CARRARO INTERNATIONAL S.E.
Registered office in Campodarsego, Padua (Italy) – Via Olmo 37
Share Capital 13,500,000.00 euros, fully paid-up.
Tax Code 92198680289 and VAT no. 04861850289
Registration on the Padua Register of Companies no. 445723

Company subject to the management and coordination of Carraro S.p.A.

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

DIRECTORS' REPORT ON OPERATIONS

BOARD OF DIRECTORS	**ENRICO CARRARO**	Chairman
In office until approval of the 2020 financial statements (Appointments, Shareholders' Meeting of 16.04.2018)	**TOMASO CARRARO**	Deputy Chairman
	ENRICO GOMIERO	Chief Executive Officer
	SERGIO MARUSSO	Director
	FRANCESCO SECCHIERI (1)	Director
	FRANCESCO SABATTINI (1)	Director
	FABRIZIO PINATO (1)	Director
	(1) Members of the Internal Auditing Committee	
INDEPENDENT AUDITORS	**Deloitte & Touche S.p.A.**	
from 2018 to 2026		
PARENT COMPANY	**Carraro S.p.A.**	

INCOME STATEMENT AS AT 31.12.2019

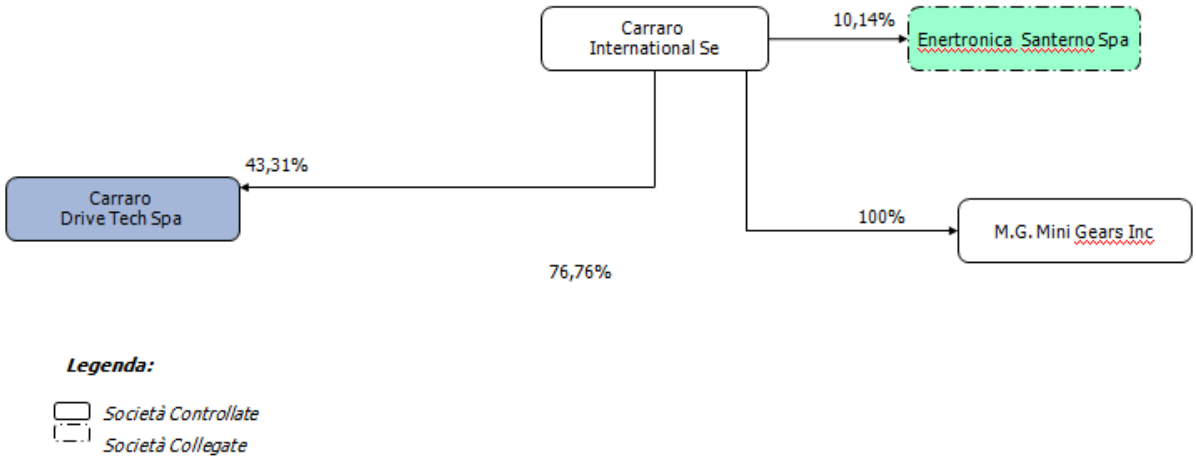
(amounts in euros)	**31.12.19**	**%**	**31.12.18**	**%**	**Changes** 31.12.19 /31.12.18	
REVENUES FROM SALES	**344,179**	**100.00%**	**435,849**	**100.00%**	**-91,670**	**-21.03%**
Purchases of goods and materials (net of changes in inventories)	-	0.00%				
Services and Use of third-party goods and services	-817,312		-1,111,938	-255.12%	294,626	26.50%
Personnel costs	-263,734	-76.63%	-307,098	-70.46%	43,364	14.12%
Amortisation, depreciation and impairment of assets	-68,975	-20.04%	-12,069	-2.77%	-56,906	
Provisions for risks	-	0.00%			-	
Other income and expenses	-232,470	-67.54%	-325,715	-74.73%	93,245	28.63%
Internal construction	-	0.00%			-	
OPERATING COSTS	**-1,382,491**	**-401.68%**	**-1,756,820**	**-403.08%**	**374,329**	**21.31%**
OPERATING PROFIT/(LOSS) (EBIT)	**-1,038,312**	**-301.68%**	**-1,320,971**	**-303.08%**	**282,659**	**21.40%**
Income and expenses from equity investments	5,407,626	1571,17%	9,441,789	2166.30%	-4,034,163	-42.73%
Other financial income	8,150,639	2368,14%	9,858,896	2262.00%	-1,708,257	-17.33%
Financial costs and expenses	-7,509,092	-2181,74%	-8,427,172	-1933.51%	918,080	10.89%
Net gains/(losses) on foreign exchange	-127	-0,04%	-2,055	-0.47%	1,928	93.82%
Value adjustments of financial assets	-2,234,088		-491,819	-112.84%	-1,742,269	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**3,814,958**	**1108.42%**	**10,379,639**	**2381.48%**	**-6,564,681**	**-63.25%**
PROFIT/(LOSS) BEFORE TAXES	**2,776,646**	**806.74%**	**9,058,668**	**2078.40%**	**-6,282,022**	**-69.35%**
Current and deferred income taxes	45,056	13.09%	-24,062	-5.52%	69,118	
NET PROFIT/(LOSS)	**2,821,702**	**819.84%**	**9,034,606**	**2072.88%**	**-6,212,904**	**-68.77%**
EBITDA*	**-984,267**	**-285.98%**	**-1,308,901**	**-300.31%**	**324,635**	**24.80%**

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

STATEMENT OF FINANCIAL POSITION AS AT 31.12.2019

(amounts in euros)	**31.12.19**	**31.12.18**
Property, plant and equipment	34,280	-
Intangible fixed assets	-	414
Real estate investments	-	-
Investments	39,608,421	45,117,022
Financial assets	88,225,296	88,653,409
Deferred tax assets	21,822	-
Trade receivables and other receivables	10,100	30,103
NON-CURRENT ASSETS	**127,899,919**	**133,800,948**
Closing inventory	-	
Trade receivables and other receivables	194,575	152,614
Financial assets	33,165,003	59,763,727
Cash and cash equivalents	37,735,908	13,211,150
CURRENT ASSETS	**71,095,486**	**73,127,491**
TOTAL ASSETS	**198,995,405**	**206,928,439**
Share Capital	13,500,000	13,500,000
Reserves	2,230,504	3,326,007
Profit/loss for the year	2,821,702	9,034,606
SHAREHOLDERS' EQUITY	**18,552,206**	**25,860,613**
Financial liabilities	176,759,262	176,452,130
Trade payables and other payables	-	-
Deferred tax liabilities	-	34,881
Provision for severance indemnity and retirement benefits		
Provisions for risks and liabilities		
NON-CURRENT LIABILITIES	**176,759,262**	**176,487,011**
Financial liabilities	3,033,029	3,675,966
Trade payables and other payables	596,613	601,456
Current tax payables	54,295	303,393
Provisions for risks and liabilities		
CURRENT LIABILITIES	**3,683,937**	**4,580,815**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**198,995,405**	**206,928,439**

CORPORATE STRUCTURE AS AT 31.12.2019



Carraro International belongs to the Carraro Group, a leading international group in transmission systems for off-highway vehicles and specialised tractors, with Headquarters in Italy in Campodarsego (Padua). Carraro International is directly controlled by the parent company Carraro S.p.A.

Carraro Group's activities are currently divided into two Business Areas:

- **Drive systems**
  Through the subsidiaries Carraro Drive Tech and SIAP, the Group designs, manufactures and sells transmission systems (axles, transmissions and drives) mainly for agricultural and construction equipment, and also markets a wide range of gears for very diverse sectors, from the automotive industry to material handling, agricultural applications and construction equipment.
- **Tractors**
  Through Divisione Agritalia, the Group designs and manufactures specialised tractors (for vineyards and orchards from 60 to 100 hp) for third-party brands, namely John Deere, Massey Ferguson and Claas, as well as a specialised "Carraro Tractors" range; Agritalia also provides engineering services for the design of innovative tractor ranges.

Reference markets of the Carraro Group

Agriculture

2019 saw a slowdown in sales of agricultural machinery globally, albeit with different trends in the various areas of the world. During the last quarter there were some signs of a change in the trend.

In **Europe**, the market seems to have entered a recessionary phase. During 2019, sales of specialised (vineyard and orchard) tractors also followed this trend, mainly due to the progressive increase in price of new models following the significant and costly R&D activities and changes to the structure of the machines imposed by the introduction of increasingly stringent European regulations, and there are currently no indications of a reversal of this trend in 2020.

In the **Turkish market**, both political and economic instability led to a sharp drop in sales; in the latter part of the year, the first signs of a turnaround in this trend became evident.

In **North America**, for the agricultural sector, 2019 was a positive year overall, albeit with modest progress compared to the previous year due to the so-called "duty war" with China.
China closed 2019 with a sharp drop in demand caused by the continuing recession in the agricultural sector due to the disappearance of a significant part of state subsidies and there are no indications of any reversal of this trend. In this context, the Central Government decided to postpone entry into force of the "China IV" emission standards for all Off-Highway vehicles.
After a 2018 characterised by record sales volumes, in 2019 the **Indian market** showed a significant slowdown, both in terms of domestic demand and exports due to the not particularly positive trend of the monsoon, always an important element for Indian agriculture, and the credit crisis, due to problems with a number of banks.
In **Brazil**, 2019 initially recorded a stable level of sales, mainly due to the de-stocking of vehicles with Tier 1 engines already produced, followed by a significant slowdown caused by persistent market stagnation. In **Argentina**, the recessionary trend continued without any evident change in sight.

Construction equipment
After two years of record growth in sales volumes of construction and mining machinery, demand in 2019 slowed down, especially in the second half of the year, due to the low growth rate of the economy in various areas of the world. The year therefore closed with an overall contraction compared to 2018.
In **Europe,** after a first half with higher sales volumes than in the same period in 2018, the second half of the year was characterised by a reversal of this trend and there are currently no indications of any change in 2020.
Stagnant demand in **Turkey** continued throughout 2019 due to the contraction in investment in new construction.
Good levels of demand characterised 2019 in **North America**, both in the Utility as well as larger machine sector, thanks to the overall growth of the economy, with positive effects on new investments in construction, even though there were some signs of a slowdown in the latter part of the year.
2019 in **China** closed with sales volumes for construction equipment at a good level and substantially in line with those of the previous year thanks to the postponement of the entry into force of the "China IV" emission level regulations.
In 2019, the **Indian market** recorded a substantial deceleration in sales of construction equipment compared to the previous year, due to both the impact of the credit crisis (already mentioned for the agricultural sector) and the slowdown in the ambitious infrastructure plans launched by the central government.
In **Brazil**, the main market in South America, 2019 confirmed a recovery in demand for new vehicles thanks to the unblocking of certain investments in the construction sector, albeit remaining at modest levels in absolute terms.

Research and Innovation: the Group's key success factor

Commitment to R&D continued, still focussed on developing innovative transmission systems and specialised tractors aimed at markets with greater growth potential.

Summary of financial year 2019

The following alternative performance indicators will also be used:

- *EBITDA: the sum of operating profit/(loss) of the income statement, amortisation, depreciation and impairment of fixed assets*
- *EBIT: earnings before tax taxes and financial income and expenses, with no adjustments;*
- *Net Working Capital: difference between Trade Receivables, Net Inventories and Trade Payables in the balance sheet;*
- *Net financial position: ESMA Net Financial Debt determined in accordance with paragraph 127 of the recommendations contained in the ESMA document no. 319 of 2013, implementing Regulation (EC) 809/2004, after deducting, where applicable, non-current receivables and financial assets, as well as the effects deriving from the application of the newly applied International Accounting Standard IFRS 16.*

Performance

Carraro International provides financial, treasury and consulting services to subsidiaries, affiliates and to the parent company, in accordance with the approved policies and the strategic needs of the Carraro Group. The Company in particular, via its permanent establishment in Luxembourg, works to provide financial resources to the Carraro Group's European companies, whereas the Asian and South American companies source their funds from the local markets, utilising the strategic consulting services provided by Carraro International. In addition, Carraro International coordinates the factoring activities of the Italian operating companies and the exchange rate risk hedging policies for all Group companies.

Following 2018, which saw Carraro International engaged in the complete reorganization of the debt structure, both in terms of amounts and duration, 2019 saw the Company, through its Luxembourg branch, engaged in financing activities for the Italian group companies, with a broadening of the range of stakeholders, and the revision of conditions, both in terms of maturity and amount, as well as the launch of a series of functional analyses to strengthen and improve the efficiency of treasury management and related services.

With regard to funding, the Company continued to seek alternative forms of financing for future years.
In particular Carraro International entered into negotiations with the European Investment Bank in 2019, signing in December a 7-year loan contract worth 50 million euros, whose financial funding was disbursed in 2020, aimed at supporting the Group's Research and Development projects which will allow further boost to innovation activities, with particular reference to the most strategic business areas.

