CARRARO S.p.A.
Registered office in Campodarsego, Padua (Italy) – Via Olmo 37
Share Capital 41,452,543.60 euros, fully paid-up.
Tax Code/VAT No. 00202040283
Registration on the Company Register of Padua no. 84033

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020

GENERAL INFORMATION

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

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

The Chairman Mr Enrico Carraro, the Deputy Chairman Mr Tomaso Carraro - as well as the Chief Executive Officer Mr Alberto Negri for the period of office terminated on 26.10.2020 due to voluntary resignation - had separate powers to legally represent and sign for the company in relations with third parties and in legal actions; carrying out their work within the limits of the powers conferred on them by the Board of Directors in the meeting of 14 May 2018, in accordance with applicable legal constraints, in terms of matters which cannot be delegated by the Board of Directors and of responsibilities reserved for the Board itself, as well as the principles and limits provided for in the Company's Code of Conduct. Moreover (i) Director Enrico Gomiero is conferred with specific powers in connection with his role as Chief Financial Officer; and (ii) Director Andrea Conchetto - co-opted on 26.10.2020 until the date of the next Shareholders' Meeting - was conferred specific powers in connection with his role as General Manager.

CONSOLIDATED INCOME STATEMENT

(amounts in Euro thousands)	NOTES	31.12.2020	31.12.2019
A) REVENUES FROM SALES			
1) Products		462,617	532,548
2) Services		5,322	3,926
3) Other revenues		10,739	12,372
TOTAL REVENUES FROM SALES	**1**	**478,678**	**548,846**
B) OPERATING COSTS			
1) Purchases of goods and materials		287,925	344,266
2) Services		71,434	77,751
3) Use of third-party goods and services		118	84
4) Personnel costs		89,209	91,835
5) Amortisation, depreciation and impairment of assets		20,452	20,235
5.a) depreciation of property, plant and equipment		*17,128*	*16,866*
5.b) amortisation of intangible fixed assets		*3,284*	*3,348*
5.c) impairment of fixed assets		*-8*	*-85*
5.d) impairment of receivables		*48*	*106*
6) Changes in inventories		99	-6,635
7) Provision for risks and other liabilities		1,913	7,359
8) Other income and expenses		-4,195	-8,111
9) Internal construction		-440	-469
TOTAL OPERATING COSTS	**2**	**466,515**	**526,315**
OPERATING PROFIT/(LOSS)		**12,163**	**22,531**
C) GAINS/(LOSSES) ON FINANCIAL ASSETS			
10) Income and expenses from equity investments		-	280
11) Other financial income		1,253	934
12) Financial costs and expenses		-14,486	-10,790
13) Net gains/(losses) on foreign exchange		356	74
14) Value adjustments of financial assets		-1,506	-2,234
15) Income (charges) from hyperinflation		493	-359
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3**	**-13,890**	**-12,095**
PROFIT/(LOSS) BEFORE TAXES		**-1,727**	**10,436**
15) Current and deferred income taxes	4	1,294	1,640
NET PROFIT/(LOSS)		**-3,021**	**8,796**
16) Minority interests		-250	-675
GROUP CONSOLIDATED PROFIT/(LOSS)		**-3,271**	**8,121**
EARNINGS (LOSSES) PER SHARE	**5**		
- basic, for the profit/loss for the period attributable to ordinary shareholders of the parent company		*-€ 0.04*	*€ 0.11*
- diluted, for the profit/loss for the period attributable to ordinary shareholders of the parent company		*-€ 0.04*	*€ 0.11*

CONSOLIDATED COMPREHENSIVE INTERIM INCOME STATEMENT

(amounts in Euro thousands)	Paragraph Notes	31.12.2020	31.12.2019
NET PROFIT/(LOSS) FOR THE PERIOD		**-3,021**	**8,796**
Other income components that could be recognised in the income statement in subsequent periods:			
Change in cash-flow hedge reserve	**9**	-216	130
Exchange differences from the translation of items from foreign operations	**15**	494	-1,667
Taxes on other comprehensive income components		53	-32
Total other income components that could be recognised in the income statement in subsequent periods:		**331**	**1,569**
Other income components that will not be recognised in the income statement in subsequent periods:			
Change in the provision for discounting employee benefits	**19**	-182	-216
Taxes on other comprehensive income components		18	68
Total other income components that will not be recognised in the income statement in subsequent periods:		**-164**	**-148**
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS		**167**	**-1,717**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-2,854**	**7,079**
Total comprehensive income attributable to:			
Shareholders of the parent company		-3,100	6,413
Profit/(loss) pertaining to minorities		246	666
Total comprehensive income for the period		**-2,854**	**7,079**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in Euro thousands)	**NOTES**	**31.12.2019**	**31.12.2019**
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	**6**	152,871	158,785
2) Intangible fixed assets	**7**	46,996	52,544
3) Real estate investments	**8**	755	695
4) Investments	**9**	-	1,506
5) Financial assets	**10**	7,223	7,774
5.1) Loans and receivables		*5,385*	*6,562*
5.2) Other financial assets		1,838	1,212
6) Deferred tax assets	**11**	19,318	20,389
7) Trade receivables and other receivables	**12**	4,274	4,181
7.1) Trade receivables		-	-
7.2) Other receivables		*4,274*	*4,181*
TOTAL NON-CURRENT ASSETS		**231,437**	**245,874**
B) CURRENT ASSETS			
1) Closing inventory	**13**	118,998	123,212
2) Trade receivables and other receivables	**12**	94,689	94,243
2.1) Trade receivables		*61,501*	*58,315*
2.2) Other receivables		*33,188*	*35,928*
3) Financial assets	**10**	3,090	2,048
3.1) Loans and receivables		*1,794*	*1,456*
3.2) Other financial assets		*1,296*	*592*
4) Cash and cash equivalents	**14**	347,263	76,120
4.1) Cash		*77*	*72*
4.2) Bank current accounts and deposits		*347,186*	*76,048*
4.3) Other cash and cash equivalents		-	-
TOTAL CURRENT ASSETS		**564,040**	**295,623**
TOTAL ASSETS		**795,477**	**541,497**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in Euro thousands)	**NOTES**	**31.12.2019**	**31.12.2019**
A) SHAREHOLDERS' EQUITY	**15**		
1) Share Capital		41,453	41,453
2) Other Reserves		5,993	7,756
3) Profits/(Losses) brought forward		-	-
4) Cash flow hedge reserve		-51	113
5) Provision for discounting employee benefits		125	284
6) Foreign currency translation reserve		9,619	6,476
7) Profit/loss for the year pertaining to the group		-3,271	8,121
GROUP SHAREHOLDERS' EQUITY		53,868	64,203
8) Minority interests		9,347	9,101
TOTAL SHAREHOLDERS' EQUITY		**63,215**	**73,304**
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	**16**	478,592	194,096
1.1) Bonds		*324,433*	*176,707*
1.2) Loans		*154,159*	*17,368*
1.3) Other financial liabilities		-	*21*
2) Trade payables and other payables	**17**	62	115
2.1) Trade payables		-	-
2.2) Other payables		*62*	*115*
3) Deferred tax liabilities	**11**	*1,477*	*1,899*
4) Provision for employee benefits/retirement	**19**	9,379	9,769
4.1) Provision for severance indemnity		*7,728*	*8,197*
4.2) Provision for retirement benefits		*1,651*	*1,572*
5) Provisions for risks and liabilities	**20**	3,024	3,746
5.1) Provision for warranties		*2,311*	*2,989*
5.2) Provision for legal claims		*56*	*56*
5.3) Provision for restructuring and reconversion		-	-
5.4) Other provisions		*657*	*701*
TOTAL NON-CURRENT LIABILITIES		**492,534**	**209,625**
C) CURRENT LIABILITIES			
1) Financial liabilities	**16**	24,361	17,861
1.1) Bonds		-	-
1.2) Loans		*19,686*	*15,067*
1.3) Other financial liabilities		*4,675*	*2,794*
2) Trade payables and other payables	**17**	196,774	219,247
2.1) Trade payables		*140,400*	*150,169*
2.2) Other payables		*56,374*	*69,078*
3) Current taxes payables	**18**	2,784	5,331
4) Provisions for risks and liabilities	**20**	15,809	16,129
4.1) Provision for warranties		*10,309*	*13,317*
4.2) Provision for legal claims		*314*	*461*
4.3) Provision for restructuring and reconversion		*1,071*	*1,483*
4.4) Other provisions		*4,115*	*868*
TOTAL CURRENT LIABILITIES		**239,728**	**258,568**
TOTAL LIABILITIES		**732,262**	**468,193**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**795,477**	**541,497**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(amounts in Euro thousands)	Share Capital	Other reserves			Provision for discounting employee benefits	Reserve cash-flow hedge	Foreign currency translation reserve		Profit/(Loss) for the period	Equity of Group	Minority interests	Total
		Capital reserves	Other reserves	Treasury stock acquired			On capital reserves	On profit reserves				
Balance as at 1.1.2019	**41,453**	**30,035**	**-8,475**	**-6,666**	**418**	**20**	**215**	**-1,489**	**12,187**	**67,698**	**9,376**	**77,074**
Total profit/loss for the year					**-134**	**93**		**-1,667**	**8,121**	**6,413**	**666**	**7,079**
Transactions with shareholders:												
Allocation of 2018 residual profit			12,187						-12,187	-		-
Allocation of Carraro S.p.A. dividend			-10,022							**-10,022**	-936	**-10,958**
Hyperinflation effect (Carraro Argentina)			-9,274					9,223		**-51**		**-51**
IFRS 16 - "Restatement Effect"			-29							**-29**	-5	**-34**
Exchange impact "capital reserves"			-				194			**194**	-	**194**
Total transactions of the period	**-**	**-**	**-7,138**	**-**	**-**	**-**	**194**	**9,223**	**-12,187**	**-9,908**	**-941**	**-10,849**
Balance as at 31.12.2019	**41,453**	**30,035**	**-15,613**	**-6,666**	**284**	**113**	**409**	**6,067**	**8,121**	**64,203**	**9,101**	**73,304**

