USA Inc. joined said consortium, with a stake of 1%.
Lastly, the company participates in the '*ArRiyadh New Mobility (ANM)*' Consortium in *Riyad*h and the '*Nuevo Metro de Lima*' Consortium for the performance of the related contracts.

24.5 Related party assets and liabilities

Related party assets and liabilities as at 31 March 2024 and 31 March 2023 are shown below:

Receivables as at 31.03.2024 (EUR/000)	**Other non-current receivables**	**Financial receivables**	**Trade receivables**	**Other current receivables**	**Cash and cash equivalents**	**Total**
Ultimate parent companies						
Hitachi Rail LTD			38,837			**38,837**
Hitachi Ltd Japan			4,471			**4,471**
Associated companies						
Hitachi international (Holland) B.V.					102,631	**102,631**
Società Tram di Firenze SpA	3,217		2,840			**6,057**
Hitachi Digital LLC			350			**350**
Hitachi Europe SRL			199			**199**
Metro de Lima Linea 2			600			**600**
SPV M4 S.p.A.			175			**175**
Metro 5 S.p.A.			144			**144**
Metro Service AS			164			**164**
Subsidiaries						
Hitachi Rail STS Transportation Systems India Private Limited			1,889			**1,889**
Hitachi Rail STS Australia PTY Ltd.			5,202			**5,202**
Hitachi Rail STS Deutschland GmbH			4,037			**4,037**
Hitachi Rail STS France S.A.		9,476	8,536			**18,012**
Hitachi Rail STS Railway Signaling Technology			1,401			**1,401**
Hitachi Rail STS Sweden AB			4,816			**4,816**
Hitachi Rail Espana SLU			2,679			**2,679**
Hitachi Rail STS USA Inc.		82,721	18,817			**101,538**
Hitachi Rail STS Canada Inc			2,573			**2,573**
Hitachi Rail STS Malaysia SDN BHD			4,837			**4,837**
Alifana Due S.c.r.l.			1,073			**1,073**
Hitachi Rail STS Mobilinx Hurontario		168	403			**571**
Hitachi Rail Ontario GP			1,048			**1,048**
Consortia						
Saturno Consortium			38,993			**38,993**
San Giorgio Volla Due Consortium			1,767			**1,767**
Train Consortium			410			**410**
HSC Consortium			1,088			**1,088**
Rail Maintenance-CRM Consortium			227			**227**
MM4 Consortium			26,859			**26,859**
Total	**3,217**	**92,365**	**174,436**	**0**	**102,631**	**372,648**
Related parties as a percentage of the total of the corresponding balance sheet item	**13%**	**91%**	**16%**	**0%**	**34%**	

Receivables as at 31.03.2024 (EUR/000)	**Other non-current receivables**	**Financial receivables**	**Trade receivables**	**Other current receivables**	**Cash and cash equivalents**	**Total**
Ultimate parent companies	0	0	43,308	0	**0**	**43,308**
Subsidiaries	0	92,365	57,312	0	**0**	**149,677**
Associated companies	3,217	0	4,472	0	**102,631**	**110,319**
Consortia	0	0	69,344	0	**0**	**69,344**
Total	**3,217**	**92,365**	**174,436**	**0**	**102,631**	**372,648**
Related parties as a percentage of the total of the corresponding balance sheet item	**13%**	**91%**	**16%**	**0%**	**34%**	

Payables as at 31.03.2024 (EUR/000)	Other non-current payables	Current financial payables	Trade payables	Other current payables	Non-current financial payables	Total
Ultimate parent companies						
Hitachi Rail LTD			22,411			**22,411**
Hitachi Ltd Japan			20,154			**20,154**
Associated companies						
Hitachi Europe LTD			4,971			**4,971**
Metro Service AS			9,996			**9,996**
Metro B srl				334		**334**
Hitachi Europe srl			99			**99**
SPV M4 S.p.A.			22			**22**
HITACHI Energy Ltd.			1,022			**1,022**
HITACHI ENERGY ITALY S.P.A.			31			**31**
Hitachi High-Technologies Europe			3			**3**
Hitachi Industrial Engineering			8			**8**
Hitachi Vantara Italia Srl			-1			**-1**
HITACHI Energy Switzerland Ltd.			39			**39**
Hitachi India						**0**
TRASFOR SA			34			**34**
Pegaso S.c.r.l. (in liquidation)			58			**58**
Subsidiaries						
Hitachi Rail STS Transportation Systems India Private Limited			1,547			**1,547**
Hitachi Rail STS Australia PTY Ltd.		31,371	225			**31,596**
Hitachi Rail STS Deutschland GmbH		11,118				**11,118**
Hitachi Rail STS France S.A.			8,032			**8,032**
Hitachi Rail STS Railway Signaling Technology			1,298			**1,298**
Hitachi Rail STS Sweden AB		591				**591**
Hitachi Rail Espana SLU		38,724	2,956			**41,680**
Hitachi Rail STS USA Inc.			16,350			**16,350**
Hitachi Rail STS USA International CO.			8,368			**8,368**
Hitachi Rail STS Malaysia SDN BHD			372			**372**
Hitachi Arabia Limited		9	2,061			**2,071**
Alifana Due S.c.a.r.l.			850			**850**
Consortia						
Saturno Consortium			136			**136**
MM4 Consortium			1,026			**1,026**
San Giorgio Volla Due Consortium			46			**46**
TRAIN Consortium			688			**688**
HSC CONSORTIUM			10,556			**10,556**
RAIL MAINTENANCE-CRM Consortium			3,221			**3,221**
QUINN CONSORTIUM			190			**190**
Ascosa Quattro Consortium			36	8		**44**
Total	**0**	**81,814**	**116,805**	**342**	**0**	**198,961**
Related parties as a percentage of the total of the corresponding balance sheet item	**0%**	**89%**	**8%**	**0%**	**0%**	

Payables as at 31.03.2024 (EUR/000)	Other non-current payables	Current financial payables	Trade payables	Other current payables	Non-current financial payables	Total
Ultimate parent companies	0	0	42,564	0	**0**	**42,564**
Subsidiaries	0	81,814	42,059	0	**0**	**123,873**
Associated companies	0	0	16,283	334	**0**	**16,617**
Consortia	0	0	15,899	8	**0**	**15,907**
Total	**0**	**81,814**	**116,805**	**342**	**0**	**198,961**
Related parties as a percentage of the total of the corresponding balance sheet item	**0%**	**89%**	**8%**	**0%**	**0%**	

Receivables at 31.03.2023 (EUR/000)	Other non-current payables	Current financial payables	Trade payables	Other current payables	Non-current financial payables	Total
Ultimate parent companies						
Hitachi Rail LTD			19,645			**19,645**
Hitachi Ltd Japan			1,824			**1,824**
Associated companies						
Hitachi International (Holland) B.V.					168,250	**168,250**
Tram di Firenze	3,058		3,017			**6,074**
Hitachi Europe SRL			199			**199**
Metro de Lima Linea 2			340			**340**
SPV M4 S.p.A.	53,983		84			**54,066**
Operation Alliance OPS Co.			195			**195**
Metro 5 S.p.A.	3,300		136			**3,436**
Metro Service AS			2,815			**2,815**
Subsidiaries						
Hitachi Rail STS Transportation Systems India Private Limited			1,679			**1,679**
Hitachi Rail STS Australia PTY Ltd.			6,636			**6,636**
Hitachi Rail STS Deutschland GmbH			6,585			**6,585**
Hitachi Rail STS France S.A.		9,865	4,669			**14,533**
Hitachi Rail STS Railway Signaling Technology			891			**891**
Hitachi Rail STS Sweden AB			6,050			**6,050**
Hitachi Rail Espana SLU			727			**727**
Hitachi Rail STS USA Inc.		73,905	8,892			**82,796**
Hitachi Rail STS Canada Inc			3,985			**3,985**
Hitachi Rail STS Malaysia SDN BHD			4,331			**4,331**
Alifana Due S.c.r.l.			1,553			**1,553**
Hitachi Rail STS Mobilinx Hurontario		157	209			**366**
Hitachi Rail Ontario GP			281			**281**
Consortia						
Saturno Consortium			23,654			**23,654**
San Giorgio Volla Due Consortium			2,065			**2,065**
Train Consortium			410			**410**
HSC Consortium			973			**973**
Rail Maintenance-CRM Consortium			112			**112**
MM4 Consortium			22,291			**22,291**
Total	**60,340**	**83,927**	**124,246**	**0**	**168,250**	**436,762**
Related parties as a percentage of the total of the corresponding balance sheet item	**89%**	**90%**	**14%**	**0%**	**73%**	

Receivables at 31.03.2023 (EUR/000)	Other non-current receivables	Financial receivables	Trade receivables	Other current receivables	Cash and cash equivalents	Total
Ultimate parent companies	0	0	21,469	0	**0**	**21,469**
Subsidiaries	0	83,927	46,487	0	**0**	**130,414**
Associated companies	60,340	0	6,786	0	**168,250**	**235,376**
Consortia	0	0	49,503	0	**0**	**49,503**
Total	**60,340**	**83,927**	**124,246**	**0**	**168,250**	**436,762**
Related parties as a percentage of the total of the corresponding balance sheet item	**89%**	**90%**	**14%**	**0%**	**73%**	

Payables at 31.03.2023 (EUR/000)	Other non-current receivables	Financial receivables	Trade receivables	Other current receivables	Cash and cash equivalents	Total
Ultimate parent companies						
Hitachi Rail LTD			17,356			**17,356**
Hitachi Ltd Japan			17,476			**17,476**
Associated companies						
Hitachi Europe LTD			4,877			**4,877**
Metro Service AS			17,753			**17,753**
Metro B srl				355		**355**
Hitachi Europe srl			188			**188**
SPV M4 S.p.A.			77			**77**
Westpole-Hitachi System CBT			14			**14**
Hitachi Transport System EUROPE LOGISTEED			1,087			**1,087**
HITACHI ENERGY ITALY S.P.A.			284			**284**
Hitachi High-Technologies Europe			3			**3**
Hitachi Industrial Engineering			8			**8**
Hitachi Vantara Italia Srl			6			**6**
HITACHI Energy Switzerland Ltd.			350			**350**
Hitachi India			24			**24**
TRASFOR SA			46			**46**
Hitachi America			13			**13**
Operation Alliance OPS Co			8,726			**8,726**
Pegaso S.c.r.l. (in liquidation)			58			**58**
Subsidiaries						
Hitachi Rail STS Transportation Systems India Private Limited			833			**833**
Hitachi Rail STS Australia PTY Ltd.		65,549	123			**65,672**
Hitachi Rail STS Deutschland GmbH		43,283	457			**43,740**
Hitachi Rail STS France S.A.			6,568			**6,568**
Hitachi Rail STS Railway Signaling Technology			668			**668**
Hitachi Rail STS Sweden AB		6,412	167			**6,579**
Hitachi Rail Espana SLU		24,024	88			**24,112**
Hitachi Rail STS USA Inc.			30,872			**30,872**
Hitachi Rail STS USA International CO.			2,450			**2,450**
Hitachi Rail STS Malaysia SDN BHD			525			**525**
Hitachi Rail STS Mobilinx Hurontario						
Hitachi Arabia Limited		9				**9**
Alifana Due S.c.a.r.l.			2,286			**2,286**
Consortia						
Saturno Consortium		59	160			**218**
MM4 Consortium			605			**605**
TRAIN Consortium			688			**688**
HSC CONSORTIUM			13,262			**13,262**
RAIL MAINTENANCE-CRM Consortium			2,951			**2,951**
QUINN CONSORTIUM			63			**63**
Ascosa Quattro Consortium			36	8		**44**
Total	**0**	**139,337**	**131,148**	**363**	**0**	**270,848**
Related parties as a percentage of the total of the corresponding balance sheet item	**0%**	**64%**	**10%**	**1%**	**0%**	

Payables at 31.03.2023 (EUR/000)	Other non-current payables	Current financial payables	Trade payables	Other current payables	Non-current financial payables	Total
Ultimate parent companies	0	0	34,832	0	**0**	**34,832**
Subsidiaries	0	139,278	45,036	0	**0**	**184,314**
Associated companies	0	0	33,516	355	**0**	**33,871**
Consortia	0	59	17,764	8	**0**	**17,830**
Total	**0**	**139,337**	**131,148**	**363**	**0**	**270,848**
Related parties as a percentage of the total of the corresponding balance sheet item	**0%**	**64%**	**10%**	**1%**	**0%**	

The total value of receivables from related parties amounted to EUR 372,648 thousand (EUR 436,762 thousand at 31 March 2023) of which EUR 3,217 thousand in non-current receivables, EUR 92,365 thousand in short-term financial receivables, EUR 174,436 in trade receivables, and EUR 102,631 thousand in cash and cash equivalents, attributable to treasury relations with Hitachi International Holland.
The value of other receivables amounting to EUR 3,217 thousand relates to shareholder loans to Tram di Firenze SpA for the realisation of the related project.
Trade receivables amounted to EUR 174,436 thousand; of particular note are the positions regarding the parent company Hitachi Rail Ltd. (EUR 38,837 thousand), towards Saturno Consortium (EUR 38,993 thousand) and MM4 Consortium (EUR 26,859 thousand).
Financial receivables (EUR 92,365 thousand) represent positions with the subsidiaries Hitachi Rail STS France S.A.S (EUR 9,476 thousand), Hitachi Rail STS USA Inc. (EUR 82,721 thousand) and Hitachi Rail STS Mobilinx Hurontario (EUR 168 thousand).

