CARRARO S.p.A.
Registered office in Campodarsego, Padua, Italy – Via Olmo 37
Share capital Euro 41,452,543.60 fully paid-up
Tax Code/VAT Registration Number and
In the Company Register of Padua 00202040283
REA no. 84033

FINANCIAL STATEMENTS
31 DECEMBER 2018

GENERAL INFORMATION

BOARD OF DIRECTORS	**ENRICO CARRARO**	Chairman
In office until approval of the 2020 financial statements	**TOMASO CARRARO**	Deputy Chairman
(Appointments, Shareholders' Meeting of 14.05.2018)	**ALBERTO NEGRI**	Chief Executive Officer
	ENRICO GOMIERO	Director
	VIRGINIA CARRARO	Director
	FABIO BUTTIGNON(1) (2)	Director *
	RICCARDO ARDUINI	Director
	MARINA MANNA (1) (2) (3)	Director *
	MARINA PITTINI (1) (2)	Director *
	(1) Members of the Auditing and Risk Committee (2) Members of the Appointments and Remuneration Committee (3) Members of the Supervisory Board * Independent directors	
BOARD OF STATUTORY AUDITORS	**CARLO PESCE**	Chairman
In office until approval of the 2020 financial statements	**SAVERIO BOZZOLAN**	Regular Auditor
(Appointments, Shareholders' Meeting of 14.05.2018)	**STEFANIA CENTORBI**	Regular Auditor
	BARBARA CANTONI	Alternate Auditor
	Gabriele Andreola	Alternate Auditor
INDEPENDENT AUDITORS	**Deloitte & Touche S.p.A.**	
from 2016 to 2024		
PARENT COMPANY	**Finaid S.p.A.**	

Under the terms of Consob Communication no. 97001574 of 20 February 1997, we state that:

The Chairman, Mr Enrico Carraro and the Chief Executive Officer, Mr Alberto Negri, have been given individual powers of legal representation and use of the corporate signature in relations with third parties and in court; they carry out their work within the limits of the powers conferred on them by the Board of Directors in the meeting of 14 May 2018, in accordance with applicable legal constraints, in terms of matters which cannot be delegated by the Board of Directors and of responsibilities reserved for the Board itself, as well as the principles and limits provided for in the Company's Code of Conduct.

INCOME STATEMENT

(amounts in Euro)	NOTES	31.12.2018	*of which non-recurring*	31.12.2017	*of which non-recurring*
A) REVENUES FROM SALES					
1) Products		124,222,054		132,367,744	
2) Services		10,801,150		13,318,058	
3) Other revenues		24,829,374		21,252,781	
TOTAL REVENUES FROM SALES	**1**	**159,852,578**		**166,938,583**	
A-bis) of which with related parties		*32,689,649*		*29,148,838*	
B) OPERATING COSTS					
1) Purchases of goods and materials		92,931,210		130,688,105	
2) Services		26,028,428		25,409,325	
3) Use of third-party goods and services		84,074		41,180	
4) Personnel costs		26,999,414		25,936,489	
5) Amortisation, depreciation and impairment of assets		4,823,480		4,764,979	
5.a) depreciation of property, plant and equipment Materials		*2,042,480*		*2,115,889*	
5.b) amortisation of intangible assets intangible assets		*2,781,000*		*2,343,786*	
5.c) impairment of fixed assets		-		-	
5.d) impairment of receivables		-		*305,304*	
6) Changes in inventories		10,624,304		-25,839,559	
7) Provision for risks and other liabilities		2,031,832		3,516554	
8) Other income and expenses		-1,328,605		426,966	*1,904,000*
9) Internal construction		-212,335		-1,234,217	
TOTAL OPERATING COSTS	**2**	**161,981,802**		**163,709,822**	*1,904,000*
B-bis) of which with related parties		*21,080,971*		*23,974,533*	
OPERATING PROFIT/(LOSS)		**-2,129,224**		**3,228,761**	**1,904,000**
C) GAINS/(LOSSES) ON FINANCIAL ASSETS					
10) Income from equity investments		14,282,487		17,775,730	
11) Other financial income		81,520		229,484	
12) Financial costs and expenses		-6,379,111		-5,591,206	
13) Net gains/(losses) on foreign exchange		-80,545		-181,179	
14) Value adjustments of financial assets		-713,437		-	
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3**	**7,190,914**		**12,232,829**	
C-bis) of which with related parties		*7,699,061*		*13,352,059*	
PROFIT/(LOSS) BEFORE TAXES		**5,061,690**		**15,461,590**	
15) Current and deferred income taxes	4	-2,960,544		-274,773	*-531,000*
NET PROFIT/(LOSS)		**8,022,234**		**15,736,363**	**-1,373,000**
EARNINGS (LOSSES) PER SHARE	**5**				
- basic, for the profit for the period attributable to ordinary shareholders		*0.104*		*0.251*	
- diluted, for the profit for the period attributable to ordinary shareholders		*0.104*		*0.251*	

STATEMENT OF COMPREHENSIVE INCOME

(amounts in Euro)

	SECTION NOTES	31.12.2018	31.12.2017
NET PROFIT/(LOSS) FOR THE PERIOD		**8.022.234**	**15.736.363**
Other income components that could be recognised in the income statement in subsequent periods:			
Change in cash-flow hedge reserve	**7.2**	-	-
Taxes on other comprehensive income components		-	-
Total other income components that could be recognised in the income statement in subsequent periods:		**-**	**-**
Other income components that will not be recognised in the income statement in subsequent periods:			
Change in the provision for discounting employee benefits	**19**	33,077	16,669
Taxes on other comprehensive income components		-7,938	3,485
Total other income components that will not be recognised in the income statement in subsequent periods:		**25,139**	**20,154**
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS		**25,139**	**20,154**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**8,047,373**	**15,756,517**

STATEMENT OF FINANCIAL POSITION

(amounts in Euro)	NOTES	31.12.2018	31.12.2017
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	**6**	44,625,363	40,540,294
2) Intangible fixed assets	**7**	13,381,959	15,297,109
3) Real estate investments	**8**	539,703	539,703
4) Holdings in subsidiaries and associates	**9**	108,279,667	108,472,232
4.1) Holdings in subsidiaries and associates		*108,279,667*	*108,472,232*
5) Financial assets	**10**	1,458,448	7,360,356
5.1) Loans and receivables		*1,170,688*	*7,270,036*
5.2) Other financial assets		*287,760*	*90,320*
5-bis) of which with related parties		*1,006,014*	*7,270,036*
6) Deferred tax assets	**11**	13,553,295	13,557,517
7) Trade receivables and other receivables	**12**	57,316	74,531
7.1) Trade receivables		-	-
7.2) Other receivables		*57,316*	*74,531*
TOTAL NON-CURRENT ASSETS		**181,895,751**	**185,841,742**
B) CURRENT ASSETS			
1) Closing inventory	**13**	25,938,382	36,562,686
2) Trade receivables and other receivables	**12**	33,797,198	45,773,728
2.1) Trade receivables		*22,974,885*	*33,989,570*
2.2) Other receivables		*10,822,313*	*11,784,158*
2-bis) of which with related parties		*20,099,187*	*21,355,090*
3) Financial assets	**10**	898,214	106,779
3.1) Loans and receivables		*199,265*	*3,857*
3.2) Other financial assets		*698,949*	*102,922*
3-bis) of which with related parties		*705,773*	*44,259*
4) Cash and cash equivalents	**14**	2,832,429	1,755,854
4.1) Cash		*21,058*	*15,269*
4.2) Bank current accounts and deposits		*2.811,371*	*1,740,585*
4.3) Other cash and cash equivalents		-	-
TOTAL CURRENT ASSETS		**63,466,223**	**84,199,047**
TOTAL ASSETS		**245,361,974**	**270,040,789**

STATEMENT OF FINANCIAL POSITION

(amounts in Euro)	NOTES	31.12.2018	31.12.2017
A) SHAREHOLDERS' EQUITY	**15**		
1) Share Capital		41,452,544	41,452,544
2) Other Reserves		30,720,298	30,025,289
3) Profits/(Losses) brought forward		1,844,340	-
4) Cash-flow hedge reserve		-	-
5) Provision for discounting employee benefits		200,361	175,222
6) Profit/loss for the year		8,022,234	15,736,363
TOTAL SHAREHOLDERS' EQUITY		**82,239,777**	**87,389,418**
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	**16**	54,047,583	51,790,578
1.1) Bonds		-	-
1.2) Loans		54,047,583	51,790,578
1-bis) of which with related parties		54,000,000	40,770,000
2) Trade payables and other payables	**17**	-	-
2.1) Trade payables		-	-
2.2) Other payables		-	-
3) Deferred tax liabilities	**11**	-	-
4) Provisions for employee benefits/retirement	**19**	2,384,040	2,569,024
5) Provision for risks and liabilities	**20**	1,166,241	1,125,889
5.1) Provision for warranties		*1,166,241*	1,125,889
5.2) Provision for legal claims		-	-
5.3) Provision for restructuring and reconversion		-	-
5.4) Other provisions			
TOTAL NON-CURRENT LIABILITIES		**57,597,864**	**55,485,491**
C) CURRENT LIABILITIES			
1) Financial liabilities	**16**	29,482,549	30,195,843
1.1) Bonds		-	-
1.2) Loans		*29,482,548*	*30,170,883*
1.3) Other financial liabilities		*1*	*24,960*
1-bis) of which with related parties		*29,286,069*	*22,376,857*
2) Trade payables and other payables	**17**	64,229,063	84,903,223
2.1) Trade payables		*46,302,723*	*67,579,083*
2.2) Other payables		*17,926,340*	*17,324,140*
2-bis) of which with related parties		*8,483,385*	*10,033,374*
3) Current taxes payables	**18**	3,956,052	4,390,892
4) Provision for risks and liabilities	**20**	7,856,669	7,675,922
4.1) Provision for warranties		*6,179,498*	*5,589,520*
4.2) Provision for legal claims		*230,900*	*230,900*
4.3) Provision for restructuring and reconversion		*289,794*	*289,794*
4.4) Other provisions		*1,156,477*	*1,565,708*
TOTAL CURRENT LIABILITIES		**105,524,333**	**127,165,880**
TOTAL LIABILITIES		**163,122,197**	**182,651,371**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**245,361,974**	**270,040,789**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(amounts in Euro)	Share Capital	Other reserves			Profits (Losses) brought forward	Provision for discounting employee benefits	Profit/(Loss) for the period	Total
		Capital reserves	Others Reserves	Treasury stock acquired				
Balance as at 1.1.2017	**23,914,696**	**81,970,678**	**-36,156,045**	**-6,666,460**	**-9,122,070**	**155,068**	**-1,437,173**	**52,658,694**
Total profit/loss for the year						**20,154**	**15,736,363**	**15,756,517**
Transactions with shareholders:								
Allocation of 2016 results					-1,437,173		1,437,173	**-**
Share capital increase	17,537,848	1,436,359						**18,974,207**
Treasury share purchase				-				
Other changes		-53,280,314	42,721,071		10,559,243			**-**
Total transactions of the period	**17,537,848**	**-51,843,955**	**42,721,071**	**-**	**9,122,070**	**-**	**1,437,173**	**18,974,207**
Balance as at 31.12.2017	**41,452,544**	**30,126,723**	**6,565,026**	**-6,666,460**	**-**	**175,222**	**15,736,363**	**87,389,418**

(amounts in Euro)	Share Capital	Other reserves			Profits (Losses) brought forward	Provision for discounting employee benefits	Profit/(Loss) for the period	Total
		Capital reserves	Others Reserves	Treasury stock acquired				
Balance as at 1.1.2018	**41,452,544**	**30,126,724**	**6,565,026**	**-6,666,460**	**-**	**175,222**	**15,736,363**	**87,389,418**
Total profit/loss for the year						**25,139**	**8,022,234**	**8,047,373**
Transactions with shareholders:								
Allocation of 2017 results			786,818		14,949,545		-15,736,363	**-**
Costs on account ofcapital increase		-91,809						**-91,809**
Distribution of dividends (Shareholders' meeting of 14.05.2018)				-	-13,105,205			**-13,105,205**
Total transactions of the period	**-**	**-91,809**	**786,818**	**-**	**1,844,340**	**-**	**-15,736,363**	**-13,197,014**
Balance as at 31.12.2018	**41,452,544**	**30,034,914**	**7,351,844**	**-6,666,460**	**1,844,340**	**200,361**	**8,022,234**	**82,239,777**

STATEMENT OF CASH FLOWS

(amounts in Euro)	NOTES	31.12.2018	31.12.2017
Profit/(loss) for the year	15	8,022,234	15,736,363
Tax for the year		-2,960,544	-274,773
Profit/(loss) before taxes		***5,061,690***	***15,461,590***
Depreciation of property, plant and equipment	2	2,042,480	2,115,889
Amortisation of intangible assets	2	2,781,000	2,343,786
Impairment of fixed assets	2	-	-
Provisions for risks	2	2,031,832	3,516,554
Provisions for employee benefits	2	1,345,146	1,244,937
Net gains/(losses) on foreign exchange	3	80,545	181,179
Income from equity investments	3	-14,282,487	-17,775,730
Net adjustments of financial assets	3	713,437	-
Other non-monetary income and expenses		-	1,903,686
Cash flows before changes in Net Working Capital		***-226,357***	***8,991,891***
Changes in inventory	13	10,624,304	-25,839,559
Changes in trade receivables and other receivables	12	11,993,745	-16,144,413
Changes in trade payables and other payables	17	-20,674,159	38,848,845
Changes in receivables/payables for deferred taxation	11	7,939	221,700
Changes in provisions for employee benefits	19	-1,504,991	-1,351,086
Changes in provision for risks	20	-1,810,733	-1,239,103
Dividends received		13,365,132	17,775,730
Changes of other assets and liabilities		1,557,672	2,406,453
Tax consolidation expense and income		471,225	-140,925
Tax payments	4	2,050,762	2,174,992
Cash flows from operating activities		***15,854,539***	***25,704,525***
Investments/divestments:			
Investments in plant, property and equipment and real estate investments	6	-6,164,812	-1,932,889
Disinvestments and other movements in property, plant and equipment	6	37,263	12,586
Investments in intangible assets	7	-873,583	-1,870,432
Disinvestments and other movements in intangible assets	7	7,733	318,968
Equity investments/divestments	9	-203,032	-
Cash flows from Investing activities		***-7,196,431***	***-3,471,767***
Change in financial assets	10	6.422.909	-812,345
Change in financial liabilities	16	-807,428	-38,930,602
Share capital increase	15	-	6,460,152
Declared dividends	15	-13,105,205	-
Treasury share purchase	15	-	-
Other movements of shareholders' equity	15	-91,809	12,514,055
Cash flows from financing activities		***-7,581,533***	***-20,768,740***
Total cash flows for the period		***1,076,575***	***1,464,018***
Opening cash and cash equivalents		**1,755,854**	**291,836**
Closing cash and cash equivalents		**2,832,429**	**1,755,854**

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2018

1. Introduction

Carraro S.p.A. (or the "company") is a joint-stock company registered in Italy at the Company Register of Padua and controlled by Finaid S.p.A.