(amounts in Euro thousands)	Share Capital	Other reserves			Provision for discounting employee benefits	Reserve cash-flow hedge	Foreign currency translation reserve		Profit/(Loss) for the period	Equity of Group	Minority interests	Total
		Capital reserves	Other reserves	Treasury stock acquired			On capital reserves	On profit reserves				
Balance as at 1.1.2020	**41,453**	**30,035**	**-15,613**	**-6,666**	**284**	**113**	**409**	**6,067**	**8,121**	**64,203**	**9,101**	**73,304**
Total profit/loss for the year					**-159**	**-164**		**494**	**-3,271**	**-3,100**	**246**	**-2,854**
Transactions with shareholders:												
Allocation of 2019 residual profit			8,121						-8,121	-		-
Hyperinflation effect (Carraro Argentina)			-9,884					9,737		**-147**		**-147**
Exchange impact "capital reserves"			-				-10,000	2,912	-	**-7,088**	-	**-7,088**
Total transactions of the period	**-**	**-**	**-1,763**	**-**	**-**	**-**	**-10,000**	**12,649**	**-8,121**	**-7,235**	**-**	**-7,235**
Balance as at 31.12.2020	**41,453**	**30,035**	**-17,376**	**-6,666**	**125**	**-51**	**-9,591**	**19,210**	**-3,271**	**53,868**	**9,347**	**63,215**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in Euro thousands)	NOTES	31.12.2020	31.12.2019
Profit/(loss) for the year pertaining to the Group	5	-3,271	8,121
Profit/(Loss) for the year pertaining to minority interests		-	675
Tax for the year	4	1,294	1,640
Profit/(loss) before taxes		**-1,727**	***10,436***
Depreciation of property, plant and equipment	2	17,128	16,866
Amortisation of intangible fixed assets	2	3,284	3,348
Impairment of intangible assets	2	-8	-85
Provisions for risks	2	2,413	7,359
Provisions for employee benefits	2	4,264	4,954
Net gains/(losses) on foreign exchange	3	-356	-74
Income and expenses from equity investments	3	-	-280
Value adjustments of financial assets	3	1,506	2,234
Other non-monetary income and expenses		-	-
Cash flows before changes in Net Working Capital		***44,758***	**26,504**
Changes in inventory	13	99	-6,635
Change in trade receivables	12	-5,954	19,726
Change in trade payables	17	-5,367	-8,791
Change in other receivables/payables	13-17	-11,751	33,624
Changes in receivables/payables for deferred taxation	11	-10	-36
Use of provisions for employee benefits	19	-4,637	-4,952
Use of risks provisions for risks and liabilities	20	-2,540	-8,989
Change in other financial assets and liabilities		-690	894
Tax payments	4	-2,663	-3,892
Cash flows from operating activities		**-7,009**	***65,707***
Investments in material fixed assets and real estate	6	-15,454	-22,817
Disinvestments and other movements in property, plant and equipment	6	-300	-885
Investments in intangible fixed assets	7	-60	-1,182
Disinvestments and other movements in intangible assets	7	-798	-8
Equity investments/divestments		-	3,788
Cash flows from investing activities		***-13,678***	***-21,104***
Change in financial assets	10	392	823
Change in financial liabilities	16	294,548	5,928
Change in share capital	15	-	-
Declared dividends	15	-	-10,958
Entrance of non-controlling interests		-	-
Other movements of shareholders' equity		-1,520	202
Cash flows from financing activities		**293,420**	***-4,005***
Total cash flows for the period		**272,733**	***40,598***
Opening cash and cash equivalents		**76,120**	**35,617**
Exchange changes in cash and cash equivalents		-1,590	*-95*
Closing cash and cash equivalents		**347,263**	**76,120**

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED ACCOUNTS AS AT 31 DECEMBER 2020

1. Introduction

Publication of the Consolidated Financial Statements of Carraro S.p.A. and "Carraro Group" subsidiaries for the year ended 31 December 2020 was authorised by a resolution of the Board of Directors on 15 March 2021.