The total value of payables to related parties was EUR 198,961 thousand as at 31 March 2024 (EUR 270,848 thousand as at 31 March 2023).
These consist of current financial payables for EUR 81,814 thousand, relating to payables to the subsidiaries Hitachi Rail STS Australia Pty (EUR 31,371 thousand), Hitachi Rail STS Deutschland GmbH (EUR 11,118 thousand), Hitachi Rail Espana SLU (EUR 38,724 thousand) and Hitachi Rail STS Sweden (EUR 591 thousand). This item also includes the financial payable to Hitachi Arabia Ltd (EUR 9 thousand) for the portion of capital subscribed and not yet paid.
Trade payables amounted to EUR 116,805 thousand; the main positions relate to the subsidiary Hitachi Rail STS USA Inc. (EUR 16,350 thousand), the parent companies Hitachi Ltd (EUR 20,154 thousand) and Hitachi Rail Ltd (EUR 22,411 thousand) and the HSC Consortium (EUR 10,556 thousand).
Please refer to the Report on Operations (in the section 'Disclosure of Management and Coordination Activities of Companies and Related Party Transactions') and to section 20 ('Key Managers' Remuneration') for information on related-party transactions.

24.6 Loans and receivables and other non-current assets

(EUR/000)	**31 March 2024**	31 March 2023
Guarantee deposits	1,658	1,658
Other	22,823	66,273
Non-current receivables	**24,481**	**67,931**
Other prepaid expenses - non-current portion	1,326	1,453
Other prepaid expenses - Associates	0	0
Other non-current assets	**1,326**	**1,453**

Non-current receivables amounted to EUR 24,481 thousand, compared to EUR 67,931 thousand as at 31 March 2023. The reduction of EUR 43,450 thousand is mainly due to the collections deriving from the settlement of the loans granted to the investees SPV M4 and METRO 5. In detail, the item is made up of:

- EUR 13,673 thousand as a deposit with the Flow Consortium to finance the operational activities related to the Riyadh Operation & Maintenance contract;
- EUR 3,217 thousand for the loan granted to the investee company Tram di Firenze (EUR 2,298 thousand principal and EUR 919 thousand for accrued interest) and on which a pledge is made in favour of the same financing entities. A similar pledge has also been made on the shares held in the investee company;
- EUR 4,276 thousand as the countervalue of the interest-bearing loan of USD 5,000 thousand to Hyperloop Transportation Technology, in connection with the signing of a framework agreement in September 2020 for the development of a *Traffic Management & Control System*;
- EUR 1,658 thousand (EUR 1,658 thousand as at 31 March 2023) for guarantee deposits on premises and spaces rented following the opening of construction sites, and guarantee deposits on utilities.

Other non-current assets amounted to EUR 1,326 thousand (EUR 1,453 thousand as at 31 March 2023) and mainly refer to insurance prepayments for premiums prepaid during the year.

24.7 Inventories

(EUR/000)	**31 March 2024**	31 March 2023
Raw materials, auxiliaries and consumables	358,182	318,011
Works in progress and semi-finished products	36,500	23,680
Finished goods and goods for resale	2,365	2,149
Advances to suppliers	117,632	65,818
Total	**514,679**	**409,659**

Net inventories had a balance of EUR 514,679 thousand (EUR 409,659 thousand as at 31 March 2023).
The value of inventories of raw materials (EUR 358,182 thousand) recorded an increase of EUR 40,171 thousand compared to the previous year due to the increase in activities; they are recognised net of the inventory write-down provision of EUR 1,820 thousand (EUR 3,247 thousand as at 31 March 2023).
The value of payments on account to suppliers is equal to EUR 117,632 thousand; the change of EUR 51,814 thousand is due to new payments on account paid mainly to suppliers of the Rail Control division, in particular on the Philippines project.

24.8 Contract assets and liabilities

(EUR/000)	**31 March 2024**	31 March 2023
Work in progress	2,688,103	2,803,192
Progress payments	(1,650,860)	(1,767,722)
Advances from customers	(88,563)	(84,681)
Provisions for loss contracts	(1,100)	(24,100)
Contract assets	**947,581**	**926,689**
Progress payments	(3,571,876)	(3,277,368)
Work in progress	2,988,606	2,785,752
Advances from customers	(521,167)	(329,402)
Provisions for loss contracts	(2,600)	(2,600)
Contract liabilities	**(1,107,038)**	**(823,618)**
Contract assets / (liabilities)	**(159,457)**	**103,071**

Contract assets and liabilities, net of payments on account from customers, amounted to a negative EUR 159,457 thousand, compared to a positive EUR 103,071 thousand as at 31 March 2023, a decrease of EUR 262,528 thousand. The change is mainly due to the increase in both advances from customers, in particular in relation to the project in the Philippines, and turnover for work progress, partially offset by the higher production achieved in the period.
It should be noted that the net balance of works in progress includes the countervalue of the advance (balance) in the amount of EUR 89,911 thousand related to the work in Libya, which is still suspended due to the well-known events that have affected the country in recent years, as detailed in the report on operations; this advance largely covers the work performed to date and not yet invoiced. As a consequence, at the reporting date, there were no probable risks which would require any provisions.
Net works in progress increased from EUR 926,689 thousand as at 31 March 2023 to EUR 947,581 thousand as at 31 March 2024, while net advances from customers increased from EUR 823,618 thousand as at 31 March 2023 to EUR 1,107,038 thousand as at 31 March 2024. Total advances from customers amounted to EUR 609,730 thousand (EUR 414,083 thousand as at 31 March 2023).
In particular, works in progress shown under assets amounted to EUR 2,688,104 thousand and included costs of EUR 8,039,668 thousand and margins of EUR 611,446 thousand before final invoicing.
Works in progress shown under liabilities, amounted to EUR 2,988,606 thousand and included costs of EUR 13,691,089 thousand and margins of EUR 1,760,461 thousand before final invoicing.

Similarly to inventories, works in progress made to order and advances from customers are also stated net of the related bad debt provision, which amounted to EUR 3,700 thousand as at 31 March 2024 (EUR 26,700 thousand as at 31 March 2023). The work in progress provisions are allocated in relation to the relevant job orders and, more specifically, EUR 1,100 thousand has been deducted from the item 'net works in progress' and EUR 2,600 thousand from the item 'net advances from customers'.
This is sufficient with respect to the possible liabilities arising from the critical issues and risks assessed on the contracts currently in place, including in application of the Risk Management procedure

The work in progress provisions cover:
- contractual risks: penalties for late delivery of the commissioned works or significant parts thereof by the specified final or interim dates, and performance penalties for failure to meet specified functional requirements or RAM parameters;
- technological risks.

The aforementioned conditions, which are typical of all long-term job orders, are increased in the presence of complex contractual structures pertaining to highly technological projects, which make it possible for contractual redefinitions or problems to arise at any stage of the development of the job orders, sometimes even after the delivery of the work and its commissioning. Therefore, many risks can only be considered resolved at the end of the contract.

24.9 Trade and financial receivables

	31 March 2024		31 March 2023	
(EUR/000)	**Trade**	**Financial**	Trade	Financial
Third parties	888,205	9,515	761,341	9,574
Related parties	174,436	92,365	124,246	83,927
Total Receivables	**1,062,641**	**101,880**	**885,587**	**93,501**

The value of trade and financial receivables is stated in the balance sheet at fair value.
The volume of trade receivables amounted to EUR 1,062,641 thousand (EUR 885,587 thousand as at 31 March 2023), of which EUR 174,436 thousand from related parties (EUR 124,246 as at 31 March 2023).
The main items pertain to the Ferrovie dello Stato Group, FerrovieNord Milano SpA, Etihad Rail Company PJSC, EPC Consortium (Lima) and Iricav Due Consortium.
The balance of trade receivables is shown net of the bad debt provision of EUR 33,261 thousand (EUR 33,312 thousand as at 31 March 2023).
It should be noted that the provision includes the EUR 4,711 thousand related to the write-down of the position with Firema as a result of the extraordinary administration procedure initiated by decree of the Minister of Economic Development on 2 August 2010.

During the year, the Company transferred trade receivables by entering into factoring agreements without recourse, in order to optimise the management of working capital. The balance of trade receivables transferred to factoring companies as at 31 March 2024 amounted to EUR 314,393 thousand.

Financial receivables amounted to EUR 101,880 thousand (EUR 93,501 thousand at 31 March 2023), of which EUR 92,365 thousand in financial receivables due from related parties (EUR 83,927 as at 31 March 2023), already detailed in the related section. The portion due from third parties refers to the countervalue of Libyan dinars, received as an advance on the first of the two job orders acquired in Libya and deposited with a local bank, which were blocked pending the resumption of operations; the countervalue in Euro of this account at 31 March 2024 was EUR 9,515 thousand (EUR 9,574 thousand as at 31 March 2023).

24.10 Income tax receivables and payables

	31 March 2024		31 March 2023	
(EUR/000)	**Loans and Receivables**	**Payables**	Loans and Receivables	Payables
Direct taxes	59,692	32,338	28,395	7,881
Total	**59,692**	**32,338**	**28,395**	**7,881**

Income tax receivables amounted to EUR 59,692 thousand (EUR 28,395 thousand as at 31 March 2023).
They mainly include taxes paid abroad for EUR 28,795 thousand (EUR 28,375 thousand as at 31 March 2023) and for IRES (EUR 22,897 thousand) and IRAP (EUR 6,584 thousand) advances.
Taxes payable amounted to EUR 32,338 thousand (EUR 7,881 thousand as at 31 March 2023) and related to current IRES for EUR 24,438 thousand and current IRAP for EUR 7,901 thousand.

After exercising the option at the end of 2015 and following a lengthy procedure, on 5 February 2020, the Company and the Revenue Agency – Large Taxpayers' Central Directorate – Audits Sector – Prior Agreements Office, signed the Prior Agreement for calculation of the financial contribution for purposes of the 'Patent Box' for the five-year period from 2015 to 31 March 2020 ('the Agreement').
Subsequently, on 5 March 2020, the Company filed an application for renewal of the Agreement due to expire (an application that was declared admissible by the Revenue Agency on 9 March 2020).
To this end, the Company confirmed the renewal option in its tax return for the tax period ending 31 March 2021, which was filed in February 2022, and is still in the process of signing a new agreement valid for the five-year period beginning with the tax period ending 31 March 2021.
The dispute was initiated by the Italian Revenue Agency in April 2024, therefore the Company decided not to recognise the effects of the application of the Patent Box regime for the financial year ending 31 March 2024.

24.11 Derivatives

Assets and liabilities relating to derivatives are shown in the table below:

	31 March 2024		31 March 2023	
(EUR/000)	**Assets**	**Liabilities**	Assets	Liabilities
Fair value hedges	8,822	8,563	16,716	18,418
Currency hedges				
Cash flow hedges	6,178	12,295	15,483	18,201
Currency hedges				
	14,999	**20,859**	**32,199**	**36,619**

The total value of fair value hedges includes hedges on cash flows of subsidiaries, as well as on foreign currency correspondence accounts.

The Company uses derivatives to hedge the exchange risk (fair value hedges) for subsidiaries. This risk arises from the exposure to cash flows in currencies other than the functional currency. These are defined as back-to-back transactions, as the currency risk is hedged by identifying the exposure to the bank issuing the hedging instrument, while recognising a balancing entry with respect to the subsidiary.
As at 31 March 2024, the Fair Value of assets and liabilities, included in the total FVH value, amounted to EUR 8,323 thousand and the related economic effects, with a nil balance, are recorded under operating financial income and charges.

The Company had derivatives hedging foreign currency correspondence accounts with the aim of hedging the company against the year-end exchange risk. These transactions are recognised under assets for EUR 498 thousand and under liabilities for EUR 240 thousand.
The Company also had cash flow hedges relating to the cash flows of the Abu Dhabi Stage 2, Riyadh Metro, Lima Metro, Kolkata Metro, Glasgow Metro, Panama, Washington, Miami and Baltimore contracts.

24.12 Other current assets

(EUR/000)	**31 March 2024**	31 March 2023
Prepaid expenses - current portions	13,903	8,712
Grants	23,165	18,014
Receivables from employees	3,743	3,282
Receivables from social security organisations	1,276	1,101
Other tax assets	68,195	68,136
Other assets	10,760	12,241
Total current third party assets	**121,042**	**111,486**
Total current related-party assets	0	0
Total	**121,042**	**111,486**

Other current assets amounted to EUR 121,042 thousand (EUR 111,486 thousand as at 31 March 2023); they mainly relate to tax receivables and receivables for research grants.
Prepaid expenses of EUR 13,903 thousand related mainly to future accrued assets relating to insurance premiums and fees (EUR 11,482 thousand), commissions on surety bonds paid in advance (EUR 338 thousand) and other prepaid expenses referring to permanent establishments (EUR 1,360 thousand).
Grant receivables amounted to EUR 23,165 thousand and mainly refer to projects financed by the European Union and the Ministry of University and Research.
With regard to Receivables for research grants, please refer to the Report on Operations for details on the projects financed. It should be noted that the payment of grants is linked to the implementation of a specific project and/or the channelling of contributions for funded projects.
Section 24.14, Shareholders' Equity, details the reserves established and restricted as a result of the decree awarding certain grants.
For further details, please refer to the 'Research and Development' section of the Report on Operations.