Carraro S.p.A. is not subject to management and coordination activities under the terms of article 2497 *et seq.* of the Italian Civil Code. The controlling shareholder Finaid S.p.A. does not perform any activity of management and coordination in relation to Carraro, and in particular:
- Finaid is a purely financial holding;
- Finaid does not issue any directions to Carraro;
- the Finaid Board of Directors does not approve Carraro's strategic plans or business plans nor does it "interfere" regularly in its operations; and
- there are no relationships of a commercial or financial nature between Finaid S.p.A. and Carraro S.p.A.

The purpose of the company is:
a) the production, sale and design of axles, drives and mechanical components in general for tractors, construction equipment, forklift trucks, automobiles, trucks, buses and special machines, and the production of tractors;
b) the assumption of equity investments in other companies or entities; to finance and coordinate technically and financially the companies and entities in which it has an interest. The company may also buy, sell, exchange, build with its own workforce or through contracts real estate assets both in the country and in urban areas, both civil and industrial, and rent out and manage such properties;
c) to assume agencies, for the same or similar businesses, or for businesses connected in any way with those specified in point a); sale of replacement parts;
d) the Company may also give endorsements and sureties of any kind and nature, for any amount and period of time, with or without real guarantees, in favour of third parties, persons, entities, or companies; this option may be exercised by the Board of Directors under the terms of Art.28 of the Articles;
e) to sign and execute including through the signing of atypical contracts, any other financial transaction that interests the company or that involves or is connected even indirectly with its corporate purpose or with that of any company in which it has an interest.

Authorisation for the publication of these financial statements was issued by the Board of Directors on 6 March 2019.

The present financial statements are expressed in euros and amounts are rounded to the nearest euro unit, unless otherwise indicated.

Carraro, as the parent company, has functions of strategic guidance, control and coordination of the single units of the Carraro Group business. At the corporate facility in Rovigo, entitled "Divisione Agritalia", it designs and manufactures agricultural machines.

Reporting criteria and accounting principles

The annual Financial Statements are drawn up in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and with the measures issued implementing article 9 of Legislative Decree 38/2005. The term IFRS also includes the revised International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) previously known as the Standard Interpretation Committee (SIC). These standards are the same as those used for the Financial Statements as at 31 December 2017, with the exceptions described in the paragraph 2.2 "Accounting standards, amendments and interpretations not relevant for the company or not yet applicable and not adopted in advance by the company".

The financial statements were prepared assuming that the company is a going concern. For further details, please refer to the information in the Directors' Report on Operations.

2. Form and content of the financial statements

The present financial statements were prepared in conformity with the International Accounting Standards (IAS/IFRS) endorsed by the European Union.

2.1 Format of the financial statements

With regard to the format of the financial statements, the Company opted to present the following types of accounting statements.

Income Statement

Items on the income statement are classified by their nature.

The income statement separately indicates the effects of non-recurrent positive and negative income components relative to events or transactions the occurrence of which is non-current, or transactions or events that are not repeated frequently in carrying out normal activities.

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

Statement of Financial Position
The interim statement of financial position is presented with separate disclosure of Assets, Liabilities and Shareholders' Equity.
Assets and Liabilities in the financial statements for the period are in turn presented according to their classification as "current" and "non-current".

Statement of Changes in Shareholders' Equity
As required by the international accounting standards, the changes in shareholders' equity are presented with evidence of the result for the period and all operating income and expenditure separate from other items not recorded in the income statement, but charged directly to shareholders' equity in accordance with specific IAS/IFRS standards.

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

Accounting statements of transactions with related parties (Consob regulation 15519)
With reference to the reporting of related-party transactions in the financial statements, provided for in Consob Resolution 15519 of 27 July 2006, balances of a significant amount are specifically indicated, to facilitate understanding of the assets and liabilities, financial position and results of the company, in the table of section 8 below concerning related party transactions.
Non-recurring costs and revenues and/or costs and revenues resulting from atypical and/or unusual operations are entered in the Income Statement; further details are provided in section 4 below.

2.2 Accounting standards and measurement criteria

IFRS accounting standards, amendments and interpretations adopted since 1 January 2018:

IFRS 15 - *Revenue from Contracts with Customers* (published on 28 May 2014):
Published on 28 May 2014 and supplemented with further clarifications published on 12 April 2016, this standard is intended to replace the standards IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model to be applied to all customer contracts except those falling within the scope of other IAS/IFRS standards such as leases, insurance contracts and financial instruments. The key steps for revenue recognition according to the new model are:

- identification of the contract with the customer;
- identification of the contract performance obligations;
- price determination;
- allocation of the price to the contract performance obligations;
- revenue recognition criteria when the entity meets each performance obligation.

The standard has been applied as of 1 January 2018.
The Company has applied IFRS 15 by adopting the modified retrospective transitional approach by using IFRS 15.C7 and 15.C8, which allows this standard to be applied retrospectively only to contracts that have not been completed at the date of initial application.
In this specific context, there were no differences in the method of accounting for revenues compared to what was previously recognised in application of IAS 18, replaced by the present standard.
For a more detailed analysis of the accounting implications deriving from the application of IFRS 15, reference should be made to the section "Recognition of revenues and other positive income components"

If the business model described above does not change, the directors do not expect significant impacts for future contracts either. In any case, they will be subject to appropriate and preliminary analysis, as well as periodic monitoring.

IFRS 9 - *Financial Instruments* (published on 24 July 2014):
The document includes the results of the IASB project to replace IAS 39.
The standard introduces new criteria for the classification and valuation of financial assets and liabilities.
In particular, for financial assets, the new standard uses a single approach based on financial instrument management methods and on the characteristics of the contractual cash flows of such financial assets in order to determine their valuation criterion, replacing the various rules provided for by IAS 39. For financial liabilities, on the other hand, the main change regards the accounting treatment of the changes in fair value of a financial liability designated as a financial liability valued at fair value through the income statement, if these changes are due to changes in the creditworthiness of the issuer of such liability. According to the new standard, these changes must be recognised in the "Other comprehensive income" table and no longer in the income statement. In addition, under the changes to financial liabilities defined as non-substantial it is no longer allowed to spread the economic effects of the renegotiation on the residual maturity of the debt by changing the effective interest rate at that date, but rather it is necessary to recognise the related effect in the income statement.
With reference to impairment, the new standard requires that the estimate of losses on receivables be made on the basis of the expected losses model (and not on the incurred losses model used by IAS 39) using supporting information, available without unreasonable burden or effort, which includes historical, current and prospective data. The standard envisages that this impairment model is applied to all financial instruments, i.e. to financial assets valued at amortised cost, to those valued at fair value through other comprehensive income, to receivables deriving from rental contracts and to trade receivables.
Finally, the standard introduces a new hedge accounting model to meet the requirements of IAS 39 that were sometimes considered too stringent and unsuitable to reflect company risk management policies. The main innovations of the document concern:

- the increase in the types of transactions eligible for hedge accounting, also including the risks of non-financial assets/liabilities eligible to be managed with hedge accounting;
- the change in the way forward contracts and options are accounted when included in a hedge accounting relationship in order to reduce the volatility of the income statement;
- changes to the effectiveness test by replacing the current methods based on the 80-125% parameter with the principle of “economic relationship” between hedged item and hedging instrument; moreover, an assessment of the retrospective efficacy of the hedging relationship will no longer be required.

The greater flexibility of the new accounting rules is offset by additional disclosure requirements on the company's risk management activities.

The new standard has been applied as of 1 January 2018.
With regard to the changes concerning the “classification and measurement of financial assets and liabilities” and “hedge accounting”, management has not identified any impact on the consolidated financial statements as at 31 December 2018.
With regard to the third innovation introduced by the principle concerning the “Impairment of financial assets”, management has estimated the losses on receivables on the basis of the expected losses model, not recording significant impacts deriving from its application with respect to the incurred losses model provided for by IAS 39.

Annual Improvements to IFRSs: 2014-2016 Cycle (published on 8 December 2016):
Pre-existing standards are partially amended or supplemented (IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*, IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice*, IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*).
Most of the changes have been applied starting from 1 January 2018. The adoption of these amendments had no effect on the half-yearly financial statements of the Company.

IFRIC *Interpretation* 22 "*Foreign Currency Transactions and Advance Consideration*" (published on 8 December 2016).
The interpretation aims to provide guidelines for foreign exchange transactions if they are recognized under non-cash advances or down payments, prior to recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction and, as a result, the spot exchange rate to be used when there are foreign currency transactions in which the payment is made or received in advance.
The interpretation clarifies that the transaction date is the earlier of:
a) the date on which the advance payment or down payment received are entered in the accounts of the entity; and
b) the date on which the asset, cost or revenue (or part of the same) is entered in the accounts (with resulting reversal of the advance payment or down payment received).
If there are several advance payments or receipts, a specific transaction date must be identified for each of them.
IFRIC 22 has been applied starting from 1 January 2018. The adoption of this interpretation had no effect on the half-yearly financial statements of the Company.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted in advance by the Group as at 31 December 2018:

IFRS 16 – Leases:
On 13 January 2016, the IASB published IFRS 16 - Leases which is intended to replace IAS 17 - Leases, as well as the interpretations IFRIC 4 Determining Whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of an asset for distinguishing lease contracts from service provision contracts, identifying the following as discriminating factors: identification of the asset, the right to replace the same, the right to obtain substantially all of the economic benefits arising from the use of the asset and, lastly, the right to direct the use of the asset underlying the contract.
The standard establishes a single model of recognition and valuation of lease contracts for the lessee which entails recognising the asset covered by the lease, also operating lease, under assets with an offsetting financial payable. On the contrary, the standard does not include significant changes for lessors.
The standard will apply from 1 January 2019 but early application is allowed.
The Company has completed the preliminary assessment of the potential impacts of applying the new standard at the transition date (1 January 2019).This process was divided into several phases, including the complete mapping of contracts potentially suitable for containing a lease and the analysis of the same in order to understand the main clauses relevant for the purposes of IFRS 16.
Transition with modified retrospective method:
The Company has chosen to apply the standard retrospectively, but has recognised the cumulative effect of applying the standard in equity at 1 January 2019, in accordance with paragraphs C7-C13.In particular, the Company will account for the leases previously classified as operating leases:

a) a financial liability, equal to the present value of the remaining future payments at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;
b) a right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses relating to the lease and recorded in the balance sheet at the balance sheet date of these financial statements.

The following table shows the estimated impacts of the adoption of IFRS 16 at the transition date

STATEMENT OF FINANCIAL POSITION

(amounts in Euro thousand)	**Impacts as at transition date (01.01.2019)**
Right of use for buildings	-
Right of use for equipment	295
Right to use vehicles	346
TOTAL NON-CURRENT ASSETS	**641**
TOTAL ASSETS	**641**
Other reserves	
Profits/(Losses) brought forward	-11
TOTAL SHAREHOLDERS' EQUITY	**-11**
Non-current financial liabilities	430
TOTAL NON-CURRENT LIABILITIES	**430**
Current financial liabilities	222
TOTAL CURRENT LIABILITIES	**222**
TOTAL LIABILITIES	**652**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**641**

In adopting IFRS 16, the Group intends to make use of the exemption granted in paragraph 5.a) in relation to short-term leases.
Similarly, the Group intends to make use of the exemption granted in paragraph 5.b with regard to lease contracts for which the underlying asset is a low-value asset (i.e. the assets underlying the lease contract do not exceed Euro 5,000 when new).
For these contracts, the introduction of IFRS 16 will not result in the recognition of the financial liability of the lease and the related right of use, but the lease payments will be recorded in the income statement on a straight-line basis for the duration of the respective contracts.

In addition, with reference to the transition rules, the Company intends to make use of the following practical tools available if the modified retrospective transition method is chosen:

- Use of the assessment made at 31 December 2018 in accordance with the rules of IAS 37 Provisions, Contingent Liabilities and Contingent Assets in relation to the accounting of onerous contracts as an alternative to the application of the impairment test on the value of the right of use at 1 January 2019;
- Classification of contracts that expire within 12 months of the transition date as short term leases. For these contracts, lease payments will be recorded in the income statement on a straight-line basis;

Use of the information present at the transition date to determine the lease term, with particular reference to the exercise of extension and early closure options.

***Amendments* IFRS 9 "*Prepayment Features with Negative Compensation*"** (published on 12 October 2017).
This document specifies that instruments that provide for early repayment may comply with the Solely Payments of Principal and Interest ("SPPI") test including when the "reasonable additional compensation" to be paid in the event of early repayment is a "negative compensation" for the lender.The amendment applies from 1 January 2019, but early application is permitted. The directors do not expect the adoption of these amendments to have any significant effect on the Company's financial statements.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments:
On 7 June 2017, the IASB published the interpretative document IFRIC 23 – *Uncertainty over Income Tax Treatments*. The document addresses the issue of uncertainty about the tax treatment to be adopted on income taxes.
In particular, interpretation requires an entity to analyse uncertain tax treatments (individually or as a whole, depending on their characteristics) on the assumption that the tax authority will examine the tax position in question, with full knowledge of all relevant information. If the entity believes that it is not probable that the tax authority will accept the tax treatment followed, the entity shall reflect the effect of the uncertainty in measuring its current and deferred income taxes. In addition, the document does not contain any new disclosure requirements, but emphasises that the entity will have to determine whether it will be necessary to provide information on the management's considerations and the uncertainty inherent in the accounting of the tax, in accordance with IAS 1.

The new interpretation applies from 1 January 2019, but early application is permitted. At the moment, the directors are considering the possible impacts of these changes on the Company's financial statements.

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

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures:
On 12 October 2017, the IASB published the document *"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*". This document clarifies the need to apply IFRS 9, including impairment requirements, to other long-term interests in associates and joint ventures for which the equity method is not applied.The amendment applies from 1 January 2019, but early application is permitted.
At the moment, the directors are considering the possible impacts of these changes on the Company's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle:
On 12 December 2017, the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle" which incorporates the amendments to certain standards as part of the annual improvement process. The main changes concern:
- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendment clarifies that when an entity obtains control of a business that is a joint operation, it must re-measure the interest previously held in that business. However, this process is not envisaged if joint control is obtained.
- IAS 12 *Income Taxes*: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments included in shareholders' equity) should be accounted for in a manner consistent with the transaction that generated these profits (income statement, OCI or equity).
- IAS 23 *Borrowing costs*: the amendment clarifies that if loans remain in place after the qualifying asset is ready for use or for sale, said loans become part of the totality of the loans used to calculate borrowing costs.

The amendments apply from 1 January 2019, but early application is permitted. The directors do not expect the adoption of these amendments to have any significant effect on the Company's financial statements.

Amendments to IAS 19 - "Plan Amendment, Curtailment or Settlement" (published on 7 February 2018).
The document clarifies how an entity should recognise an amendment (i.e. a curtailment or a settlement) to a defined-benefit plan. The amendments require an entity to update its assumptions and re-measure the net liability or asset arising from the plan. The amendments clarify that after the occurrence of this event, an entity should use up-to-date assumptions to measure current service cost and interest for the remainder of the reporting period following the event. The amendments apply from 1 January 2019, but early application is permitted. The directors do not expect the adoption of these amendments to have any significant effect on the Company's financial statements.