Carraro S.p.A. is a joint-stock company registered in Italy at the Padua Companies Register and controlled by Finaid S.p.A.

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

These financial statements are presented in euros, as this is the currency in which most of the group's operations are conducted. The foreign companies are included in the consolidated financial statements in accordance with the principles described in the notes that follow.
Amounts in these financial statements are given in thousands of euros, while amounts in the notes are indicated in millions of euros.

The Carraro Group companies are principally engaged in the manufacture and marketing of drive systems developed for agricultural tractors, construction equipment, material moving machinery, light commercial vehicles and automobiles, and electronic control and power systems.
The Carraro Group is organised into two CGUs (Cash Generating Units): Carraro Drive Tech and Agritalia.

Reporting criteria and accounting principles

The 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 2019, with the exceptions described in paragraph 3.3 "Accounting standards, amendments and interpretations applicable as of 1 January 2020".

The financial statements were prepared assuming that the company is a going concern. For further details, please refer to the Directors' Report on Operations (*"Consob Alert 1/2021"*).

2. Form and content of the financial statements

These consolidated financial statements have been prepared in accordance with the revised International Accounting Standards (IAS/IFRS) ratified by the European Union and to this end the figures of financial statements of the consolidated subsidiary companies have been reclassified and adjusted appropriately.

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

2.1 Format of the consolidated financial statements

With regard to the format of consolidated accounting schedules, the Group opted for the presentation of the following accounting statements.

Income Statement
Items on the consolidated income statement are classified by their nature.

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

Statement of Financial Position
The consolidated interim statement of financial position is presented with separate disclosure of Assets, Liabilities and Shareholders' Equity.
Assets and Liabilities are illustrated in the Consolidated Financial Statements according to their classification as current and non-current.

Statement of Changes in Shareholders' Equity
The statement of changes in shareholders' equity is presented in accordance with the requirements of the international accounting standards, showing the comprehensive income for the period and all changes generated from transactions with shareholders.

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

Accounting 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 Group, in the table of paragraph 8 below on related-party transactions.

2.2 Content of the Consolidated Financial Statements

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

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

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

Name	Based in	Currency	Nominal value Share capital	Group stake
Parent company:				
Carraro S.p.A.	Campodarsego (Padua)	EUR	41,452,544	
Italian subsidiaries:				
Siap S.p.A.	Maniago (Pordenone)	EUR	18,903,000	76.76%
Driveservice S.r.l.	Campodarsego (Padua)	EUR	30,000	100.00%
Carraro Drive Tech Italia S.p.A.	Campodarsego (Padua)	EUR	5,000,000	100.00%
Carraro International S.E.	Campodarsego (Padua)	EUR	13,500,000	100.00%
Foreign subsidiaries:				
Carraro Technologies India Pvt. Ltd.	Pune (India)	INR	18,000,000	100.00%
Carraro Argentina S.A.	Haedo (Argentina)	ARS	1,954,328,939	99.95%
Carraro China Drive System	Tsingtao (China)	CNY	168,103,219	100.00%
Carraro India Ltd.	Pune (India)	INR	568,515,380	100.00%
Carraro North America Inc.	Virginia Beach (USA)	USD	1,000	100.00%
Carraro Drive Tech Do Brasil Comercio e Industria de Sistemas Automotivos Ltda	Caxias do Sul (Brazil)	BRL	39,583,482	100.00%
Carraro Finance SA	Luxembourg	EUR	30,000	100.00%
Mini Gears Inc	Virginia Beach (USA)	USD	8,910,000	100.00%

Associated companies are consolidated using the net equity method as better defined in the following paragraph *"Accounting standards and measurement criteria"*.
A breakdown of the equity investments is given below:

Name	Based in	Currency	Nominal value Share capital	Group stake
Enertronica Santerno S.p.A.	Milan	EUR	784,988	20.24%

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

Demerger of Drive Tech Spa and merger with Carraro International SE
Effective 1 August 2020, Carraro Drive Tech S.p.A. was subject to a partial, non-proportional demerger, by transferring a business unit to Carraro Drive Tech Italia S.p.A; at the same time, the merger of Carraro Drive Tech S.p.A. with Carraro International SE took place.

Merger of Carraro Germania Srl with Carraro SpA
Effective 1.1.2020, Carraro Spa merged Carraro Germania Srl.

3. Consolidation criteria and accounting standards

3.1 Consolidation criteria

The figures are consolidated using the line by line method, that is assuming the entire amount of the assets, liabilities, costs and revenues of the individual companies, regardless of the stock held in the company.
Foreign companies are consolidated using financial statement formats in line with the layout adopted by the parent company and compiled in accordance with common accounting standards, as applied for Carraro S.p.A. Where necessary, to achieve alignment with the reporting dates of the foreign companies, infra-annual financial statements as at 31 December 2020 have been provided by the directors, with the same criteria as those for year-end statements.
The carrying amount of consolidated equity interests, held by Carraro S.p.A. or by other companies within the scope of consolidation, was offset by the relevant amount of shareholders' equity in the subsidiary companies.
The amount of shareholders' equity and the net profit/(loss) of these third-party shareholders are shown in the Consolidated Statement of Financial Position, Consolidated Income Statement and Consolidated Statement of Comprehensive Income respectively.
Payable and receivables, income and expenditure and all operations undertaken between the companies included within the scope of consolidation have been eliminated, including dividends distributed within the Group.
Profits not yet realised and capital gains and losses deriving from operations between companies of the Group have also been eliminated.
Intra-group losses that indicate impairment are recognised in the consolidated financial statements.
Financial statements denominated in foreign currencies are translated into euros using the period-end exchange rates for assets and liabilities, historical exchange rates for equity items and average exchange rates for the period for the income statement, except for investments in hyperinflationary economies, for which the period-end exchange rates required by IAS 21, paragraph 42.b, were also used to translate the income statement.
Exchange differences resulting from this conversion method are shown in a specific shareholders' equity item entitled "Foreign currency translation reserve".

The exchange rates applied for the translation of balances presented in foreign currencies were as follows:

Currency	Average exchange rate for 2020	Exchange rate as at 31.12.2020	Average exchange rate for 2019	Exchange rate as at 31.12.2019
Indian rupee	84.6392	89.6605	78.8361	80.1870
US dollar	1.1422	1.2271	1.1195	1.1234
Chinese renminbi	7.8747	8.0225	7.7355	7.8205
Argentine peso	80.9218	103.2494	53.8229	67.2749
Brazilian real	5.8943	6.3735	4.4134	4.5157

3.2 Discretionary valuations and significant accounting estimates

Estimates and assumptions

In the application of the Group's accounting standards, the directors have not made decisions based on discretionary evaluations (excluding those which involve estimates) having a significant effect on the values in the financial statements.
The activities that most required the use of estimates were those concerning the impairment test on goodwill, the analysis of deferred tax assets, development costs, provisions for risks and charges and the write-down of receivables and inventories.
In this regard, the estimates made as at 31 December 2020 reflect the considerations made by the directors concerning possible developments linked to the national and international scenario marked by the spread of Covid-19 and the consequent restrictive measures for its containment, implemented by the public authorities of the countries affected.
From the analysis conducted by the Directors in consideration of the foreseeable income flows based on the most up-to-date estimates, the type of customers served, the dynamics of the orders received, at present there are no significant uncertainties regarding the recoverability of the value of existing assets or the need to allocate specific risk provisions. For further details, please refer to the Directors' Report on Operations (*"Consob Alert 1/2021"*).