Other tax assets amounted to EUR 68,195 thousand and mainly related to VAT credits accrued in Italy in the amount of EUR 50,114 thousand, VAT credits accrued in the branches in the amount of EUR 16,440 thousand, and withholding tax assets in the amount of EUR 1,641 thousand.

During the course of the year, the Company requested reimbursement on a quarterly basis of the VAT credit accrued and that which emerged when submitting the annual declaration for the 2023 calendar year.
In particular, the Company entered into factoring agreements with a leading factoring company for the non-recourse assignment of VAT receivables to finance its activities.

The item other current assets (EUR 10,760 thousand as at 31 March 2024) included EUR 5,732 thousand in receivables for guarantee withholdings made by Invitalia on non-repayable grants for research and development projects.

24.13 Cash and cash equivalents

(EUR/000)	**31 March 2024**	31 March 2023
Cash-in-hand	37	47
Bank deposits	302,743	229,232
Total	**302,779**	**229,279**

The balance is made up of cash-in-hand and bank account balances.

24.14 Equity

As at 31 March 2024, shareholders' equity amounted to EUR 869,658 thousand, with a net increase of EUR 82,175 thousand compared to 31 March 2023 (EUR 787,483 thousand).
This is due to the effect of the profit for the year (EUR 174,018 thousand), the distribution of dividends (EUR 85,000 thousand), the negative change in the cash flow hedge reserve of EUR 6,257 thousand, and the negative change in other reserves (EUR 586 thousand).

More specifically:

Share capital

	Number of Shares	**Nominal value**
31 March 2022	**200,000,000**	**100,000,000**
31 March 2023	**200,000,000**	**100,000,000**
31 March 2024	**200,000,000**	**100,000,000**

The fully paid-up share capital amounts to EUR 100,000,000 and is divided into 200,000,000 ordinary shares with a nominal value of EUR 0.50 each.

As at 31 March 2024, the share capital was held by the sole shareholder Hitachi Rail Limited. For more details on this point, please see section 14.1 'General Information'.

Retained earnings (losses carried forward), including the profit for the period

(EUR/000)	**Profit carried forward**	**Profit for the year**	**Total**
31 March 2023	**388,421**	**87,667**	**476,088**
Allocation of the operating result:			
- dividends distribution	(85,000)	-	(85,000)
- legal reserve	-	-	0
- reserve for legal reserve adjustment	-	-	0
- retained earnings	87,667	(87,667)	0
Profit for the year	-	174,018	174,018
31 March 2024	**391,088**	**174,018**	**565,106**

The item Retained earnings (losses carried forward) is broken down as follows:
- the "Retained earnings (losses carried forward)" reserve (EUR 391,088 thousand), which increased compared to the previous year due to the profit for the year as at 31 March 2023 (EUR 87,667 thousand), offset by the distribution to the sole shareholder Hitachi Rail Ltd. of a total of EUR 85,000 thousand in dividends as approved by the Shareholders' Meeting;
- the profit for the year of EUR 174,018 thousand.

Other reserves

(EUR/000)	Legal reserve	Merger Surplus	Reserve under law 413/91	Reserve under law 488/92, second law application, PIA	50% grant reserve Under law 219/81 Art. 55 TUIR	Reserve under law 488/92, first application, PIA	Deferred tax reserve for S.E. items	*Cash Flow Hedge reserve*	Payments for coverage of losses	Actuarial gains/ losses on Italian post-employment benefits	Translation reserve	Total Reserves
31 March 2023	**20,000**	**236,859**	**832**	**145**	**209**	**854**	**15,119**	**(21,376)**	**37**	**(2,185)**	**(39,099)**	**211,394**
1 April 2023	**20,000**	**236,859**	**832**	**145**	**209**	**854**	**15,119**	**(21,376)**	**37**	**(2,185)**	**(39,099)**	**211,394**
Other transactions:												
- actuarial gains/losses on Italian post-employment benefits	-	-	-	-	-	-	-	-	-	395	-	**395**
- deferred taxes on SE Items	-	-	-	-	-	-	2,138	-	-	-	-	**2,138**
- CFH hedging	-	-	-	-	-	-	-	(6,257)	-	-	-	**(6,257)**
- Foreign currency translation differences of branches	-	-	-	-	-	-	-	-	-	-	(3,119)	**(3,119)**
31 March 2024	**20,000**	**236,859**	**832**	**145**	**209**	**854**	**17,257**	**(27,633)**	**37**	**(1,789)**	**(42,218)**	**204,552**

The Legal Reserve amounted to EUR 20,000 thousand and is unchanged from the previous year, having already reached 20% of the share capital.

The merger surplus amounted to EUR 236,859 thousand (EUR 236,859 thousand as at 31 March 2023).
This item is mainly composed of the merger surplus deriving from the incorporation of the company Hitachi Rail S.p.A. (EUR 157,557 thousand), which was effective from 1 April 2021 for accounting purposes.
In addition, it comprises EUR 12,086 thousand for the recognition, in the financial year as at 31 March 2020, of the merger surplus resulting from the “reverse merger” into Hitachi Rail STS by the companies Hitachi Rail Investments S.r.l. and Hitachi Italy Holdings S.r.l., effective from 1 April 2019 for accounting purposes.
This item also includes EUR 83,237 thousand deriving from the merger by incorporation of Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari effective from 1 January 2009. In detail:

- EUR 93,094 thousand representing the difference between the value of the equity investments Ansaldo Segnalamento Ferroviario (EUR 76,298 thousand), wholly owned by Ansaldo Trasporti Sistemi Ferroviari, and Ansaldo Trasporti Sistemi Ferroviari (EUR 38,123 thousand), wholly owned by Ansaldo STS, with the shareholders’ equity of the merged companies;
- EUR 9,857 thousand in cancellation of goodwill present in the financial statements of Ansaldo Segnalamento Ferroviario S.p.A. (EUR 1,825 thousand at 31 December 2008) and Ansaldo Trasporti Sistemi Ferroviari S.p.A. (EUR 12,687 thousand at 31 December 2008) net of the associated prepaid and deferred taxes (EUR 4,655 thousand). This goodwill was eliminated as it arose from infragroup extraordinary transactions in previous years; in particular, the residual goodwill of Ansaldo Segnalamento Ferroviario S.p.A. (EUR 1,825 thousand) is attributable to the contribution of the “Signalling” business unit by Ansaldo Trasporti S.p.A. in 1996 and the residual amount for Ansaldo Trasporti Sistemi Ferroviari (EUR 12,687 thousand) from the contribution of the “Systems” business unit by the aforesaid Ansaldo Trasporti S.p.A. in 2001.

The additional transactions reporting to the overall balance were:

- EUR 13,649 thousand arising from the deficit effect of the merger by incorporation of Ansaldo Signal N.V. in liquidation which took place on 1 October 2009. It arose from the elimination of the equity investment Ansaldo Signal N.V. in liquidation (EUR 21,946 thousand), wholly owned by Ansaldo STS S.p.A., with respect to the value of the merged company’s shareholders’ equity;
- EUR 50 thousand used as a result of the reclassification of costs for share capital increase for the year 2005. This was accomplished by allocating the aforementioned costs to an available shareholders’ equity reserve as permitted by IAS 32;
- EUR 2,321 thousand used in 2014 following the last instalment of the free capital increase after having fully used the reserve for capital injections (EUR 7,679 thousand), as per the shareholders’ resolution of 23 April 2010.

The Revaluation Reserve pursuant to Italian Law No. 413/91 amounted to EUR 832 thousand and was already recognised in the shareholders’ equity of the merged company Ansaldo Segnalamento Ferroviario S.p.A. and then reconstituted in Ansaldo STS S.p.A. (now Hitachi Rail STS S.p.A.) following the merger as a tax suspension reserve.

The reserve under Italian Law No. 488/92 second application P.I.A. amounted to EUR 145 thousand, already recognised in the shareholders' equity of the merged company Ansaldo Segnalamento Ferroviario and reconstituted in Ansaldo STS S.p.A. (now Hitachi Rail STS S.p.A.) following the merger. This reserve was established following the shareholders' resolution approving the financial statements at 31 December 2006 and is subject to the limitations established by the provisional concession decree of the Ministry of Production Activities relating to the second application, P.I.A., in accordance with the aforementioned law.

The Ministerial Grant Reserve pursuant to Italian Law No. 219/81 amounted to EUR 209 thousand, already recognised in the shareholders' equity of the merged company Ansaldo Segnalamento Ferroviario and reconstituted in Ansaldo STS S.p.A. (now Hitachi Rail STS S.p.A.) following the merger as a tax suspension reserve. This reserve was restricted when the Company received grants for plants obtained in previous years.

The reserve pursuant to Italian Law No. 488/92 first application, P.I.A., amounted to EUR 854 thousand, recognised in the shareholders' equity of the merged company Ansaldo Segnalamento Ferroviario S.p.A. and reconstituted in Ansaldo STS S.p.A. (now Hitachi Rail STS S.p.A.) following the merger. This reserve was established following the shareholders' resolution approving the financial statements at 31 December 2004 and is subject to the limitations established by the provisional concession decree of the Ministry of Production Activities relating to the first application, P.I.A., in accordance with the aforementioned law.

The reserve for deferred taxes on items charged to shareholders' equity amounted to EUR 17,257 thousand (EUR 15,119 thousand at 31 March 2023). Changes during the period include:
- deferred taxes arising from actuarial gains for the year on Italian post-employment benefits (EUR -112 thousand), charged to the specific reserve in application of the equity method (for a total EUR 493 thousand as at 31 March 2023);
- deferred taxes for cash flow hedge transactions, which amounted to EUR 1,502 thousand during the year, for a total of EUR 6,632 thousand as at 31 March 2024;
- deferred taxes on the translation reserve of branch financial statements, which amounted to EUR 749 thousand (for a total of EUR 10,133 thousand as at 31 March 2024) for the year.

The cash flow hedge reserve amounted to EUR -27,633 thousand. It changed due to transactions during the year, which recorded a net change of EUR -6,257 thousand (the related tax effect for the year, amounting to EUR 1,502 thousand, is recognised in the item "Deferred tax reserve").

The actuarial reserve for defined benefit plans amounted to EUR -1,789 thousand; it changed during the year by EUR 395 thousand due to the application of the equity method in the recognition of actuarial gains/losses on Italian post-employment benefits carried out by an independent expert on the value of Italian post-employment benefits at 31 March 2024 (the related tax effect for the year, equal to EUR -112 thousand, is recognised in the "Deferred tax reserve").

The **translation reserve** amounted to EUR -42,219 thousand; it changed due to transactions for the year (EUR 3,119 thousand) due to exchange rate differences generated by the translation of the financial statements of foreign branches, as these were prepared in a currency different from the presentation currency of the Company's financial statements (the related tax effect for the year, amounting to EUR 749 thousand, is recognised in the "Deferred tax reserve").

The table below shows the origin, possible use, distribution and use of shareholders' equity reserves in the past three years.

				Summary of uses in the 2022 financial year		Summary of uses in the 2021 financial year		Summary of uses in the 2020 financial year	
Nature / Description	**Amount**	**Utilisation options**	**Available portion**	**to cover losses**	**for other reasons**	**to cover losses**	**for other reasons**	**to cover losses**	**for other reasons**
Share Capital (*)									
Outstanding share	100,000								
Treasury shares									
Equity-related reserves									
Revaluation reserve under law 413/91	832	A - B - C	832						
Capital injections	-	A - B	-						
Coverage of losses	37	B							
Merger Surpluses	236,859	A - B - C	236,859						
Income-related reserves:									
Legal Reserve	20,000	B							
Reserve for Ministerial grants under Law no. 219/81 Art. 55 of the T.U.I.R.	209	A - B - C	209						
Reserve under Law 488/92, first application, PIA, 2003	854	A - B - C	854						
Reserve under Law 488/92, second application, PIA	145	A - B - C	145						
Translation reserve	(42,218)	A - B							
Cash Flow Hedge reserve	(27,633)	n,a,							
Reserve for actuarial gains/losses (IAS 19)	(1,789)	n,a,							
Deferred tax reserve for shareholders' equity items	17,257	n,a,							
Retained earnings (losses carried forward)	391,088	A - B - C	391,088						
Total	**695,642**		**629,987**	**-**	**-**	**-**	**-**	**-**	**-**
Undistributable portion			70,741						
Residual distributable portion			559,247						

Key: A: For share capital increase - B: for loss coverage - C: for distribution to shareholders

24.15 Financial payables

	31 March 2024			31 March 2023		
(EUR/000)	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Bank loans and borrowings	0	0	0	73,870	0	73,870
Financial payables from other lenders	4,232	425	4,657	633	425	1,057
Financial leasing payables	5,472	6,559	12,031	5,314	3,336	8,649
Other financial payables	0	-	- 0	0	-	0
Total loans and borrowings from third parties	**9,704**	**6,984**	**16,688**	**79,816**	**3,761**	**83,577**
Related-party loans and borrowings for leasing	-	-	-	-	-	-
Other related-party loans and borrowings	81,814	-	81,814	139,337	-	139,337
Total related parties	**81,814**	**0**	**81,814**	**139,337**	**0**	**139,337**
Total	**91,518**	**6,984**	**98,502**	**219,153**	**3,761**	**222,913**

Third party loans and borrowings amounted to EUR 16,688 thousand (EUR 83,577 thousand as at 31 March 2023). This refers for the current part mainly to financial payables for leasing (EUR 5,472 thousand) related to leases of buildings for instrumental use and long-term car rentals and to parts of collections pertaining to principals within temporary groups of companies of which STS is the agent (EUR 4,067 thousand) and to the current portion of the soft loan granted for the participation to the Argento research project (EUR 84 thousand); for the non-current part, it refers to leasing contracts (EUR 6,559 thousand) and to the balance of the financing for the Argento research project (EUR 425 thousand).
Related-party financial payables amounted to EUR 81,814 thousand (EUR 139,337 thousand as at 31 March 2023). It consists of the debit balances of correspondent accounts opened with the group's subsidiaries in order to settle trade and financial items; the balance for the year mainly relates to positions with the Australian, German and Spanish subsidiaries.