.In more detail, thanks to this, three areas will be given priority over the next few years:

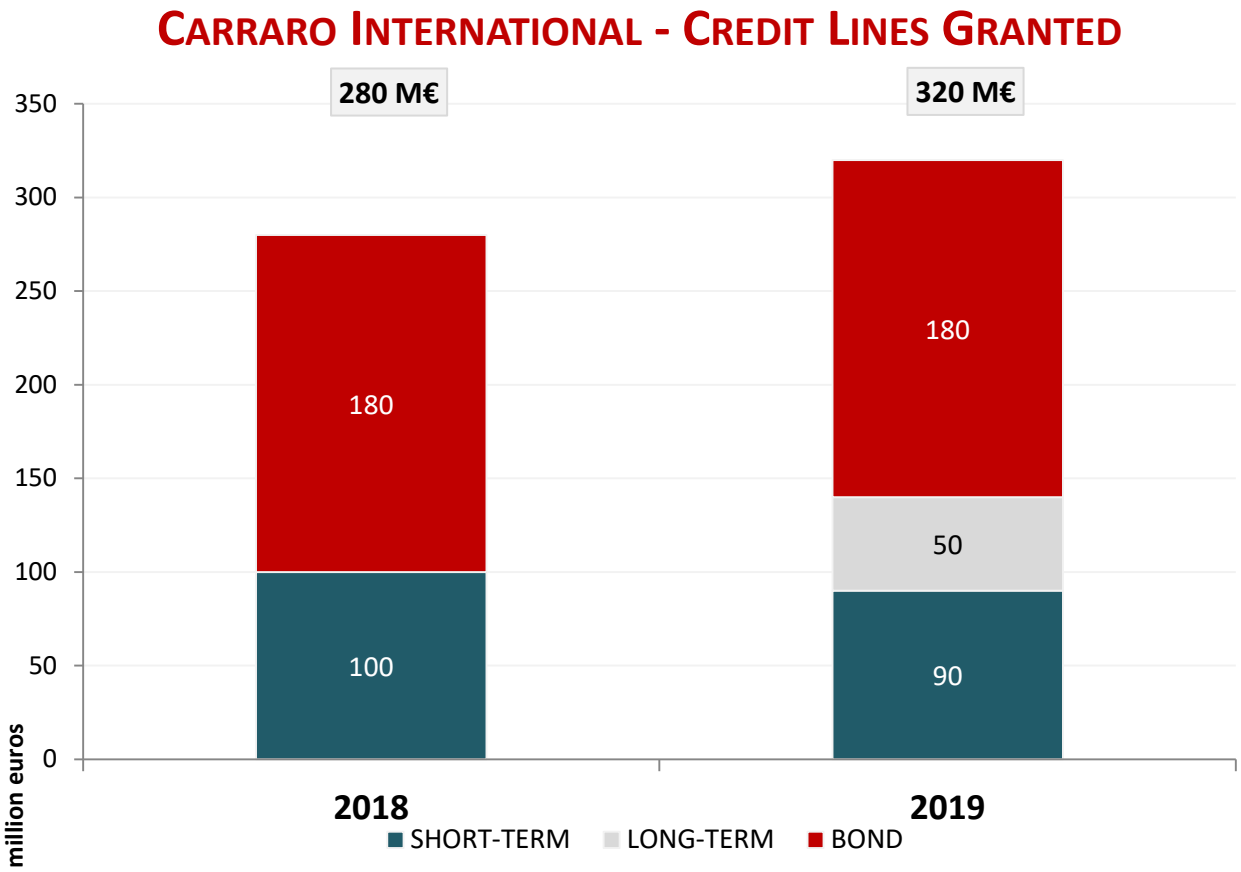
- electrification and hybridisation of off-highway vehicles with the aim of designing and manufacturing new traction systems for agricultural tractors and construction equipment, as well as specialised tractors in hybrid versions.

- highly efficient transmission systems, including the new family of continuously variable transmissions for tractors with up to 120 horsepower and renewed transmissions for construction equipment machinery with a specific focus on a market with strong potential such as India.

- digitisation, i.e. evolution of the Group's information infrastructure with a 4.0 approach, capable of supporting both product design and industrialisation, speeding up processes, preventing errors and maximising automation.

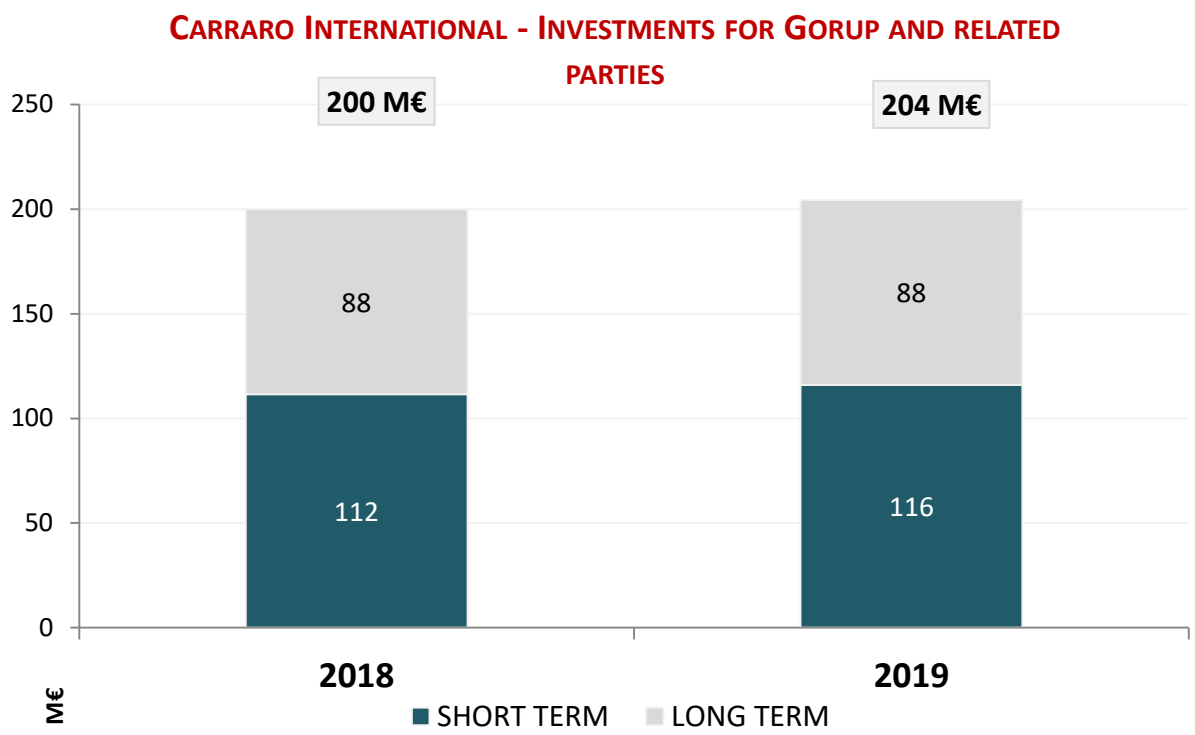
Noteworthy is the essential role played by International in obtaining a number of soft loans in Friuli Venezia Giulia for a Group company.

The main data relating to credit facilities is summarised in the following tables:



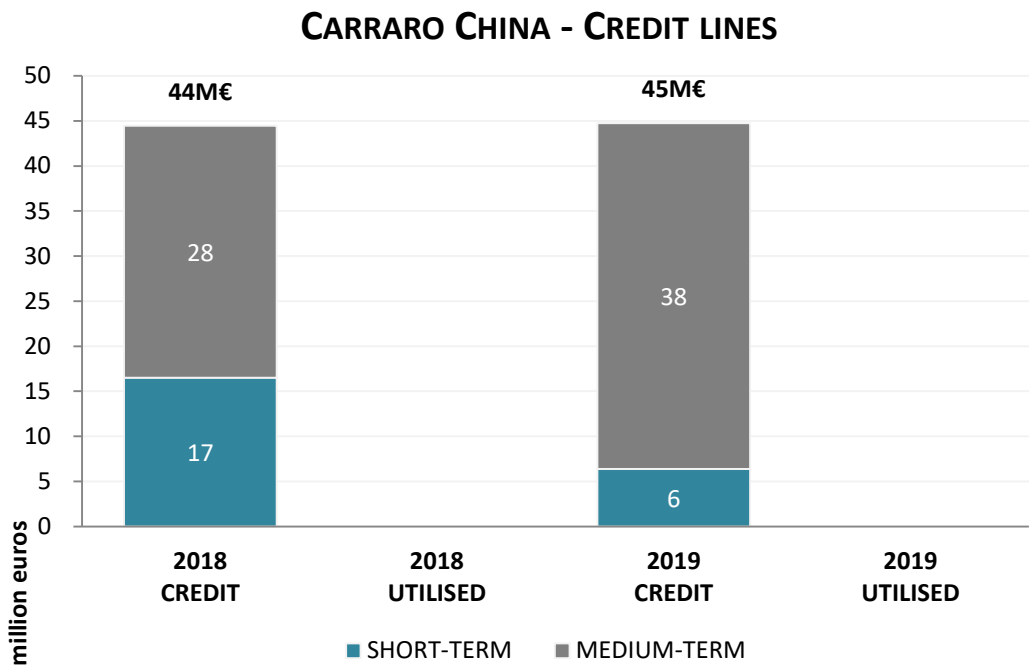
The credit lines granted, amounting to 280 million euros in December 2018, of which 180 million a bond issue, as at December 31, 2019 totalled 320 million euros, of which 90 million short term and 50 long-term from the EIB.
The short term decreased by 20 million as a result of the partial cancellation of Banca Popolare di Milano's RCF line and increased by 10 million thanks to the new line with LuxSan Paolo IMI Luxembourg. At the end of December 2019, only the bond loan was in use.

These resources will be used to fund the Group's European companies, and investments are divided between short-term and long-term:

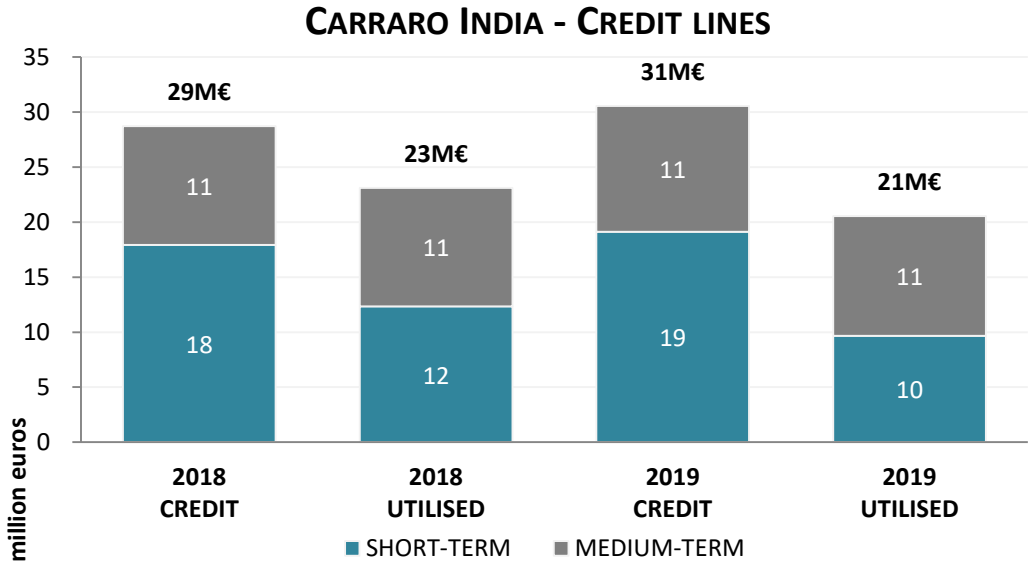


The resources raised in this way were used to secure loans to the Group's European companies, amounting to 88 million euros medium/long term and 116 million euros short term, substantially in line with December 31, 2018 (88 million euros medium/long term and 112 million euros short term).

As already explained, the preceding analysis only relates to the Group's European companies, as the foreign companies procure funds from the local market, utilising the strategic coordination and consulting services of Carraro International. The following diagrams show the trend in lines of credit granted by the principal local banks for the Group's largest non-European companies, Carraro China and Carraro India.



Carraro China also had credit lines at the end of 2019 with local banks only; no credit lines have been used.



Carraro India also has credit lines with major local banks and gross utilizations were substantially unchanged compared to the previous year.

Analysis

2019 ended with a profit of 2.822 million euros, which was a decrease compared to the result of 9.035 million euros on 31 December 2018. The difference was affected by the lower distribution of dividends by subsidiaries, compared to the previous year and equity investment adjustment items, in particular relating to the exit from the Chinese Agriming joint venture.

Cash and cash equivalents on 31 December 2019 totalled 37.7 million euros compared to 13.2 million on 31 December 2018. The difference was due to the improved efficiency of centralised treasury management.

The breakdown in the net financial position from operations is shown in the table below:

Net financial position (amounts in Euro thousands)	**31.12.2019**	**31.12.2018**
Financial liabilities:	179,792	180,128
Financial assets:	-33,165	-59,764
Cash and cash equivalents:	-37,736	-13,211
Non-current loans and receivables	-87,194*	-87,563
Other non-current financial assets	-1,063	-1,091
Net financial position of management	**20,634**	**18,500**

** the amount includes the effect of IFRS 16 for € 31.5 million.*

As at 31 December 2019, the net financial position from operations was a debit balance of 20.63 million euros, worse than as at 31 December 2018 (18.5 million euros). The change was negatively impacted by the different mix of loans granted to affiliated companies according to the specific needs and the lower amount of dividends received.