Amendments to IFRS 3 - "Definition of a Business" (published on 22 October 2018).
The document provides some clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify the presence in a business of an integrated set of activities/processes and

assets. However, to meet the definition of business, an integrated set of activities/processes and goods must include, as a minimum, a substantial input and process that together contribute significantly to the ability to create output. To this end, the IASB has replaced the term “ability to create output” with “ability to contribute to the creation of output” to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.
The amendment also introduced a *concentration test*, which is optional for the entity, to determine whether a set of assets/processes and goods purchased is not a business. If the test is successful, the set of activities/processes and goods purchased is not a business and the principle does not require further testing. If the test fails, the entity shall carry out further analysis of the assets/processes and goods purchased to identify the presence of a business. To this end, the amendment has added a number of illustrative examples to IFRS 3 in order to make the practical application of the new definition of business in specific cases understood. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is permitted.
The directors do not expect the adoption of this amendment to have any impact on the financial statements of the Company.

Amendments to IAS 1 and IAS 8 - "Definition of Material" (published on 31 October 2018).
The document introduced a change in the definition of “material” contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of “material” more specific and introduces the concept of “obscured information” alongside the concepts of omitted or incorrect information already present in the two principles being amended. The amendment clarifies that information is “obscured” if it has been described in such a way as to have an effect on primary readers of financial statements similar to that which would have occurred if such information had been omitted or incorrect.
The directors do not expect the adoption of these amendments to have any significant effect on the Company's financial statements.

Amendments to IFRS 10 and IAS 28 - "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (published on 11 September 2018).
According to IAS 28, the gain or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for a share in the capital of the latter is limited to the share in the joint venture or associate held by the other investors extraneous to the transaction. In contrast, IFRS 10 requires the recording of the entire gain or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling stake in the same, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The changes introduced provide that in the case of a sale/contribution of an asset or a subsidiary to a joint venture or associate, the extent of the gain or loss to be recognised in the financial statements of the seller/contributor depends on whether or not the assets or subsidiary sold/contributed constitute a business, in the sense of IFRS 3. In the event that the assets or subsidiary sold /contributed represent a business, the entity must recognise the gain or loss on the entire investment previously held; while, if not, the share of the gain or loss on the stake still held by the entity must be eliminated. At the moment, the IASB has suspended application of this amendment. The directors do not expect the adoption of these amendments to have any significant effect on the Company's financial statements.

Property, plant and equipment
Property, plant and equipment items are recognised at their historical cost, minus the related accumulated depreciation and cumulative impairment losses. This cost includes expenses for replacing parts of machinery and plant at the time they are incurred if this is in accordance with the recognition criteria.
Depreciation is calculated on a straight-line basis with reference to the estimated useful life of the assets.
Property, plant and equipment items are derecognised at the time of sale or once future economic benefits are no longer expected from their use or disposal. Any losses or profits (calculated as the difference between the net income on the sale and the carrying amount) are recognised in the income statement during the year of elimination as above.
The asset’s residual value, its useful life and the methods applied are reviewed annually and adjusted if necessary, at the end of each accounting period. On average the useful life, in years, is as follows:

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

Assets held in relation to financial lease agreements are depreciated on the basis of the estimated useful life, in a way consistent with owned assets.

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

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

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

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

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

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

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

Equity investments in subsidiaries and associated companies
Subsidiaries are companies in which the Company exercises control. The Company controls another company when it is exposed, or has rights, to the variability of results of the subsidiary based on its involvement with the subsidiary and has the capacity to influence such results through the exercise of its power.
Control may be exercised through directly or indirectly holding the majority of shares with voting rights, or on the basis of contractual or legal agreements, also regardless of shareholder relations. The existence of potential voting rights that may be exercised at the reporting data is considered for the purposes of determining control.
In general, the existence of control is assumed when the Parent Company holds, directly or indirectly, more than half the voting rights.

An associated company is an entity over which the company is able to exercise significant influence, but does not have control or joint control, via the equity investment, over the financial and operating policies of the company.

For the purposes of separate financial statements, equity investments in subsidiaries and associated companies are measured at reduced cost in the presence of impairment.

Equity investments in other companies and other securities
In accordance with the provisions of the standards IFRS 9 and IAS 32, equity investments in companies other than subsidiaries and associates are classified as financial assets available for sale and are carried at fair value except in cases where it is not possible to determine the market price or the fair value: in this case the cost method is used.
Profits and losses deriving from value adjustments are recognised in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve.
In the presence of permanent impairment losses or in the event of a sale, profits and losses recognised up to that moment in shareholders' equity are recognised in the income statement.

Financial assets
The standard IFRS 9 sets out the following types of financial instruments: financial assets at fair value through profit or loss, loans and receivables, investments held to maturity and assets available for sale. Initially, all financial assets are recognised at fair value, increased, in the case of assets other than those at fair value through profit or loss, by any ancillary expenses. The company establishes the classification of its financial assets after initial registration and, where appropriate and permitted, revises the classification at the end of each financial year.

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

Financial assets at fair value through profit or loss

This category comprises financial assets held for trading, that is, all assets acquired for the purpose of sale in the short term. Derivatives are classified as financial instruments held for trading unless they are designated as effective hedging instruments, in which case their accounting treatment is described in the paragraph "Derivative financial instruments and hedging transactions", below. Profits or losses on assets held for trading are recorded in the income statement.

Investments held to maturity

Financial assets which are not derivative instruments and which are characterised by payments with fixed or determinable maturities are classified as "investments held to maturity" when the Company has the intention and the capacity to maintain them in the portfolio until maturity. Financial assets that the company decides to keep in the portfolio for an indefinite period do not fall within this category. Other long-term financial investments which are held to maturity, such as bonds, are subsequently measured using the amortised cost method. This cost is calculated as the value initially recognised, minus the repayment of the principal, plus or minus the amortisation accumulated using the effective interest rate method on any difference between the value initially recognised and the amount at maturity. This calculation includes all the fees or points paid between the parties, which form an integral part of the effective interest rate, the transaction costs and other premiums or discounts. For investments measured at their amortised cost, profits and losses are recognised in the income statement at the moment in which the investment is derecognised or in the event of an impairment loss, as well as by means of the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted on an active market. These assets are stated on the basis of amortised cost using the effective discount rate method. Profits and losses are recognised in the income statement when the loans and receivables are derecognised or on the occurrence of impairment losses, as well as by means of the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets, excluding derivative instruments, which are designated as such or not classified in any of the other three previous categories. After initial recognition at cost, financial assets held for sale are carried at fair value and profits and losses are recorded in the Statement of Comprehensive Income and accumulated in a separated item of shareholders' equity item until the assets have been derecognised or until it is ascertained that they have suffered an impairment loss. Profits and losses accumulated up to that moment in shareholders' equity are then charged to the income statement.

In the case of securities widely traded on regulated markets, the fair value is determined by making reference to the stock market price struck at the end of trading on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques based on prices of recent transactions between unrelated parties; the current market value of a substantially similar instrument; discounted cash flow analysis; option pricing models.

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

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

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

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

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

Financial liabilities

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

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

Impairment losses on financial assets

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

Assets measured on the basis of amortised cost

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

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

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

Assets recognised at cost

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

Available-for-sale financial assets

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

Allowances and provisions

Provisions for risks and liabilities

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

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

Recognition of revenues and other positive income components

1. Recognition of revenue (as required by IFRS 15, paragraphs 31, 46, 47 and 119)
The revenues recognised by the Company mainly refer to the following types:
- Income from services and other income paid to the Group companies;
- Income from the sale of agricultural tractors;

1.1 Income from services rendered to Group companies
Carraro S.p.A. is the parent company of the Carraro Group and thus provides services related to the companies' strategic guidance, control and coordination and is also the centralising entity for R&D operations.
The duration of the sale guarantees is aligned with the legal requirements and/or conforms to commercial practice in the sector.Therefore, the company accounts for compliance guarantees in accordance with IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets" in line with the accounting treatment previously adopted (see Note 20).
Revenues as described above include a single performance obligation concerning the provision of the service, not including in the sale of services or ancillary products which, in accordance with the new standard, should constitute separate performance obligations.
The income from the provision of services is recognised at the time of transfer of control of the service.
The Company recognises the receivable when control is transferred, as indicated in the previous paragraph, as it represents the moment when the right to the consideration becomes unconditional, since the due date of the invoice is the only prerogative that identifies when payment is due.
According to the standard contractual conditions applied by the company, the fee is certain and there are no variable parts.

1.2 Income from the sale of agricultural tractors.
The Company develops, produces and distributes these tractors based on agreements with large international manufacturers.
The guarantees related to the sale are aligned in terms of duration to those required by law and/or in accordance with commercial practice in the sector. Therefore, the company accounts for compliance guarantees in accordance with IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets" in line with the accounting treatment previously adopted (see Note 20).
Revenues as described above include a single performance obligation, namely the provision of the service. The sale does not include ancillary products or services which, in accordance with the new standard, should constitute separate performance obligations.
Regarding the recognition of income, it is recognised at the time of transfer of control of the product. This depends on what is agreed with the customer in the contract. In most cases the transfer of control takes place when the customer is informed that the production cycle is complete and the tractor is made available for collection at the company's premises. For some customers, it takes place when the goods are accepted by the transport agent. After the transfer of control, the customer has full discretion as to how the goods are distributed, and on the retail price to be charged. It is fully responsible for use of the product and assumes the risks of obsolescence and possible loss of the goods.
The application of this standard has not shown any deviation from the application of the provisions of the previous standard in force (IAS 18).
The Company recognises the receivable when control is transferred, as indicated in the previous paragraph, as it represents the moment when the right to the consideration becomes unconditional, since the due date of the invoice is the only prerogative that identifies when payment is due.
According to the standard contractual conditions applied by the company, the fee is certain and there are no variable parts.
Returns are only made if there is an error in quality or delivery and therefore the goods sold have not been produced with the technical characteristics agreed with the customer at the time of ordering.For quality problems, the Guarantee Fund set aside in accordance with IAS 37 will be used.

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

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

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

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

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

Value added tax

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

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

Earnings or losses per share
Basic earnings (losses) per share are calculated by dividing the net profit (net loss) for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding in the period.
Diluted earnings (losses) per share are obtained by means of adjustment of the weighted average of outstanding shares, so as to take into account all the potential ordinary shares with diluting effects.

Translation of foreign currency balances
Functional currency
The company's functional currency is the euro, which represents the currency in which the financial statements are prepared and published.

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

Derivative financial instruments and hedging transactions

The Company's strategy for the management of financial risks is in line with the corporate objectives defined within the policies approved by the Board of Directors of Carraro S.p.A.; In particular, it aims to minimise interest rate and exchange-rate risk and optimise the cost of debt.
These risks are managed in accordance with the principles of prudence and market best practices and all risk management transactions are centrally managed.

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

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

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

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

For hedge accounting purposes, hedges are classified as:

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

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

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

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

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

Fair-value hedges

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

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

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

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

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

Cash-flow hedges

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

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

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

Hedges of a net investment in a foreign operation

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

Credit risk

The management of credit is designed to prioritise the acquisition of customers of national and international standing for multi-annual supplies; on this basis consolidated historical relationships have been built up with the main customers. Generally speaking, these relationships are governed by *ad hoc* supply contracts. Credit control requires periodic monitoring of the main financial and economic data (including the delivery schedules) relating to each customer.
Except in special circumstances to do with country or counterparty risk, guarantees are not normally obtained on credit.
Receivables are recognised in the accounts net of any write-downs determined by assessing the counterparty's risk of insolvency based on the information available.

Liquidity risk

The company's liquidity risk is mainly linked to the activation and maintenance of sufficient funding to support industrial operations.
The raising of funds, consistent with the company's short- and medium-term development plans, is intended to finance both working capital and investments in fixed assets necessary to ensure sufficient and technologically advanced production capacity. This requirement is directly proportional to the trend in customer orders and the consequent trend in business volumes.
The company's liquidity risk is mainly linked to the activation and maintenance of sufficient funding to support industrial operations.
The cash flows envisaged for 2018 include, besides the trend in working capital and investments, the effects of current liabilities and the short-term portions of medium- and long-term loans reaching maturity, as well as the effects (assuming the same rates of exchange with respect to 31.12.2017) of the closure of derivative financial instruments on currencies in existence at the reporting date.
The company envisages meeting the needs arising from all of the above with the flows deriving from operations, from available liquidity and from the availability of the above credit facilities.
In 2018, the Company expects to be able to generate financial resources through its operations such as to ensure adequate support for investments.
The management of liquidity, funding requirements and cash flows are under the direct control and management of the Group Treasury, which operates with the aim of managing the resources available as efficiently as possible.
Uncertainties in financial markets have had an effect on borrowing by banks and as a consequence on credit granted to businesses. This instability could continue in 2018, preventing the normal execution of financial transactions.
Lastly, regardless of the fact that the company has continued refinancing its debts with the support of its banking counterparties and the financial markets, a situation could arise in which it would have to seek additional financing in less favourable market conditions, with the limited availability of such sources and an increase in financial expenses.

The maturity features of the company's liabilities and financial assets are shown in notes 10 and 16 relating respectively to non-current financial receivables and non-current financial liabilities. The maturity features of derivative financial instruments are described in paragraph 7.2.

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

Transactions with related parties
In accordance with the Consob recommendations of 20 February 1997 (DAC/97001574) and 27 February 1998 (DAC/98015375) we can confirm that:

a) intra-group transactions and transactions with related parties which took place during the period, gave rise to trade, financial or consultancy-related relationships, and were carried out under market terms, in the financial interest of the individual companies involved in the transactions;
b) the interest rates and terms applied (paid and received) in financial relationships between the various companies are in line with market terms.

Discretionary assessments and significant accounting estimates

Estimates and assumptions
In the application of the accounting standards, the directors have not made decisions based on discretionary evaluations (excluding those which involve estimates) having a significant effect on the values in the financial statements.
We present below the key assumptions on the future and other significant sources of uncertainty in the estimates at the reporting date, which could bring about significant changes in the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets
Deferred tax assets are recognised in compliance with IAS 12 and they include retained tax losses, to the extent that it is likely there will be future tax profits to offset these losses with the returns of the temporary differences absorbed. A significant discretionary valuation is required of the directors to determine the amount of the deferred tax assets that can be accounted for. They must estimate the probable timing and the amount of future taxable profits as well as a planning strategy for future taxation. The details are provided in note 11.
Pension funds and other post employment benefits
The cost of defined-benefit pension plans is determined using actuarial valuations. The actuarial valuation requires assumptions on the discount rates, the expected rate of return on investments, future salary increments, mortality rates and future pension increases. Because of the long-term nature of these plans, these estimates are subject to a significant level of uncertainty. Further information is provided in note 19.