Changes in non-current financial payables are as follows:

(EUR/000)	31 March 2023	New Borrowings	Refunds	Reclassifications to ST	Other transactions	31 March 2024
Financial payables from other lenders	425					425
Financial leasing payables	3,336	10,323		(6,498)	(602)	6,559
Other financial payables			-			
Total	**3,761**	**10,323**	**0**	**(6,498)**	**(602)**	**6,984**

It should also be noted that, on 31 March 2024, the Company had bank overdrafts facilities for EUR 145,000 thousand, to be used mainly for current account overdrafts.

Net Financial Debt (Availability)

Below is information on the company's net financial debt as at 31 March 2024:

(EUR/000)	**31 March 2024**	31 March 2023
Cash-in-hand	(37)	(47)
Bank deposits	(302,743)	(229,232)
Securities held for trading	0	0
Cash and cash equivalents	**(302,779)**	**(229,279)**
Third parties loan assets	(9,515)	(9,574)
Related party loan assets	(92,365)	(83,927)
Current loan assets	**(101,880)**	**(93,501)**
Current bank loans and borrowings	0	73,870
Payables to other lenders - current portion	4,232	633
Current portion of non-current debt		
Other current loans and borrowings	81,814	139,337
Current loans and borrowings for leasing	5,472	5,314
Related-party loans and borrowings for leasing	-	-
Current financial debt	**91,519**	**219,154**
Net current financial debt (cash)	**(313,140)**	**(103,626)**
Non-current bank loans and borrowings		
Financial payables from other lenders - non-current	425	425
Non-current loans and borrowings for leasing	6,559	3,336
Non-current related party financial payables	0	0
Bonds issued		
Other non-current payables		
Non-current financial debt	**6,985**	**3,762**
Net financial debt (cash)	**(306,157)**	**(99,866)**

No debt is secured by collateral on the company's assets.

24.16 Provisions for risks and charges and potential liabilities

(EUR/000)	Disputes with employees	Provision for legal disputes	Provision for expected losses to complete contracts	Product guarantee provision	Total
Balance at 31 March 2023	**2,941**	**3,928**	**64,273**	**200**	**71,342**
Current	2,941	3,928	64,273	200	71,342
Non-current	-	-	-	-	-
	2,941	**3,928**	**64,273**	**200**	**71,342**
Changes April 2023 - March 2024					
Accruals	5,441		19,596		25,037
Utilisations	(1,556)	(372)			(1,928)
Reversal			(29,385)		(29,385)
Other transactions					-
Balance at 31 March 2024	**6,826**	**3,556**	**54,484**	**200**	**65,065**

The value of the provision for risks and charges reflects the amount of potential liabilities for probable and quantifiable risks, in application of the relevant accounting standards.

It amounts to EUR 65,065 thousand (EUR 71,342 thousand as at 31 March 2023) and consists of:

- provision for labour disputes (EUR 6,826 thousand), which is a function of the estimated costs for the exit of employees who meet the requirements for retirement as provided for by current regulations, as well as the assessment of situations for which the incurrence of charges is deemed probable.
  During the year, it was used in the amount of EUR 1,556 thousand for disputes closed during the year together with the amounts liquidated to employees who left the company having fulfilled the requirements for retirement initially provided by Decree Law 4/2019 “Quota 100” and subsequent amendments and additions (“Quota 102”) and new provisions of EUR 5,441 thousand were recorded;
- provision for contract losses, which represents the value of losses not yet accrued but accrued when they become foreseeable on the basis of an objective assessment of existing factual circumstances. Changes in this fund during the year recorded utilisations of EUR 29,385 thousand and provisions of EUR 19,596 thousand;
- product warranty provision (EUR 200 thousand), which includes costs for repairs to be carried out under warranty on closed orders and did not record any movements during the year;
- provision for legal disputes (EUR 3,556 thousand). It was used during the year in the amount of EUR 372 thousand following the settlement of some disputes and no further provisions were recognised.

24.17 Employee benefits

The composition of Italian post-employment benefits is shown below:

	Italian post-employment benefits expenses	
(EUR/000)	**31 March 2024**	31 March 2023
Current service costs	1,657	1,483
Personnel costs	**1657**	**1483**
Interest expense	1,020	511
Total	**2,677**	**1,994**

The Employee Severance Indemnity is a typical Italian post-employment benefit and provides for the payment of the amount accrued by the employee up to the date of leaving the Company, determined according to Article 2120 of the Italian Civil Code.
Law No. 296 of 27 December 2006 (2007 Finance Act) and the subsequent Decrees and Regulations issued in the early months of 2007, as part of the supplementary pension reform, significantly altered the functioning of this institution, providing, in the case of companies with more than 50 employees, for the transfer of the Italian post-employment benefits accrued after the date of the reform either to the supplementary pension fund or to the Treasury Fund managed by INPS (Italian Social Security Institute).

The tables below show the changes in Italian post-employment benefits and the amounts recognised in the income statement:

(EUR/000)	**31 March 2024**	31 March 2023
Balance as at 31.03.2023	**29,200**	**30,807**
Current service costs	1,657	1,483
Interest expense	1,020	511
Actuarial losses (gains) taken to equity		
of which:		
Actuarial losses (gains) taken to equity following changes to demographic assumptions	*0*	*0*
Actuarial losses (gains) taken to equity following changes to financial assumptions	*(101)*	*(3,844)*
Actuarial losses (gains) taken to equity following experience-based adjustments	*(355)*	*1,716*
Other transactions		
Benefits paid out	(2,088)	(1,688)
Intercompany transfers	(16)	215
Other transactions		
Closing balance as at 31.03.2024	**29,318**	**29,200**

The following main actuarial assumptions were used in measuring this Italian post-employment benefits as at 31 March 2024:

	Provision for Italian post-employment benefits	
	31 March 2024	31 March 2023
Annual average discount rate	3.40%	3.57%
Salary increase rate	N,A,	N,A,
Turnover rate	1% - 5.69%	1% - 5.69%

A sensitivity analysis was performed for each significant actuarial assumption, showing the effects on the value of the obligation in absolute value:

	Provision for Italian post-employment benefits	
	-0.25%	**0.25%**
Discount rate (p.a.)	29,898	28,760
Inflation rate	28,916	29,731
Annual rate of turnover	29,288	29,347

The average duration of the Italian post-employment benefits is 15 years.

24.18 Trade payables

(EUR/000)	**31 March 2024**	31 March 2023
Trade payables	1,274,248	1,222,675
Total trade payables	**1,274,248**	**1,222,675**
Related party payables	116,805	131,148
Total	**1,391,053**	**1,353,823**

The nominal value of trade and financial payables corresponds to their fair value.
The total value of trade payables is EUR 1,391,053 thousand (EUR 1,353,823 thousand as at 31 March 2023). The increase of EUR 37,230 thousand compared to the previous period is mainly attributable to the increase in trade payables to third parties (EUR 1,274,248 thousand as of 31 March 2024, EUR 1,222,675 thousand as of 31 March 2023), partially offset by the decrease in trade payables to related parties, detailed in the related section 24.5.
During the year, the company concluded 'reverse factoring' operations, allowing its suppliers to set up factoring transactions for the mobilisation and collection of positions that they have with the Company for the supply of goods and/or services, with the possibility, on the part of the Company, of obtaining deferred payment of the trade debt.
As at 31 March 2024, the Company was assigned debtor for the sale of trade receivables relating to the supply of goods and services put in place by our suppliers for a total amount of receivables recognised equal to EUR 332,584 thousand (EUR 461,064 thousand as at 31 March 2023).

24.19 Other current and non-current liabilities

	Non-current		Current	
(EUR/000)	**31 March 2024**	31 March 2023	**31 March 2024**	31 March 2023
Employees	11,562	11,216	61,431	56,634
Supplementary pension schemes and INPS Treasury fund	-	-	3,246	2,954
Social security and pension institutions	-	-	18,702	18,793
R&D grants	-	-	26,545	21,055
Other payables to tax authorities	-	-	18,632	16,489
Deferred income	-	-	1,539	-
Other payables	-	-	17,604	17,923
Total other current and non-current third-party liabilities	**11,562**	**11,216**	**147,700**	**133,847**
Total other related-party liabilities	-	-	342	363
Total	**11,562**	**11,216**	**148,043**	**134,210**

Other non-current liabilities relate to other long-term benefits represented by seniority bonuses to employees.

The main actuarial assumptions used in the valuations performed as at 31 March 2024 are as follows:

	Long-term benefits	
	31 March 2024	31 March 2023
Discount rate (p.a.)	3.40%	3.57%
Salary increase rate	0.40% - 1.58%	0.40% - 1.58%
Turnover rate	1% - 5.69%	1% - 5.69%

Other current liabilities amounted to EUR 148,043 thousand (EUR 134,210 thousand as at 31 March 2023). It mainly consists of payables to employees for accrued deferred remuneration and accrued holidays (EUR 61,431 thousand) and payables to social security and pension institutions (EUR 18,702 thousand).
Other payables include the remaining 62% to be paid on the subscribed capital of Metro C S.c.p.A. at 31 March 2024 (EUR 12,950 thousand).
Other payables to tax authorities, amounting to EUR 18.632 thousand, mainly relate to withholding taxes for employees to be paid as withholding agent, accruals of indirect taxes (IMU, TARI) and current tax payables of the branches.

24.20 Guarantees and other commitments

Guarantees and other commitments

As at 31 March 2024, the Company had the following guarantees in place:

(EUR/000)	**31 March 2024**	31 March 2023
Sureties issued by Hitachi Ltd. in favour of customers/third parties Hitachi Rail STS S.p.A.	2,680,872	2,670,783
Sureties issued by Hitachi Rail STS S.p.A. (and/or other parent companies) and banks and insurance companies in favour of third-party customers on behalf of subsidiaries	2,463,326	2,551,272
Sureties issued by banks and insurance companies to customers/third parties	4,185,936	3,896,225
Subtotal	**9,330,134**	**9,118,280**
Guarantees received	1,273,645	1,189,560
Guarantees received from related parties	1,415,272	1,441,581
Subtotal	**2,688,917**	**2,631,141**
Total	**12,019,051**	**11,741,402**

Guarantees granted totalled EUR 9,330,135 thousand and were mainly bank/insurance and corporate sureties issued in favour of Italian and foreign customers to guarantee participation in tenders, the exact fulfilment of contracts and orders acquired, for advance payments and the release of withholding taxes.

As at 31 March 2024, the Company had corporate guarantees provided by the parent company Hitachi Ltd ("Parent Company Guarantees") for EUR 2,680,872 thousand in favour of customers/third parties as part of commercial contracts entered into by the Company, in particular for the Copenhagen Cityringen project, for Metro Riyadh Line 3, for Abu Dhabi stage 2, for Hurontario LRT, for the Metro Lima project, for Milan Metro Line 4, for Metro Salonicco, for the Taipei contract, for the supply of V300 Zefiro high-speed trains. The Company also has guarantees/counter-guarantees issued by financial institutions on unsecured credit lines guaranteed by the parent company Hitachi Ltd for EUR 1,886,011 thousand relating to the main projects in progress.

Company, bank and insurance guarantees given by the Company on behalf of subsidiaries, in favour of customers/third parties amounted to EUR 2,463,326 thousand:

- EUR 1,567,452 thousand for guarantees issued by the Company (Parent Company guarantees) and direct bank guarantees on the Company's credit lines on behalf of subsidiaries;
- EUR 895,873.82 thousand for counter-guarantees on company (and/or other parent companies) credit lines granted to subsidiaries.

Guarantees issued by banking and insurance institutions in favour of principals/third parties (EUR 4,185,936 thousand as of 31 March 2024) include counter-guarantees underwritten by the Company in favour of credit institutions for its share of the commitments in respect of guarantees rendered mainly in connection with its participation in consortia and Special Purpose Vehicles, in the amount of EUR 175,375 thousand.

The guarantees received by the Company amounted to a total of EUR 2,688,917 thousand; in detail:
- EUR 1,273,645 thousand related to guarantees received from suppliers or subcontractors for the exact fulfilment, advances and withholdings paid in connection with contracts and orders signed by the Company;
- EUR 1,415,272 thousand related to corporate guarantees received from subsidiaries and affiliated companies.

It should be noted that during the year, the Company negotiated directly with the banking and insurance system to issue new credit lines for a corresponding countervalue of EUR 955,809 thousand.
As at 31 March 2024, the Company had bank overdraft facilities for current account overdrafts in the amount of EUR 145,000 thousand.