SIGNIFICANT EVENTS DURING THE PERIOD

Once the expectations relating to the Joint Venture Agriming Agriculture Equipment Co. Ltd. - created in June 2017 - had ceased to exist and in order to accelerate the development of the Group's activities in China, the Company decided to sell its investment in the above mentioned Joint Venture, equal to 49% of the share capital, to Shandong Juming Machinery Co. Ltd whose econonomic effects are commented in the specific paragraph.

As mentioned in the introduction, in December, a 7-year loan contract worth 50 million euros, whose funding was disbursed in 2020, was signed with the European Investment Bank to support the Group's Research and Development projects. This loan will guarantee the Carraro Group the support of its Research and Innovation activities, allowing investments of over 30 million euros per year over the next three years aimed at electrification and hybridisation of off-highway vehicles, development of highly efficient transmission systems and evolution of the Group's information infrastructure with a 4.0 approach, capable of supporting both product design and industrialisation, speeding up processes, preventing errors and maximising automation.

SUBSEQUENT EVENTS

As is well known, the national and international scenario has been characterised since January 2020 by the spread of the Coronavirus and the consequent restrictive measures for its containment, implemented by the public authorities of the countries affected.

The virus spread within China in January 2020. The restrictive measures adopted also affected the Carraro Group's Chinese plant, causing a reduction in production capacity for about one month. However, as of March the plant has essentially resumed normal operations, with the expectation that the backlog that built up in the previous month will be worked through in a short amount of time.

Between the end of February and March, the virus gradually spread to other continents and Italy was particularly affected. On 22 March 2020, the Italian Government imposed a temporary freeze on all "non-essential" production activities until 3 April. The manufacture of agricultural and forestry machinery, trade in parts and accessories for motor vehicles, and the wholesale trade in agricultural supplies, was however deemed to be essential.

As a result of this decree, the production plants in Campodarsego, Maniago and Rovigo were closed, while the Poggiofiorito logistics hub (which supplies spare parts) remained operational.

In any case, this site continues to pay close attention to compliance with the medical and health regulations issued by the government and the authorities responsible for containing the spread of the Coronavirus. The directors will assess the benefits of keeping this logistical hub open, also taking into account procurement from its suppliers and its customers' level of operations.

At the same time, the plants in Pune (India), Buenos Aires (Argentina) and Caixas do Sul (Brazil) have been closed since 23 March, in view of similar measures taken by the respective local governments.

The continuing spread of the virus worldwide and the stringent measures taken by many governments to counter its further spread are affecting the prospects for future macroeconomic growth, which is likely to have repercussions on the Italian and international scenario. To offset the likely economic and financial repercussions, both domestically and internationally, many countries' governments have already taken steps to support businesses and the economy, while further measures are currently under discussion.

The events described above have been considered as non-adjusting events on the amounts reported in the 2019 financial statements, according to the definition provided by *IAS 10 §21*, as they occurred after the end of the financial year.

The directors monitor these uncertainties on a daily basis through a mitigation plan for the company's business, paying special attention to strategic procurement, close analysis of daily expenditure and investments, and non-stop monitoring of accounts receivable (customer sales and payments).

However, it is not currently possible to predict how this situation will evolve and the consequences it will have on the macroeconomic scenario, nor is it possible to determine the possible impacts that could result in adjustments to the carrying amounts of the Company's assets and liabilities.

In particular, these uncertainties could affect mainly, but not exclusively, the financial statement items subject to valuation, a description of which can be found in the section "Discretionary valuations and significant accounting estimates" in the notes.

GROUP BUSINESS PERFORMANCE AND OUTLOOK FOR 2020

The first quarter of 2020 shows a potentially higher than expected orders portfolio, mainly thanks to the recovery of expected volumes in Asia (especially in India) and the reopening of the Chinese plant.

In addition to what is described in the "Subsequent events" section, above, the impact of the spread of the Coronavirus at national and international level – and consequently on business performance for the remainder of the year – remains unknown.

BALANCE SHEET AND FINANCIAL DATA

Turnover

The Company's turnover as at 31 December 2019 amounted to 344,179 thousand euros (435,849 thousand euros as at 31 December 2018). Carraro International provides financial consulting services to the Carraro Group companies.
The breakdown of sales by main geographic area is shown in the following table.

(amounts in euros) **Geographical Area**	**31.12.19**	**%**	**31.12.18**	**%**
Italy	265,048	77%	335,670	77%
India	55,688	16%	78,298	18%
China	23,443	7%	16,555	4%
South America			5,326	1%
Total	**344,179**	**100%**	**435,849**	**100%**

Gains/(losses) on financial assets

(amounts in euros)	**31.12.2019**	**31.12.2018**
Income/expenses from equity investments	**5,407,626**	**9,441,789**
Financial assets	6,251,718	6,488,777
Bank current accounts and deposits	-	8,362
Other cash and cash equivalents	-	-
Income other than the above	1,898,921	3,361,757
Changes in the fair value of derivatives, and on rates		
Other financial income	**8,150,639**	**9,858,896**
Financial liabilities	-6,301,957	-6,299,021
Bank current accounts and deposits	-69	-4,226
Expenses other than the above	-1,207,066	-2,123,925
Changes in the fair value of derivatives, and on rates		
Financial costs and expenses	**-7,509,092**	**-8,427,172**
Other net exchange rate differences	-127	-2,055
Net gains/(losses) on foreign exchange	**-127**	**-2,055**
Write-backs	-	60,330
Write-downs	-2,234,088	-552,149
Value adjustments of financial assets	**-2,234,088**	**-491,819**
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3,814,958**	**10,379,639**

Income from equity investments, amounting to 5.407 million euros, refers entirely to dividends of the investee Carraro Drive Tech S.p.A. As at 31 December 2018 they amounted to 9.442 million euros, again for the subsidiary Carraro Drive Tech S.p.A.

Value adjustments of financial assets totalling -2.234 million euros refer to the effect on the income statement deriving from using the equity method of measuring the investment held in Enertronica Santerno S.p.A. (0,7 milion euro) and the realisable value of the investment in Agriming Agriculture Equipment Co. Ltd (1,5 milion euro).

(amounts in euros)

	31.12.19	% of turnover	31.12.18	% of turnover	Diff. %
Net financial expenses	**641,547**	**no.**	**1,431,724**	**no.**	**no.**

Net financial revenues went from a positive 1,432 thousand euros in the previous year to a positive 642 thousand euros as at 31 December 2019, due to the different mix of loans granted to the Group's European companies. The 2018 amount was also influenced by the non-recurring effect of 1.37 million euros resulting from the reduction of fees previously accounted for using the amortised cost method and relating to the Bank Agreement terminated in February 2018.

Financial revenues also include the fees paid on the bond issue which are absorbed throughout the amortisation period, in application of the amortised cost method.

Net profit/(loss)

2019 ended with a profit of 2.822 million euros; the Company closed the year ending 31 December 2018 with a profit of 9.035 million euros.

(amounts in Euro thousands)

	31.12.19	% of turnover	31.12.18	% of turnover	Diff. %
EARNINGS BEFORE TAX	2,777	no.	9,059	no.	no.
Current and deferred income taxes	45	no.	-24	no.	no.
NET PROFIT/(LOSS)	**2,822**	**no.**	**9,035**	**no.**	**no.**

The profit/loss was negatively affected by the lower dividends from the subsidiary Carraro Drive tech SpA and the adjustments relating to equity investments in subsidiaries. It should be recalled that in 2018 the item was impacted by higher one-off financial expenses amounting to 1.365 million euros resulting from the reduction in fees previously recognised using the amortised cost method relating to the Bank Agreement (amount net of tax effect).
Taxes to 31 December 2019 amounted to 45 thousand euros compared to the -24 thousand euros at 31 December 2018.

Amortisation, depreciation and impairment of fixed assets

(amounts in Euro thousands)

	31.12.19	% of turnover	31.12.18	% of turnover	Diff. %
Amortisation, depreciation and impairment	**54**	**15.7**	**12.1**	**2.8**	**n.r.**

Amortisation and depreciation for the year amounted to 54 thousand euros (15.7% of turnover), an increase compared to 2018 (12 thousand euros, 2.8% of turnover) due to the different accounting effect of application of IFRS 16.

Net financial position of management

(amounts in Euro thousands)

	31.12.19	31.12.18
Net financial position of management	**-20,634**	**-18,500**

As explained in the introduction, the net financial position of operations as at 31 December 2019 was negative at -20.6 million euros, worse than as at 31 December 2018, when it was negative at -18.5 million euros.

PERSONNEL
Workforce trend
Figures as at 31.12.2019

	31.12.2019	31.12.2018
Executives	1	1
Clerical staff	1	1
Total	**2**	**2**

*Unaudited amounts

All personnel are employed at the company's permanent establishment in the Grand Duchy of Luxembourg.

KEY RISKS AND UNCERTAINTIES TO WHICH CARRARO INTERNATIONAL IS EXPOSED

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

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

The main risks identified for Carraro International are listed below.

Strategic risks

Risks associated with the general economic conditions

The Company's financial and equity situation is influenced by various factors within the general macro-economic framework, such as changes in gross national product, the state of the agricultural and construction industries, the cost of raw materials and the level of business confidence in the various countries in which the Group operates, which affect the financial results of Carraro International's subsidiaries.

Significant macro-economic events, such as a generalised and significant increase in the prices of raw materials, a significant fall in demand in one of the key markets of the Group, enduring uncertainty and volatility of the financial and capital markets, falling interest rates and unfavourable changes in the exchange rates of the major currencies to which the Group is exposed are all negative factors for the Group's operations and future, as well as its economic results and its financial position.

The dynamics in the global economy and international trade in 2019 were once again characterised by instability in some areas of the world.

As is known, starting from January 2020, the national and international scenario has been characterized by the spread of Coronavirus and the consequent restrictive measures for its containment put in place by the public authorities of the countries concerned. These circumstances, extraordinary in nature and extent, may generate direct and indirect repercussions, both for Carraro International and for the Group, with an extent that, in the current

context of general uncertainty, is not foreseeable. The potential effects of this phenomenon cannot be determined to date and will be subject to constant monitoring throughout the year.

Risks related to the trends on the markets/industrial customers

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

Country risk

The subsidiaries operate in different countries and their degree of international exposure has gradually increased over the years. These markets show cyclical conditions of economic and political instability (for example in Turkey). This has affected, and may continue to negatively affect the subsidiaries' situation and results.

Financial risks

Risks associated with funding requirements

Carraro International's liquidity risk is mainly connected to the sourcing and maintenance of adequate funding to support the Group's industrial operations and its ability to service that funding through cash flow.

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

The management of finance, the need to fulfil funding requirements and to guarantee adequate cash flow for the Group, is the responsibility of Carraro International whose objective is to administer the available resources as efficiently as possible.

Risks of fluctuating interest rates

The Company is indirectly exposed to exchange rate risks as a significant portion of the subsidiaries' sales, and some of their purchases, take place in currencies other than the functional currency, with companies in the euro area trading with non-euro area counterparties and vice versa.

Carraro International and the Group are also exposed to interest rate risks in relation to financial liabilities which are accepted either to fund core business, or, where applicable, to fund the Group's expansion through acquisitions. Changes in interest rates may have positive or negative effects on both the financial outcome and on cash flows.

Credit risk

The Company is exposed to credit risk when a customer or counterparty in a financial transaction generates a financial loss by defaulting on a debt obligation; in the case of Carraro International this risk exists almost exclusively in relation to financial receivables.

In providing finance to the Group entities, the Company evaluates the cash flow forecasts, the financial equilibrium and the feasibility of the subsidiaries' industrial plans, in order to take the most appropriate decisions with regard to fundraising and agreeing on the repayment plans.

Receivables are recognised in the accounts net of any writedowns determined by assessing the counterparty's risk of insolvency based on the information available. Also see the contents of the Notes with reference to developments introduced by the application of IFRS 9 startig from previous year.

STANDARDS USED IN PREPARING THE FINANCIAL STATEMENTS

The present financial statements are drawn up in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union in accordance with Regulation no. 1606/2002 and with the provisions issued in implementation of Art. 9 of Italian Legislative Decree no. 38/2005. Furthermore, these financial statements are based on the assumption that the company is a going concern.

OTHER INFORMATION

The Company does not hold own shares, nor shares in parent companies, not even through fiduciary companies or intermediaries. During the past year it has not carried out any operation in relation to such shares.

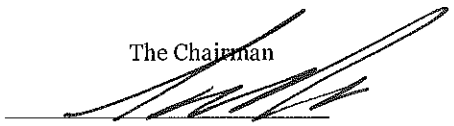
Transactions with related parties carried out during the period gave rise to relationships of a commercial, financial or advisory nature and were entered into at arm's-length conditions, in the economic interest of the individual companies involved in the transactions.