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

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

3. Reporting by business and geographic segment

Carraro S.p.A. is divided into the "Vehicles Business Area" (with reference to Divisione Agritalia which produces and markets tractors) and "Headquarters operations", henceforth HQ, relative to central level services provided by Carraro S.p.A. to the various companies of the Group given its function of strategic guidance, control and coordination of individual business units.

3.1 Business segments

The most significant information by business segment is presented in the tables below, with comparisons between financial years 2017 and 2018.

a) economic data (Euro/000)

31.12.2018 *(amounts in Euro thousand)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Revenues from sales	**26,926**	**132,960**	**-33**	**159,853**
Sales to third parties	-	127,162	1	127,163
Sales to other Business Areas	26,926	5,798	-34	32,690
Operating costs	**30,180**	**131,835**	**-33**	**161,982**
Purchases of goods and materials	2,428	90,537	-34	92,931
Services	11,839	14,190	-1	26,028
Use of third-party goods and services	6	78	-	84
Personnel costs	13,481	13,518	-	26,999
Amortisation, depreciation and impairment of assets	3,045	1,779	-1	4,823
Changes in inventories	3	10,621	-	10,624
Provisions for risks	400	1,632	-	2,032
Other income and expenses	-810	-520	3	-1,327
Internal construction	-212	-	-	-212
Operating profit/(loss)	**-3,254**	**1,125**	**-**	**-2,129**

31.12.2017 *(amounts in Euro thousand)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Revenues from sales	**25,724**	**141,302**	**-87**	**166,939**
Sales to third parties	330	137,456	-	137,786
Sales to other Business Areas	25,394	3,846	-87	29,153
Operating costs	**30,771**	**133,026**	**-87**	**163,710**
Purchases of goods and materials	1,919	128,856	-87	130,688
Services	10,491	14,919	-1	25,409
Use of third-party goods and services	-	41	-	41
Personnel costs	13,452	12,484	-	25,936
Amortisation, depreciation and impairment of assets	3,263	1,502	-1	4,764
Changes in inventories	-15	-25,825	-	-25,840
Provisions for risks	1,311	2,206	-	3,517
Other income and expenses	918	-491	2	429
Internal construction	-568	-666	-	-1,234
Operating profit/(loss)	**-5,047**	**8,276**	**-**	**3,229**

b) equity data (Euro/000)

31.12.2018 *(amounts in Euro thousand)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Non-current assets	165,701	16,195	-	181,896
Current assets	20,810	42,656	-	63,466
Shareholders' equity	75,663	6,577	-	82,240
Non-current liabilities	56,458	1,140	-	57,598
Current liabilities	54,390	51,134	-	105,524

31.12.2017 *(amounts in Euro thousand)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Non-current assets	170,365	15,477	-	185,842
Current assets	20,448	63,751	-	84,199
Shareholders' equity	84,468	2,921	-	87,389
Non-current liabilities	54,282	1,203	-	55,485
Current liabilities	52,062	75,104	-	127,166

c) Other information

31.12.2018 *(amounts in Euro thousand)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Investments	5,396	1,642	-	7,038
Workforce as at 31.12	162	315	-	477

31.12.2017 *(amounts in Euro thousand)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Investments	2,260	1,543	-	3,803
Workforce as at 31.12	156	306	-	462

3.2 Geographic areas

Carraro S.p.A.'s industrial business, with reference to the Divisione Agritalia, is located in Italy.
Sales, with reference to the Vehicles business area are mainly to European customers. Investments are made in Italy.

The most significant information by geographic segment is presented in the tables below.

a) Sales

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

(amounts in Euro thousand)	***31.12.2018***	***31.12.2017***
Switzerland	26,463	32,022
S.p.A.in	14,678	13,489
France	6,859	5,610
Germany	7,246	1,884
India	5,886	4,377
China	1,366	1,449
South America	2,240	1,854
Australia	1,824	2,894
North America	22,526	30,644
United Kingdom	1,726	1,006
Other EU areas	2,202	2,980
Other non-EU areas	2,553	11,111
Total Abroad	**95,569**	**109,320**
Italy	64,284	57,619
Total	**159,853**	**166,939**
of which: Total EU area	**96,995**	**82,587**
Total non-EU area	**62,858**	**84,352**

4. Non-recurring operations

As at 31 December 2018, there were no non-recurring transactions.

5. Detailed explanatory notes

Revenues from sales (note 1)

(amounts in Euro)	**31.12.2018**	**31.12.2017**
SALES OF PRODUCTS	124,222,054	132,367,744
SALES RETURNS	-	-
1) PRODUCTS	124,222,054	132,367,744
WORK ON CONTRACT	-	-
OTHER SERVICES	7,610,473	7,586,664
REVENUES FROM ADVANCES ON ORDERS	3,190,677	5,731,394
2) SERVICES	10,801,150	13,318,058
OTHER GOODS	7,199,643	5,413,816
OTHER REVENUES	17,629,731	15,838,965
CUSTOMER DISCOUNTS	-	-
3) OTHER REVENUES	24,829,374	21,252,781
TOTAL REVENUES FROM SALES	**159,852,578**	**166,938,583**

Operating costs (note 2)

(amounts in Euro)	**31.12.2018**	**31.12.2017**
PURCHASES OF RAW MATERIALS	90,142,311	127,558,110
RETURNS OF RAW MATERIALS	-	-
A) PURCHASES	90,142,311	127,558,110
MISCELLANEOUS CONSUMABLES	302,009	271,215
CONSUMABLE TOOLS	49,187	38,442
MAINTENANCE MATERIAL	170,370	194,436
MATERIAL AND SERVICES FOR RESALE	3,086,408	3,676,080
REBATES AND DISCOUNTS – SUPPLIERS	-819,075	-1,050,178
B) OTHER PRODUCTION COSTS	2,788,899	3,129,995
1) PURCHASES OF GOODS AND MATERIALS	**92,931,210**	**130,688,105**
A) EXTERNAL SERVICES FOR PRODUCTION	7,568,434	8,324,323
B) SUNDRY SUPPLIES	726,319	677,037
C) GENERAL OVERHEADS	15,074,115	14,313,484
D) COMMERCIAL COSTS	660,489	605,641
E) SALES EXPENSES	1,999,071	1,488,840
2) SERVICES	**26,028,428**	**25,409,325**
RENTAL EXPENSES	84,074	41,180
3) USE OF THIRD-PARTY GOODS AND SERVICES	**84,074**	**41,180**
A) WAGES AND SALARIES	19,218,628	18,795,777
B) SOCIAL SECURITY CONTRIBUTIONS	5,658,075	5,248,860
D) EMPLOYEE SEVERANCE INDEMNITY AND PENSIONS	1,345,146	1,244,937
E) OTHER COSTS	777,565	646,915
4) PERSONNEL COSTS	**26,999,414**	**25,936,489**
A) AMORTISATION OF TANGIBLE FIXED ASSETS	2,042,480	2,115,889
B) AMORTISATION OF TANGIBLE FIXED ASSETS	2,781,000	2,343,786

C) IMPAIRMENT OF FIXED ASSETS	-	-
D) IMPAIRMENT OF RECEIVABLES	-	305,304
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	**4,823,480**	**4,764,979**
A) CHANGE IN STOCKS OFRAW MATERIALS, SUPPLIES, GOODS	10,166,233	-22,790,681
B) CHANGE IN STOCKS OFUNFINISHED, SEMI-FINISHED AND FINISHED PRODUCTS	458,071	-3,048,878
6) CHANGES IN INVENTORIES	**10,624,304**	**-25,839,559**
A) WARRANTY	1,910,125	3,198,410
B) COSTS OF LEGAL CLAIMS	-	210,597
C) RENOVATION AND CONVERSION	-	-
D) OTHER PROVISIONS	121,707	107,547
7) PROVISION FOR RISKS AND OTHER LIABILITIES	**2,031,832**	**3,516,554**
A) SUNDRY INCOME	-1,985,077	-1,977,520
B) GRANTS	-373,217	-198,463
C) OTHER OPERATING EXPENSES	748,689	733,338
D) OTHER NON-ORDINARY OPERATING INCOME/EXPENSES	281,000	1,869,611
8) OTHER INCOME AND EXPENSES	**-1,328,605**	**426,966**
9) INTERNAL CONSTRUCTION	**-212,335**	**-1,234,217**

Turnover as at 31.12.2018 amounted to Euro 159,853 million compared to Euro 166.939 million as at 31.12.2017 and was generated largely by Divisione Agritalia.

In 2018, Carraro Divisione Agritalia realised a total turnover of Euro 132,960 million, an increase compared to Euro 141.302 million in 2017.

In the year costs for "wages and salaries" amounted to Euro 19.219 million against Euro 18.796 million in 2017; the increase on the previous year is mainly due to the increase in the number of employees.

The item "Other income and charges" mainly includes rents receivable, of Euro 1.227 million. (1.210 million in 2017).

Gains/(losses) on financial assets (note 3)

(amounts in Euro)	**31.12.2018**	**31.12.2017**
10) INCOME FROM EQUITY INVESTMENTS	**14,282,487**	**17,775,730**
A) FROM FINANCIAL ASSETS	-	-
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	135	82
C) FROM OTHER CASH EQUIVALENTS	25,887	-
D) INCOME OTHER THAN THE ABOVE	55,498	229,402
E) FROM FAIR VALUE CHANGES OF INTEREST RATE DERIVATIVES	-	-
11) OTHER FINANCIAL INCOME	**81,520**	**229,484**
A) FROM FINANCIAL LIABILITIES	-4,128,356	-4,012,916
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	-67,268	-238,840
C) EXPENSES OTHER THAN THE ABOVE	-2,183,487	-1,339,450
D) FROM FAIR VALUE CHANGES OF INTEREST RATE DERIVATIVES	-	-
12) FINANCIAL COSTS AND EXPENSES	**-6,379,111**	**-5,591,206**
FROM FAIR VALUE CHANGES OF EXCHANGE DERIVATIVE TRANSACTIONS	-778,418	-446,173
OTHER	96,569	-131,269
NEGATIVE EXCHANGE DIFFERENCES:	***-681,849***	***-577,442***
FROM FAIR VALUE CHANGES OF EXCHANGE DERIVATIVE TRANSACTIONS	429,025	1,366,884
OTHER	172,279	-970,621
POSITIVE EXCHANGE DIFFERENCES:	***601,304***	***396,263***
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	**-80,545**	**-181,179**
14) ADJUSTMENTS OF FINANCIAL ASSETS	**-713,437**	**-**

Income from equity investments, of Euro 14.28 million, mainly refers to the distribution of Euro 12.36 million in dividends received by the subsidiary Carraro Drive Tech, Euro 1.0 million from the subsidiary Carraro International and the gain of Euro 0.92 million from the Santerno-Enertronica operation, as described in more detail in Note 9, compared to Euro 17.77 million in the previous year.
Net financial expenses amounted to Euro 6.30 million (3.94% of turnover), an increase compared to Euro 5.36 million (3.21% of turnover) as at 31 December 2017. This item includes financial expenses from the discounting of employee benefits relative to interest cost, for a total of Euro 0.026 million.
Net exchange gains and losses recorded a debit balance of Euro 0.08 million, compared to a debit figure of Euro 0.18 million for the previous year.
For further details and analysis, see section 9.1 "General summary of the effects on the Income Statement deriving from financial instruments".

Current and deferred income taxes (note 4)

(amounts in Euro)	**31.12.2018**	**31.12.2017**
TAX CONSOLIDATION EXPENSE AND INCOME	-471,225	140,925
CURRENT TAXES	174,847	375,562
DEFERRED TAXES	-3,717	-427,269
TAXES FROM PREVIOUS YEARS	-2,660,449	-363,991
PROVISIONS FOR RISKS	-	-
15) CURRENT AND DEFERRED INCOME TAXES	**-2,960,544**	**-274,773**

Current taxes
Current IRAP is calculated on a regional basis (rate of 3.9%) on the estimated taxable income for the year. Current IRES for the year is calculated at the rate of 24% on the estimated taxable income for the year.
In 2018 Carraro S.p.A., as the consolidating entity, opted for national tax consolidation together with its subsidiaries Carraro Drive Tech S.p.A., Driveservice S.r.l., Siap S.p.A. and Carraro International S.A. The option is valid for the three years 2018-2020. The charges/income deriving from the transfer of the IRES taxable base are booked under current taxes.

Deferred taxes
These are set aside on the timing differences between the carrying amount of the assets/liabilities and the corresponding tax value.
The rates used are 24% for IRES and 3.9% for IRAP.
The company had tax losses to be carried forward of Euro 22.6 million. On the basis of the taxable income forecasts for the next five years in the scope of Tax Consolidation, deferred tax assets of Euro 0.6 million were recognised, calculated on tax losses of Euro 2.4 million.
It was not considered prudent, moreover, to recognise deferred tax assets with reference to temporarily non-deductible financial expenses under the terms of the Thin Cap Rule (Euro 21.2 million), as the period of recovery is at the moment unforeseeable; the amount of unrecognised deferred tax assets was 5.1 million.

The provisions for taxation for the year can be reconciled with the result recorded in the financial statements as follows:

IRES

(amounts in Euro/000)	**31.12.2018**	**%**	**31.12.2017**	**%**
Earnings before tax	**5,062**		**15,462**	
Theoretical tax rate 24%	**1,215**	**24.00%**	**3,711**	**24.00%**
Effect of non-deductible costs	1,637	32.34%	965	6.24%
Untaxable income	-3,289	-64.97%	-4,053	-26.21%
Use of previous tax losses	-	-	-564	-3.65%
Other unrecognised deferred taxes				
Taxes from previous years	-2,651	-52.37%	-409	-2.65%
Adjustment of deferred taxes of previous year	-36	-0.71%	-205	-1.33%
Withholding taxes				
Provisions for tax risks				
Taxation at effective rate	**-3,124**	**-61.72%**	**-555**	**-3.60%**

IRAP [regional business tax]

(amounts in Euro/000)	**31.12.2018**	**%**	**31.12.2017**	**%**
Earnings before tax	**5,062**		**15,462**	
Theoretical tax rate 3.90%	**197**	**3.90%**	**603**	**3.90%**
Effect of non-deductible costs	58	1.15%	65	0.42%
Untaxable income			-693	-4.48%
Other unrecognised deferred taxes				
Income/expenses not relevant for IRAP	-83	-1.64%	365	2.36%
Taxes from previous years	-10	-0.20%	45	0.29%
Adjustment of deferred taxes of previous year			-105	-0.68
Provisions for tax risks				
Taxation at effective rate	**162**	**3.21%**	**280**	**1.81%**

Research and development costs
In 2018, the financial commitment made by the group for R&D activities amounted to approximately 13.85% of turnover;these costs did not give rise to capitalisations in accordance with the criteria of IAS 38.

Earning (loss) per share (note 5)
Basic earnings (losses) per share are calculated by dividing the net earnings (net losses) for the year attributable to the company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year.