Sales commitments

As at 31 March 2024, the Company had the following sales commitments:

(EUR/000)	**31 March 2024**	31 March 2023
Third-party customers order backlog	10,417,180	9,442,614
related-party customer order backlog	740,627	738,089
Total	**11,157,807**	**10,180,703**

It should be noted that the order backlog with customers will be processed, and therefore recognised in the profit and loss account, on the basis of the due dates of each individual contract.

24.21 Financial relations with related parties

The following table shows the amounts of economic transactions with related parties at 31 March 2023 and 31 March 2024:

AS AT 31.03.2024 (EUR/000)	**Revenues**	**Other operating revenues**	**Costs**	**Recovery of costs**	**Amortisation/ depreciation and other operating expenses**	**Operating financial income**	**Operating financial charges**	**Financial income and charges**
Ultimate parent companies								
Hitachi Rail LTD	36,963	8,347	25,975					
Hitachi Ltd Japan	29,358	79	43,565	233				
Associated companies								
Hitachi Digital LLC		950						
Hitachi Europe LTD			5,405					
Hitachi Systems Micro Clinic Privat								
Hitachi Transport System EUROPE								
HIINNL-Hitachi International HOLLAND								(12,827)
HITACHI ENERGY ITALY S.P.A.			15					
Hitachi High-Technologies Europe								
Hitachi Industrial Enginering								
Hitachi Enaergy LTD			984					
Hitachi Vantara Italia Srl			236					
HITACHI Energy Switzerland Ltd.								
Hitachi Academy			18					
Hitachi System LTD			278					
Hitachi America								
TRASFOR SA								
SPV M4 S.p.A.		670	67	63		1,246		
Metro 5 S.p.A.	492	16						
Tram di Firenze	21,336	159						
Hitachi Europe srl	71		192					
Metro De Lima Linea 2	111		31					
Operation Alliance OPS Co			39,699	11		925		
International Metro Service S.r.l.						7,791		
Metro Service AS	804		41,948	6,349				
Hitachi Asia			2					
Ferromovil SL						7,048		
Subsidiaries								
Hitachi Rail STS Transportation Systems India Private Limited	56	356	1,193	306				
Hitachi Rail STS Australia PTY Ltd.	13,621	947	874	490		52,234		(1,992)
Hitachi Rail STS Sweden AB	12,778	287	14	82				(139)
Hitachi Rail STS Deutschland GmbH	15,416	266		12				(1,044)
Hitachi Rail STS France S.A.	22,175	1,737	14,432	821				350
Hitachi Rail France - New Co								
Hitachi Rail Espana SLU	966	582	3,293	161	73			(1,004)
Hitachi Rail STS USA Inc.	27,978	4,684	21,621	984				7,097
Hitachi Rail STS Canada Inc	4,200	66		60				
Hitachi Rail STS USA International CO.			11,551					
Hitachi Rail STS Malaysia SDN BHD	426	205	204	102				
Hitachi Rail STS Railway Signaling Technology	1,582		750	125				
Alifana Due S.c.a.r.l.	2,993	30	7,189	3				
Hitachi Arabia Limited			6,057					13
Hitachi Rail STS Mobilinx Hurontario				194				10
Hitachi Rail Ontario GP				767				
Consortia								
SATURNO Consortium	51,049		3,538	65	0			
San Giorgio Volla Due Consortium	3,186		87					
TRAIN Consortium			9					
MM4 Consortium	36,329		2,195	19				
HSC CONSORTIUM	1,685		37,329					
RAIL MAINTENANCE-CRM Consortium	480		8,921					
Ascosa Quattro Consortium								
Total	**284,054**	**19,381**	**277,672**	**10,848**	**73**	**69,244**	**0**	**(9,536)**
Related parties as a percentage of the total of the corresponding balance sheet item	**11%**	**60%**	**13%**		**0%**	**68%**	**0%**	

AS AT 31.03.2024 (EUR/000)	Revenues	Other operating revenues	Costs	Recovery of costs	Amortisation/ depreciation and other operating expenses	Operating financial income	Operating financial charges	Financial income and charges
Ultimate parent companies	66,320	8,425	69,540	233	0	0	0	0
Subsidiaries	102,191	9,160	67,177	4,108	73	52,234	0	3,291
Associated companies	22,814	1,795	88,875	6,423	0	17,010	0	(12,827)
Consortia	92,729	0	52,080	84	0	0	0	0
Total	**284,054**	**19,381**	**277,672**	**10,848**	**73**	**69,244**	**0**	**(9,536)**
Related parties as a percentage of the total of the corresponding balance sheet item	**11%**	**60%**	**13%**	**0%**	**0%**	**68%**	**0%**	

AS AT 31.03.2023 (EUR/000)	Revenues	Other operating revenues	Costs	Recovery of costs	Amortisation/ depreciation and other operating expenses	Operating financial income	Operating financial charges	Financial income and charges
Ultimate parent companies								
Hitachi Rail LTD	65,694	7,612	25,019	125				
Hitachi Ltd Japan	29,673		36,647					
Associated companies								
Hitachi Digital LLC		900						
Hitachi Europe LTD			8,867					
Hitachi Systems Micro Clinic Privat			68					
Hitachi Transport System EUROPE			3,586					
HIINNL-Hitachi International HOLLAND								(2,947)
HITACHI ENERGY ITALY S.P.A.			400					
Hitachi High-Technologies Europe			1,827					
Hitachi Industrial Enginering								
Hitachi Vantara Italia Srl			190					
HITACHI Energy Switzerland Ltd.			350					
Hitachi India			24					
Westpole-Hitachi System CBT			35					
Hitachi America			14					
TRASFOR SA			85					
SPV M4 S.p.A.		2,689	40					
Metro 5 S.p.A.	986	251		10				
Tram di Firenze	1,074	66						
Hitachi Europe srl			246					
Metro De Lima Linea 2	1,802		13					
Operation Alliance OPS Co			24,957			1,019		
International Metro Service S.r.l.						1,715		
Metro Service AS	1,091		57,700	5,804				
Hitachi Rail STS UK Ltd.	38							
Pegaso S.c.r.l. (in liquidation)			18					
Subsidiaries								
Hitachi Rail STS Transportation Systems India Private Limited	13	290	1,601	306				
Hitachi Rail STS Australia PTY Ltd.	12,289	2,037	236	635				(1,370)
Hitachi Rail STS Sweden AB	11,495	263	57	112				(26)
Hitachi Rail STS Deutschland GmbH	3,905	39	350	9				(283)
Hitachi Rail STS France S.A.	5,676	1,535	13,646	942				172
Hitachi Rail Espana SLU	1,407	510	273	203				(176)
Hitachi Rail STS USA Inc.	17,573	3,720	55,752	1,512				4,594
Hitachi Rail STS Canada Inc	5,275		0	445				
Hitachi Rail STS USA International CO.			7,808					
Hitachi Rail STS Malaysia SDN BHD	181	88	564	113				
Hitachi Rail STS Railway Signaling Technology	947		536	143		8,488		
Alifana Due S.c.a.r.l.	1,429	30	5,103	3				
Alifana S.c.r.l.								
Hitachi Rail STS Mobilinx Hurontario			0	206				6
Hitachi Rail Ontario GP			0	301				
Consortia								
SATURNO Consortium	39,667		2,831	38				
San Giorgio Volla Due Consortium	3,328		93					
TRAIN Consortium			0					
MM4 Consortium	70,677		2,096	69				
HSC CONSORTIUM	1,544		26,240					
RAIL MAINTENANCE-CRM Consortium	248		31,806					
Ascosa Quattro Consortium								
Ferroviario Vesuviano consortium								
Total	**276,012**	**20,029**	**309,075**	**10,976**	**0**	**11,222**	**0**	**(31)**
Related parties as a percentage of the total of the corresponding balance sheet item	**12%**	**40%**	**17%**		**0%**	**15%**	**0%**	**0**

AS AT 31.03.2023 (EUR/000)	Revenues	Other operating revenues	Costs	Recovery of costs	Amortisation/ depreciation and other operating expenses	Operating financial income	Operating financial charges	Financial income and charges
Ultimate parent companies	95,367	7,612	61,666	125	0	0	0	0
Subsidiaries	60,190	8,511	85,925	4,929	0	8,488	0	2,916
Associated companies	4,992	3,906	98,419	5,814	0	2,734	0	(2,947)
Consortia	115,463	0	63,064	107	0	0	0	0
Total	**276,012**	**20,029**	**309,075**	**10,976**	**0**	**11,222**	**0**	**(31)**
Related parties as a percentage of the total of the corresponding balance sheet item	**12%**	**40%**	**17%**	**0%**	**0%**	**15%**	**0%**	**0**

Revenues from related parties amounted to EUR 284,054 thousand (EUR 276,012 thousand as at 31 March 2023), and mainly consisted of transactions with the parent companies Hitachi Rail Ltd. (EUR 36,963 thousand) and Hitachi Ltd. (EUR 29,358 thousand), to MM4 Consortium (EUR 36,329 thousand) and Saturno Consortium (EUR 51,049 thousand).

Other operating revenues refer for EUR 17,340 thousand to charges for services rendered to other group companies in connection with the "General Service Agreement".

Operating financial income amounted to EUR 69,244 thousand, with an increase of EUR 58,022 thousand compared to the previous year (EUR 11,222 thousand as at 31 March 2023), mainly due to higher dividend income. These relate to dividend income from the subsidiary Hitachi Rail STS Australia (EUR 52,234 thousand) and from the associated companies International Metro Service S.r.l. (EUR 7,791 thousand) and Ferromovil SL (EUR 7,048 thousand).

Net financial income and charges from related parties (EUR 9,536 thousand) refer to:
- EUR 7,474 thousand in interest income on correspondence accounts with subsidiaries that had debit positions during the year;
- EUR -4,183 thousand in interest expense on correspondence accounts with subsidiaries that had debit positions during the year;
- EUR -12,827 thousand in net interest expense accrued on the current account held with Hitachi International Holland B.V. for the management of group treasury operations.

24.22 Revenues from contracts with customers

The total volume of Revenues amounted to EUR 2,640,342 thousand (EUR 2,245,377 thousand as at 31 March 2023), with an increase of EUR 394,965 thousand compared to the previous year.
The main volumes of the *Vehicles* division (EUR 1,538,006 thousand) concern the supply of regional trains for Trenitalia and FerrovieNord Milano as well as activities of the ETR100 segment, and for the *Rail Control* division (EUR 1,102,337 thousand) activities on projects in Abu Dhabi Stage2, O&M in Denmark, Verona-Padua High Speed trains and Panama.
Production in Italy amounted to EUR 1,825,125 thousand and abroad to EUR 815,218 thousand.
Revenues amounting to EUR 1,124,169 thousand were definitively attributed during the financial year for deliveries made.

(EUR/000)	**31 March 2024**	31 March 2023
Revenues from sales - third parties	2,092,772	1,489,101
Revenues from sales - related parties	127,488	128,612
Total revenues from sales	**2,220,259**	**1,617,713**
Revenues from services - third parties	249,474	189,079
Revenues from services - related parties	59,844	52,326
Total revenues from services	**309,318**	**241,404**
Change in work in progress - third parties	14,043	291,185
Changes in work in progress - related parties	96,722	95,075
Total change in work in progress	**110,765**	**386,260**
Total Revenues	**2,640,342**	**2,245,377**

As at 31 March 2024, the aggregate amount of the contractual consideration of current contracts allocated to performance obligations not yet performed was EUR 11,157,807 thousand. The Group expects to recognise these amounts in revenues in future periods, in line with available forecasts.
Current contracts include those with principals in compliance with the conditions of paragraph 9 of IFRS 15. It should be noted that this item includes variable consideration to the extent that their realisation is deemed highly probable.
Concerning the aggregation of revenues by geographic area, please refer to Section 15 Sector reporting.

24.23 Other operating revenues and expenses

	31 March 2024		31 March 2023	
(EUR/000)	**Revenues**	**Costs**	Revenues	Costs
R&D grants	10,467	-	9,910	
Tax credit on research and development costs	-	-		
Gains on disposals of property, plant and equipment and intangible fixed assets	9	-	3	
Accruals/reversals of provisions for risks and charges	-	-	12,193	1,000
Accruals for expected losses	-	19,596	0	30,567
Reversals for expected losses		(29,385)		(18,072)
Royalties	-	-		
Net exchange rate gains	1,989	1,523	517	694
Inexistence of debit/credit items	57	1	4,114	141
Insurance Reimbursements	-	-		
Renovation Charges	-	-		
Indirect Taxes	-	3,985		4,518
Interest on trade receivables/payables	-	82	1,365	19
Other operating revenue/ expenses	210	4,503	1,527	4,557
Total other third-party operating income/expenses	**12,731**	**305**	**29,629**	**23,423**
Total other related-party operating income/expenses	19,381	73	20,029	0
Total	**32,112**	**378**	**49,658**	**23,423**

Other operating income from third parties amounted to EUR 12,731 thousand (EUR 29,629 thousand as at 31 March 2023).
In detail, the item consists mainly of:
- grants for research and development expenses in the amount of EUR 10,467 thousand (for details see the relevant section of the Report on Operations);
- foreign exchange gains on operating items EUR 1,989 thousand;
- recognition of EUR 57 thousand in outstanding debts;

Other operating expenses due to third parties amounted to EUR 305 thousand (EUR 23,423 thousand as at 31 March 2023). The net change (EUR -9,789 thousand) is essentially attributable to the changes in the provision for expected losses to complete contracts linked to the valuation and performance of the individual projects; during the year it recorded provisions of EUR 19,596 thousand and utilisations of EUR 29,385 thousand.
The other components of the item consist of indirect taxes for EUR 3,985 thousand (EUR 4,518 thousand as at 31 March 2023), operating interest on trade creditors for EUR 82 thousand, exchange rates losses for operating items for EUR 1,523 thousand, and non-existent other receivables for EUR 1 thousand and other operating expenses for EUR 4,503 thousand (EUR 4,557 thousand as at 31 March 2023).
Other operating expenses relate to membership contributions, donations and charitable donations, gifts, losses from asset sales or scrapping, entertainment and hospitality expenses and other miscellaneous expenses.
For details on other operating income and expenses from related parties, please refer to section 24.21 on related parties and the report on operations (paragraph on “Management and coordination and transactions with related parties”).