Impairment loss on goodwill
Goodwill is examined for any impairment once a year. This test requires an estimate of the value in use of the cash generating unit to which the goodwill is attributed, which in turn is based on an estimate of the anticipated cash flows from the unit and their discounting based on an appropriate discount rate. For further details see note 7, also as regards the sensitivity analyses carried out on the possible impacts on the impairment test deriving from the general uncertainty caused by the spread of Covid-19.

Deferred tax assets

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

Pension funds and other post employment benefits

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

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

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

3.3 Accounting standards and measurement criteria

IFRS accounting standards, amendments and interpretations adopted since 1 January 2020:

Definition of Material (Amendments to IAS 1 and IAS 8)
On 31 October 2018, the IASB published the document “Definition of Material (Amendments to IAS 1 and IAS 8)”. 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 adoption of this amendment had no effect on the Group consolidated financial statements.

References to the Conceptual Framework in IFRS Standards
On 29 March 2018, the IASB published an amendment to the “References to the Conceptual Framework in IFRS Standards”. 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
On 26 September 2019, the IASB, published the amendment entitled “Amendments to IFRS 9, IAS 39 and IFRS.7: Interest Rate Benchmark Reform”. It amends 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 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 adoption of this amendment had no effect on the Group consolidated financial statements.

Definition of a Business (Amendments to IFRS 3)

On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". 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 a business in the presence 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 an optional test ("concentration test"), which makes it possible to exclude the presence of a business if the price paid is substantially related to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is permitted. The adoption of this amendment had no effect on the Group consolidated financial statements.

Covid-19 Related Rent Concessions (Amendment to IFRS 16)

On 28 May 2020, the IASB published an amendment called."Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document provides lessees with the option to account for reductions in lease fees related to Covid-19 without having to assess, through the analysis of the contracts, whether the definition of lease modification of IFRS 16 is complied with. Therefore, lessees applying this option will be able to account for the effects of lease fee reductions directly in the income statement on the effective date of the reduction. This amendment applies to financial statements beginning on 1 June 2020. The adoption of this amendment had no effect on the Group consolidated 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 2020:

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

On 28 May 2020, the IASB published an amendment called."Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow temporary exemption from application of IFRS 9 until 1 January 2023 for insurance. All amendments will enter into force on 1 January 2021. The directors do not expect a significant effect in the consolidated financial statements of the Group from the adoption of this amendment.

Interest Rate Benchmark Reform—Phase 2

On 27 August 2020, in the light of the reform on interbank interest rates such as IBOR, the IASB published the document "Interest Rate Benchmark Reform—Phase 2" which contains amendments to the following standards:

- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts; and
- IFRS 16 Leases.

All amendments will become effective on 1 January 2021. The directors are currently evaluating the possible effects of introduction of this amendment on the Group's consolidated financial statements.

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

At the date of this document, the competent bodies of the European Union had not yet completed the process to endorse the adoption of the amendments and standards described below:

IFRS 17 – *Insurance Contracts*

On 18 May 2017, the IASB published IFRS 17 - *Insurance Contracts*, which is intended to replace IFRS 4 - *Insurance Contracts*.

The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from issued insurance contracts. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts that an insurer holds.

The new standard also includes presentation and disclosure requirements to improve comparability between entities in this segment.

The new standard measures an insurance contract on the basis of a General Model or a simplified version of this, called the Premium Allocation Approach ("PAA").

The main features of the General Model are:

- estimates and assumptions of future cash flows are always current;
- the measurement reflects the time value of money;

- the estimates involve extensive use of information observable on the market;
- there is a current and explicit measurement of the risk;
- the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; 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 2023 but early application is allowed only for companies that have implemented IFRS 9 – *Financial Instruments* and IFRS 15 - *Revenue from Contracts with Customers*. The directors do not expect a significant effect in the consolidated financial statements of the Group from the adoption of this standard.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

On 23 January 2020, the IASB published an amendment called "*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*". The purpose of the document is to clarify how to classify short-term and long-term payables and other liabilities. The amendments enter into force on 1 January 2023; early application is nevertheless possible. At the moment, the directors are considering the possible impacts of this amendment on the Group consolidated financial statements.

On 14 May 2020, the IASB published the following amendments called:

Amendments to IFRS 3 Business Combinations: The purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in its revised version, without changing the requirements of IFRS 3.

Amendments to IAS 16 Property, Plant and Equipment: The purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of tangible assets. These sales revenues and related costs will therefore be recognised in the income statement.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that when estimating the possible onerous nature of a contract, all costs directly attributable to the contract must be taken into account. Consequently, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the company cannot avoid due to the fact that it has entered into the contract (such as, for example, the share of personnel costs and depreciation of machinery used to perform the contract).

Annual Improvements 2018-2020: The amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All amendments will enter into force on 1 January 2022.. At the moment, the directors are considering the possible impacts of these amendments on the Group consolidated financial statements.

Business Combinations and Goodwill

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

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

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

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

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

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

Acquisitions of additional equity interests after achieving control
IAS 27 Revised states that, once control of an entity has been obtained, transactions in which the controlling entity buys or sells further minority interests without affecting the control exercised over the subsidiary are transactions with owners and therefore must be recognised in shareholders' equity. It follows that the carrying amount of the controlling and the minority interests must be adjusted to reflect the change in the equity investment in the subsidiary and any difference between the amount of the adjustment made to the minority interests and the fair value of the price paid or received in this transaction is recognised directly in shareholders' equity and is attributed to the owners of the parent company. There will be no adjustments to the value of goodwill and profits or losses recognised in the income statement. Any ancillary expenses deriving from these transactions, moreover, must be recognised in shareholders' equity in accordance with the provisions of IAS 32, paragraph 35.
Previously, in the absence of a specific Standard or Interpretation on the subject, in the case of acquisition of minority interests in companies already controlled, the Carraro Group had adopted the Parent Entity Extension Method, which involved recognition of the difference between the purchase price and the carrying amounts of assets and liabilities under the item Goodwill. In the case of sale of minority interests without loss of control, instead, the Group recognised the difference between the carrying amount of the assets and liabilities sold and the sales price in the income statement.