Results	**31.12.2018**	**31.12.2017**
Earnings (Losses) for the purposes of calculating basic earnings per share	8.022.234	15.736.363
Diluting effect deriving from potential ordinary shares:	-	-
Earnings (Losses) for the purposes of calculating diluted earnings per share	8.022.234	15.736.363

Number of shares	**31.12.2018**	**31.12.2017**
Weighted average number of ordinary shares for calculating		
basic earnings (losses) per share:	77.089.442	62.674.773
diluted earnings (losses) per share:	77.089.442	62.674.773
Basic earnings (losses) per share (Euro):	0.104	0.251
Diluted earnings (losses) per share (Euro):	0.104	0.251

Dividends

The Shareholders' Meeting of 14 May 2018 approved the distribution of dividends for an amount of Euro 13,105,205.14. These dividends were paid in full in 2018.

Property, plant and equipment (note 6)

Items *(amounts in Euro)*	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress and deposits	Total
Historical cost	45.630.430	15.778.075	16.969.624	6.474.108	232,361	85.084.598
Provisions for amortisation and depreciations	-14.188.486	-11.731.980	-12.588.232	-5.840.020	-	-44.348.718
Net as at 31.12.2016	**31.441.944**	**4.046.095**	**4.381.392**	**634,088**	**232,361**	**40.735.880**
Movements in 2017:						
Increases	14,330	313,211	233,205	204,734	1.167.409	1.932.889
Decreases	-11,224	-	-	-1,362	-	-12,586
Capitalisation	216,627	60,055	124,264	-	-400,946	-
Depreciation and amortisation	-862,428	-431,947	-624,611	-196,903	-	-2.115.889
Reclassification	-	-	69,750	-	-69,750	-
Depreciations	-	-	-	-	-	-
Net as at 31.12.2017	**30.799.249**	**3.987.414**	**4.184.000**	**640,557**	**929,074**	**40.540.294**
Made up of:						
Historical cost	45.838.750	16.151.341	17.379.924	4.044.581	929,074	84.343.670
Provisions for amortisation and depreciations	-15.039.501	-12.163.927	-13.195.924	-3.404.024	-	-43.803.376

Items *(amounts in Euro)*	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress and deposits	Total
Historical cost	45.838.750	16.151.341	17.379.924	4.044.581	929,074	84.343.670
Provisions for amortisation and depreciations	-15.039.501	-12.163.927	-13.195.924	-3.404.024	-	-43.803.376
Net as at 31.12.2017	**30.799.249**	**3.987.414**	**4.184.000**	**640,557**	**929,074**	**40.540.294**
Movements in 2018:						
Increases	91,650	233,603	896,728	534,833	4.407.998	6.164.812
Decreases	-29,158	-3,326	-3,667	-1,112	-	-37,263
Capitalisation	885,891	351,604	158,817	12,723	-1.409.035	-
Depreciation and amortisation	-873,825	-450,876	-508,763	-209,016	-	-2.042.480
Reclassification	-	20,480	41,872	-	-62,352	-
Depreciations	-	-	-	-	-	-
Net as at 31.12.2018	**30.873.807**	**4.138.899**	**4.768.987**	**977,985**	**3.865.685**	**44.625.363**
Made up of:						
Historical cost	46.692.076	16.639.655	18.470.257	4.472.641	3.865.685	90.140.314
Provisions for amortisation and depreciations	-15.818.269	-12.500.756	-13.701.270	-3.494.656	-	-45.514.951

The main increases related to plant and machinery of Euro 0.234 million, equipment of Euro 0.897 million and internal capitalised costs of Euro 4.408 million, pertaining to work in progress to expand the factory and office space.

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

Intangible fixed assets (note 7)

Items *(amounts in Euro)*	**Development costs**	**Licences and Trademarks**	**Royalties and patents**	**Invest. in prog. and deposits**	**Total**
Historical cost	7,520,997	16,142,948	1,088,528	9,247,433	33,999,906
Provisions for amortisation and depreciations	-3,269,440	-11,752,926	-984,423	-	-16,006,789
Net as at 31.12.2016	**4,251,557**	**4,390,022**	**104,105**	**9,247,433**	**17,993,117**
Movements in 2017:					
Increases	-	428,216	74,251	1.367.965	1.870.432
Decreases	-1,903,686	-	-	-318,968	-2,222,654
Capitalisation of internal costs	4.509.963	-	-	-4.509.963	-
Depreciation and amortisation	-1.271.302	-1.029.357	-43,127	-	-2.343.786
Reclassification	-	11,000	-	-11,000	-
Net as at 31.12.2017	**5,586,532**	**3,799,881**	**135,229**	**5,775,467**	**15,297,109**
Made up of:					
Historical cost	10,127,275	16,582,164	1,162,779	5,775,467	33,647,685
Provisions for amortisation and depreciations	-4,540,743	-12,782,283	-1,027,550	-	-18,350,576

Items *(amounts in Euro)*	**Development costs**	**Licences and Trademarks**	**Royalties and patents**	**Invest. in prog. and deposits**	**Total**
Historical cost	10,127,275	16,582,164	1,162,779	5,775,467	33,647,685
Provisions for amortisation and depreciations	-4,540,743	-12,782,283	-1,027,550	-	-18,350,576
Net as at 31.12.2017	**5,586,532**	**3,799,881**	**135,229**	**5,775,467**	**15,297,109**
Movements in 2018:					
Increases	-	485,161	56,903	331,519	873,583
Decreases	-7,733	-	-	-	-7,733
Capitalisation of internal costs	-	64,140	-	-64,140	-
Depreciation and amortisation	-1,732,431	-1,002,864	-45,705	-	-2,781,000
Reclassification	-	-	-	-	-
Net as at 31.12.2018	**3,846,368**	**3,346,318**	**146,427**	**6,042,846**	**13,381,959**
Made up of:					
Historical cost	10,119,275	17,131,465	1,219,682	6,042,846	34,513,268
Provisions for amortisation and	-6,272,907	-13,785,147	-1,073,255	-	-21,131,309

The historic cost refers to the original costs of the individual items capitalised which, at the start of the year, were not completely amortised. It is estimated that the useful life of the intangible fixed assets is 3, 5 and 10 years.

The increases in current assets mainly relates to the capitalisation of R&D project activities.

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

Real estate investments (note 8)

(amounts in Euro)	Buildings	Total
Balance as at 31.12.2017	**539,703**	**539,703**
Changes	-	-
Balance as at 31.12.2018	**539,703**	**539,703**

Real estate investments relate to non-industrial buildings. The fair value of these investments does not differ significantly from the cost of initial recognition.

Equity investments in subsidiaries, associates and parent companies (note 9)

Movements in equity investments during financial year 2018:

Name *(amounts in Euro)*	31.12.2017	Increases	Decreases	Depreciations	31.12.2018
Carraro Drive Tech S.p.A.	68,874,221	-	-	-	68,874,221
Carraro Germania S.r.l.	1,893,090	-	-	-	1,893,090
Carraro Technologies Ltd.	3,035	-	-	-	3,035
Carraro International S.A.	36,579,100	-	-	-	36,579,100
Enertronica S.p.A.	-	1,253,295	-323,074		930,221
Elettronica Santerno S.p.A.	1,119,676	-	-406,239	-713,437	-
Elettronica Santerno Ind. e com. Ltd	3,110	-	-3,110	-	-
TOTAL EQUITY INVESTMENTS	**108,472,232**	**1,253,295**	**-732,423**	**-713,437**	**108,279,667**

Equity investments are valued at historic cost apart from the holding in Enertronica S.p.A. which is valued with the net equity method.

On 22 November 2018 the Carraro Group signed an investment agreement with its partner Enertronica aimed at enhancing the value of its subsidiary Elettronica Santerno S.p.A.On 18 December 2018, Carraro S.p.A. and Carraro International SE completed the subscription of the capital increase in kind in Enertronica S.p.A., paid up through the contribution of the related equity interests held in Elettronica Santerno.
Following the transfer of shares held in Elettronica Santerno S.p.A. to Enertronica S.p.A., a gain of Euro 923,000 emerged in 2018.

On the reporting date, the financial statements of Enertronica S.p.A. as at 31 December 2018 were not available.
Therefore, no adjustment was made to the value of the equity investment to the value of the pro-quota shareholders' equity with respect to the book value recorded in the financial statements.

Equity investments in associated companies:

Name	Registered office	Holding company	Share capital		Number of shares Stakes held	Profit (loss) 31.12.2018	Net Equity as at 31.12.2018	Direct portion	Carrying amount of the investment
			Currency	Amount	Total	(ctv. euros)	(ctv. euros)		31.12.2018
Enertronica S.p.A.	Milan, Italy	Carraro S.p.A.	EUR	784,988	1,059,000	n.a.	n.a	13.49%	930,221

Financial assets (note 10)

(amounts in Euro)	31.12.2018	31.12.2017
LOANS TO SUBSIDIARIES	804,345	7,270,036
LOANS TO THIRD PARTIES	*366,343*	
LOANS AND RECEIVABLES	***1,170,688***	***7,270,036***
AVAILABLE FOR SALE	86,091	86,091
OTHER NON-CURRENT FINANCIAL ASSETS	*201,669*	*4,229*
OTHER FINANCIAL ASSETS	***287,760***	***90,320***
NON-CURRENT FINANCIAL ASSETS	**1,458,448**	**7,360,356**
FROM SUBSIDIARIES	16,094	3,857
FROM THIRD PARTIES	183,171	-
LOANS AND RECEIVABLES	***199,265***	***3,857***
CASH-FLOW HEDGING DERIVATIVES (exchange rate derivatives)	3,292	51,284
OTHER CURRENT FINANCIAL ASSETS	695,657	51,638
OTHER FINANCIAL ASSETS	***698,949***	***102,922***
CURRENT FINANCIAL ASSETS	**898,214**	**106,779**

Non-current loans and receivables:
- to subsidiaries include receivables past due by more than one year from the company Carraro do Brasil for Euro 0.39 million.and from Carraro North America of Euro 0.42 million.The value of these receivables approximates their fair value;
- from third parties, Euro 0.37 million being the long-term share of the loan to NTS (totalling Euro 0.55 million).

Other non-current financial assets:
– available for sale (Euro 0.09 million): these are assets relating to non-controlling equity investments, and therefore have no set redemption date; details are provided below:

Name *(amounts in Euro)*	**Based in**	**Currency**	**Value of the equity investment**
ASSOCIAZIONE NORD EST	PADUA	EURO	1,033
GRUPPO SPORTIVO PETRARCA RUGBY	PADUA	EURO	10,329
SAPI IMMOBILIARE	PADUA	EURO	25,823
CO.NA.I. Consorzio Nazionale Imballaggi	ROME	EURO	784
Consorzio Padova Ricerche	PADUA	EURO	44,774
Isontina Energia – Consorzio per l'acquisto di risorse energetiche	GORIZIA	EURO	516
Pordenone Energia	PORDENONE	EURO	250
FONDAZIONE TEATRO LA FENICE	VENICE	EURO	2,582
TOTAL			**86,091**

Deferred tax assets and liabilities (note 11)
The table below illustrates the composition of deferred taxation by the nature of the temporary differences that determine it. The change corresponds to the effect of deferred taxes on net equity and income.

Description of differences	Deferred taxes	Reclassification	Effect	Effect	Deferred taxes
(amounts in Euro)	31.12.2017		on net equity	on IS	31.12.2018
Depreciation and amortisation	9,565,708			55,331	9.621.039
Measurement of receivables	19,912				19,912
Discounting of employee severance indemnity	65,800		-7,938		57,862
Provisions for risks	2,526,184			175,235	2.701.419
Previous tax losses	592,993				592,993
Others	404,042			-160,506	243,536
Personnel bonuses	382,878			-66,343	316,535
TOTAL	**13,557,517**		**-7,938**	**3,717**	**13,553,295**

The item “Amortisation and depreciation” includes deferred tax assets related to the capital gain resulting from a transaction carried out in 2014. Since this is a transaction between companies subject to common control, in accordance with the Assirevi document “OPI1” this capital gain has not been recognised for accounting purposes, having consequently given rise to the corresponding recognition of deferred tax assets, the value of which as at 31 December 2018 amounted to Euro 7.7 million.

Trade receivables and other receivables (Note 12)

(amounts in Euro)	31.12.2018	31.12.2017
NON-CURRENT TRADE RECEIVABLES	-	-
FROM THIRD PARTIES	57,316	74,531
OTHER NON-CURRENT RECEIVABLES	***57,316***	***74,531***
NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**57,316**	**74,531**
FROM RELATED PARTIES	15,053,807	16,342,541
FROM THIRD PARTIES	7,921,078	17,647,029
CURRENT TRADE RECEIVABLES	**22,974,885**	**33,989,570**
FROM RELATED PARTIES	5,045,379	5,012,549
FROM THIRD PARTIES	5,776,934	6,771,609
OTHER CURRENT RECEIVABLES	**10,822,313**	**11,784,158**
CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**33,797,198**	**45,773,728**

Other receivables due from third parties can be broken down as follows:

(amounts in Euro)	31.12.2018	31.12.2017
VAT credits	421,995	4,920,746
Other tax credits	255,982	204,972
Receivables for current taxes	4,156,638	965,343
Receivables from employees	10,150	3,527
Receivables from pensions agencies	74,259	86,082
Provisions for Depreciation of other Receivables	-234,764	-234,764
Other receivables	1,092,674	825,703
OTHER CURRENT RECEIVABLES FROM THIRD PARTIES	**5,776,934**	**6,771,609**

Other non-current receivables (Euro 0.06 million) mainly refer to guarantee deposits.
Trade receivables bear no interest and mature on average at 60 days.
Current tax receivables also include the receivable for withheld taxes paid abroad (India and China).

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

(amounts in Euro)	**31.12.2018**	**31.12.2017**
Trade receivables from related parties	15,053,807	16,342,541
NET CURRENT TRADE RECEIVABLES FROM RELATED PARTIES	**15,053,807**	**16,342,541**
Trade receivables from third parties	8,243,735	17,974,129
Provisions for Depreciations of Receivables	-322,657	-327,100
NET CURRENT TRADE RECEIVABLES FROM THIRD PARTIES	**7,921,078**	**17,647,029**
Other receivables from related parties	5,045,379	5,012,549
NET CURRENT OTHER RECEIVABLES FROM RELATED PARTIES	***5,045,379***	***5,012,549***
Other receivables from third parties	6,011,698	7,006,373
Provisions for Depreciations of Receivables	-234,764	-234,764
NET CURRENT OTHER RECEIVABLES FROM THIRD PARTIES	***5,776,934***	***6,771,609***

The breakdown of current and non-current trade and other receivables by maturity is shown in the following table:

	31.12.2018					***31.12.2017***				
(amounts in Euro)	PAST DUE		NOT YET DUE			PAST DUE		NOT YET DUE		
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	***TOTAL***	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	***TOTAL***
Trade receivables	-	721,390	22,325,801	250,351	**23,297,542**	2,313,894	1,334,470	30,167,603	500,703	**34,316,670**
Other receivables	-	-	11,057,078	57,316	**11,114,394**	-	-	12,018,922	74,531	**12,093,453**
TOTAL	**-**	**721,390**	**33,382,879**	**307,667**	**34,411,936**	**2,313,894**	**1,334,470**	**42,186,525**	**575,234**	**46,410,123**

Provisions for Depreciations of Receivables

Movements in the Provision for Depreciations of Receivables:

(amounts in Euro)	**31.12.2017**	**decreases**	**31.12.2018**
Provision for Trade receivables	327,100	-4,443	322,657
Provisions for impairment of other receivables	234,764	-	234,764
TOTAL	**561,864**	**-4,443**	**557,421**

Provisions for Trade receivables and other receivables are entered as hedging the risk on past due positions according to the estimated loss currently considered probable.