24.24 Costs for purchases and services

(EUR/000)	31 March 2024	31 March 2023
Purchases of materials from third parties	997,449	807,929
Change in raw material inventories	(38,745)	(12,917)
Accrual/utilisation of provision for raw material depreciation	(1,427)	522
Total purchases from third parties	**957,277**	**795,534**
Purchases from related parties	25,103	87,543
Total costs for purchases	**982,381**	**883,077**
Purchases of services from third parties	795,759	648,498
Rental and operating lease costs		
Lease instalments		
Total costs for services from third parties	**795,759**	**648,498**
Costs for services from related parties	241,720	210,556
Total costs for services	**1,037,479**	**859,054**
Total General	**2,019,860**	**1,742,131**

Total costs for purchases and services amounted to EUR 2,019,860 thousand (EUR 1,742,131 thousand as at 31 March 2023); costs for purchases of raw materials, supplies, consumables and goods amounted to EUR 982,381 thousand (EUR 883,077 thousand as at 31 March 2023) and costs for services amounted to EUR 1,037,479 thousand (EUR 859,054 as at 31 March 2023). The growth is due to the increase in developed activities compared to the previous year.

For details on costs for purchases and costs for services from related parties, please refer to section 24.21 on related parties and the Report on Operations (paragraph on ‘management and coordination activities of companies and transactions with related parties’).

24.25 Personnel costs

(EUR/000)	31 March 2024	31 March 2023
Wages and salaries	297,657	275,916
Social security and pension contributions	83,361	77,593
Italian post-employment benefits	1,657	1,483
Other defined benefit plans	500	(1,210)
Defined contribution plans	11,531	10,673
Recharge of personnel costs	(8,933)	(5,234)
Other costs	6,818	2,032
Total personnel costs	**392,591**	**361,252**

I costi per il personale sono pari a 392,591 K€. con un incremento di 31,338 K€ rispetto all’esercizio precedente, Personnel costs amounted to EUR 392,591 thousand, an increase of EUR 31,338 thousand compared to the previous year. The chargeback mainly relates to labour costs for personnel seconded to other companies, and refers for EUR 3,594 thousand to companies of the STS group, EUR 3,314 thousand to Hitachi Rail Ltd., EUR 9 thousand to Hitachi Ltd., EUR 652 thousand to Hitachi Europe Srl, EUR 41 thousand to the MM4 Consortium, and EUR 887 thousand to the Saturno Consortium, and the residual portion (EUR 434 thousand) refers to personnel seconded to other companies. The increase in the item Other costs is due to the higher provisions for the period, as commented on in paragraph 24.16.

The registered workforce as at 31 March 2024 was 5,125 and the average workforce was 5,007, of which 2,478 related to the Rail Control division and 2,529 to the Vehicles division.
The average workforce, divided by category, is shown below:

	31 March 2024	31 March 2023
Executives	117	113
Managers	613	584
White collar	2,864	2,739
Blue collar	1,413	1,414
Total average headcount	**5,007**	**4,850**

The breakdown by category of the total workforce as at 31 March 2024 is also provided below:

	31 March 2024	31 March 2023
Executives	119	115
Managers	621	604
White collar	2,944	2,823
Blue collar	1,441	1,436
Total workforce at the end of the year	**5,125**	**4,978**

24.26 Change in finished goods, work-in-progress and semi-finished products

The item had a balance of EUR 13,035 thousand (EUR 7,277 thousand as at 31 March 2023).

(EUR/000)	**31 March 2024**	31 March 2023
Change in inventories of finished goods, work in progress and semi-finished products	13,035	7,277

24.27 Amortisation, depreciation and write-downs of financial assets

(EUR/000)	**31 March 2024**	31 March 2023
Depreciation and Amortisation:		
- Intangible assets	38,644	22,638
- Property, plant and equipment	49,537	38,080
	88,182	**60,718**
Impairment losses:		
- operating receivables	63	2,425
- Other fixed assets	0	0
	63	**2,425**
Total amortisation, depreciation and write downs	**88,244**	**63,143**

Amortisation and depreciation amounted to EUR 88,182 thousand (EUR 60,718 thousand as at 31 March 2023); in particular the balance refers for EUR 38,644 thousand to intangible assets and for EUR 49,537 thousand to property, plant and equipment, shown net of adjustments arising from the utilisation of deferred income related to grants for plant.
The value of write-downs on operating receivables amounted to EUR 63 thousand (EUR 2,425 thousand as at 31 March 2023) for positions that were assessed during the year as doubtful.

24.28 Internal work capitalised

This item amounted to EUR 13,999 thousand (EUR 24,395 thousand as at 31 March 2023), and is broken down as follows:
- for the "*Vehicles*" division, EUR 7,843 thousand (EUR 16,475 thousand as at 31 March 2023), referred mainly to development costs for new train production platforms for the *Regional* sector, as well as the new automation and digitisation model for the Caravaggio platforms for Trenitalia and for FerrovieNord Milano, HMU (Hybrid Motor Unit), Tram Torino, Metro Roma and ETR1000 Full Hitachi.
- for the *Rail Control* division, EUR 6,156 thousand (EUR 7,920 thousand as at 31 March 2023), relative to projects deemed strategic as already illustrated in the section on intangible fixed assets.

24.29 Financial income and charges

	31 March 2024			31 March 2023		
(EUR/000)	**Income**	**Charges**	**Net**	Income	Charges	Net
Interest on Italian post-employment benefits		1,020	(1,020)		511	(511)
Net exchange rate losses	5,247	3,270	1,977	15,584	13,642	1,942
Results from Fair Value Hedge to Profit and Loss Account	7,202	10,401	(3,199)	20,169	26,244	(6,075)
Results from Cash Flow Hedge to Profit and Loss Account	11,797	17,239	(5,442)	19,680	31,049	(11,368)
Results from Fair Value Hedge to Profit and Loss Account for Financial Assets	-	-	-	-	-	-
Equity investment value adjustments	-	-	-	-	-	-
Other operating financial income and charges	7,838	39,545	(31,708)	7,212	23,272	(16,060)
Dividends	(0)		(0)	-		-
Other operating financial income and charges	**32,084**	**71,475**	**(39,391)**	**62,645**	**94,717**	**(32,072)**
Dividends	67,998	-	67,998	11,222	-	11,222
Write-downs of equity investments	-	-	-	-	-	-
Other operating financial income and charges	-	-	0	-	-	0
Gains/losses on equity investments	1,246	-	1,246	-	-	0
Total net financial operating income and charges - related parties	**69,244**	**-**	**69,244**	**11,222**	**-**	**11,222**
Other operating financial income and charges	**101,327**	**71,475**	**29,853**	**73,867**	**94,717**	**(20,850)**

Net operating financial income and charges show a positive net balance of EUR 29,853 thousand (EUR -20,850 thousand as at 31 March 2023), with a total net increase of EUR 50,703 thousand; they comprise a net negative balance with third parties of EUR -39,391 thousand and a positive balance of EUR 69,244 thousand with related parties, the details of which are described in paragraph 24.21 "Transactions with related parties".
The increase is generated by an increase in operating financial income of EUR 27,460 thousand and a decrease in operating financial charges of EUR 23,243 thousand.
Operating financial income and charges from third parties mainly refer to:
- interest cost on Italian post-employment benefits amounting to EUR 1,020 thousand arising from the actuarial calculation as required by IAS 19;
- foreign exchange gains/losses realised or arising from the valuation at period-end of the exchange rates of the foreign currency balances of the Company's current accounts with positive effects of EUR 5,247 thousand and negative effect of EUR 3,270 thousand (respectively EUR 15,584 thousand and EUR 13,642 thousand as at 31 March 2023);
- exchange rate gains of EUR 7,202 thousand (EUR 20,169 thousand as at 31 March 2023) and exchange rate losses of EUR 10,401 thousand (EUR 26,244 thousand as at 31 March 2023) related to exchange rate gains/losses arising from exchange rate risk hedging transactions with fair value hedge instruments;
- income from exchange rate differences in the amount of EUR 11,797 thousand (EUR 19,680 thousand as at 31 March 2023) and charges in the amount of EUR 17,239 thousand (EUR 31,049 thousand as at 31 March 2023) from exchange rate risk hedging transactions with cash flow hedge instruments.
- other operating financial income and charges, which show a negative net balance of EUR -31,708 thousand (EUR -16,060 thousand as at 31 March 2023), deriving mainly from charges incurred on receivable and payable factoring transactions.

Net operating financial income from related parties totalled EUR 69,244 thousand, an increase of EUR 58,022 thousand compared to the previous year (EUR 11,222 thousand as at 31.03.2023), mainly due to higher dividends distributed by investees.

	31 March 2024			31 March 2023		
(EUR/000)	**Income**	**Charges**	**Net**	Income	Charges	Net
Financial income/charges from third parties	9,965	7,268	2,697	3,960	4,011	(51)
Financial income/charges from related parties	7,654	17,190	(9,536)	4,772	4,803	(31)
Total financial interest	**17,619**	**24,458**	**(6,839)**	**8,732**	**8,814**	**(82)**

Net financial income and charges showed a negative balance of EUR -6,839 thousand (EUR -82 thousand at 31 March 2023).
Financial interest from third parties refers to interest income on current accounts in the amount of EUR 9,965 thousand and interest expenses on current accounts, interest for operating leases and bank fees in the amount of EUR 7,268 thousand.
For financial income and charges from related parties, see paragraph 24.21 'Financial relations with Related Parties'.

24.30 Income tax

Income taxes amounted to EUR 47,412 thousand in the year ending 31 March 2024 (EUR 28,159 thousand as at 31 March 2023) and break down as follows:

(EUR/000)	**31 March 2024**	31 March 2023
IRES	28,044	33,002
IRAP	6,403	7,118
Prior-year taxes	3,789	106
Net deferred tax (income) expense	9,176	(12,067)
Total	**47,412**	**28,159**

The analysis of the difference between the theoretical and effective tax rate for the two comparison years (31 March 2024/31 March 2023) is as follows:

	31 March 2024			31 March 2023		
(EUR/000)	**Taxable amounts**	**Taxes**	**%**	Taxable amounts	Taxes	%
Profit before tax	**221,430**			**115,827**		
Taxes calculated at the current tax rate		53,143	24.00%		27,798	24.00%
Deferred tax assets recoverable in the year						
Permanent differentials						
- non-deductible costs	5,367	1,288	0.58%	6,452	1,548	1.34%
- tax-exempt dividends (95%)						
- tax benefit (Aid for Economic Growth - ACE)	(4,918)	(1,180)	-0.53%	(5,962)	(1,431)	-1.24%
- non-deductible write-downs						
- tax breaks on investments (super and hyper depreciation)	(4,939)	(1,185)	-0.54%	(5,859)	(1,406)	-1.21%
- IRAP deduction - personnel costs	(2,156)	(518)	-0.23%	(2,207)	(530)	-0.46%
- untaxed income	(65,782)	(15,788)	-7.13%	(14,163)	(3,399)	-2.93%
Result net of permanent differences	**149,001**	**35,760**	**16.15%**	**94,087**	**22,581**	**19.50%**
Imposta IRES effettiva a conto economico ed aliquota effettiva di imposta		35,760	16.15%		22,581	19.50%
IRAP		7,863	3.55%		5,465	4.72%
Imposte relative ad esercizi precedenti		3,789	1.71%		113	0.10%
Total taxes in the income statement and relevant rate		**47,412**	**21.41%**		**28,159**	**24.31%**

The effective tax rate at 31 March 2024 is 21.41%; in particular, the IRES rate of 16.15% is lower than the nominal rate due essentially to the dividends received in the period, which are taxable for IRES purposes at only 5%, “hyperamortisation/hyperdepreciation” deductions (industry 4.0 assets) and the “ACE” deduction. The “normalised” tax item (not taking into account the effect of these deductions) is essentially equal to the nominal IRES rate.
It should also be noted that the Company has filed an application to renew the “Patent Box” benefit for a further five-year period (valid from the tax period ending 31 March 2021 until the tax period ending 31 March 2025) for which the Italian Revenue Agency only started the proceedings with the Company last 9 April: therefore, the effects of the Patent Box benefit have not been accounted for in the Financial Statements as at 31 March 2024.
In some permanent establishments (Arabia, Denmark), contacts are ongoing with the local tax authorities following some findings for which the Company, with the support of local consultants, intends to confirm the correctness of its actions.