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

Property, plant and equipment
Property, plant and equipment items are recognised at their historical cost, minus the related accumulated depreciation and cumulative impairment losses. This cost includes expenses for replacing parts of machinery and plant at the time they are incurred if this is in accordance with the recognition criteria.
Depreciation is calculated on a straight-line basis with reference to the estimated useful life of the assets.
Property, plant and equipment items are derecognised at the time of sale or once future economic benefits are no longer expected from their use or disposal. Any losses or profits (calculated as the difference between the net income on the sale and the carrying amount) are recognised in the income statement during the year of elimination as above.
Assets held under finance leases, through which all the risks and benefits of ownership are transferred to the Group, are recognised as Group assets at their current value or,
if lower, at the present value of the minimum lease payments.
The corresponding liability to the lessor is included in the financial statements under financial payables. Leases where the lessor substantially retains all the risks and benefits of ownership are classified as operating leases and the related costs are recognised in the income statement over the term of the contract.
The asset's residual value, its useful life and the methods applied are reviewed annually and adjusted if necessary, at the end of each accounting period. On average the useful life, in years, is as follows:

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

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

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

Goodwill
Goodwill represents the surplus of the purchase cost compared to the acquirer's interest in the fair value (referred to the identifiable net values of the assets or liabilities of the entity acquired).
After initial recognition, goodwill is carried at cost, less any cumulative impairment losses.

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

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

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

Licences, trademarks and similar rights
Trademarks and licences are stated at cost, net of amortisation and accumulated impairment losses.
The cost is amortised over the shorter of the duration of the contract and the limited useful life.

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

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

Equity investments in associated companies
An associated company is an entity over which the Group 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 subsidiary.
The income, expenses, assets and liabilities of associated companies are shown in the consolidated financial statements using the net equity method.

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 available for sale (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 amortised cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income. Initially, all financial assets are recognised at fair value, increased, in the case of assets other than those at fair value, by any ancillary expenses. The company establishes the classification of its financial assets at initial registration and, where appropriate and permitted, revises the classification at the end of each financial year.

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

Financial assets measured at amortised cost

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

Financial liabilities

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

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

Impairment losses on financial assets

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

Assets measured on the basis of amortised cost

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

The Group 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.

Inventories

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

Works in progress to order

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

If a loss is expected from completion of a job order, this is entirely recognised in the year in which it is reasonably foreseeable.

Trade receivables and other receivables

Trade receivables and other receivables are included among current assets, with the exception of those falling due more than 12 months after the reporting date, which are classified as non-current assets. These assets are valued at amortised cost on the basis of the effective interest rate method.

Receivables which mature at more than one year, are interest-free or that earn less interest than the market, are discounted using market rates. Trade receivables are discounted when they have longer payment terms than the average term of extension granted.

If there is objective evidence of elements indicating an impairment loss, the asset is reduced by an amount that returns the discounted value of the cash flows obtainable in the future. Impairment losses are recognised in the income statement.

Where reasons for previous 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.
In addition to the valuation referred to in the previous paragraph with reference to impairment, the estimate of losses on receivables is supplemented by an analysis of expected losses.

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

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

Allowances and provisions

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

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

Recognition of revenues and other positive income components

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

1.1 Revenues from the sale of products (axles, transmissions, spare parts, tractors, gears and components)
The companies belonging to the Carraro Group sell axles, integrated power transmission systems, spare parts, agricultural tractors, gears and other components to other companies operating in the international construction of agricultural machinery, earthmoving machinery, industrial transport equipment, material handling and power tools sectors, thus operating in the B2B sector.
The guarantees related to the sale are aligned in terms of duration to those required by law and/or in accordance with commercial practice in the sector. Therefore, the company accounts for compliance guarantees in accordance with IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets" in line with the accounting treatment previously adopted (see Note 20).
Revenues as described above include a single performance obligation concerning the sale of the product, not including in the sale of services or ancillary products which, in accordance with the standard, should constitute separate performance obligations.
As far as the recognition of revenues is concerned, these are recorded at the time of the transfer of control of the goods on which processing has been carried out (at a point in time), this condition depends on what has been established with the customer, in most cases this transfer of control occurs when the goods are taken over by the carrier (which may alternatively be a carrier or a ship). After the transfer of control, the customer has full discretion on the good, on its processing, on the method of distribution of the goods and on the sales price to be applied, has full responsibility for its use within its products and assumes the risks of obsolescence and possible loss of the goods.

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

1.2 Revenues from holding, financing and processing activities and logistics on behalf of third parties.
Some of the companies belonging to the Carraro Group carry out holding activities and therefore deal with the purchase, management, possession and sale of shares, bonds and other quotas or similar securities, as well as shareholdings or interests in other companies. They also finance subsidiaries and associates and coordinate their technical and financial activities within the limits and in compliance with the law.
The companies of the Carraro Group also carry out work on moulds, gears and mechanical work as well as road haulage services and logistics in general on behalf of third parties.
The guarantees related to the sale are aligned in terms of duration to those required by law and/or in accordance with commercial practice in the sector. Therefore, the company accounts for compliance guarantees in accordance with IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets" in line with the accounting treatment previously adopted (see Note 20).
Revenues as described above include a single performance obligation concerning the provision of the service, not including in the sale any services or ancillary products which, in accordance with the 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).
Group companies recognise the receivable when control is transferred, as indicated in the previous paragraph, as it represents the moment when the right to the consideration becomes unconditional, since the due date of the invoice is the only prerogative that identifies when payment is due.
According to the standard contractual conditions applied by the company, the fee is certain and there are no variable parts.

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

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

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

Current taxes
Current income taxes have been provided for on the basis of an estimate of the taxable income for the 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 (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 companies of the Group provide their financial statements in the currency used in the individual country.
The Group's functional currency is the euro, which represents the currency in which the separate financial statements are drawn up and published.

Accounting transactions and entries

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

Derivative financial instruments and hedging transactions

The Carraro group's financial risk management strategy conforms to the company objectives set out in the policies approved by the Board of Directors of Carraro S.p.A. In particular, it aims to minimise interest rate and exchange rate risk and optimise the cost of debt.
These risks are managed in accordance with the principles of prudence and market best practices and all risk management transactions are centrally managed.

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

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

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

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

For hedge accounting purposes, hedges are classified as:

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

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

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

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

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

Fair-value hedges

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

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

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

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

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

Cash flow hedges

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

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

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

Hedges of a net investment in a foreign operation

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

Credit risk

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

The management of credit is designed to prioritise the acquisition of customers of national and international standing for multi-annual supplies; on this basis consolidated historical relationships have been built up with the main customers.

Generally speaking, these relationships are governed by ad-hoc supply contracts. Credit control requires periodic monitoring of the main financial and economic data (including the delivery schedules) relating to each customer.
Except in special circumstances to do with country or counterparty risk, guarantees are not normally obtained on credit.
Receivables are recognised in the accounts net of any writedowns determined by assessing the counterparty's risk of insolvency based on the information available. The serious uncertainties and fears about the social and economic repercussions of the health Covid-19 health emergency also have an impact on credit risk. The effects of this phenomenon will also depend on how quickly governments set out monetary and fiscal measures to support the most exposed sectors and businesses. At present, it is therefore not possible to make reliable forecasts about the duration and impact of this emergency on customers and consequently on associated credit risk.