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

The Company did not directly incour in research and development expenses.

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

The Chairman



Enrico Carraro

CARRARO INTERNATIONAL S.E.
Registered office in Campodarsego, Padua (Italy) – Via Olmo 37
Share Capital 13,500,000.00 euros, fully paid-up.
Tax Code 92198680289 and VAT no. 04861850289
Registration on the Padua Register of Companies no. 445723
Company subject to the management and coordination of Carraro S.p.A.

FINANCIAL STATEMENTS
31 DECEMBER 2019

BOARD OF DIRECTORS	**ENRICO CARRARO**	Chairman
In office until approval of the 2020 financial statements (Appointments, Shareholders' Meeting of 16.04.2018)	**TOMASO CARRARO**	Deputy Chairman
	ENRICO GOMIERO	Chief Executive Officier
	SERGIO MARUSSO	Director
	FRANCESCO SECCHIERI (1)	Director
	FRANCESCO SABATTINI (1)	Director
	FABRIZIO PINATO (1)	Director
	(1) Members of the Internal Auditing Committee	
INDEPENDENT AUDITORS	**Deloitte & Touche S.p.A.**	
from 2018 to 2026		
PARENT COMPANY	**Carraro S.p.A.**	

INCOME STATEMENT

(amounts in euros)	NOTES	31.12.2019	*of which non-recurring*	31.12.2018	*of which non-recurring*
A) REVENUES FROM SALES					
1) Products		-		-	
2) Services		344,179		435,849	
3) Other revenues		-		-	
TOTAL REVENUES FROM SALES	**1**	**344,179**		**435,849**	
A-bis) of which with related parties		*344,179*		*435,849*	
B) OPERATING COSTS					
1) Purchases of goods and materials		-		-	
2) Services		817,312		1,068,207	
3) Use of third-party goods and services		-		43,731	
4) Personnel costs		263,734		307,098	
5) Amortisation, depreciation and impairment of assets		68,975		12,069	
5.a) depreciation of Property, plant and equipment		*53,631*		*-1*	
5.b) amortisation of Intangible assets		*414*		*12,070*	
5.c) impairment of fixed assets		-		-	
5.d) impairment of receivables		*14,930*		-	
6) Changes in inventories		-		-	
7) Provision for risks and other liabilities		-		-	
8) Other income and expenses		232,470		325,715	
9) Internal construction		-		-	
TOTAL OPERATING COSTS	**2**	**1,382,491**		**1,756,820**	
B-bis) of which with related parties		*7,364*		*23,578*	
OPERATING PROFIT/(LOSS)		**-1,038,312**		**-1,320,971**	
C) GAINS/(LOSSES) ON FINANCIAL ASSETS					
10) Income from equity investments		5,407,626		9,441,789	
11) Other financial income		8,150,639		9,858,896	
12) Financial costs and expenses		-7,509,092		-8,427,172	
13) Net gains/(losses) on foreign exchange		-127		-2,055	
14) Value adjustments of financial assets		-2,234,088		-491,819	
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3**	**3,814,958**		**10,379,639**	
C-bis) of which with related parties		*13,431,620*		*19,287,240*	
PROFIT/(LOSS) BEFORE TAXES		**2,776,646**		**9,058,668**	
15) Current and deferred income taxes	**4**	-45,056		24,062	
NET PROFIT/(LOSS)		**2,821,702**		**9,034,606**	
EARNINGS (LOSSES) PER SHARE	**5**				
- basic, for the profit for the period attributable to ordinary shareholders of the parent company		209.01		669.23	
-diluted, for the profit for the period attributable to ordinary shareholders of the parent company		209.01		669.23	

STATEMENT OF COMPREHENSIVE INCOME

(amounts in euros)	31.12.2019	31.12.2018
NET PROFIT/(LOSS) FOR THE PERIOD	**2,821,702**	**9,034,606**
Other income components that could be recognised in the income statement in subsequent periods:		
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:		
Total other income components that will not be recognised in the income statement in subsequent periods:	**-**	**-**
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,821,702**	**9,034,606**

(amounts in euros)	NOTES	31.12.2019	31.12.2018
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	**6**	34,280	-
2) Intangible fixed assets	**7**	-	414
3) Real estate investments	**8**	-	-
4) Equity investments in associated companies	**9**	39,608,421	45,117,022
5) Financial assets	**10**	88,225,296	88,653,409
5.1) Loans and receivables		*87,162,853*	*87,562,853*
5.2) Other financial assets		1,062,443	1,090,556
5-bis) of which with related parties		*87,162,853*	*87,562,853*
6) Deferred tax assets	**11**	21,822	-
7) Trade receivables and other receivables	**12**	10,100	30,103
7.1) Trade receivables		-	-
7.2) Other receivables		*10,100*	*30,103*
7-bis) of which with related parties		-	-
TOTAL NON-CURRENT ASSETS		**127,899,919**	**133,800,948**
B) CURRENT ASSETS			
1) Closing inventory	**13**	-	-
2) Trade receivables and other receivables	**12**	194,575	152,614
2.1) Trade receivables		-	*14,930*
2.2) Other receivables		*194,575*	*137,684*
2-bis) of which with related parties		*175,363*	*134,758*
3) Financial assets	**10**	33,165,003	59,763,727
3.1) Loans and receivables		*32,835,154*	*59,460,558*
3.2) Other financial assets		*329,849*	*303,169*
3-bis) of which with related parties		*32,835,153*	*59,460,559*
4) Cash and cash equivalents	**14**	37,735,908	13,211,150
4.1) Cash		-	-
4.2) Bank current accounts and deposits		*37,735,908*	*13,211,150*
4.3) Other cash and cash equivalents		-	-
TOTAL CURRENT ASSETS		**71,095,486**	**73,127,491**
TOTAL ASSETS		**198,995,405**	**206,928,439**

(amounts in euros)	**NOTES**	**31.12.2019**	**31.12.2018**
A) SHAREHOLDERS' EQUITY	**15**		
1) Share Capital		13,500,000	13,500,000
2) Other Reserves		2,230,702	1,778,972
3) Profits/(Losses) brought forward		-198	1,547,035
4) IAS/IFRS reserves		-	-
5) Provision for discounting employee benefits		-	-
6) Profit/(Loss) for the period		2,821,702	9,034,606
TOTAL SHAREHOLDERS' EQUITY		**18,552,206**	**25,860,613**
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	**16**	176,759,262	176,452,130
1.1) Bonds		*176,707,085*	*176,141,016*
1.2) Loans		*10,921*	-
1.3) Other financial liabilities		*41,256*	*311,114*
1-bis) of which with related parties		*41,256*	*311,113*
2) Trade payables and other payables	**17**	-	-
2.1) Trade payables		-	-
2.2) Other payables		-	-
2-bis) of which with related parties		-	-
3) Deferred tax liabilities	**11**	-	*34,881*
4) Provision for employee benefits/retirement	**19**	-	-
4.1) Provision for severance indemnity		-	-
4.2) Provision for retirement benefits		-	-
5) Provisions for risks and liabilities	**20**	-	-
5.1) Provision for warranties		-	-
5.2) Provision for legal claims		-	-
5.3) Provision for restructuring and reconversion		-	-
5.4) Other provisions		-	-
TOTAL NON-CURRENT LIABILITIES		**176,759,262**	**176,487,011**
C) CURRENT LIABILITIES			
1) Financial liabilities	**16**	3,033,029	3,675,966
1.1) Bonds		-	-
1.2) Loans		*85,601*	*7,655*
1.3) Other financial liabilities		*2,947,428*	*3,668,311*
1-bis) of which with related parties		*393,154*	*1,056,673*
2) Trade payables and other payables	**17**	596,613	601,456
2.1) Trade payables		*524,305*	*316,916*
2.2) Other payables		*72,308*	*284,540*
2-bis) of which with related parties		-	*187,409*
3) Current taxes payables	**18**	54,295	303,393
4) Provisions for risks and liabilities	**20**	-	-
4.1) Provision for warranties		-	-
4.2) Provision for legal claims		-	-
4.3) Provision for restructuring and reconversion		-	-
4.4) Other provisions		-	-
TOTAL CURRENT LIABILITIES		**3,683,937**	**4,580,815**
TOTAL LIABILITIES		**180,443,199**	**181,067,826**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**198,995,405**	**206,928,439**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(amounts in euros)	Share Capital	Other reserves		Provision for discounting employee benefits	Reserve cash-flow hedge	Profit/loss for the year	Total
		Capital reserves	Other reserves				
Balance as at 1.1.2018	**13,500,000**	**-**	**-6,061,444**	**-**	**-**	**10,578,773**	**18,017,329**
Comprehensive income for the period				**-**	**-**	**9,034,606**	**9,034,606**
Transactions with shareholders							
Allocation of 2017 results			10,578,773			-10,578,773	
"Write-off" of FTA reserve			-191,323			-	**-191,323**
Dividends declared in favour of shareholders			-1,000,000				**-1,000,000**
Total transactions of the period	**-**	**-**	**9,387,450**	**-**	**-**	**-10,578,773**	**-1,191,323**
Balance as at 31.12.2018	**13,500,000**	**-**	**3,326,007**	**-**	**-**	**9,034,606**	**25,860,613**

(amounts in euros)	Share Capital	Other reserves		Provision for discounting employee benefits	Reserve cash-flow hedge	Profit/loss for the year	Total
		Capital reserves	Other reserves				
Balance as at 1.1.2019	**13,500,000**	**-**	**3,326,007**	**-**	**-**	**9,034,606**	**25,860,613**
Comprehensive income for the period				**-**	**-**	**2,821,702**	**2,821,702**
Transactions with shareholders							
Allocation of 2018 results			9,034,606			-9,034,606	**-**
Dividend distribution			-10,129,911				**-10,129,911**
IFRS16 Restatement Effect			-198				**-198**
Total transactions of the period	**-**	**-**	**-1,095,503**	**-**	**-**	**-9,034,606**	**-10,130,109**
Balance as at 31.12.2019	**13,500,000**	**-**	**2,230,504**	**-**	**-**	**2,821,702**	**18,552,206**

STATEMENT OF CASH FLOWS

(amounts in euros)	NOTES	31.12.2019	31.12.2018
Profit/(loss) for the year	15	2,821,702	9,034,606
Tax for the year		-45,056	24,062
Profit/(loss) before taxes		**2,776,646**	**9,058,668**
Depreciation of property, plant and equipment	2	53,631	-
Amortisation of intangible fixed assets	2	414	12,070
Impairment of intangible assets	2	-	-
Provisions for risks	2	-	-
Provisions for employee benefits	2	-	-
Net gains/(losses) on foreign exchange	3	127	2,055
Income and expenses from equity investments		-5,407,626	-9,441,789
Value adjustments of financial assets	3	2,234,088	491,819
Cash flows before changes in Net Working Capital		**-342,720**	**122,823**
Changes in inventory	13	-	-
Change in trade receivables	12	14,930	-10,283
Change in trade payables	17	207,389	71,594
Change in other receivables/payables		-249,120	-121,287
Changes in receivables/payables for deferred taxation	11		
Changes in provisions for employee benefits	19		
Changes in provision for risks	20		
Dividends received		5,280,981	9,439,517
Change in other financial assets and liabilities		-369,304	421,491
Tax payments	4	-260,745	66,313
Cash flows from operating activities		**4,281,411**	**9,990,168**
Investments in material fixed assets and real estate	6	-45,523	-
Disinvestments and other movements in property, plant and equipment	6		
Investments in intangible fixed assets	7		
Disinvestments and other movements in intangible fixed assets	7		
Equity investments/divestments		3,401,158	-26,910
Cash flows from Investing activities		**3,355,635**	**-26,910**
Change in financial assets	10	27,025,277	-59,640,169
Change in financial liabilities	16	-7,654	40,882,085
Dividends paid		-10,129,911	-1,000,000
Other movements of shareholders' equity		-	-
Cash flows from financing activities		**16,887,712**	**-19,758,084**
Total cash flows for the period		**24,524,758**	**-9,794,826**
Opening cash and cash equivalents		**13,211,150**	**23,005,976**
Closing cash and cash equivalents		**37,735,908**	**13,211,150**

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE ACCOUNTS
AS AT 31 DECEMBER 2019

1. Introduction

Carraro International S.E. (the "Company", or the "Issuer"), is a European company with registered office in Italy, registered in the Padua Register of Companies and a subsidiary of Carraro S.p.A.

The Company became an Italian entity following the project to transfer the registered office from the Grand Duchy of Luxembourg to the Republic of Italy, pursuant to Regulation 2157/2001 and provisions of the Luxembourg law of 10 August 1915 on businesses, as amended.
The transfer was completed on 2 May 2018 with registration of the company in the Padua Register of Companies.
With effect from 2 May 2018, the Company opened a permanent establishment in the Grand Duchy of Luxembourg, to which all current assets were transferred. Also with effect from 2 May 2018, the Company appointed its new Board of Directors.

These financial statements are expressed in euros and amounts are rounded to the nearest whole euro, unless otherwise indicated.