The following table provides a breakdown of temporary tax differences and related balance sheet and income statement balances:

	31.03.2024						31.03.2023				
(EUR/000)	**Amount of temporary differences**	**Tax rate**	**Amount of deferred tax assets and liabilities**	**Effect on equity**	**Reclassifica-tions**	**Economic effect (-income/ +expense) net of reclassification**	Amount of temporary differences	Amount of temporary differences after Income adjustments	Tax rate	Amount of deferred tax assets and liabilities	Amount of Anticipated/ Deferred Taxes TOTALS
Work in progress write-downs	46,068	24.00%	11,056			4,730	26,700	- 339	24.00%	6,327	6,327
Write-downs of work in progress (IRAP only)	46,068	4.34%	2,072			928	26,700	- 339	4.34%	1,144	1,144
Inventory write-downs	1,820	24.00%	486			-407	3,247		24.00%	893	893
Provisions for risks and charges (IRES only)	9,505	24.00%	2,327			628	6,912	23	24.00%	1,699	1,699
Provisions for costs of completed contracts and warranty provision (IRES/IRAP)	200	24.00%	48			0	200		24.00%	48	48
Non-deductible amortisation/ depreciation (IRES/IRAP)	1,801	28.34%	510			24	1,718		28.34%	487	487
Non-deductible amortisation/ depreciation (IRES)	2,835	24.00%	680			0	2,834		24.00%	680	680
Branch exchange translation difference	443	24.00%	106			0	443		24.00%	106	106
Loss-generating contracts (IRES)	12,116	24.00%	2,908			-12,517	64,272		24.00%	15,425	15,425
Loss-generating contracts (IRAP)	12,116	4.34%	526			-2,353	64,272		4.34%	2,879	2,879
Amortisation of goodwill (IRES/ IRAP)	-	28.34%	0			0	-		28.34%	0	0
Misalignments from Schedule EC - EX ATSF (IRAP)	-	4.34%	0			0	-		4.34%	0	0
Non-deductible Italian post-employment benefits	-	24.00%	0			0	-		24.00%	0	0
Bad debt provision	14,331	24.00%	3,439			0	14,331		24.00%	3,439	3,439
Losses on foreign exchange	976	24.00%	234			19	-	895	24.00%	215	215
Write-down of receivables for interest on arrears	83	24.00%	20			0	83		24.00%	20	20
Default interest	160	24.00%	0			-166	587	99	24.00%	166	166
Costs deductible in subsequent years (IRES) – Fees of Directors, waste tax, length-of-service bonuse	1,876	24.00%	450			-26	1,448	538	24.00%	477	477
Branch exchange differences in equity	42,219	24.00%	10,133	749		0	39,100		24.00%	9,384	9,384
Cash Flow Hedge reserve	27,632	24.00%	6,632	1,502		0	21,375		24.00%	5,130	5,130
LIC reserve	31,125	28.34%	8,821	0		0	32,952	- 1,827	28.34%	8,821	8,821
Write-downs of assets	113	28.34%	32			-4	124		24.00%	36	36
TFR - Italian post-employment benefits (IAS 19)				0		0					0
Research grants	4,298	24.00%	1,032		0	255	3,235		24.00%	776	776
Total	**255,785**		**51,513**	**2,250**	**0**	**-8,890**	**310,533**	**-950**		**58,152**	**58,152**

	Amount of temporary differences	Tax rate	Amount of deferred tax assets and liabilities	Effect on equity	Reclassifi-cations	Economic effect (-income/ +expense) net of reclassification	Amount of temporary differences	Amount of temporary differences after Income adjustments	Tax rate	Amount of deferred tax assets and liabilities	Amount of Anticipated/ Deferred Taxes TOTALS
Deferred taxes											
Research grants (IRES/IRAP)	41	28.34%	12		0	0	41		28.34%	12	12
Research grants (IRES)	6,602	24.00%	1,584		0	155	5,956		24.00%	1,429	1,429
Bad debt provision (EC framework)	2,106	24.00%	505		0	0	2,106		24.00%	505	505
Interest receivable on arrears not collected	99	24.00%	24		0	0	99		24.00%	24	24
Payables for TFR - Italian post- employment benefits - (IAS 19)	-	28.34%		113	0	-113	-		28.34%		-
Branch exchange translation difference	91	24.00%	22	0		0	91		24.00%	22	22
Branch exchange differences in equity	-	24.00%	0	0	0	0	-		24.00%	0	0
Cash Flow Hedge reserve	-	24.00%	0		0	0	-		24.00%	0	0
Profit on contracts of less than 12 months	168	24.00%	40		0	40	-		24.00%	0	0
Foreign exchange gains	7,439	24.00%	1,785		0	204	-	6,585	24.00%	1,579	1,579
Total	**16,546**		**3,973**	**113**	**0**	**286**	**8,293**	**6,585**		**3,572**	**3,572**

The IRES and IRAP tax rate used for deferred taxation is the one estimated to be in effect at the time the temporary differences were reversed; specifically, for IRES purposes, deferred taxation was allocated at the new IRES rate in effect as of the tax period following 31 December 2016, which is 24%; for IRAP purposes, on the other hand, the rate used is 4.34%.
It should also be noted that the nominal IRAP rate of 3.9% is increased for regions with ‘healthcare’ deficits according to their territorial breakdown (increase of 1.07% in Campania and 0.92% in Lazio).
The total amount of deferred tax assets/liabilities recognised as of 31 March 2024 with a balancing entry in shareholders’ equity refer to the cash flow hedge reserve (EUR 6,632 thousand in deferred tax assets against a negative shareholders’ equity reserve of EUR 27,632 thousand), the foreign exchange delta reserve related to branches (EUR 10,133 thousand in deferred tax assets against net negative reserves of EUR 42,219 thousand) and the LIC reserve recognised upon adoption of IFRS 15 not deducted at year-end (EUR 8,821 thousand in deferred tax assets against net negative reserves of EUR 31,125 thousand).

24.31 Cash flow generated from operating activities

Amounts in EUR/000	**31.03.2024**	31.03.2023
Net profit (loss)	174,018	87,667
Amortisation, depreciation and write downs	88,244	60,718
Income tax	47,412	28,159
Accruals to provisions	6,276	3,425
Italian post-employment benefits	1,657	1,483
Costs for defined benefit plans	500	(1,210)
Dividends received	(15,764)	(11,222)
Financial income and charges, net of adjustments on equity investments measured at cost	(7,250)	32,154
Total gross cash flow from operating activities	**295,094**	**201,174**

Amounts in EUR/000	**31.03.2024**	31.03.2023
Inventories	(105,020)	(13,244)
Work in progress and advances from customers	262,528	(90,334)
Trade receivables and payables	(139,887)	86,920
Changes in working capital	**17,621**	**(16,658)**

Amounts in EUR/000	31.03.2024	31.03.2023
Payment of Italian post-employment benefits and other defined benefit plans	(2,088)	(1,688)
Accruals/reversals of provisions for risks	(1,928)	(3,198)
Changes in other operating items	(183,807)	(194,063)
Total changes in other operating assets/liabilities and net financial charges and taxes paid	**(187,823)**	**(198,949)**
Total cash flow generated by (used for) operating activities	**124,892**	**(14,433)**

Gross cash flow from operating activities increased compared to the previous year; with regard to the change in working capital, please refer to section '3.2 Operating and Financial Review of the Parent Company' in the Report on Operations.

24.32 Management of financial risks

The information on financial risks and financial instruments pursuant to International Financial Reporting Standard IFRS 7 'Financial Instruments: Disclosures' and Article 2428, paragraph 2, point 6 bis of the Italian Civil Code is presented below.

The financial risks associated with the Company's operations are as follows:
- *market risks, related to the Company's exposure to interest-bearing financial instruments (interest rate risks) and related to operations in currency areas other than the currency of denomination (exchange rate risks);*
- *liquidity risks*, related to the availability of financial resources and access to the credit market;
- *credit risk*, arising from normal trading transactions or financing activities.

The Company specifically monitors each of the aforementioned financial risks, taking action to minimise them in a timely manner through appropriate management policies and also through the use of derivative hedging instruments.

In the following paragraphs, the potential impact on the final results of hypothetical fluctuations in benchmarks is analysed through sensitivity analysis, reserve movements and their economic manifestation. These analyses are based, as required by IFRS 7, on simplified scenarios applied to the final data of the periods taken as reference and, by their very nature, cannot be considered indicators of the actual effects of future changes in the reference parameters due to a different capital and financial structure and different market conditions, nor can they reflect the interrelationships and complexity of the reference markets.

Interest Rate Risk

As outlined in the "Treasury Management" directive, interest rate risk management aims to mitigate the negative effects of interest rate fluctuations, which can affect the Company's income statement, balance sheet and weighted average cost of capital.
The company's interest rate risk management is instrumental in achieving the following objectives:
- stabilise the weighted average cost of capital;
- minimise and defer the weighted average cost of capital of Hitachi Rail STS from the medium to the long term. To achieve this, interest rate risk management will focus on the effects of interest rates on both "debt funding" and "equity funding";
- optimise profit on financial investments within a general risk-return trade-off;
- limit the costs related to the execution of interest rate risk management policies, including direct costs related to the use of specific instruments and indirect costs related to the internal organisation necessary to manage the risk itself.

The combined management of assets and liabilities in the short term makes the company relatively neutral to changes in interest rates in the long term.
In the year ended 31 March 2024, interest rate risk was again managed without the use of interest rate derivatives.

The Company deposits the financial resources generated by its operating activities in the current account held with its associate Hitachi International Holland BV for the surplus over operating needs.

Sensitivity analysis on interest rates

Interest rate risks were measured through sensitivity analysis, as required by IFRS 9. With regard to the variable-rate financial asset position, if the reference rates had been 50 basis points higher (lower) at 31 March 2024, the result for the year, before tax effect, would have been EUR 1,157 thousand higher (lower) and the equity higher (lower) by EUR 1,157 thousand.

(EUR/000)	31 March 2023 Value at Floating Rate	**31 March 2024 Value at Floating Rate**	**Average**	**31 March 2024 Assumption 1**	**31 March 2024 Assumption 2**
				50.00	-50.00
Non-current related party loans and receivables	60,340	3,217	31,779	159	(159)
Trade receivables	10,573		5,287	26	(26)
Financial receivables - Related parties	83,927	92,365	88,146	441	(441)
Derivative assets - CF Hedge	15,483	6,178	10,830	54	(54)
Derivative assets - FV Hedge (no back to back)	2,289	498	1,394	7	(7)
Cash and cash equivalents	229,279	302,779	266,029	1,330	(1,330)
Assets	**401,891**	**405,036**	**403,464**	**2,017**	**(2,017)**
Non-current financial liabilities - Third parties	0	6,984	3,492	17	(17)
Trade payables - third parties	1,475	0	737	4	(4)
Financial liabilities - Third parties	79,816	0	39,908	200	(200)
Financial liabilities - Related parties	139,269	81,804	110,537	553	(553)
Derivative liabilities - CF Hedge	18,201	12,295	15,248	76	(76)
Derivative liabilities - FV Hedge (no back to back)	3,991	240	2,115	11	(11)
Liabilities	**242,751**	**101,324**	**172,037**	**860**	**(860)**
Total	**159,140**	**303,713**	**231,427**	**1,157**	**(1,157)**

Exchange risk

The aforementioned directive defines that the Company's exchange rate risk management focuses on achieving the following objectives:

- limit potential losses due to adverse exchange rate fluctuations against the reference currency for the company and its subsidiaries. In this case, losses are defined in terms of cash flow rather than in accounting terms;
- limit the costs, expected or real, associated with the execution of exchange rate risk management policies.

Exchange rate risk should only be hedged if it has a material impact on cash flows with respect to the reference currency.
The costs and risks associated with a hedging policy (hedging, non-hedging or partial hedging) must be acceptable both financially and commercially.

The following instruments may be used to hedge currency risk:

- purchases and sales of foreign exchange forwards: foreign exchange forward transactions are the most widely used instrument for hedging cash flow exposure;
- *currency swaps / cross currency swaps: used in conjunction with forward foreign exchange contracts, they are used to dynamically manage hedges by reducing exchange rate risks associated with anticipating or postponing the manifestation of future cash flows in currencies other than the functional currency;*
- foreign currency funding/borrowing: foreign currency funding/borrowing is used to mitigate the exchange rate risk associated with speculative credit and debit positions with banking counter parties or Group companies.

The use of foreign currency funding and lending as a hedging instrument must always be aligned with the Company's overall treasury management and financial position (both long-term and short-term).
Buying and selling foreign currency generally turns out to be the hedging instrument used, when, for exotic currencies, the markets are not sufficiently liquid, or when it proves to be the least costly way of hedging.

Exchange risk hedging

There are three different types of exchange rate risk:

4. Economic risk:
   - the influence that currency fluctuations can have on capital budgeting decisions (investments, location of production units, supply markets).
5. Transaction risk:
   - is attributable to the possibility that exchange rates may change in the period between the time at which a commitment to collect or pay currency for a future date arises (price list determination, budget definition, order preparation, invoicing) and the time at which such collection or payment occurs, generating an effect in terms of exchange rate delta (either positive or negative).
6. Translation risk:
   - this is the effect on the financial statements of multinational companies of translating dividends, or of consolidating assets and liabilities when exchange rates adopted for consolidation purposes differ from one reporting period to the next.