Liquidity risk
The Group's liquidity risk is mainly linked to the activation and maintenance of sufficient funding to support industrial operations.
The raising of funds, consistent with the latest business plan, is intended to finance both working capital and investments in R&D and innovation, as well as investments in fixed assets necessary to ensure sufficient and technologically advanced production capacity. This requirement is directly proportional to the trend in customer orders and the resulting trend in the volume of business, and also to the Group's efforts in directing its research and innovation.
The cash flows envisaged for 2021 include, besides the trend in working capital of operations and investments, the effects of current liabilities and the short-term portions of medium- and long-term loans reaching maturity, as well as the effects (assuming the same rates of exchange with compared to 31.12.2020) of the closure of derivative financial instruments on currencies in existence at the reporting date.
The Group envisages meeting the needs arising from all of the above with the flows deriving from operations, available liquidity, the collection of receivables from the sale of assets and the availability of additional credit facilities.
The management of liquidity, funding requirements and cash flows are under the strict direct control and management of the Group's Treasury, which operates with the aim of managing the resources available as efficiently as possible.
Uncertainties in financial markets have had an effect on borrowing by banks and as a consequence on credit granted to businesses. This instability could also continue in 2021, preventing the normal execution of financial transactions.
Lastly, regardless of the fact that the Group has continued refinancing its debts with the support of its banking counterparties and the financial markets, the situation could arise of having to seek additional financing in less favourable market conditions, with the limited availability of such sources and an increase in financial expenses.
The maturity features of the Group's liabilities and assets are shown in notes 10 and 16 relating respectively to non-current financial receivables and non-current financial payables. The maturity features of derivative financial instruments are described in paragraph 9.2.

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

Intra-group transactions

As regards related-party transactions, including intra-group transactions, said transactions cannot be qualified as atypical or unusual, and are part or the normal operations of Group companies. Said transactions take place at market conditions, considering the characteristics of the goods and services provided.
Information on related-party transactions, including the information required by Consob Communication of 28 July 2006, is given in section 8.

4. Reporting by business and geographic segment

Information on Operating Segments is given on the basis of the internal reporting provided as at 31 December 2020 to the highest operating decision-making level.

For operational purposes, the group manages and controls its business on the basis of the type of products supplied.
The Carraro Group as at 31.12.2020 was organised in the following Business Areas:

- Carraro Drive Tech (*Transmission systems and components*): specialised in the design, manufacture and sale of transmission systems (axles, transmissions and planetary drives) mainly for agricultural and construction

equipment, and also markets a wide range of components and gears for very diverse sectors, from the automotive industry to light power tools, material handling, agricultural applications and construction equipment;
- Carraro Divisione Agritalia (*Vehicles*): designs and manufactures special tractors (from 60 to 100 hp) for third-party brands;

The item "other segments" brings together the Groups operations not allocated to the two operating segments, and comprises the central holding and management activities of the Group.

The Management examines separately the results achieved by the operating segments in order to take decisions on the allocation of resources and on assessment of the results.

4.1 Business segments

The most significant information by business segment is presented in the tables below, with comparisons between financial years 2020 and 2019.

a) Economic data

2020 *(amounts in Euro thousands)*	**Drive Tech**	**Agritalia**	**Eliminations and items not allocated**	**Consolidated Total**
Revenues from sales	**386,745**	**113,064**	**-21,131**	**478,678**
Sales to third parties	366,786	108,869	3,016	478,671
Related sales	-	-	7	7
Sales between divisions	19,959	4,195	-24,154	-
Operating costs	**361,704**	**113,137**	**-8,326**	**466,515**
Purchases of goods and materials	233,107	74,539	-19,721	287,925
Services	57,420	11,376	2,638	71,434
Use of third-party goods and services	12,661	-	-12,543	118
Personnel costs	59,530	14,163	15,516	89,209
Amortisation, depreciation and impairment of assets	16,639	1,971	1,842	20,452
Changes in inventories	-14,463	14,579	-17	99
Provisions for risks	1,055	808	50	1,913
Other income and expenses	-3,798	-4,299	3,902	-4,195
Internal construction	-447	-	7	-440
Operating profit/(loss)	**25,041**	**-73**	**-12,805**	**12,163**

2019 *(amounts in Euro thousands)*	**Drive Tech**	**Agritalia**	**Eliminations and items not allocated**	**Consolidated Total**
Revenues from sales	**454,485**	**118,091**	**-23,730**	**548,846**
Sales to third parties	435,805	112,512	502	548,819
Related sales	18	-	9	27
Sales between divisions	18,662	5,579	-24,241	-
Operating costs	**429,229**	**117,034**	**-19,948**	**526,315**
Purchases of goods and materials	249,489	117,125	-22,348	344,266
Services	63,991	11,688	2,072	77,751
Use of third-party goods and services	15,245	-	-15,161	84
Personnel costs	64,959	13,666	13,210	91,835
Amortisation, depreciation and impairment of assets	16,372	1,997	1,866	20,235
Changes in inventories	19,034	-25,633	-36	-6,635
Provisions for risks	6,564	794	1	7,359
Other income and expenses	-6,081	-2,603	573	-8,111
Internal construction	-344	-	-125	-469
Operating profit/(loss)	**25,256**	**1,057**	**-3,782**	**22,531**

b) Other information

2020	**Drive Tech**	**Agritalia**	**Eliminations and items not allocated**	**Consolidated Total**
Investments *(EUR/000)*	20,376	2,007	-6,131	16,252
Workforce as at 31.12	2,944	331	180	3,455

2019	**Drive Tech**	**Agritalia**	**Eliminations and items not allocated**	**Consolidated Total**
Investments *(EUR/000)*	18,406	1,443	4,150	23,999
Workforce as at 31.12	2,596	324	172	3,092

4.2 Geographic segments

The Group's industrial operations are located in various areas of the world: Italy, other European countries, North and South America, Asia and other non-European countries.
The Group's sales, deriving from the manufacturing carried out in the above areas are achieved equally with customers in Europe, Asia and the Americas.

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

a) Sales

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

(amounts in Euro thousands)	**31.12.2020**	**%**	**31.12.2019**	**%**
India	70,749	14.78%	76,159	15.91%
North America	57,017	11.91%	77,394	16.17%
Germany	56,381	11.78%	70,865	14.80%
Turkey	29,532	6.17%	13,115	2.74%
South America	28,494	5.95%	32,926	6.88%
Switzerland	27,996	5.85%	28,083	5.87%
France	26,683	5.57%	29,776	6.22%
China	25,571	5.34%	22,747	4.75%
United Kingdom	15,542	3.25%	40,888	8.54%
Spain	8,742	1.83%	16,280	3.40%
Other EU areas	28,934	6.04%	29,366	6.13%
Other non-EU areas	14,094	2.94%	12,920	2.70%
Total Abroad	**389,735**	**81.42%**	**450,519**	**82.08%**
Italy	88,943	18.58%	98,327	17.92%
Total	**478,678**	**100.0%**	**548,846**	**100.00%**
of which:				
Total EU area	**209,683**	**43.80%**	**244,613**	**44.57%**
Total non-EU area	**268,995**	**56.20%**	**304,233**	**55.43%**

Note: following an improvement in the reclassification by geographical area, the figures for 2019 have been restated.