The main object of Carraro International S.E. is to act as a holding company and to provide financing for subsidiaries and associates, as well as their technical and financial coordination within the limits and conditions established by law.

Authorisation for the publication of these Financial Statements was issued by the Board of Directors on 9 March 2020.

As provided for in Legislative Decree 9/91 and IAS 27, the Company exercised its right not to prepare consolidated financial statements, as the parent company Carraro S.p.A. prepares IFRs-compliant consolidated financial statements for public use.

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 2018, with the exceptions described in paragraph 2.2. "Accounting standards, amendments and interpretations applicable as of 1 January 2019".

The financial statements were prepared on a going-concern basis. 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.

This document contains a number of "alternative performance indicators" not envisaged by the IFRS accounting standards: EBITDA (understood as the sum of operating profit/(loss), amortisation, depreciation and impairment of fixed assets); EBIT (understood as operating profit/(loss) in the income statement); NET FINANCIAL POSITION (understood as ESMA Net Financial Debt determined in accordance with paragraph 127 of the recommendations contained in the ESMA document no. 319 of 2013, implementing Regulation (EC) 809/2004, adjusting non-current receivables and financial assets arising from the adoption of IFRS 16, where applicable.

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 non-recurrent events or transactions, or transactions or events that are not repeated frequently in carrying out normal activities.

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

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

Statement of Changes in Shareholders' Equity
The statement of changes in shareholders' equity is presented in accordance with the IAS, showing the profit (loss) for the period and all changes generated from transactions with shareholders.

Statement of Cash Flows
The cash flow statement illustrates the changes in cash and cash equivalents (as presented in the statement of financial position) divided by cash generating area 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 Regulation 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 2019:

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 it, the right to obtain substantially all the economic benefits arising from 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 Company has resorted to the practical expedient foreseen for the transition to IFRS 16 in order not to redeterminate when a contract is or contains a lease. Therefore, the conclusion relating to the qualification of a contract as a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to contracts signed or modified before January 1, 2019.
The change in the definition of lease mainly refers to the criterion based on control ("right of use"). Accordin to IFRS 16 a contract contains a lease if the customer has the right to control to use of an identified asset for a period of time in exchange for a fee. This notion is substantially different from the concept of "risks and benefits" to which significant attention is paid in IAS 17 and IFRIC 4.

The Company applies the definition of leases and the related provisions of IFRS 16 for all lease agreements entered into or modified starting from 1 January 2019 (regardless of the condition of the lessee or lessor in each lease contract). In view of the first application of IFRS 16, the Company carried out a project to assess the potential impacts and implementation of IFRS 16. The analysis carried out has shown that the new definition envisaged by IFRS 16 does not significantly change the scope of application of contracts defined by the Group as leases.

Transition with modified retrospective method:

The Company has chosen to apply the standard retrospectively, but has recognised the cumulative effect of applying the net equity method at 1 January 2019, in accordance with paragraphs C7-C13. In particular, the Company recognised the leasing contracts previously classified as operating leases, as follows:

a) a financial liability, equal to the present value of the remaining future payments at the transition date, discounted by 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 impacts of the adoption of IFRS 16 at the transition date

STATEMENT OF FINANCIAL POSITION

(amounts in euros)	**Effects as at transition date (01.01.2019)**
Right of use for buildings	8,985
Right of use for equipment	-
Right to use vehicles	33,403
TOTAL NON-CURRENT ASSETS	**42,388**
TOTAL ASSETS	**42,388**
Other reserves	
Profits/(Losses) brought forward	-198
TOTAL SHAREHOLDERS' EQUITY	**-198**
Non-current financial liabilities	22,421
TOTAL NON-CURRENT LIABILITIES	**22,421**
Current financial liabilities	20,165
TOTAL CURRENT LIABILITIES	**20,165**
TOTAL LIABILITIES	**42,586**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**42,388**

In adopting IFRS 16, the Company made use of the exemption granted in paragraph 5.a) in relation to short-term leases.

The Company also made 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 5 thousand euros 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 are 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 makes use of the following practical expedients, which are 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.

Annual Improvements to IFRS 2015-2017 Cycle:

On 12 December 2017, the IASB published the document "Annual Improvements to IFRS 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 adoption of this amendment had no 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 adoption of this amendment had no effect on the Company's financial statements.

Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"
(published on 12 October 2017).

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 adoption of this amendment had no effect on the Company's financial statements.

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" (published on 7 June 2017).
The interpretation addresses the issue of uncertainty about the tax treatment to be adopted on income taxes.
In particular, the 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 was applied from 1 January 2019.
The adoption of this amendment had no effect on the Company's financial statements.

Amendments to 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 adoption of this amendment had no effect on the Company's financial statements.

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 2019:

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 standards being amended. The amendment clarifies that information is "obscured" if it has been described in such a way that the effect on primary readers of financial statements would be similar to the effect that would have occurred if such information had been omitted or incorrect.
The amendments introduced were approved on 29 November 2019 and apply to all transactions after 1 January 2020. Directors do not expect a significant effect on the Company's financial statements from the adoption of this amendment.

Amendments **"References to the Conceptual Framework in IFRS Standards"** (published on 29 March 2018)

The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted.
The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide useful information to investors, lenders and other creditors.
The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders understand and interpret the Standards.

Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform" (published on 26 September 2019)
On 26 September 2019, the IASB amended IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment changes some of the requirements for the application of hedge accounting, providing for temporary exceptions to the same, in order to mitigate the impact of the uncertainty of the IBOR reform (still in progress) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in their financial statements on their coverage ratios which are directly affected by the uncertainties generated by the reform and to which the above exceptions apply.
The amendments enter into force on 1 January 2020, but companies may opt for earlier application.
The Company does not expect the adoption of this amendment to have any impact on the financial statements.

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

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 must 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 examples to IFRS 3 in order to illustrate the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is permitted.
The Board does not expect the adoption of this amendment to have any impact on the financial statements.

IFRS 17 – Insurance Contracts *(published on 18 May 2017)*
The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from issued insurance contracts. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts that an insurer holds.

The new standard also includes presentation and disclosure requirements to improve comparability between entities in this segment.
The new standard measures an insurance contract on the basis of a General Model or a simplified version of this, called the Premium Allocation Approach ("PAA").

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

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects the liability to reasonably represent an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the EAP approach.
The simplifications resulting from the application of the PAA method do not apply to the measurement of liabilities for outstanding claims, which are measured with the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or collected will occur within one year of the date on which the claim occurred.
An entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF).
The standard is applicable as from 1 January 2021 but early application is allowed only for companies that have implemented IFRS 9 – *Financial Instruments* and IFRS 15 - *Revenue from Contracts with Customers*.
The Board of Directors does not expect any 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 2014).
The document was published in order to resolve the current conflict between IAS 28 and IFRS 10.
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 or 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 Board of Directors does not expect any effect on the Company's financial statements.

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.

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
The subsidiaries are companies in which the Company exercises control. The Company controls another company when it is exposed, or has rights, to the variability of the subsidiary's results, based on its involvement with the subsidiary, and can influence those results by exercising its power.
Control may be exercised through directly or indirectly holding the majority of shares with voting rights, or on the basis of contractual or legal agreements, also regardless of shareholder relations. The existence of potential voting rights that may be exercised at the reporting date 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 the financial statements, equity investments in subsidiaries are measured at reduced cost in the presence of impairment while, as provided by IAS 28, equity investments in associates are measured with the equity method, in accordance with IAS 28.

Equity investments in other companies and other securities
In accordance with IFRS 9 and IAS 32, equity investments in companies other than subsidiaries and associates are classified as financial assets hold to collect contractual cash flow and sell, 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 amortized cost, financial assets at fair value through profit or loss, financial assets at fair value through other components of comprehensive income statement.
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 at initial registration and, where appropriate and permitted, revises the classification at the end of each financial year.

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

Financial assets at amortised cost

Financial assets that satisfy both of the following conditions are valued with the amortized cost:

- financial asset is owned within the framework of a business model whose objective is the possession of financial assets aimed at collecting contractual cash flows;

- the contractual terms of the financial activity provide for certain dates financial flows represented only by payments of capital and interest on the amont of capital to be returned.

The amortised cost is calculated as the value initially recognized minus the repayment of the capital, plus or minus the accumulated depreciation using the effective interest rate method of any difference between the value initially recognized and the amount at maturity.

This calculation includes all commissions or points paid between the parties that form an integral part of the effective interest rate, transaction costs and other premiums or discounts. For investments valued at amortized cost, profits and losses are recognized in the income statement when the investment is eliminated from the accounts or when a loss in value occurs, as well as through the amortization process.

Financial assets at fair value through other components of comprehensive income statement.

Financial assets that meet the following conditions are measured at fair value through the other components of the comprehensive income statement:

- the financial asset is owned within the framework of a business model whose objective is achieved both through the collection of contractual flows and through the sale of financial assets;

- the contractual terms of the financial activity provide for certain dates financial flows represented only by payments of principal and interest on the amount of principal to be returned.

At the time of the disposal of the financial asset, the amounts previously transferred to the other components of the comprehensive income statement are destined to be transferred to the income statement, unless the financial asset in question was an equity instrument not intended for trading, because in in this case, recycling is not envisaged at the time of disposal and the reserves of other components of the comprehensive income statement accumulated over time are directly reversed to other available reserv

Financial assets at fair value through profit or loss

A financial asset, if is not valued at the amortized cost or at the fair value recorded in the other components of the comprehensive income statement, must be valued at fair value and the relative changes are recognized in the income statement of the year in which they occur.

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 writedowns 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 by 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. Writebacks relating to equity instruments classified as available for sale are not recognised in the income statement. Writebacks relating to debt instruments are recognised in the income statement if the increase in the fair value of the instrument can be objectively traced back to an event which took place after the loss was recognised in the income statement.

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 Revised, post-employment benefits 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.
According to IAS 19 Revised, actuarial gains/losses are directly recognised in a shareholders' equity reserve with immediate recognition in the Statement of Comprehensive Income. Interest cost is classified under Financial income/expenses and no longer under the item Personnel Costs.

Recognition of revenues and other positive income components

1. Recognition of revenues (as required by IFRS 15, paragraphs 31, 46, 47 and 119)
The revenues recognised by the Company mainly refer to the following types:
- Revenues from holding activities;
- Revenues from finance activities, and the technical/financial coordination of subsidiaries and affiliates.

1.1 Revenues from holding activities

The Company carries out holding activities and therefore deals with the purchase, management, ownership and sale of bonds and other securities and holdings, equity interests or stakes in other companies.
Revenues from these activities include a single performance obligation for the sale of the product, or 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.
The Company recognises the receivable when control is transferred, as indicated in the previous paragraph, as this 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 Revenues from finance activities, and the technical/financial coordination of subsidiaries and affiliates

The Company carries out finance activities for the subsidiaries and affiliates, and provides technical and financial coordination in accordance with the legal conditions, on a B2B basis.
Revenues as described above include a single performance obligation concerning the provision of the service, not including in the sale any services or ancillary products which, in accordance with the new standard, should constitute separate performance obligations.
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 this 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.

2. Recognition of other positive income components

Interest income and active commissions 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 period represents the sum total of current and deferred income taxes.

Current taxes

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

Deferred taxes

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

Value added tax

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

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

Earnings or losses per share

Basic earnings (losses) per share are calculated by dividing the net profit (net loss) for the period 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 financial risk management strategy conforms to the company objectives set out in the policies approved by the Board of Directors of the parent company 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 for the company by the Board of Directors of the parent, 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 are in fact highly effective is carried out on an ongoing basis during the accounting periods in which they were designated.

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

Fair-value hedges

The company may use fair value hedging transactions against the 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 those 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 writedowns 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 cash flows envisaged for 2020 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 31.12.2019) 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 2020, 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 2020, 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) intragroup transactions and transactions with related parties during the period gave rise to trade, financial or consulting relations, and were carried out at arm's length conditions, in the financial interest of the individual companies involved;
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 and for other risks and liabilities. Further details are provided in the notes relating to the individual financial statement items.

3. Geographic areas

Carraro International S.E.'s financial activities are located in Italy and Luxembourg.
Further information is available in the report on operations.

a) Revenues

The breakdown of third-party revenues by main geographic area is shown in the following table.

(amounts in euros)	**31.12.2019**	**%**	**31.12.2018**	**%**
Geographical Area				
Italy	265,048	77%	335,670	77%
India	55,688	16%	78,298	18%
China	23,443	7%	16,555	4%
South America	-	-	5,326	1%
Total	**344,179**	**100%**	**435,849**	**100%**

4. Non-recurring operations

As at 31 December 2019, there were no non-recurring transactions.