The company hedges the transaction risk in line with the "Foreign Exchange Risk management policy", i.e. via the systematic hedge of cash flows generated by firm contractual commitments to buy and sell, in order to fix the exchange rates at the date the construction contracts are acquired, thereby neutralising the effects of exchange rate fluctuations.

Fair Value Hedge

Fair value hedging covers exposure to changes in the fair value of a recognised asset or liability, an unrecognised but irrevocable commitment, an identified portion of this asset, liability or irrevocable commitment, related to a particular risk and that could impact profit or loss.
The company hedges fair value changes relating to the currency risk on recognised assets and liabilities.

Exchange risk hedging derivatives

Hedging transactions are mostly arranged with the banking system.
As at 31 March 2024, the Company has contracts in place for the following notional foreign currency amounts:

(Local currency in thousands)	**Sell2024**	**Buy2024**	**31.03.2024**	Sell2023	Buy2023	31.03.2023
US Dollar	575,526	143,528	719,054	696,290	208,247	904,537
UK Sterling	3,982	-	3,982	4,794	-	4,794
Swedish Krona	4,831	11,565	16,396	-	72,235	72,235
Australian Dollar	7,887	59,985	67,872	-	105,894	105,894
UAE Dirham	425,647		425,647	425,647		425,647
Indian Rupee	101,478		101,478	101,478		101,478
Total in EUR/000	**650,512**	**169,884**	**820,396**	**772,818**	**256,585**	**1,029,403**

As at 31 March 2024, the net fair value of derivative financial instruments was negative and amounted to approximately EUR 5,859 thousand and the notional values are shown in the table above. Note that this positive balance includes back-to-back hedging contracts (see paragraph 24.11).
Exchange rate risk concerns receivables and payables in foreign currencies and the balances of the company's permanent establishments.
Exchange rate differences arise from the adoption of the local currency in the preparation of the accounts of the permanent establishment. Except in a few cases, no hedging transactions are undertaken against exchange rate differences related to foreign permanent establishments because the cost of the transaction would exceed the expected benefits.

Sensitivity analysis on exchange rates

For the presentation of market risks, IFRS 9 requires a sensitivity analysis showing the effects that assumed changes in the most relevant market variables have on the income statement and equity.
Exchange rate risks arise from financial instruments (including trade receivables and payables) recorded in the balance

sheet or from highly probable future cash flows expressed in currencies other than the functional currency.
Since the foreign currency most used by the Company is the US dollar, a sensitivity analysis was performed on the financial instruments denominated in that currency outstanding at 31 March 2024, assuming an appreciation (depreciation) of the Euro against the US dollar in the order of +(-) 5%, holding all other variables constant.

This analysis showed that in the event of an appreciation or depreciation of the euro against the US dollar, there would be the following impacts on the Company's financial statements:

	31 March 2024		31 March 2023	
(EUR/000)	**+5% appreciation of the Euro against the US dollar**	**-5% depreciation of the Euro against the US dollar**	+5% appreciation of the Euro against the US dollar	-5% depreciation of the Euro against the US dollar
Income statement	4,332	(3,920)	3,802	(3,440)

Liquidity risk

The liquidity risk can result in the inability to efficiently manage ordinary business and investment operations and to repay the amounts due at their expiry dates.
In order to support efficient liquidity management and contribute to the growth of its core businesses, the Company has equipped itself with a series of tools to optimise the management of financial resources. This was achieved through the centralisation of treasury and an active presence in the financial markets to obtain adequate short- and medium-/long-term credit lines. Within this framework, the Company has secured short and long-term cash and unsecured credit lines to meet its own and the Group's needs.
Management believes that with a positive net financial position, consisting of cash on hand on demand, and availability for overdraft facilities, the Company is able to meet the needs arising from investment activities, working capital management and repayment of debts at their natural due date.

Liquidity analysis

Values at 31 March 2024 (EUR/000)	**Under 1 year**	**Between 1 year and 5 years**	**After 5 years**
A - Financial liabilities excluding derivatives			
Non-current liabilities			
Third party loans and borrowings	-	6,984	-
Related party loans and borrowings	-	-	-
Other non-current liabilities	-	11,562	-
Current liabilities			
Trade payables to related parties	115,223	1,582	-
Trade payables to third parties	1,246,689	27,559	-
Related party loans and borrowings	81,814	-	-
Third party loans and borrowings	9,704	-	-
Other financial liabilities	-	-	-
Total A	**1,453,430**	**47,687**	**-**
B - Negative value of derivatives			
Hedging derivatives (including back to back derivatives)	20,859	-	-
Trading derivatives (economic hedge)	-	-	-
Total B	**20,859**	**0**	**0**
Total A + B	**1,474,289**	**47,687**	**0**

Against financial liabilities totalling EUR 1,521,975 thousand, the Company has the following financial assets:

C - Financial assets	
Securities held for trading	-
Cash-in-hand and cash equivalents	302,779
Trade receivables - third parties	888,205
Trade receivables - related parties	174,436
Third party loan assets	9,515
Related party loan assets	92,365
Positive value of derivatives (including back to back derivatives)	14,999
TOTAL FINANCIAL ASSETS	**1,482,299**
D - Revocable Credit Lines	**145,000**
TOTAL C + D	**1,627,299**
C+D-(A+B)	**105,324**

Credit risk

The Company does not present a significant credit risk, both with regard to the counterparties of its commercial transactions and for financing and investment activities.
With reference to commercial operations, the most significant programmes have public clients or derivatives of public institutions as counterparts, essentially concentrated in the Euro area. Counterparty risks, for contracts with countries with which there are no usual business relations, are analysed and assessed in the offer in order to highlight any solvency risks. The nature of the order, while on the one hand constituting a guarantee of the customer's solvency, can lengthen, in some countries even significantly, the collection time compared to the usual terms in other businesses, generating even significant overdue amounts and the consequent need to resort to liquidation operations. This situation is more pronounced in this period of crisis, as highlighted below.

As at 31 March 2024, trade receivables from third parties totalling EUR 888,205 thousand were overdue by EUR 375,081 thousand, of which EUR 225,106 thousand overdue by more than 12 months.
With regard to the concentration of trade receivables from third parties as at 31 March 2024, the attached table shows the information by public institution and other customers, with details by geographic area and by overdue period.

	Public entities			**Other customers**			
(EUR/000)	**Area Europe**	**Area America**	**Other**	**Area Europe**	**Area America**	**Other**	**Total**
Retentions	2,301	0	0	158,351	690	64,809	**226,152**
Not overdue	1,526	8,550	-	235,440	3,319	61,613	**310,449**
Overdue by less than one year	-	-	-	105,134	0	21,363	**126,498**
Overdue between one and five years	-	-	-	38,949	-	186,056	**225,106**
Overdue by more than five years	-	-	-	-	-	-	**0**
Total	**3,828**	**8,550**	**-**	**537,874**	**4,112**	**333,841**	**888,205**

Classification of financial assets and liabilities

The table below shows a breakdown of the company's assets by valuation class. Financial liabilities are all recognised using the "amortised cost" method.

(EUR/000)	***Fair value on the income statement***	**Loans and receivables**	**Held to maturity**	**Available for sale**	**Total**	***Fair Value***
Non-current assets						
Loans and Receivables	-	21,264	-	-	**21,264**	**21,264**
Related party loan assets	-	3,217	-	-	**3,217**	**3,217**
Other assets - third parties	-	1,326	-	-	**1,326**	**1,326**
Current assets						
Assets at fair value - third parties	-	-	-	-	**-**	**-**
Trade receivables - third parties	-	888,205	-	-	**888,205**	**888,205**
Trade receivables - related parties	-	174,436	-	-	**174,436**	**174,436**
Financial receivables - third parties	-	9,515	-	-	**9,515**	**9,515**
Financial receivables - related parties	-	92,365	-	-	**92,365**	**92,365**
Other assets - third parties	-	121,042	-	-	**121,042**	**121,042**
Other assets - related parties	-		-	-	**-**	**-**

IFRS 9 provides for the classification of the fair value of derivatives according to benchmarks that can be derived either from the market or from other financial indicators (e.g. interest rate curves, exchange rates, etc.). Financial derivatives on currencies to hedge currency risk fall within Level 2 of the hierarchy because the fair value of these instruments is determined by recalculating their present value using official end-of-period fixings for exchange rates and interest rates quoted on the market.
The table below shows the fair values of financial instruments in the portfolio, excluding back-to-back derivatives.

Hierarchy at the reporting date (EUR/000)	***Fair value 31.03.2024* Level 2**	*Fair value 31.03.2024* Level 2
Assets		
Interest rate swap		
Trading	-	-
Fair Value hedge	-	-
Cash flow hedge	-	-
Currency forward/swap/option		
Trading		
Fair Value hedge	498	2,289
Cash flow hedge	6,178	15,483
Strumenti di *equity (trading)*	-	-
Embedded derivatives (trading)	-	-
Liabilities		
Interest rate Swap		
Trading	-	-
Fair Value hedge	-	-
Cash flow hedge	-	-
Currency forward/swap/option		
Trading	-	-
Fair Value hedge	240	3,991
Cash flow hedge	12,295	18,201
Strumenti di *equity (trading)*	-	-
Embedded derivatives (trading)	-	-

Information pursuant to Article 1 paragraph 125 of Law 124/2017

During the 2023 financial year, Hitachi Rail STS SPA did not collect grants relating to the projects financed by Invitalia-MISE.
However, for further details on the grants from which the Company has benefited, please consult the National State Aid Register, available online at the following address: https://www.rna.gov.it/RegistroNazionaleTrasparenza.

24.33 Highlights at 31 March 2023 of the company that carries out management and coordination activities (Article 2497-bis of the Italian Civil Code)

1 The key figures of the parent company Hitachi Ltd., shown in the summary table required by Article 2497 bis of the Civil Code, were extracted from the relevant financial statements for the year ended 31 March 2023.
2 For an adequate and complete understanding of the financial position of Hitachi Ltd. as at 31 March 2023, as well as the economic result achieved by the Company in the financial year ended on that date, please refer to reading the financial statements, which, accompanied by the independent auditors' report, are available in the form and manner required by law.
3 It should be noted that the last financial statements approved to date are those as at 31 March 2023, as Hitachi Ltd. has a financial year that begins on 1 April and ends on 31 March.

HITACHI LTD (Millions of Yen)	**31 March 2023***
BALANCE SHEET	
ASSETS	
NON-CURRENT ASSETS	4,920,307
CURRENT ASSETS	1,020,191
TOTAL ASSETS	**5,940,498**
LIABILITIES	
SHAREHOLDERS' EQUITY	
- Share Capital	462,817
- Reserves and retained earnings	1,885,876
- Profit for the year	987,946
	3,336,639
NON-CURRENT LIABILITIES	1,129,374
CURRENT LIABILITIES	1,474,485
TOTAL LIABILITIES	**5,940,498**
INCOME STATEMENT	
REVENUES	1,631,338
OTHER REVENUES	312,820
COSTS	-1,589,438
EXTRAORDINARY INCOME AND CHARGES	677,761
INCOME TAXES FOR THE YEAR	-44,535
PROFIT (LOSSES) FROM DISCONTINUED OPERATIONS	-
PROFIT FOR THE YEAR	**987,946**

* * The last financial statements approved by Hitachi Ltd are those as at 31 March 2023

For the Board of Directors
The Chair

Mr. Maurizio Manfellotto

Hitachi Rail STS S.p.A.

Consolidated financial statements as at March 31, 2024

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the directors of
Hitachi Rail STS S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hitachi Rail STS S.p.A. (the Group), which comprise the consolidated financial statement of asset and financial position as at March 31, 2024, and the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2024, and of its financial performance and its 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 Hitachi Rail STS S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance 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 with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Hitachi Rail STS S.p.A. or to cease operations, or have no realistic alternative but to do so.

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Capitale Sociale Euro 2.600.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998

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The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing 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 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 have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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;
- we have obtained 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;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 financial statements or, if such disclosures are inadequate, to consider this matter in forming 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;
- we have evaluated 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;
- we have obtained 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 have communicated 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 compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Hitachi Rail STS S.p.A. are responsible for the preparation of the Report on Operations of Hitachi Rail STS Group as at March 31, 2024, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit 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 Hitachi Rail STS Group as at March 31, 2024 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Hitachi Rail STS Group as at March 31, 2024 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Napoli, June 28, 2024

EY S.p.A.
Signed by: Eugenio Amodio, Auditor

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

Hitachi Rail STS S.p.A.

Financial statements as at March 31, 2024

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

EY S.p.A.
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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the sole Shareholder of
Hitachi Rail STS S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hitachi Rail STS S.p.A. (the Company), which comprise the statement of financial position as at March 31, 2024, and the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2024, and of its financial performance and its 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 Financial Statements* section of our report.
We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming 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 Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated 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 compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Hitachi Rail STS S.p.A. are responsible for the preparation of the Report on Operations of Hitachi Rail STS S.p.A. as at March 31, 2024, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Hitachi Rail STS S.p.A. as at March 31, 2024 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Hitachi Rail STS S.p.A. as at March 31, 2024 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Napoli, June 28, 2024

EY S.p.A.
Signed by: Eugenio Amodio, Auditor

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A Hitachi Group Company

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