b) Carrying amount of assets by area

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

(amounts in Euro thousands)	31.12.2020		31.12.2019	
	CURRENT ASSETS	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT ASSETS
Italy	515,206	447,922	288,555	480,445
North America	234	1	285	-
South America	10,481	2,963	11,357	4,239
Asia (India, China)	114,512	47,362	89,289	53,062
Eliminations and items not allocated	-76,393	-266,811	*-93,863*	*-291,872*
Total	**564,040**	**231,437**	**295,623**	**245,874**

c) Investments by geographic segment

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

(amounts in Euro thousands)	31.12.2020	31.12.2019
Italy	20,241	18,778
Other EU countries	-	-
North America	2	-
South America	155	306
Asia	4,321	6,408
Eliminations and items not allocated	-8,469	-1,493
Total	**16,250**	**23,999**

5. Non-recurring transactions and other extraordinary events

a) Non-recurring transactions:

At 31 December 2020, the following non-recurring operations were present:

31.12.2020 *(amounts in Euro thousands)*	SERVICES	PERSONNEL COSTS	PROVISIONS FOR RISKS AND LIABILITIES	OTHER INCOME AND EXPENSES	EBIT	BEFORE TAX	TAXES	MINORITIES	NET
Carraro S.p.A.	1	446	-	3,062	3,509	3,509	-979	-	2,530
Carraro Drive Tech S.p.A.	14	77	-	-	91	91	-25	-	66
Carraro Drive Tech Italia S.p.A.	26	197	-	191	414	414	-115	-	299
Siap S.p.A.	51	228	-	-	279	279	-78	-47	154
Driveservice S.r.l.	-	39	-	-81	-42	-42	12	-	-30
Carraro India	6	70	-	-	76	76	-19	-	57
Carraro China	3	29	-	-	32	32	-8	-	24
Carraro Argentina S.A.	-	-	141	-	141	141	-42	-	99
Total	**101**	**1,086**	**141**	**3,172**	**4,500**	**4,500**	**-1,254**	**-47**	**3,199**

b) Other extraordinary events:

Argentina - hyperinflationary economy: impacts of the application of IAS 29

As at 1 July 2018, the Argentine economy is considered hyperinflationary on the basis of the criteria established by “IAS 29 - Financial reporting in hyperinflationary economies”. This is the result of the evaluation of a number of qualitative and quantitative elements, including the presence of a cumulative inflation rate higher than 100% over the previous three years.

For the purposes of preparing these consolidated financial statements and in accordance with the provisions of IAS 29, certain items in the balance sheets of the investee Carraro Argentina S.A. have been remeasured by applying the general consumer price index to the historical data, in order to reflect the changes in the purchasing power of the Argentine peso at the closing date of the financial statements.
The non-monetary balance sheet data of the financial statements of this company was remeasured by applying the inflation rates from their original acquisition date.
In particular, during 2020, the accounting effects of this remeasurement were recorded in the following manner:
- the remeasurement of non-monetary items, shareholders' equity items and income statement items recognised during the 2020 financial year, carried out to take account of the change in the reference price index, was recognised as a contra entry in a specific item of the income statement under financial income and expense (see item in the financial statements: C15 - Income (charges) from hyperinflation).

The cumulative effects of IAS 29 at 31 December 2020 are reported below, in addition to showing the impacts of hyperinflation on the main items of the income statement.

Effects - hyperinflationary economy Carraro Argentina *(amounts in Euro thousands):*

BALANCE SHEET EFFECTS:	**EFFECTS IAS 29:**
TOTAL ASSETS	**797**
TOTAL SHAREHOLDERS' EQUITY	**276**
TOTAL LIABILITIES	

ECONOMIC EFFECTS:	**EFFECTS IAS 29:**
1) Products	1,340
2) Services	26
3) Other revenues	3
TOTAL REVENUES FROM SALES	**1,369**
1) Purchases of goods and materials	770
2) Services	348
3) Use of third-party goods and services	21
4) Personnel costs	347
5) Amortisation, depreciation and impairment of assets	404
6) Changes in inventories	61
7) Provision for risks and other liabilities	31
8) Other income and expenses	-7
9) Internal construction	-
TOTAL OPERATING COSTS	**1,975**
OPERATING PROFIT/(LOSS)	**-606**
10) Income and expenses from equity investments	-
11) Other financial income	7
12) Financial costs and expenses	-7
13) Net gains/(losses) on foreign exchange	-84
14) Value adjustments of financial assets	-
15) Income (charges) from hyperinflation	493
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**409**
PROFIT/(LOSS) BEFORE TAXES	**-197**
15) Current and deferred income taxes	51
NET PROFIT/(LOSS)	**248**
16) Minority interests	-
GROUP CONSOLIDATED PROFIT/(LOSS)	**248**
EBITDA	**-202**

6. Notes and comments

Revenues and costs

A) Revenues from sales *(note 1)*

Analysis by business segment and geographic area

Reference is made to the information in section 4 above, and to the Directors' Report on Operations.

B) Operating costs *(note 2)*

(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
PURCHASES OF RAW MATERIALS	277,464	334,901
RETURNS OF RAW MATERIALS	-34	-8
A) PURCHASES	277,430	334,893
MISCELLANEOUS CONSUMABLES	1,164	1,670
CONSUMABLE TOOLS	3,781	4,439
MAINTENANCE MATERIAL	2,009	2,467
MAT. AND SERV. FOR RESALE	4,995	2,614
REBATES AND DISCOUNTS – SUPPLIERS	-1,454	-1,817
B) OTHER PRODUCTION COSTS	10,495	9,373
1) PURCHASES OF GOODS AND MATERIALS	**287,925**	**344,266**
A) EXTERNAL SERVICES FOR PRODUCTION	37,615	42,116
B) SUNDRY SUPPLIES	7,240	7,733
C) GENERAL OVERHEADS	24,096	23,211
D) COMMERCIAL COSTS	723	1,540
E) SALES EXPENSES	1,760	3,151
2) SERVICES	**71,434**	**77,751**
3) USE OF THIRD-PARTY GOODS AND SERVICES	**118**	**84**
A) WAGES AND SALARIES	64,159	65,003
B) SOCIAL SECURITY CONTRIBUTIONS	16,032	17,241
C) EMPLOYEE SEVERANCE INDEMNITY AND RETIREMENT	4,264	4,954
D) OTHER COSTS	4,754	4,637
4) PERSONNEL COSTS	**89,209**	**91,835**
A) DEPREC. PROP., PLANT & EQUIPMENT	17,128	16,866
B) AMORT. INTANGIBLE ASSETS	3,284	3,348
C) IMPAIRMENT OF FIXED ASSETS	-8	-85
D) IMPAIRMENT OF RECEIVABLES	48	106
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	**20,452**	**20,235**
A) CHANGES IN INVENTORIES OF RAW AND ANCILLARY MATERIALS AND GOODS	6,527	-15,868
B) CHANGES IN INVENTORIES OF WORK IN PROG. SEMI-FIN. & FIN. PRODS	-6,428	9,233
6) CHANGES IN INVENTORIES	**99**	**-6,635**
A) WARRANTY	1,478	6,508
B) COSTS OF LEGAL CLAIMS	87	99
C) RENOVATION AND CONVERSION	141	357
D) OTHER PROVISIONS	207	395
7) PROVISION FOR RISKS AND OTHER LIABILITIES	**1,913**	**7,359**
A) SUNDRY INCOME	-7,466	-8,051
B) GRANTS	-160	-47
C) OTHER OPERATING EXPENSES	1,127	1,293
D) OTHER NON-ORDINARY OPERATING INCOME/EXPENSES	2,304	-1,306
8) OTHER INCOME AND EXPENSES	**-4,195**	**-8,111**
9) INTERNAL CONSTRUCTION	**-440**	**-469**