5. Detailed explanatory notes

Revenues and costs

A) Revenues from sales (Note 1)

(amounts in euros)	**31.12.2019**	**31.12.2018**
1) PRODUCTS	-	-
OTHER SERVICES	344,179	435,849
2) SERVICES	344,179	435,849
3) OTHER REVENUES	-	-
TOTAL REVENUES FROM SALES	**344,179**	**435,849**

B) Operating costs (Note 2)

OPERATING COSTS *(amounts in euros)*	**31.12.2019**	**31.12.2018**
1) PURCHASES OF GOODS AND MATERIALS	-	-
A) EXTERNAL SERVICES FOR PRODUCTION	-	-
B) SUNDRY SUPPLIES	3,708	1,285
C) GENERAL OVERHEADS	813,454	1,041,302
D) COMMERCIAL COSTS	150	25,620
E) SALES EXPENSES	-	-
2) SERVICES	**817,312**	**1,068,207**
RENTAL EXPENSES	-	43,731
3) USE OF THIRD-PARTY GOODS AND SERVICES	**-**	**43,731**
A) WAGES AND SALARIES	239,685	277,124
B) SOCIAL SECURITY CONTRIBUTIONS	21,800	25,844
D) EMPLOYEE SEVERANCE INDEMNITY AND PENSIONS	-	-
E) OTHER COSTS	2,249	4,130
4) PERSONNEL COSTS	**263,734**	**307,098**

A) DEPREC. PROP., PLANT & EQUIPMENT	53,631	-
B) AMORT. INTANGIBLE ASSETS	414	12,070
C) IMPAIRMENT OF FIXED ASSETS	-	-
D) IMPAIRMENT OF RECEIVABLES	14,930	-
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	**68,975**	**12,070**
A) CHANGES IN INVENTORIES OF RAW AND ANCILLARY MATERIALS AND GOODS	-	-
B) CHANGES IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED & FINISHED PRODUCTS	-	-
6) CHANGES IN INVENTORIES	**-**	**-**
7) PROVISION FOR RISKS AND OTHER LIABILITIES	-	-
A) SUNDRY INCOME	-	-171
B) GRANTS	-	-
C) OTHER OPERATING EXPENSES	167,856	315,915
D) OTHER NON-ORDINARY OPERATING INCOME/EXPENSES	64,614	9,970
8) OTHER INCOME AND EXPENSES	**232,470**	**325,714**
9) INTERNAL CONSTRUCTION	-	-

C) Net income from financial assets (note 3)

GAINS/(LOSSES) ON FINANCIAL ASSETS *(amounts in euros)*	**31.12.2019**	**31.12.2018**
10) INCOME/EXPENSES FROM EQUITY INVESTMENTS	**5,407,626**	**9,441,789**
A) FROM FINANCIAL ASSETS	6,251,718	6,488,777
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	-	8,362
C) FROM OTHER CASH EQUIVALENTS	-	-
D) INCOME OTHER THAN THE ABOVE	1,898,921	3,361,757
E) FROM CHANGES IN THE FAIR VALUE OF DERIVATIVE TRANSACTIONS ON RATES	-	-
11) OTHER FINANCIAL INCOME	**8,150,639**	**9,858,896**
A) FROM FINANCIAL LIABILITIES	-6,301,957	-6,299,021
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	-69	-4,226
C) EXPENSES OTHER THAN THE ABOVE	-1,207,066	-2,123,925
D) FROM CHANGES IN THE FAIR VALUE OF DERIVATIVE TRANSACTIONS ON RATES	-	-
12) FINANCIAL COSTS AND EXPENSES	**-7,509,092**	**-8,427,172**
FROM NET DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	-	-
FROM CHANGES IN THE FAIR VALUE OF DERIVATIVE TRANSACTIONS ON NET EXCHANGE RATES	-	-
OTHER NET EXCHANGE RATE DIFFERENCES	-127	-2,055
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	**-127**	**-2,055**
A) WRITEBACKS	-	60,330
B) WRITE-DOWNS	-2,234,088	-552,149
14) VALUE ADJUSTMENTS OF FINANCIAL ASSETS	**-2,234,088**	**-491,819**
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3,814,958**	**10,379,639**

Income from equity investments, amounting to 5.4 million euros, refers to dividends of the investee Carraro Drive Tech S.p.A. for the amount of 5.3 million euros and to a capital gain of 126.7 thousand euros from the sale of the equity investments held in Enetronica Santerno S.p.A.

Financial expenses also include the fees paid on the bond issue which are absorbed throughout the amortisation period, in application of the amortised cost method.

Value adjustments of financial assets totalling -2.23 million euros refer to the effect on the income statement deriving from using the equity method of measuring the investment held in Enertronica Santerno S.p.A. and the realisable value of the investment in Agriming Agriculture Equipment Co. Ltd. sold during the year as reported in note 9.

Current and deferred income taxes (note 4)

INCOME TAXES *(amounts in euros)*	**31.12.2019**	**31.12.2018**
CURRENT TAXES	4,300	51,466
TAX CONSOLIDATION EXPENSE AND INCOME	-65,523	168,517
TAXES FROM PREVIOUS YEARS	72,870	-111,093
DEFERRED TAXES	-56,703	-84,828
15) CURRENT AND DEFERRED INCOME TAXES	**-45,056**	**24,062**

Current taxes
Current IRAP for the period is calculated on a regional basis (rate of 3.9%) on the estimated taxable income for the year.
Current IRES for the period is calculated at the rate of 24% on the estimated taxable income for the year.

Deferred taxes
These are set aside on the temporary differences between the carrying amount of the assets and liabilities and the corresponding tax value to the extent that it is probable that there will be adequate future tax profits for which such losses can be utilised in a reasonably short period of time. For further details see note 11.
In the course of 2018, Carraro International opted for the national tax consolidation, in the capacity as consolidating company, together with its subsidiary Carraro S.p.A. and the latter's subsidiaries. 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.

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

IRES

(amounts in Euro thousands)	**31.12.2019**	**%**	**31.12.2018**	**%**
Earnings before tax	**2,777**		**9,059**	
Theoretical tax rate	**666**	**24.00%**	**2,174**	**24.00%**
Tax effects related to:				
Non-deductible costs	493	17.75%	209	2.31%
Untaxable income	-1,204	-43.36%	-2,167	-23.92%
Other unrecognised deferred taxes	-	-	4	0.04%
Taxes from previous years	58	2.09%	-196	-2.16%
Income from the sale of interest income / EBIT	-77	-2.77%	-	-
Taxation at effective rate	**-64**	**-2.29%**	**24**	**0.27%**

IRAP [regional business tax]

(amounts in Euro thousands)	**31.12.2019**	**%**	**31.12.2018**	**%**
Earnings before tax	**2,777**		**9,059**	
Theoretical tax rate	**155**	**5.57%**	**353**	**3.90%**
Tax effects related to:				
Non-deductible costs	2	0.07%	-	0.00%
Untaxable income	-	-	-353	-12.71%
Other unrecognised deferred taxes	-	-	-	-
Income/expenses not relevant for IRAP	-153	-5.51%	-	0.00%
Taxes from previous years	15	0.54%	-	0.00%
Income from the sale of interest income / EBIT	-	-	-	-
Taxation at effective rate	**19**	**0.67%**	**-**	**-0.00%**

Earnings or losses 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.

(amounts in euros)	**31.12.2019**	**31.12.2018**
Results		
Earnings (Losses) for the purposes of calculating basic earnings per share	2,821,702	9,034,606
Diluting effect deriving from potential ordinary shares	-	-
Earnings (Losses) for the purposes of calculating diluted earnings per share	2,821,702	9,034,606

	31.12.2019	**31.12.2018**
Number of shares		
Weighted average number of ordinary shares for calculating:		
basic earnings (losses) per share:	13,500	13,500
diluted earnings (losses) per share:	13,500	13,500
Basic earnings (losses) per share (euros):	209.01	669.23
Diluted earnings (losses) per share (euros):	209.01	669.23

Property, plant and equipment (note 6)
These present a net balance of 34,280 thousand euros.
The breakdown is as follows:

Items *(amounts in euros)*	**Land and buildings**	**Plant and machinery**	**Industrial equipment**	**Other assets**	**Invest. in prog. and deposits**	**Total**
Historical cost	-	-	-	-	-	-
Provisions for amortisation and depreciations	-	-	-	-	-	-
Net as at 31.12.2018	**-**	**-**	**-**	**-**	**-**	**-**
Movements in 2019:						
Increases	42,111	-	-	3,412	-	45,523
Decreases	-	-	-	-	-	-
Capitalisation	-	-	-	-	-	-
IFRS 16 Restatement Effect	8,986	-	-	33,402	-	42,388
Depreciation and amortisation	-42,098	-	-	-11,533	-	-53,631
Reclassification	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-
Exchange differences differences	-	-	-	-	-	-
Net as at 31.12.2019	**8,999**	**-**	**-**	**25,281**	**-**	**34,280**
Made up of:						
Historical cost	17,998	-	-	38,723	-	56,721
Provisions for amortisation and depreciations	-8,999	-	-	-13,442	-	-22,441

At 31.12.2019, property, plant and equipment referred entirely to leased assets recognised for 34,280 thousand euros, distributed by category as follows:

- Land and buildings: 9 thousand euros for rights of use (IFRS 16);
- Other assets: 25.28 thousand euros for rights of use (IFRS 16);

Intangible fixed assets (note 7)
These present a net balance equal to zero, compared to 0.4 thousand euros of the previous year.
The breakdown is as follows:

Items *(amounts in euros)*	**Goodwill**	**Development costs**	**Royalties and patents**	**Licences and Trademarks**	**Invest. in prog. and deposits**	**Other intangible assets**	**Total**
Historical cost	-	-	-	25,002	-	-	25,002
Provisions for amortisation and depreciations	-	-	-	-12,518	-	-	-12,518
Net as at 31.12.2017	**-**	**-**	**-**	**12,484**	**-**	**-**	**12,484**
Movements in 2018:							
Increases	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Capitalisation	-	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	-12,070	-	-	-12,070
Reclassification	-	-	-	-	-	-	-
Exchange differences differences	-	-	-	-	-	-	-
Net as at 31.12.2018	**-**	**-**	**-**	**414**	**-**	**-**	**414**
Made up of:							
Historical cost	-	-	-	25,002	-	-	25,002
Provisions for amortisation and depreciations	-	-	-	-24,588	-	-	-24,588

Items *(amounts in euros)*	**Goodwill**	**Development costs**	**Royalties and patents**	**Licences and Trademarks**	**Invest. in prog. and deposits**	**Other intangible assets**	**Total**
Historical cost	-	-	-	25,002	-	-	25,002
Provisions for amortisation and depreciations	-	-	-	-24,588	-	-	-12,518
Net as at 31.12.2018	**-**	**-**	**-**	**414**	**-**	**-**	**12,484**
Movements in 2019:							
Increases	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Capitalisation	-	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	-414	-	-	-414
Reclassification	-	-	-	-	-	-	-
Exchange differences differences	-	-	-	-	-	-	-
Net as at 31.12.2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Made up of:							
Historical cost	-	-	-	25,002	-	-	25,002
Provisions for amortisation and depreciations	-	-	-	-25,002	-	-	-25,002

Real estate investments (Note 8)
The company has no real estate investments.

Equity investments in subsidiaries, associates and other investments (note 9)
The changes in equity investments compared to 31 December 2019 are shown below:

Name *(amounts in euros)*	**31.12.2018**	**Increases**	**Decreases**	**Write-backs**	**Write-downs**	**31.12.2019**
Carraro Drive Tech S.p.A.	38,797,634	-	-	-	-	38,797,634
Enertronica Santerno S.p.A.	1,861,546	-	-338,356	-	-713,893	809,298
Agriming Agriculture Equipment Co. Ltd.	4,456,352	-	-2,936,157	-	-1,520,195	-
MG Mini Gears Inc.	1,490	-	-	-	-	1,490
TOTAL	**45,117,022**	**-**	**-3,274,513**	**-**	**-2,234,088**	**39,608,421**

The equity investments are valued at historic cost apart from those in Enertronica Santerno S.p.A. wich is valued with the equity method as it is an associated company: the share directly held by Carraro International Se in Enertronica Santerno S.p.A. it is 10.14%, but the Group in total exceeds the 20% of share.

On 29 May 2019, the Board of Directors of Enertronica Santerno S.p.A. approved its draft consolidated financial statements as at 31 December 2018, which showed negative shareholders' equity of 0.181 million euros.
An adjustment was therefore made to the initial book value of the equity investment, recording a write-down of 0.714 million euros which was entirely attributed to Carraro International SE.
Since the financial statements of the investee company at 31.12.2019 were not available, it was not possible to make any further adjustments.

During 2019, 332,700 shares of Enertronica Santerno S.p.A. were sold. As a result of these sales, the percentage of ownership fell from 14.37% to 10.14%, realising a total capital gain of 126.7 thousand euros.

In order to speed up the development of the Group's activities in China, in August has been decided to end the joint venture Agriming Agriculture Equipment Co. Ltd., begun in June 2017, by selling the 49% of its share capital held by Carraro International SE to Shandong Juming Machinery Co. Ltd.
During 2019, total sale of the investment in the Agriming joint venture led to the recognition of a a write-down of 1.52 million euros.

During 2019 a write-down of 1.52 million euros was recorded to align the carrying amount of the investment in the Agriming joint venture with the relate equity investment.