Closing inventory (note 13)

Items *(amounts in Euro)*	**31.12.2018**	**31.12.2017**
Raw materials	20,604,435	30,609,278
Work in progress and semi-finished products	4,555,369	5,977,309
Finished products	2,803,611	1,831,938
Goods in transit	-	-
Total inventories	***27,963,415***	***38,418,525***
Provision for impairment of inventories	-2,025,033	-1,855,839
TOTAL	**25,938,382**	**36,562,686**

Inventories recorded a net balance of Euro 25.94 million compared with Euro 36.56 million as at 31 December 2017. Provisions for impairment of inventories, recognised to align the value of obsolete or slow-moving stocks with the estimated realisable value, amount to Euro 2.03 million, referred to raw, subsidiary and consumable materials for Euro 1.87 million and to semi-finished products for Euro 0.16 million.

Movements in provisions for impairment of inventories:

(amounts in Euro)	
Balance as at 31 December 2017	**1,855,839**
Provisions set aside	169,194
Utilisation	-
Balance as at 31 December 2018	**2,025,033**

Cash and cash equivalents (Note 14)

Items *(amounts in Euro)*	**31.12.2018**	**31.12.2017**
CASH	21,058	15,269
BANK CURRENT ACCOUNTS AND DEPOSITS	2,811,371	1,740,585
TOTAL	**2,832,429**	**1,755,854**

Shareholders' equity (note 15)

Items *(amounts in Euro)*	31.12.2018	31.12.2017
1) Share Capital	41,452,544	41,452,544
2) Other Reserves	30,720,298	30,025,289
3) Profits/(Losses) brought forward	1,844,340	-
4) Cash-flow hedge reserve	-	-
5) Provision for discounting employee benefits	200,361	175,222
6) Profit/(Loss) for the period	8,022,234	15,736,363
SHAREHOLDERS' EQUITY:	**82,239,777**	**87,389,418**

The Shareholders' Meeting of Carraro S.p.A. held on 14 May 2018 resolved to allocate the profit for 2017, equal to Euro 15,736,363.11, as shown below:
- Euro 786,818.16 to the Legal Reserve;
- Euro 13,105,205.14 to dividends;
- Euro 1,844,339.81 to retained earnings.

The Share Capital is set at Euro 41,452,543.60, fully paid up, divided into 76,442,194 ordinary shares with nominal value of Euro 0.52 each and 3,274,236 class B shares with a nominal value of Euro 0.52 each.

Both categories of shares issued by the company (ordinary shares and B shares) do not give a fixed dividend.
No other financial instruments which assign equity and investment rights have been issued.
No new treasury shares were purchased in 2018. The overall investment therefore amounts to Euro 6.666 million.

The shareholders' equity of Carraro S.p.A at 31 December 2018 amounts to Euro 82.240 million compared to Euro 87.389 million in 2017.

The following table shows the total of the shareholders' equity items broken down by origin, utilisation possibility and distribution.

Nature/description	31.12.2017	Movements in 2018	31.12.2018	Possibility of use	Notes	Portion available
Share capital:	41,452,544		41,452,544	---		
Capital reserves:						
Share premium reserve	7,926,332		7,926,332	A, B, C	(1)	7,926,332
Costs on account of future capital increase	-	-91,809	-91,809	A, B	(2)	-91,809
Adjustment of value of property, plant and equipment (FTA)	22,200,392	-	22,200,392	A, B	(3)	22,200,392
Profit reserves:						
Legal reserve	4,761,049	786,818	5,547,867	B		-
Extraordinary reserve	1,803,976	-	1,803,976	A, B, C		1,803,976
Retained earnings (accumulated losses)	-	1,844,340	1,844,340	A, B, C		1.844.340
Treasury share reserve	-6,666,460	-	-6,666,460	---	(4)	-6,666,460
Other Shareholders' Equity Reserves:						
Provision for discounting employee benefits	175,222	25,139	200,361	B	(5)	200,361
Profit/(Loss) for the period:	15,736,363	-7,714,129	8,022,234	---		8,022,234
Total (A)	**87,389,418**	**-5,149,641**	**82,239,777**			**35,239,366**
Non-distributable reserves (B)						-14,010,421
Legal reserve of profit for the year (C)						-401,112
Capitalised development costs (D)					(6)	-9,558,395
Distributable portion (E = A + B + C + D)						**11,269,438**

Key:
A: for capital increases
B: to cover losses
C: for distribution to shareholders

(1) limitations, art. 2431 C.C.
(2) IAS 32, para. 37
(3) governed by Legislative Decree 38 of 28 February 2005,art. 7 para. 6
(4) separate indication in accordance with IAS 1
(5) governed by Legislative Decree 38 of 28 February 2005,art. 7 para. 7
(6) limitations, art.2426 C.C no. 5

Financial liabilities (note 16)

On 31 December 2018, the financial covenants provided for in the contract for that date on the consolidated figures had been met, while there are no covenants on the figures for the separate financial statements of Carraro S.p.A.

The classification of financial liabilities is shown below:

Items *(amounts in Euro)*	**31.12.2018**	**31.12.2017**
MEDIUM/LONG-TERM LOANS	*47,583*	*11,020,578*
MEDIUM/LONG TERM LOANS TO RELATED PARTIES	*54,000,000*	*40,770,000*
NON-CURRENT FINANCIAL LIABILITIES	**54,047,583**	**51,790,578**
MEDIUM/LONG-TERM LOANS (SHORT-TERM PORTION)	196,479	2,794,026
LOANS TO OTHERS	-	5,000,000
LOANS TO RELATED PARTIES	29,286,069	22,376,857
FINANCIAL LIABILITIES	**29,482,548**	**30,170,883**
FAIR VALUE OF EXCHANGE RATE DERIVATIVES	-	-
OTHER CURRENT FINANCIAL LIABILITIES	*1*	*24,960*
OTHER FINANCIAL LIABILITIES	**1**	**24,960**
CURRENT FINANCIAL LIABILITIES	**29,482,549**	**30,195,843**

Medium- and long-term loans are presented below, divided into short-term portion, medium-term portion and portion at more than 5 years.

(amounts in Euro)

up to one year		**from 1 to 5 years**		**more than 5 years**		
nominal value	*effect of amortised cost*	*nominal value*	*effect of amortised cost*	*nominal value*	*effect of amortised cost*	**Total 31.12.2018**
196,479	-	47,583	-	-	-	**244,062**

The following table provides further detailed information on the financial liabilities illustrated above. For an analysis of the maturities of trade payables see note 17, while a description of how the company manages liquidity risk can be found in paragraph 2.2.

LENDER *(amounts in Euro)*	**Short-term portion as at 31.12.2018**	**Medium/long-term portion as at 31.12.2018**	**EXPIRY**	**RATE**	**RATE TYPE**	**CURRENCY**
Selmabipiemme	7,750	17,735	Mar-22	1.90%	variable	EURO
IBM Italia Servizi Finanziari	65,880	-	Nov-19	0.00%	--	EURO
IBM Italia Servizi Finanz	122,849	29,848	Jan-20	0.00%	--	EURO
	196,479	**47,583**				

Non-current loans refer to amounts payable to leasing companies, of Euro 0.05 million.

Non-current loans to related parties (Euro 54.00 million) refer to the Euro 54.00 million for funding received from Carraro International for a credit facility totalling Euro 54.00 million, with a final rate of 4.691%; a non-utilisation fee and an origination fee are envisaged;

Current loans (Euro 29.48 million) are made up of the following:
- Euro 17.72 million for funding received from Carraro International for a credit facility totalling Euro 45 million, with a final rate of 4.191%; a non-utilisation fee and an origination fee are envisaged;
- Euro 9.60 million of the loan received from Carraro Deutschland (on 31.12.2018 Carraro Germania S.r.l.) for the buyback of the shareholding in Carraro Drive Tech at a final rate of 4.191%;
- Euro 1.15 million of financial debts to Carraro International relating to invoices for interest on the loan;
- Euro 0.81 million of financial debts to Carraro Deutschland (Carraro Germania S.r.l. on 31.12.2018) relating to invoices for interest on the loan;
- Euro 0.20 million payable to leasing companies.

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

Financial liabilities *(amounts in Euro)*	**31.12.2017**	**Cash Flow**	**Reclassification**	**Other changes**	**31.12.2018**
Gross non-current loans payable	52.073.555	1.951.931	22,750	-651	54.047.585
Gross current loans payable	30.296.650	-2.759.359	-22,750	1.968.006	29.482.547
Total loans payable	**82.370.205**	**-807,428**	**-**	**1.967.355**	**83.530.132**
Amortised cost	-408,744	-	-	408,744	-
Other non-current financial liabilities	-	-	-	-	-
Other current financial liabilities	24,960	-24,960	-	-	-
Financial liabilities:	**81,986,421**	**-832,388**	**-**	**2,376,099**	**83,530,132**

The net financial position is broken down below:

Net financial position *(amounts in Euro)*	**31.12.2018**	**31.12.2017**
Non-current loans payable	54.047.583	51.790.578
Current loans payable	29.482.548	30.170.883
Other current financial liabilities	1	24,960
Financial liabilities:	**83,530,132**	**81,986,421**
Current loans and receivables	-199,265	-3,857
Other current financial assets	-695,657	-51,638
Financial assets:	**-894,922**	**-55,495**
Cash	-21,058	-15,269
Bank current accounts and deposits	-2,811,371	-1,740,585
Cash and cash equivalents:	**-2,832,429**	**-1,755,854**
Net financial position *	**79,802,781**	**80,175,072**
Non-current loans and receivables	-1,170,688	-7,270,036
Other non-current financial assets	-201,669	-4,299
Net financial position of operations	**78,430,424**	**72,900,807**
of which payables/(receivables):		
- non-current	52,675,226	44,516,313
- current	25,755,198	28,384,494

*: Net financial debt drawn up in accordance with the framework provided for by Recommendation ESMA/2013/319

Short-term loans include current accounts payable and loans taken out during 2018, with a short-term maturity.

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

Trade payables and other payables (note 17)

Items *(amounts in Euro)*	**31.12.2018**	**31.12.2017**
NON-CURRENT TRADE PAYABLES	-	-
OTHER NON-CURRENT PAYABLES	-	-
TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES	-	-
FROM RELATED PARTIES	6,428,051	9,832,897
FROM THIRD PARTIES	39,874,672	57,746,186
CURRENT TRADE PAYABLES	***46,302,723***	***67,579,083***
FROM RELATED PARTIES	2,055,334	200,477
FROM THIRD PARTIES	15,871,006	17,123,663
OTHER CURRENT PAYABLES	***17,926,340***	***17,324,140***
TRADE PAYABLES AND OTHER CURRENT PAYABLES	**64,229,063**	**84,903,223**

Trade payables are settled on average at 120 days.

Trade payables and other payables

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

(amounts in Euro)	***31.12.2018***					***31.12.2017***				
	PAST DUE		NOT YET DUE			PAST DUE		NOT YET DUE		
	Less than 1 year	More than 1 year	Within 1 year	More than 1 year	***TOTAL***	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	***TOTAL***
Trade payables	1,379,115	43,895	44,879,713	-	**46,302,723**	566,407	8,630	66,938,166	65,880	**67,579,083**
Other payables	-	-	17,926,340	-	**17,926,340**	-	-	17,324,140	-	**17,324,140**
TOTAL	**1,379,115**	**43,895**	**62,806,053**	-	**64,229,063**	**566,407**	**8,630**	**84,262,306**	**65,880**	**84,903,223**

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

Items *(amounts in Euro)*	**31.12.2018**	**31.12.2017**
Tax payables	95,000	-
Amounts due to pensions agencies	1,517,409	1,322,003
Amounts due to employees	2,794,004	2,953,255
IRPEF (personal income tax) employees & professionals	1,324,113	1,126,903
Board of Directors	1,101,216	1,581,503
Other payables	9,039,264	10,139,999
OTHER CURRENT PAYABLES	**15,871,006**	**17,123,663**

Current taxes payables (note 18)

(amounts in Euro)	**31.12.2018**	**31.12.2017**
Current taxes payables	3,956,052	4,390,892

Employee severance indemnities and retirement benefits (note 19)

(amounts in Euro)	**31.12.2018**	**31.12.2017**
Factory workers	1,875,829	1,797,977
Clerical staff and executives	4,101,563	4,094,996
Sub Total	**5,977,392**	**5,892,973**
Severance indemnity - Pensions Agency	-3,593,352	-3,323,949
TOTAL PROVISIONS FOR EMPLOYEE BENEFITS	**2,384,040**	**2,569,024**

(amounts in Euro)	**31.12.2018**	**31.12.2017**
Opening severance indemnities in accordance with IAS 19	**2,569,024**	**2,695,326**
Utilisation of employee severance indemnities	-243,516	-94,295
Employee severance indemnities transferred to other companies	-19,557	-109,750
Employee severance indemnities transferred from other companies	95,129	57,531
Current Service Cost	-	-
Interest Cost	22,916	36,881
Actuarial Exchange Gains/Losses	-39,956	-16,669
Closing severance indemnities in accordance with IAS 19	**2,384,040**	**2,569,024**

The severance indemnity, calculated according to current Italian laws, is treated for accounting purposes as a defined-benefit fund and as such is recalculated at the end of each accounting period according to a statistical-actuarial criterion which also takes account of the effects of financial discounting.
The actuarial valuation of this obligation is carried out according to the actuarial criterion of the "projected unit credit method" with the support of the data issued by ISTAT, the INPS and the ANIA. The parameters used are as follows: 1) annual discount rate: 1,13%, 2) personnel rotation rate 5%, 3) annual inflation index 1,5%, 4) advances rate 2%, 5) remuneration increase rate 2,625%.
The accounting treatment of employee benefits recorded in the financial statements complies with IAS 19 Revised for defined-benefit plans. For further details, see section 3.3.
Termination benefits are benefits to employees regulated by the laws in force in Italy and recognised in the financial statements of Italian companies.
On the basis of the changes introduced in Law 296/06, with effect from 30 June 2007, termination benefits maturing after 1 January 2007 must be paid into a specific treasury reserve established at the pensions agency INPS, or, if the employee so chooses, into a special complementary pension fund. There are no more provisions for termination benefits with these contributions.