Equity investments in associated companies:

Name	**Registered office**	**Share capital**		**Number of shares Stakes held**	**Profit (loss) 31.12.2019**	**Sh. Equity 31.12.2019**	**Direct portion**	**Carrying amount of the investment**
		Currency	**Amount**	**Total**	**(ctv. euros)**	**(ctv. euros)**		**31.12.2019**
Enertronica Santerno S.p.A.	Milan, Italy	EUR	784,988	795,600	n.a.	n.a.	10.14%	809,297

Financial assets (note 10)

(amounts in euros)	**31.12.2019**	**31.12.2018**
Loans to related parties	87,162,853	87,562,853
Loans to third parties	-	-
LOANS AND RECEIVABLES	**87,162,853**	**87,562,853**
Available for sale	-	-
Other financial assets	1,062,443	1,090,556
OTHER FINANCIAL ASSETS	**1,062,443**	**1,090,556**
NON-CURRENT FINANCIAL ASSETS	**88,225,296**	**88,653,409**
With related parties	32,835,154	59,460,558
With third parties	-	-
LOANS AND RECEIVABLES	**32,835,154**	**59,460,558**
Fair value of derivatives	-	-
Other financial assets	329,849	303,169
OTHER FINANCIAL ASSETS	**329,849**	**303,169**
CURRENT FINANCIAL ASSETS	**33,165,003**	**59,763,727**

Non-current loans and receivables
Non-current related-party loans and receivables refer to the medium/long-term portion of receivables due from Carraro S.p.A., Carraro Drive Tech S.p.A. and Elettronica S.p.a.
Values of these receivables approximate their fair value.

Non-current financial assets
Non-current financial assets include the long-term portion of the upfront fees paid for the revolving credit lines.

Current loans and receivables
Current related party loans and receivables mainly refer to the short-term portion of receivables held vis à via the companies Carraro S.p.A., Carraro Drive Tech S.p.A. and Enertronica Santerno S.p.a.

Current financial assets
Current financial assets include the long-term portion of the upfront fees paid for the revolving credit lines.

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 (amounts in euros)	**Taxes Deferred 31.12.2018**	**Reclassification**	**Effect on IS**	**Effect on SE**	**Taxes Deferred 31.12.2019**
Measurement of financial assets/liabilities	-34,881	-	34,881	-	-
Other - Cash-deductible costs	-	-	21,822	-	21,822
TOTAL	**-34,881**	**-**	**56,703**	**-**	**21,822**

Trade receivables and other receivables (Note 12)

(amounts in euros)	**31.12.2019**	**31.12.2018**
NON CURRENT TRADE RECEIVABLES	**-**	**-**
With third parties	10,100	30,103
OTHER NON-CURRENT RECEIVABLES	**10,100**	**30,103**
NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**10,100**	**30,103**
With related parties	-	-
With third parties	-	14,930
CURRENT TRADE RECEIVABLES	**-**	**14,930**
With related parties	175,363	134,758
With third parties	19,212	2,926
OTHER CURRENT RECEIVABLES	**194,575**	**137,684**
CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**194,575**	**152,614**

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

(amounts in euros)	**31.12.2019**	**31.12.2018**
Receivables for current taxes	18,022	5,951
Receivables from employees	1,190	-3,025
Other receivables	-	-
OTHER CURRENT RECEIVABLES FROM THIRD PARTIES	**19,212**	**2,926**

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

(amounts in euros)	**31.12.2019**	**31.12.2018**
Current trade receivables from third parties	14,930	14,930
Provisions for Depreciations of Receivables	-14,930	-
NET CURRENT TRADE RECEIVABLES FROM THIRD PARTIES	**-**	**14,930**
Trade receivables from related parties	-	-
NET CURRENT TRADE RECEIVABLES FROM RELATED PARTIES	**-**	**-**
Other current receivables from third parties	19,212	2,926
Provisions for Depreciation of other Receivables	-	-
NET CURRENT OTHER RECEIVABLES FROM THIRD PARTIES	**19,212**	**2,926**
Other receivables from related parties	175,363	134,758
NET CURRENT OTHER RECEIVABLES FROM RELATED PARTIES	***175,363***	**134,758**

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

(amounts in euros)	***31.12.2019***					***31.12.2018***				
	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	-	14,930	-	-	**14,930**	-	14,930	-	-	**14,930**
Other receivables	-	-	194,575	10,100	**204,675**	-	-	137,684	30,103	**167,787**
TOTAL	**-**	**14,930**	**194,575**	**10,100**	**219,605**	**-**	**14,930**	**137,684**	**30,103**	**182,717**

Provisions for Depreciations of Receivables

(amounts in euros)	**31.12.2018**	**increases**	**decreases**	**reclassifications**	**31.12.2019**
Provision for Trade receivables	-	14,930	-	-	14,930
Provisions for impairment of other receivables	-	-	-	-	-
TOTAL	**-**	**14,930**	**-**	**-**	**14,930**

The bad debt provisions for trade receivables and other receivables is recognised on past due positions according to the estimated loss currently considered probable.

Closing inventory (note 13)
The company had no closing inventory.

Cash and cash equivalents (Note 14)

(amounts in euros)	**31.12.2019**	**31.12.2018**
BANK CURRENT ACCOUNTS AND DEPOSITS	37,735,908	13,211,150
TOTAL	**37,735,908**	**13,211,150**

Shareholders' equity (note 15)

(amounts in euros)	**31.12.2019**	**31.12.2018**
1) Share Capital	13,500,000	13,500,000
2) Other Reserves	2,230,702	1,778,972
3) Profits/(Losses) brought forward	-198	1,547,035
4) Other IAS/IFRS reserves	-	-
5) Provision for discounting employee benefits	-	-
7) Profit/(Loss) for the period	2,821,702	9,034,606
SHAREHOLDERS' EQUITY	**18,552,206**	**25,860,613**

The Shareholders' Meeting of Carraro International S.E. of 19 April 2019, resolved to allocate the profit for 2018, equal to 9,034,606.37 euros, as follows:
- 451,730.32 euros to the legal reserve;
- 8,582,876.05 euros to dividends.

The Shareholders' Meeting, again on 19 April 2019, also resolved to allocate a dividend of 1,547,035 euros, taken from the extraordinary reserve, to shareholders.

The Share Capital is set at 13,500,000 euros fully paid up, consisting of 13,500 ordinary shares with a nominal value of 1,000 euros each.
No other financial instruments which assign equity and investment rights have been issued.

Other reserves
For details of the item "other reserves", please refer to the following table.

The following table shows the total of the shareholders' equity items broken down by origin, utilisation possibility and distribution. For a better understanding of the changes in shareholders' equity, reference should be made to the statement of changes in shareholders' equity.

Nature/description	31/12/2018	Movements in 2019	31/12/2019	Utilisation possibility	Notes	Portion available
Share capital:	13,500,000	-	13,500,000	---		
Profit reserves:						
Legal reserve	1,325,272	451,730	1,777,002	*B*		
Provision for Impôt sur la fortune	453,700	-	453,700	---	*(1)*	-
Other reserves	**1,778,972**	**451,730**	**2,230,702**			
Retained earnings (accumulated losses)	**1,547,035**	**-1,547,233**	**-198**	**A, B, C**		-198
Profit/(Loss) for the period:	9,034,606	-6,212,904	2,821,702	---		2,821,702
Total(A)	**25,860,613**	**-7,308,407**	**18,552,206**			**2,821,504**
Non-distributable reserves (B)						-
Legal reserve of profit for the year (C)						-141,085
Distributable portion (D = A+B+C)						**2,680,419**

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

(1) Law of 16 October 1934, as amended, concerning the *Impôt sur la fortune* under Luxembourg law.

Financial liabilities (note 16)

As at 31 December 2019, there was full compliance with all of the financial parameters provided for in the regulations on the bond issue ("Incurrence Covenants") and in the banking agreement envisaged by the Agreement with BPM signed on 18.02.2018, by the Agreement with ING signed on 08.03.2018 and by the Agreement with San Paolo Imi Luxembourg signed on 30.09.2019. These covenants are calculated on the basis of the Carraro Group's consolidated financial statements.

With reference to the Group's consolidated statements:
- the ratio of net financial position of management to ADJUSTED EBITDA at 31 December 2019 was 2.81.
- The limit of the parameter contractually provided for the bond loan for that date is 3.50.
- The limit of the parameter contractually provided in the Bank Agreements for that date is 3.30.

The classification of the financial liabilities as at 31.12.2019 and 31.12.2018 is indicated.

(amounts in euros)	**31.12.2019**	**31.12.2018**
NON-CURRENT BONDS	**176,707,085**	**176,141,016**
MEDIUM/LONG-TERM LOANS	10,921	-
MEDIUM/LONG-TERM LOANS TO RELATED PARTIES	-	-
NON-CURRENT FINANCIAL LIABILITIES	**176,718,006**	**176,141,016**
OTHER NON-CURRENT FINANCIAL LIABILITIES	-	-
OTHER NON-CURRENT RELATED PARTY FINANCIAL LIABILITIES	41,256	311,114
OTHER NON-CURRENT FINANCIAL LIABILITIES	**41,256**	**311,114**
NON-CURRENT FINANCIAL LIABILITIES	**176,759,262**	**176,452,130**
BONDS	**-**	**-**
MEDIUM-/LONG-TERM LOANS – short-term portion	-	-
SHORT-TERM LOANS	-	-
LOANS TO RELATED PARTIES	65,019	7,655
CURRENT FINANCIAL LIABILITIES	**65,019**	**7,655**
OTHER CURRENT FINANCIAL LIABILITIES	2,619,293	2,619,293
OTHER CURRENT RELATED PARTY FINANCIAL LIABILITIES	328,135	1,049,018
OTHER CURRENT FINANCIAL LIABILITIES	**2,947,428**	**3,668,311**
CURRENT FINANCIAL LIABILITIES	**3,012,447**	**3,675,966**

Non-current financial liabilities
In January 2018, the Company issued a 3.5% fixed-rate senior unsecured bond of 180 million euros - maturing in 2025 - listed on the Luxembourg Stock Exchange and on the MOT.
The effect of the amortised cost on this item amounted to 3.293 million euros at 31 December 2019.

The non-current financial liabilities include the long-term portion of the upfront fees charged to the affiliated companies Carraro S.p.A. and Carraro Drive Tech S.p.A.

Current financial liabilities
The current financial liabilities mainly relate, as to 2.62 million euros, to the interest payable on the bond issued, and as to 0.33 million euros, to the short-term portion of the upfront fees charged to the related companies Carraro S.p.A. and Carraro Drive Tech S.p.A.

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 euros)*	**31.12.2018**	**Cash Flow**	**Reclassification**	**IFRS16 effect**	**Other changes**	**31.12.2019**
Gross non-current loans payable	180,000,000	-	-	10,921	-	180,010,921
Gross current loans payable	7,654	-7,654	-	20,582	65,019	85,601
Total loans payable	**180,007,654**	**-7,654**	**-**	**31,503**	**65,019**	**180,096,522**
Amortised cost	-3,858,984	-	-	-	566,068	-3,292,916
Other non-current financial liabilities	311,114	-311,114	-	-	41,256	41,256
Other current financial liabilities	3,668,312	-3,668,312	-	-	2,947,429	2,947,429
Financial liabilities:	**180,128,096**	**-3,987,080**	**-**	**31,503**	**3,619,772**	**179,792,291**

The net financial position is broken down below:

Net financial position *(values in euros)*	**31.12.2019**	**31.12.2018**
Non-current bonds	-176,707,085	-176,141,016
Current bonds	-	-
Bonds:	**-176,707,085**	**-176,141,016**
Non-current loans payable	-10,921	-
Current loans payable	-85,601	-7,655
Other non-current financial liabilities	-41,256	-311,114
Other current financial liabilities	-2,947,428	-3,668,311
Financial liabilities:	**-3,085,206**	**-3,987,080**
Current loans and receivables	32,835,154	59,460,558
Other current financial assets	329,849	303,169
Financial assets:	**33,165,003**	**59,763,727**
Cash	-	-
Bank current accounts and deposits	37,735,908	13,211,150
Cash and cash equivalents:	**37,735,908**	**-13,211,150**
Net financial position (*)	**-108,891,380**	**-107,153,219**
Non-current loans and receivables	87,162,853	87,562,853
Other non-current financial assets	1,062,443	1,090,556
Non-current leases - IFRS 16	10,921	-
Current leases - IFRS 16	20,582	-
Net financial position of management	**-20,634,581**	**-18,499,810**
of which payables/(receivables):		
- non-current	-88,523,045	-87,798,721
- current	67,888,464	69,298,911

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

The medium- and long-term banking credit facilities amounted to a total of 88 million euros, and were unused as of the current date.
The medium- and long-term banking credit facilities amounted to a total of 2 million euros, and were unused as of the current date.
The medium- and long-term banking credit facilities amounted to a total of 50 million euros, and were unused as of the current date.