Sensitivity analysis IAS 19 Revised
The table below indicates the values of the Employee benefits provision as at 31.12.2018 calculated in the case of changes in actuarial assumptions reasonably possible at that date with the following variables:

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

	turnover frequency		*inflation rate*		*discount rate*	
(amounts in Euro)	**+1 %**	**-1%**	**+ 0.25%**	**-0.25%**	**+0.25%**	**- 0.25%**
Provision for employee benefits as at 31.12.2018	2,371,335	2,398,185	2,414,611	2,354,023	2,335,949	2,433,831

Number of employees

The number of employees shown below is broken down by category:

Employees	31.12.2017	Changes	31.12.2018
Executives	15	1	16
Clerical staff	192	10	202
Factory workers	177	18	195
Temporary workers	78	-14	64
Total as at 31.12	**462**	**15**	**477**

Provision for risks and liabilities (note 20)

The item can be broken down as follows:

(amounts in Euro)	Opening situation	Increases	Decreases	Reclassification	Closing situation
Provisions - non-current portion					
1) WARRANTY	1,125,889	-	-	40,352	1,166,241
2) COSTS OF LEGAL CLAIMS	-	-	-	-	-
3) RENOVATION AND CONVERSION	-	-	-	-	-
4) OTHER PROVISIONS	-	-	-	-	-
TOTAL	**1,125,889**	**-**	**-**	**40,352**	**1,166,241**
Provisions - current portion					
1) WARRANTY	5,589,520	1,910,125	-1,279,796	-40,351	6,179,498
2) COSTS OF LEGAL CLAIMS	230,900	-	-	-	230,900
3) RENOVATION AND CONVERSION	289,794	-	-	-	289,794
4) OTHER PROVISIONS	1,565,708	989,515	-1,709,802	311,056	1,156,477
TOTAL	**7,675,922**	**2,899,640**	**-2,989,598**	**270,705**	**7,856,669**

Warranty reserve:
Of the product warranty reserve, Euro 1.28 million was used for customer claims accepted and the reserve was increased by Euro 1.91 million on the basis of the expected warranty costs which will be incurred in relation to the sales made.

Other provisions:
The item “Other current funds” of Euro 1.16 million, mainly consists of the MBO (management by objectives) provision of Euro 0.91 million and the provision for employee bonuses of Euro 0.22 million.

6. Commitments and risks

(amounts in Euro)

Items	31.12.2018	31.12.2017
- guarantees given	208,022,689	25,338,725

Guarantees granted on behalf of subsidiaries and associates are detailed below:

(amounts in Euro)

IN FAVOUR OF	*ON BEHALF OF*	Expiry	amount of guarantee at 31.12.2018	amount used at 31.12.2018
BANCA POPOLARE DI VERONA	ELETTRONICA SANTERNO S.P.A.	ON DEMAND	735,000	735,000
UNICREDIT FACTORING	CARRARO DRIVE TECH S.P.A.	ON DEMAND	30,000,000	13,968,583
INTESA (FORMERLY CASSA DI RISPARMIO DEL VENETO)	ELETTRONICA SANTERNO S.P.A.	ON DEMAND	1,920,000	1,609,407
BNP PARIBAS	CARRARO DRIVE TECH S.P.A.	18 MONTHS	1,200,000	1,200,000
SACE FCT	ELETTRONICA SANTERNO S.P.A.	ON DEMAND	4,410,000	4,410,000
INTESA (FORMERLY BANCA POPOLARE DI VICENZA)	ELETTRONICA SANTERNO S.P.A.	ON DEMAND	2,000,000	2,000,000
BANCA MPS	CARRARO DRIVE TECH S.P.A.	ON DEMAND	5,400,000	1,207,308
BANCA MPS	SIAP S.P.A.	ON DEMAND		178,694
SACE FCT	CARRARO DRIVE TECH S.P.A.	ON DEMAND	1,400,000	1,400,000
SACE FCT	CARRARO DRIVE TECH S.P.A.	ON DEMAND	5,000,000	1,313,697
BOND HOLDERS	CARRARO INTERNATIONAL SE	31.01.2025	180,000,000	180,000,000
ING BANK N.V.	CARRARO INTERNATIONAL SE	30.06.2023	20,000,000	-
BANCO BPM	CARRARO INTERNATIONAL SE	30.06.2023	80,000,000	-
TOTAL				**208,022,689**

7. FINANCIAL INSTRUMENTS

7.1 General summary of the effects on the Income Statement deriving from financial instruments.

31.12.2018	*(amounts in Euro)*	**INCOME FINANCIAL**	**EXPENSES FINANCIAL**	**DIFF. EXCHANGE POSITIVE**	**DIFF. EXCHANGE NEGATIVE**	**COSTS /FINANCIAL SUSPENDED**
A) FINANCIAL ASSETS:						
A.1) Cash and Cash Equivalents:						
	Bank accounts, positive balance	135	-	-	-	-
A.2) Non-derivative Financial Instruments:						
A.2.1) Financial instruments at fair value (FVTPL)						
A.2.2) Financial instruments held to maturity (HTM):						
A.2.3) Loans and receivables (L&R):						
A.2.3.1) Loans:						
	Loans receivable	-	-	-	-	-
A.2.3.2) Other assets:						
	Trade receivables	-	-	165,161	97,620	-
	Other financial assets	81,385	-	91	-	-
A.2.4) Financial instruments available for sale (AVS):						
A.3) Derivative Financial Instruments:						
A.3.1) Hedging derivatives:						
A.3.1.1) Cash-Flow Hedging Derivatives on currencies:						
	Fair value through profit or loss	-	-	-47,992	-	-
	profit realised	-	-	477,017	-	-
A.3.1.2) Cash-Flow Hedging Derivatives on interest rates:						
	Fair value in shareholders' equity	-	-	-	-	-
B) FINANCIAL LIABILITIES						
B.1) Non-derivative Financial Instruments:						
B.1.1) Financial Instruments at fair value:						
B.1.2) Other Financial Instruments:						
	Bank accounts, negative balance	-	-67,268	-	-	-
	Trade payables	-	-	7,027	-859	-
	Loans payable	-	-4,128,356	-	-	-
	Other financial liabilities	-	-2,183,487	-	-192	-
B.2) Derivative Financial Instruments:						
B.2.1) Hedging derivatives:						
B.1.2.1) Cash-Flow Hedging Derivatives on currencies:						
	Fair value through profit or loss	-	-	-	-	-
	Fair value in shareholders' equity					-
	loss realised	-	-	-	-778,418	-
B.1.2.2) Cash-Flow Hedging Derivatives on interest rates:	loss realised	-	-	-	-	-
TOTAL		**81,520**	**-6,379,111**	**601,304**	**-681,849**	**-**

31.12.2017	*(amounts in Euro)*	**INCOME FINANCIAL**	**EXPENSES FINANCIAL**	**DIFF. EXCHANGE POSITIVE**	**DIFF. EXCHANGE NEGATIVE**	**COSTS /FINANCIAL SUSPENDED**
A) FINANCIAL ASSETS:						
A.1) Cash and Cash Equivalents:						
Bank accounts, positive balance	Bank accounts, positive balance	82	-	-	-	-
A.2) Non-derivative Financial Instruments:						
A.2.1) Financial instruments at fair value (FVTPL)						
A.2.2) Financial instruments held to maturity (HTM):						
A.2.3) Loans and receivables (L&R):						
A.2.3.1) Loans:						
	Loans receivable	-	-	-	-	-
A.2.3.2) Other assets:						
	Trade receivables	-	-	-979,286	-130,058	-
	Other financial assets	229,402	-	-	-	-
A.2.4) Financial instruments available for sale (AVS):						
A.3) Derivative Financial Instruments:						
A.3.1) Hedging derivatives:						
A.3.1.1) Cash-Flow Hedging Derivatives on currencies:						
	Fair value through profit or loss	-	-	-14,541	-	-
	profit realised	-	-	1.381.425	-	-
A.3.1.2) Cash-Flow Hedging Derivatives on interest rates:						
	Fair value in shareholders' equity	-	-	-	-	-
B) FINANCIAL LIABILITIES						
B.1) Non-derivative Financial Instruments:						
B.1.1) Financial Instruments at fair value:						
B.1.2) Other Financial Instruments:						
	Bank accounts, negative balance	-	-238,840	-	-	-
	Trade payables	-	-	8,665	-727	-
	Loans payable	-	-4,012,916	-	-	-
	Other financial liabilities	-	-1,339,450	-	-484	-
B.2) Derivative Financial Instruments:						
B.2.1) Hedging derivatives:						
B.1.2.1) Cash-Flow Hedging Derivatives on currencies:						
	Fair value through profit or loss	-	-	-	-	-
	Fair value in shareholders' equity					-
	loss realised	-	-	-	-446,173	-
B.1.2.2) Cash-Flow Hedging Derivatives on interest rates:	loss realised	-	-	-	-	-
TOTAL		**229,484**	**-5,591,206**	**396,263**	**-577,442**	**-**

The source for foreign currency exchange rates is provided by the ECB for all exchange rates with the euro.

7.2 Derivative financial instruments on currencies

The following tables indicate all the key information relating to the portfolio of derivative financial instruments on currencies outstanding as at 31.12.2018. These are instruments hedging foreign currency in circulation.

a) notional values

CONTRACT	Notional value as at 31.12.2018	Notional value as at 31.12.2017
Swaps (DCS) (1)	-	-
Swaps (DCS) (2)	850,877	8.190.236
Total notional values	**850,877**	**8,190,236**

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

b) reference currencies and expiry dates of contracts

CONTRACT	
Swaps (DCS) (1)	
Currencies	-
Expiry dates	-
Swaps (DCS) (2)	
Currencies	USD/EUR
Expiry dates	Jan-19

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

c) Fair value

(amounts in Euro thousand)	31.12.2018	31.12.2017
Swaps (DCS) (1)	-	-
Swaps (DCS) (2)	3,292	51,284
Total	**3,292**	**51,284**

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

d) Details of *fair values*

	31.12.2018		31.12.2017	
	Fair Value positive	Fair Value negative	Fair Value positive	Fair Value negative
Eexchange-rate risk – Domestic Currency Swaps	3,292	-	51,284	-

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

	31.12.2018	31.12.2017
FV recognised in the income statement	3,292	51,284
FV recognised in net equity	-	-
Total	**3,292**	**51,284**

In relation to the positioning in the hierarchy of fair values as per IFRS 7, paragraph 27, the financial instruments described are classifiable as level 2; there were no transfers of level during the period.
The fair values as at 31.12.2018 of financial instruments on exchange rates were calculated using the forward exchange rate method.
The counterparties with which the contracts are stipulated are leading national and international banking institutions.
The financial instruments on currencies are used, on a basis consistent with the financial risk management policy adopted by the group, to hedge the risks deriving from exchange rate fluctuations and concern sales volumes compared with the budget exchange rate and the collections and payment of short and medium-term receivables and payables with respect to the historical value.
For accounting purposes in relation to contracts hedging sales budgets in foreign currencies effective at the reporting date, it should be noted that for the transactions executed, especially Domestic Currency Swaps, and in accordance with all the conditions provided by the IAS/IFRS standards, hedge accounting was applied.
With reference to cash-flow hedges (hedging of future cash flows) the related changes in fair value are recognised in the equity reserve, net of the tax effect, while for fair-value hedges (hedging the fair value of assets and liabilities) the related changes in fair value are reflected in the income statement, net of the tax effect.

7.3 Derivative financial instruments on interest rates

There are no derivative contracts on interest rates outstanding as at 31.12.2018.

Sensitivity analysis

The table below shows the economic and financial effects generated by financial statement assets and liabilities (as at 31.12.2018 and 31.12.2017 respectively), in the event of sudden changes in the following market variables:

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

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

Balances as at 31.12.2018	**INTEREST RATE RISK**				**EXCHANGE RATE RISK**			
(amounts in Euro)	1%		-0.15%		10%		-10%	
		EFFECT ON EQUITY		EFFECT ON EQUITY		EFFECT ON EQUITY		EFFECT ON EQUITY
	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY
ASSETS								
Trade receivables					-79,138		96,725	
Other financial assets - derivatives on currencies					76,850	-	-93,927	-
Other financial assets - derivatives on interest rates								
Loans					-		-	
Cash and cash equivalents					-		-	
Total gross effect	**-**	**-**	**-**	**-**	**-2,288**	**-**	**2,798**	**-**
Taxes (24%)	-	-	-	-	549	-	-672	-
Total net effect	**-**	**-**	**-**	**-**	**-1,739**	**-**	**2,126**	**-**
LIABILITIES								
Trade payables					-1,911		2,335	
Loans	918,730		-137,809		-		-	
Total gross effect	**918,730**	**-**	**-137,809**	**-**	**-1,911**	**-**	**2,335**	**-**
Taxes (24%)	-220,495	-	33,074	-	459	-	-560	-
Total net effect	**698,235**	**-**	**-104,735**	**-**	**-1,452**	**-**	**1,775**	**-**
TOTAL	**698,235**	**-**	**-104,735**	**-**	**-3,191**	**-**	**3,901**	**-**

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

Balances as at 31.12.2017	**INTEREST RATE RISK**				**EXCHANGE RATE RISK**			
(amounts in Euro)	1%		-0.15%		10%		-10%	
		EFFECT ON EQUITY		EFFECT ON EQUITY		EFFECT ON EQUITY		EFFECT ON EQUITY
	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY
ASSETS								
Trade receivables					-742,390		907,366	
Other financial assets - derivatives on currencies					736,486	-	-900,149	-
Other financial assets - derivatives on interest rates								
Loans					-		-	
Cash and cash equivalents					-		-	
Total gross effect	**-**	**-**	**-**	**-**	**-5,904**	**-**	**7,217**	**-**
Taxes	-	-	-	-	1,417	-	-1,732	-
Total net effect	**-**	**-**	**-**	**-**	**-4,487**	**-**	**5,485**	**-**
LIABILITIES								
Trade payables					-4,936		6,033	
Loans	851,167		-127,675		-		-	
Total gross effect	**851,167**	**-**	**-127,675**	**-**	**-4,936**	**-**	**6,033**	**-**
Taxes	-204,280	-	30,642	-	1,185	-	-1,448	-
Total net effect	**646,887**	**-**	**-97,033**	**-**	**-3,751**	**-**	**4,585**	**-**
TOTAL	**646,887**	**-**	**-97,033**	**-**	**-8,238**	**-**	**10,070**	**-**

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

8. Transactions with related parties (note 21)

The following statements present information relating to transactions with related parties in accordance with the Revised IAS 24 and Consob requirements.