In December 2019, a 7-year loan contract worth 50 million euros was signed with the European Investment Bank to support the Group's Research and Development projects. This loan, collected in January 2020, will guarantee the Carraro Group the support of its Research and Innovation activities, allowing investments of over 30 million euros per year over the next three years aimed at electrification and hybridisation of off-highway vehicles, development of highly efficient transmission systems and evolution of the Group's information infrastructure with a 4.0 approach, capable of supporting both product design and industrialisation, speeding up processes, preventing errors and maximising automation.

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

Trade payables and other payables (note 17)

(amounts in euros)	**31.12.2019**	**31.12.2018**
With third parties	-	-
OTHER NON-CURRENT PAYABLES	**-**	**-**
TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES	**-**	**-**
With related parties	-	18,892
With third parties	524,305	298,024
CURRENT TRADE PAYABLES	**524,305**	**316,916**
With related parties	-	168,517
With third parties	72,308	116,023
OTHER CURRENT PAYABLES	**72,308**	**284,540**
TRADE PAYABLES AND OTHER CURRENT PAYABLES	**596,613**	**601,456**

Trade payables and other payables

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

(amounts in euros)	***31.12.2019***					***31.12.2018***				
	PAST DUE		NOT YET DUE			PAST DUE		NOT YET DUE		
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	***TOTAL***	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	***TOTAL***
Trade payables	286,579	-	237,726	-	**524,305**	4,653	-	312,263	-	**316,916**
Other payables	-	-	72,308	-	**72,308**	-	-	284,540	-	**284,540**
TOTAL	**286,579**	**-**	**310,034**	**-**	**596,613**	**4,653**	**-**	**596,803**	**-**	**601,456**

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

Items *(amounts in euros)*	**31.12.2019**	**31.12.2018**
VAT payables	-48,623	486
Amounts due to pensions agencies	3,990	5,124
Amounts due to employees	46,947	45,765
IRPEF (personal income tax) employees & professionals	-6	-5,352
Board of Directors	70,000	70,000
Other payables	-	-
OTHER CURRENT PAYABLES	**72,308**	**116,023**

Current taxes payables (note 18)

(amounts in euros)	**31.12.2019**	**31.12.2018**
Current taxes payables	**54,295**	**303,393**

Employee severance indemnities and retirement benefits (note 19)

The company had no employee severance indemnities or retirement benefits.

Number of employees
Below, the number of employees is broken down by category:

Employees	31.12.2018	Changes	31.12.2019
Executives	1	-	1
Clerical staff	1	-	1
Total	**2**	**-**	**2**

Provision for risks and liabilities (note 20)

There were no provisions for risks and liabilities as at 31.12.2019.

6. Commitments and risks

No significant events occurred as worthy of note.

7. Financial derivatives

On 31.12.2019 the Company did not hold any financial derivatives.

8. Transactions with related parties (note 21)

Carraro International S.E. is controlled directly by Carraro S.p.A., which as at 31 December 2019 held 100% of the outstanding shares.
The details of the transactions between Carraro International S.E. and other affiliated companies according to principle IAS 24 and Consob requirements, are indicated below.

AMOUNT PAID TO THE BOARD OF DIRECTORS, MANAGEMENT AND CONTROL

Person	Position	Duration	Euro /000 Year 2019
Gomiero Enrico	Chief executive officer	Years 2018-2020	40
Marusso Sergio	Director	Years 2018-2020	20
Secchieri Francesco	Director	Years 2018-2020	15
Pinato Fabrizio	Director	Years 2018-2020	12
Sabattini Francesco	Director	Years 2018-2020	12

In 2019, fees were paid for professional services to the following subjects connected to members of the Board of directors: Studio Mocellini euros 0.05 Ml.

TRANSACTION BETWEEN CARRARO INTERNATIONAL S.E. AND OTHER AFFILIATED COMPANIES

(amounts in euros)	**Financial and equity transactions**				**Economic transactions**							
	Financial assets	Financial liabilities	Trade receivables and other receivables	Trade payables and other payables	Sales of services	Purchase of services	Other income and expenses	Income from equity investments	Other financial income	Financial costs and expenses	Value adjustments of financial assets	Current and deferred income taxes
Other related parties:												
Carraro S.p.A.	55,113,151	307,096	175,363	-	73,814	7,364	-	-	4,374,321	-	-	6,353
Carraro Drive Tech S.p.A.	59,477,384	127,314	-	-	156,396	-	-	5,280,981	3,707,920	-	-	-
SIAP S.p.A.	56,029	-	-	-	34,838	-	-	-	56,742	-	-	-
Carraro Driveservice S.r.l.	95,368	-	-	-	-	-	-	-	11,656	-	-	-
Carraro Argentina S.A.	47,320	-	-	-	-	-	-	-	-	-	-	-
Carraro India Ltd.	29,976	-	-	-	55,688	-	-	-	-	-	-	-
Enertronica S.p.A.	5,162,853	-	-	-	-	-	-	-	-	-	713,893	-
Carraro China Drive System Co. Ltd.	15,925	-	-	-	23,443	-	-	-	-	-	-	-
TOTAL	**119,998,006**	**434,410**	**175,363**	**-**	**344,179**	**7,364**	**-**	**5,280,981**	**8,150,639**	**-**	**713,893**	**6,353**

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 2019 financial year, relating to audit services and other services provided, net of incidental expenses charged.

(amounts in Euro thousands)	**2019**	**2018**
Accounting audit	29	53
Other services	-	205
Total fees	**29**	**258**

ANNEX TO THE NOTES

Pursuant to art. 2497 – 2497 septies C.c. the essential data of the last financial statements of Carraro S.p.A. are reported below. Carrro S.p.A. is a company that, in accordance with articles indicated, exercises management and coordination activities towards Carraro International SE.

(amounts in Euro thousands) **STATEMENT OF FINANCIAL POSITION**	**31.12.2018**
A) Non current assets	181,896
B) Current assets	63,466
Total assets	***245,362***
A) Shareholders'Equity	82,240
B) Non-current liabilities	57,598
C) Current liabilities	105,524
Total Shareholders's Equity and Liabilities	***245,362***
INCOME STATEMENT	
A) Revenues from sales	159,853
B) Operating costs	161,982
Operating profit/loss	***-2,129***
C) Net gains/losses on financial assets	7,191
Profit/Loss before taxes	***5,062***
E) Current and deferred income taxes	-2,960
Profit/loss	***8,022***

9. Events after the reporting date

As is well known, the national and international scenario has been characterised since January 2020 by the spread of the Coronavirus and the consequent restrictive measures for its containment, implemented by the public authorities of the countries affected.

The virus spread within China in January 2020. The restrictive measures adopted also affected the Carraro Group's Chinese plant, causing a reduction in production capacity for about one month. However, as of March the plant has essentially resumed normal operations, with the expectation that the backlog that built up in the previous month will be worked through in a short amount of time.

Between the end of February and March, the virus gradually spread to other continents and Italy was particularly affected. On 22 March 2020, the Italian Government imposed a temporary freeze on all "non-essential" production activities until 3 April. The manufacture of agricultural and forestry machinery, trade in parts and accessories for motor vehicles, and the wholesale trade in agricultural supplies, was however deemed to be essential.

As a result of this decree, the production plants in Campodarsego, Maniago and Rovigo were closed, while the Poggiofiorito logistics hub (which supplies spare parts) remained operational.
In any case, this site continues to pay close attention to compliance with the medical and health regulations issued by the government and the authorities responsible for containing the spread of the Coronavirus. The directors will assess the benefits of keeping this logistical hub open, also taking into account procurement from its suppliers and its customers' level of operations.
At the same time, the plants in Pune (India), Buenos Aires (Argentina) and Caixas do Sul (Brazil) have been closed since 23 March, in view of similar measures taken by the respective local governments.
The continuing spread of the virus worldwide and the stringent measures taken by many governments to counter its further spread are affecting the prospects for future macroeconomic growth, which is likely to have repercussions on the Italian and international scenario. To offset the likely economic and financial repercussions, both domestically and internationally, many countries' governments have already taken steps to support businesses and the economy, while further measures are currently under discussion.
The events described above have been considered as non-adjusting events on the amounts reported in the 2019 financial statements, according to the definition provided by *IAS 10 §21*, as they occurred after the end of the financial year.
The directors monitor these uncertainties on a daily basis through a mitigation plan for the company's business, paying special attention to strategic procurement, close analysis of daily expenditure and investments, and non-stop monitoring of accounts receivable (customer sales and payments).
However, it is not currently possible to predict how this situation will evolve and the consequences it will have on the macroeconomic scenario, nor is it possible to determine the possible impacts that could result in adjustments to the carrying amounts of the Company's assets and liabilities.
In particular, these uncertainties could affect mainly, but not exclusively, the financial statement items subject to valuation, a description of which can be found in the section "Discretionary valuations and significant accounting estimates" in the notes.

EQUITY INVESTMENTS

1) DIRECT EQUITY INVESTMENTS

Company	Registered office	Share Capital		Number of shares	Profit (Loss) 31.12.2019	Equity 31.12.2019	Direct %
		Currency	Amounts	Total	(euros amounts)	(euros amounts)	
Carraro Drive Tech S.p.A.	Campodarsego (Pd)	EUR	30.102.365	30.102.365	11.381.144	60.319.422	43,31%
MG Mini Gears Inc.	Virginia Beach (Usa)	USD	8.910.000	-	-268	1.779	100,00%
Enertronica Santerno S.p.A.	Milano (MI)	EUR	784.988	7.849.884	n.d.	n.d.	10,14%

2) INDIRECT EQUITY INVESTMENTS

Company	Registered office	Parent company	Share Capital		Number of shares	Profit (Loss) 31.12.2019	Equity 31.12.2019	% Parent	% Indirect	Equity investments
			Currency	Amounts	Total	(ctv. Euro)	(ctv. Euro)			31.12.2019
SIAP S.p.A.	Maniago (Pn)	Carraro Drive tech	EUR	18.903.000	18.903.000	2.903.648	39.160.574	76,76%	33,24%	25.782.509
Driveservice S.r.l.	Campodarsego (Pd)	Carraro Drive tech	EUR	30.000	1	60.204	76,532	100,00%	43,31%	-
Carraro India Ltd.	Pune (India)	Carraro Drive tech	INR	568.515.380	56.851.538	348.673	32.097.837	100,00%	43,31%	42.119.666
Carraro Technologies India Pvt. Ltd.	Pune (India)	Carraro Drive tech	INR	18.000.000	1.800.000	403.399	1.177.918	99,00%	42,88%	447.265
Carraro China Drive System Co. Ltd.	Qingdao (Cina)	Carraro Drive tech	CNY	168.103.219	-	3.205.248	26.156.357	100,00%	43,31%	16.901.673
Carraro Argentina S.A.	Haedo (Argentina)	Carraro Drive tech	ARS	1.435.634.276	1.435.634.276	-2.554.157	1.412.597	99,95%	43,29%	1.411.920
Carraro North America Vb	Norfolk (Usa)	Carraro Drive tech	USD	1.000	1.000	-30	-322.389	100,00%	43,31%	-
Carraro Drive Tech do Brasil	Santo Andrè (Stato Di Sao Paulo)	Carraro Drive tech	BRL	18.835.789	5.701.954	-153.368	948.727	100,00%	43,31%	948.727

Annex to the notes to the consolidated financial statements 31.12.2019.

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

During 2019, Carraro International SE did not receive any subsidies, grants, paid mandates or other financial advantages of any kind from any public authority or other parties as defined in Art. 1, para. 125, of Law 124 of 2017.

Proposed appropriation of profits for the period:

Dear Shareholder,

In relation to the financial statements to 31 December 2019, we propose that they be approved as presented to you. The year ended with a profit of 2,821,701.61 euros which we propose be allocated as follows:

141,085.08 euros to the legal reserve;

2,680,616.53 euros to dividends.

Campodarsego, 9 March 2020

The Chairman

Enrico Carraro

Directors' statement of liability

1. The Directors of Carraro International S.E. hereby certify that the administrative and accounting procedures used to prepare the financial statements during 2019 are adequate, considering the profile of the company, and that those procedures have been effectively applied.

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

3. We can also certify that:

3.1 the financial statements:

a) were prepared in conformity with the applicable international accounting standards endorsed by the European Community under the terms of Regulation (EC) No. 1606/2002 of the European Parliament and Council, of July 19, 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 contains a reliable analysis of the references to important events occurring in the first six months of the year and their impact on the financial statements, together with a description of the main risks and uncertainties. The report on operations also includes a reliable analysis of significant operations with related parties.

Date: 9 March 2020

Enrico Carraro

(Chairman of the Board of Directors)

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Sole Shareholder of
Carraro International S.E.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Carraro International S.E. (the "Company"), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

There are no key audit matters to communicate in this report.

Responsibilities of the Directors and the Management Control Committee for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

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In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Management Control Committee is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholder's Meeting of Carraro International S.E. has appointed us on July 18, 2018 as auditors of the Company for the years from December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Management Control Committee, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of Carraro International S.E. are responsible for the preparation of the report on operations of the Company as at December 31, 2019, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of the Company as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the financial statements of Carraro International S.E. as at Decmber 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padova, Italy
April 1, 2020

This report has been translated into the English language solely for the convenience of international readers.