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

Name and surname	Subsidiary company: Carraro S.p.A.	No. of shares held as at 31.12.2017	Number of shares purchased	Number of shares sold	No. of shares held as at 31.12.2018
Mario Carraro	Directly held	4.374.640	-	-	4.374.640
	through Finaid S.p.A.	28.215.519	-	-	28.215.519
Julia Dora Koranyi Arduini		21.629.779	-	-	21.629.779
Alberto Negri		46,460	-	-	46,460
Enrico Gomiero		5,000	12,855	-	17,855

(amounts in Euro thousand)	**Financial and commercial transactions**				**Economic transactions**									
	Financial receivables	Financial debts	Trade receivables and other receivables	Trade payables and other payables	Sales of products	Sales of services	Other revenues	Purchases of goods and materials	Purchases of services	Purchases of assets	Other income (expenses)	Income from equity investments	Other financial income	Financial costs and expenses
Parent Companies														
Finaid S.p.A.			**843**			**10**								
Subsidiary Companies														
Carraro Drive Tech S.p.A.			12,669	5,629	738	3,642	19,025	16,185	478	8	1,195	12,355	77	
Siap S.p.A.			1,605	624		1,037	574	3,138	100		250		1	
Driveservice S.r.l.			191	204		110			1					
Carraro India Ltd			2,025	938	14	1,605	4,213	123						
Carraro Technologies			67	367		67			1,563			10		
Carraro Argentina				62			1	58	236					
Carraro Drive Tech Do Brasil	386		286				234							
Carraro International S.A.	907	72,874		-34		16			89			1,000		5,299
Carraro Germania S.r.l.		10,412												406
F.O.N. S.A.														
Carraro North America Inc	418		83			6								
Carraro China Drives Sys. Co Ltd			879	494	32	712	654	96	195					
TOTAL	**1,711**	**83,286**	**17,805**	**8,284**	**784**	**7,195**	**24,701**	**19,600**	**2,662**	**8**	**1,445**	**13,365**	**78**	**5,705**
Associated companies														
Elettronica Santerno S.p.A.			872	200					7	15	-257		-38	
Elettronica Santerno Ind.e Comércio Ltda			111											
Elettronica Santerno USA			352											
Elettronica Santerno South Africa Pty Ltd			115											
O&K Antriebstechnik GmbH														
TOTAL			**1,450**	**200**					**7**	**15**	**-257**		**-38**	
TOTAL	**1,711**	**83,286**	**20,098**	**8,484**	**784**	**7,205**	**24,701**	**19,600**	**2,669**	**23**	**1,188**	**13,365**	**40**	**5,705**

Notes:

1. **Financial transactions**

Financial transactions relate to short and long-term loans.

2. **Economic transactions**

The most significant economic transactions represent trade transactions for the purchase and sale of raw materials, semi-finished products, transactions of purchase and sale of raw materials, semi-finished products and component technology for the production of drive systems; purchases of services refer mainly to services for industrial processing.
The main sales of services include amounts charged for the utilisation of central information systems and the organisational support provided by the Parent Company in the various operating areas. Fees and royalties refer to specific commercial agency agreements and the sale of rights to use industrial know-how.
Interest income is generated by outstanding loans; interest expense is generated by the loan received from Carraro International.

INFORMATION IN ACCORDANCE WITH ARTICLE 149-*DUODECIES* OF THE CONSOB ISSUERS' REGULATIONS

The auditing of the Carraro Group's financial statements is carried out by Deloitte & Touche S.p.A.
The following is a summary of the fees and charges of the independent auditors for the 2018 financial year, relating to audit services and other services provided, net of incidental expenses charged.

(amounts in Euro thousand)	**2018**	**2017**
Accounting audit	413	464
Other services	50	33
Total fees	**463**	**497**

9. Events subsequent to the reporting date

There are no subsequent events to report.

10. SCHEDULE OF EQUITY INVESTMENTS

The equity and the result for the period pertaining to the foreign companies shown in the tables have been converted using the same criteria as those used to prepare the consolidated financial statements.

1) SUBSIDIARY COMPANIES DIRECTLY HELD

Name	Registered office	Parent Company	Share capital		Number of shares/ units	Sh. Equity before 2018 results	Profit (loss) 31.12.2018	Sh. Equity 31.12.2018	Direct portion
			Currency	Amount	Total	(ctv. euros)	(ctv. euros)	(ctv. euros)	
Carraro International S.E.	Campodarsego (Padua)	Carraro S.p.A.	EUR	13,500,000	39,318	17.086.148	9.034.606	25.860.613	100.00%
Carraro Germania S.r.l.	Campodarsego (Padua)	Carraro S.p.A.	EUR	10,507,048	10,507,048	9.794.389	952,503	10.746.892	100.00%
Carraro Technologies India Pvt. Ltd.	Pune (India)	Carraro S.p.A.	INR	18,000,000	1,800,000	740,822	48,501	789,323	1.00%
Carraro Drive Tech S.p.A.	Campodarsego (Padua)	Carraro S.p.A.	EUR	30,102,365	30,102,365	48,353,112	12,834,732	61,187,844	56.69%
Enertronica S.p.A.	Milan	Carraro S.p.A.	EUR	794,988	1,059,000	n.a.	n.a.	n.a.	13.49%

2) SUBSIDIARY COMPANIES INDIRECTLY HELD

Name	Registered office	Holding company (indirect parent)	Share capital		Number of shares/ units	Profit (loss) 31.12.2018	Net Equity as at 31.12.2018	Portion Holding company	Indirect portion	Carrying amount of the investment
			Currency	Amount	Total	(ctv. euros)	(ctv. euros)			31.12.2018
Carraro Drive Tech S.p.A.	Campodarsego (Padua)	Carraro International S.E.	EUR	30,102,365	30,102,365	12.834.732	61.187.844	43.31%	43.31%	38,797,634
SIAP S.p.A.	Maniago (Pordenone)	Carraro Drive tech	EUR	18.903.000	18.903.000	4.237.349	40.344.941	76.76%	76.76%	25.782.509
Carraro India Ltd.	Pune (India)	Carraro Drive tech	INR	568,515,380	56.851.538	939,499	31.937.864	100.00%	100.00%	42.119.666
Carraro Technologies India Pvt. Ltd.	Pune (India)	Carraro Drive tech	INR	18,000,000	1,800,000	48,501	789,323	99.00%	99.00%	447,265
Carraro China Drive System Co. Ltd.	Tsingtao (China)	Carraro Drive tech	CNY	168,103,219	-	3.189.331	25.754.274	100.00%	100.00%	16,901,673
Carraro Argentina S.A.	Haedo (Argentina)	Carraro Drive tech	ARS	315.874.543	315.874.543	-5.437.781	3.952.481	99.95%	99.95%	3.950.588
Carraro North America Vb	Norfolk (USA)	Carraro Drive tech	USD	1,000	1,000	-50,751	-316,278	100.00%	100.00%	-
Carraro Drive Tech do Brasil	Campodarsego (Padua)	Carraro Drive Tech	BRL	18,835,789	5,701,954	-542,369	1.118.605	100.00%	100.00%	1,118,605
Enertronica S.p.A.	Milan	Carraro International S.E.	EUR	794,988	1,128,300	n.a.	n.a	14.37%	14.37%	1,861,546
MG Mini Gears Inc.	Virginia Beach (USA)	Carraro International S.E.	USD	8,910,000	-	3,479	2,007	100.00%	100.00%	1,489

Annex to the explanatory notes to the Financial Statements as at 31.12.2018 – Carraro S.p.A.

Information on the corporate assets subject to fiscal revaluation.

In accordance with art. 10 of Law 72/1993, the following tables show the categories of the assets as at 31 December 2006 which, in the past, have been revalued, with the corresponding amount.

REVALUATION LAW 576/1975

Amounts in Euro	REVALUATION HISTORICAL COST		REVALUATION DEPRECIATION PROVISION		NET BALANCE - REVALUATION	
Description	Sit. Opening	Sit. Closing	Sit. Opening	Sit. Closing	Opening remainder	Closing remainder
INDUST. LAND	2,479	2,479	-	-	2,479	2,479
INDUSTRIALBUILDINGS	103,272	103,272	11,693	11,693	91,579	91,579
1) TOTALLAND AND BUILDINGS	105,751	105,751	11,693	11,693	94,058	94,058
GENERAL PLANT	24,107	24,107	6,477	6,477	17,630	17,630
SPECIFIC PLANT	-	-	-	-	-	-
**TOTAL PLANT	24,107	24,107	6,477	6,477	17,630	17,630
**TOTAL MACHINERY	-	-	-	-	-	-
2) TOTAL PLANT AND MACHINERY	24,107	24,107	6,477	6,477	17,630	17,630
3) TOTAL IND. AND COMM.EQUIPT.	-	-	-	-	-	-
4) TOTAL OTHER ASSETS	-	-	-	-	-	-
TOTAL BII	129,858	129,858	18,170	18,170	111,688	111,688

REVALUATION LAW 72/1983

Amounts in Euro	REVALUATION HISTORICAL COST		REVALUATION DEPRECIATION PROVISION		NET BALANCE - REVALUATION	
Description	Sit. Opening	Sit. Closing	Sit. Opening	Sit. Closing	Opening remaining	Closing remaining
INDUST. LAND	16,390	16,390	1,838	1,838	14,552	14,552
INDUSTRIALBUILDINGS	431,167	431,167	85,857	85,857	345,310	345,310
LAND, YARDS & EQUIP.	15,841	15,841	1,309	1,309	14,531	14,531
1) TOTALLAND AND BUILDINGS	463,398	463,398	89,004	89,004	374,393	374,393
GENERAL PLANT	104,042	104,042	58,689	58,689	45,353	45,353
**TOTAL PLANT	104,042	104,042	58,689	58,689	45,353	45,353
**TOTAL MACHINERY	-	-	-	-	-	-
2) TOTAL PLANT AND MACHINERY	104,042	104,042	58,689	58,689	45,353	45,353
PROT. AREA EQUIPMENT	7,080	7,080	1,126	1,126	5,954	5,954
3) TOTAL IND. AND COMM.EQUIPT.	7,080	7,080	1,126	1,126	5,954	5,954
4) TOTAL OTHER ASSETS	-	-	-	-	-	-
TOTAL BII	574,520	574,520	148,819	148,819	425,700	425,700

REVALUATION LAW 413/1991

Amounts in Euro	REVALUATION HISTORICAL COST		REVALUATION DEPRECIATION PROVISION		NET BALANCE REVAL.	
Description	Sit. Opening	Sit. Closing	Sit. Opening	Sit. Closing	Sit. Opening	Sit. Closing
INDUST. LAND	537,164	537,164	-	-	537,164	537,164
INDUSTRIALBUILDINGS	1,783,182	1,783,182	-	-	1,783,182	1,783,182
LAND, YARDS & EQUIP.	66,113	66,113	-	-	66,113	66,113
LIGHT BUILDINGS	5,738	5,738	-	-	5,738	5,738
1) TOTALLAND AND BUILDINGS	2,392,197	2,392,197	-	-	2,392,197	2,392,197
TOTAL BII	2,392,197	2,392,197	-	-	2,392,197	2,392,197

During the 1976 financial year, a monetary revaluation was made in accordance with Law 576/75, which produced a positive balance of Euro 230,122 in Carraro S.p.A. and Euro 129,114 in the incorporated company Carraro PNH S.p.A. During 1983, the assets were revalued in accordance with the provisions of Law no. 72/83, which produced a positive balance of Euro 2,386,070 in Carraro S.p.A. The revaluation balances relating to these laws were utilised in Carraro S.p.A. in 1984 for a free capital increase.
During 1991, the real estate assets were revalued in Carraro S.p.A. in accordance with Law no. 413/91, which produced a positive balance of Euro 1,084,804 gross of the substitute tax of Euro 173,569. This was utilised for a free increase in the share capital in accordance with the resolution of 31 May 1995. In 1991, a revaluation of the assets was carried out in the incorporated company Carraro PNH S.p.A. in accordance with Law no. 413/91, which produced a positive revaluation balance of Euro 1,312,399.

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

Below is a list of the subsidies, grants and other economic benefits received from public authorities and other parties as defined in Article 1(125), Law 124/2017, received by Carraro S.p.A. during 2018:

Name and tax number of the recipient: Carraro S.p.A. - 00202040283
Name of the supplying party: European Social Fund ESF;
Sum collected: Euro 27,389;
Payment Purpose: Personnel Training

Name and tax number of the recipient: Carraro S.p.A. - 00202040283
Name of the supplying party: Ministry of Economic Development;
Sum collected: Euro 345,828;
Payment Purpose: Project Industry 2015 - PBI (Innovative Bus Platform) - Code Doc. MS01_00021 - Delivery SAL 2.

Name and tax number of the recipient: Carraro S.p.A. - 00202040283
Name of the supplying party: Customs Agency
Sum collected: Euro 42,931
Payment Purpose: Refund of customs duties. Reference Law No. 639 of 05/07/1964 - Law No. 773 of 08/11/1973 - Presidential Decree No. 788 of 07/09/1977.

During the 2018 financial year, the company Carraro S.p.A., has:
- obtained relief from contributions (as provided for by Law 205/2017, AMPAL Decree no. 3/2018, Law 190/2014 and Law 280/2015) for Euro 84,377;
- offset tax credits deriving from investments in Research and Development (as provided for by Legislative Decree 145/2013 and subsequent amendments) for Euro 1,025,829;
- offset tax credits deriving from deferred tax assets pursuant to article 2 subsections 55-56 of Legislative Decree no. 225/2010 for Euro 217,951.

During 2018, SIAP also received the following contributions and benefits:
- Personnel-related: among the various amounts, we point out the sums advanced relating to the integration of services to support income from the company on behalf of INPS and INAIL (illness, maternity, permits and leave under Law 104, breastfeeding permits, blood donations, marriage leave, family allowances, accident).
- Fiscal in nature: among others, the facilities for superdepreciation/hyperdepreciation/ACE (aid to economic growth) are worth mentioning.

Proposed appropriation of results for the year:

Shareholders, for the financial statements closing on 31 December 2018 we propose that the financial statements to that date be approved as presented to you. The year ended with a profit of Euro 8,022,233.92 which we propose be allocated as follows:

- Euro 401,111.70 to the legal reserve;
- Euro 7,621,122.22 to dividends.

We also propose that Euro 1,844,339.81 be distributed, by drawing on previous years' profits, and Euro 556,165.43 taken from the extraordinary reserve.

The Chairman

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Enrico Carraro

Certification of the financial statements as required by art. 154-*bis* para. 5 of Legislative Decree 58/1998 (Finance Consolidation Act) and art. 81-*ter* of Consob Regulation no. 11971 of 14 May 1999 as amended.

1. The undersigned Alberto Negri, Chief Executive Officer, and Enrico Gomiero, Manager in charge of drawing up the corporate accounting documents of Carraro S.p.A., hereby certify, also taking into account the provisions of article 154-*bis*, subsections 3 and 4, of Legislative Decree 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the enterprise and

- the effective application of the administrative and accounting procedures used to prepare the financial statements during financial year 2018.

2. In this regard no significant aspects emerged which require disclosure.

3. We can also certify that:

3.1 the financial statements:

a) are drawn up in accordance with the IAS/IFRS international accounting standards recognised in the European Community under the terms of Regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July 2002;

b) correspond to the accounting records;

c) provide a truthful and correct representation of the economic, financial and equity position of the issuer.

3.2 the report on operations includes a reliable analysis of the progress and results of operations as well as the issuer's situation, together with a description of the key risks and uncertainties the issuer is exposed to.

Date: 06 March 2019

Alberto Negri   Enrico Gomiero

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Chief Executive Officer   Financial Reporting Officer