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

(amounts in Euro thousands)	31.12.2020	31.12.2019
10) INCOME/EXPENSES FROM EQUITY INVESTMENTS	**-**	**280**
A) FROM FINANCIAL ASSETS	131	-
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	197	113
C) FROM OTHER CASH EQUIVALENTS	234	65
D) INCOME OTHER THAN THE ABOVE	691	756
E) FROM CHANGES IN THE FAIR VALUE OF DERIVATIVE TRANSACTIONS ON RATES	-	-
11) OTHER FINANCIAL INCOME	**1,253**	**934**
A) FROM FINANCIAL LIABILITIES	-11,191	-8,160
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	-758	-961
C) EXPENSES OTHER THAN THE ABOVE	-2,537	-1,669
D) FROM CHANGES IN THE FAIR VALUE OF DERIVATIVE TRANSACTIONS ON RATES	-	-
12) FINANCIAL COSTS AND EXPENSES	**-14,486**	**-10,790**
FROM NET DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	368	-976
FROM CHANGES IN THE FAIR VALUE OF DERIVATIVE TRANSACTIONS ON NET EXCHANGE RATES	266	264
OTHER NET EXCHANGE RATE DIFFERENCES	-278	786
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	**356**	**74**
B) IMPAIRMENT	-1,619	-2,234
14) VALUE ADJUSTMENTS OF FINANCIAL ASSETS	**-1,506**	**-2,234**
INCOME (CHARGES) FROM HYPERINFLATION	-493	359
15) INCOME (CHARGES) FROM HYPERINFLATION	**-493**	**359**
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**-13,890**	**-12,095**

Financial expenses amounted to 14.486 million euros compared to 10.790 million euros in 2019, an increase of 34.25%. Financial expenses also include the fees paid on the bond issues that are absorbed along the bond amortisation schedule in application of the amortised cost method of accounting.

Exchange differences as at 31 December 2020 were positive, amounting to 0.356 million euros (0.1% of turnover) compared to a negative value of 0.074 million euros (0.01% of turnover) as at 31 December 2019.

Value adjustments to financial assets and income from equity investments refer to the economic effect of the equity method valuation of the investment in Elettronica Santerno S.p.A.

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

Current and deferred income taxes (note 4)

(amounts in Euro thousands)	31.12.2020	31.12.2019
CURRENT TAXES	2,037	2,527
TAX CONSOLIDATION EXPENSE AND INCOME	1,963	3,307
TAXES FROM PREVIOUS YEARS	-3,622	-4,129
DEFERRED TAXES	916	-65
15) CURRENT AND DEFERRED INCOME TAXES	**1,294**	**1,640**

Current taxes
Tax on the income of Italian companies is calculated at 24%, for IRES (corporation tax), and at 3.90% for IRAP (regional business tax) on the respective taxable income for the period. Taxes for the other foreign companies are calculated at the rates in force in the various countries.

Tax consolidation expense and income
The companies Carraro S.p.A., Carraro Drive Tech S.p.A. SIAP S.p.A., Carraro International SE, Driveservice S.r.l., Carraro Germania S.r.l. and Carraro Drive Tech Italia S.p.A. adhere to the tax consolidation area of the parent company Carraro S.p.A. The option is valid for the three-year period 2018-2020 with reference to the subsidiaries Carraro Drive Tech S.p.A., SIAP S.p.A., Carraro International SE and Driveservice S.r.l. and for the three-year period 2019-2021 with reference to the

subsidiary Carraro Drive Tech Italia S.p.A. The expense/income deriving from the transfer of the IRES taxable base are booked under current taxes.

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

(amounts in Euro thousands)	**31.12.2020**	*%*	**31.12.2019**	*%*
Earnings before tax	**-1,727**		**10,436**	
Theoretical tax rate	**-482**	**27.90%**	**2,912**	**27.90%**
Tax effects related to:				
Effect of non-deductible costs	4,429	-256.46%	9,808	93.98%
Untaxable income	-915	52.98%	-7,269	-69.65%
Effect of change in deferred tax rate	-	0.00%	-239	-2.29%
Other unrecognised deferred tax assets	373	-21.60%	568	5.44%
Adjustment of deferred taxes of previous year			-	-
Unrecognised deferred taxes on tax losses	444	-25.71%	-	-
Foreign companies rate difference	-167	9.67%	-	-
Capital gains taxes	881	-51.01%	-	-
Taxes on dividend distribution	392	-22.70%	-	-
Prior-year tax credits	-1,565	90.62%	-3,333	-31.94%
Taxes from previous years	-2,096	121.37%	-807	-7.73%
Taxation at effective rate	**1,294**	**-74.94%**	**1,640**	**15.71%**

As well as taxes recognised in the income statement for the year, deferred tax assets of 0.07 million euros were directly recognised in the statement of comprehensive income.

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

(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
Results		
Earnings (Losses) for the purposes of calculating basic earnings per share	-3,271	8,121
Diluting effect deriving from potential ordinary shares	-	-
Earnings (Losses) for the purposes of calculating diluted earnings per share	-3,271	8,121

	31.12.2020	**31.12.2019**
Number of shares		
Weighted average number of ordinary shares for calculating:		
basic earnings (losses) per share:	77,089,442	77,089,442
diluted earnings (losses) per share:	77,089,442	77,089,442
Basic earnings (losses) per share (euros):	-0.04	0.11
Diluted earnings (losses) per share (euros):	-0.04	0.11

Dividends

The shareholders' meeting of 22 April 2020 did not deliberate the distribution of dividends.

Property, plant and equipment (note 6)
These items present a net balance of 152.87 million euros compared with 158.78 million euros in the previous period. The breakdown is as follows:

Items *(amounts in Euro thousands)*	**Land and buildings**	**Plant and machinery**	**Industrial equipment**	**Other assets**	**Investments in progress and deposits**	**Total**
Historical cost	77,878	198,328	103,699	11,975	10,024	401,904
Provisions for amortisation and depreciations	-26,533	-136,052	-79,283	-9,315	-	-251,183
Net as at 31.12.2018	**51,345**	**62,276**	**24,416**	**2,660**	**10,024**	**150,721**
Movements in 2019:						
Increases	753	8,814	6,982	1,808	4,460	22,817
Decreases	-40	154	-96	-104	-3	-89
Capitalisation	6,040	4,436	418	313	-11,207	-
Hyperinflation effect in Argentina	308	636	1,130	861	-	2,935
Depreciation and amortisation	-1,799	-8,551	-5,381	-1,135	-	-16,866
Reclassification	-	-443	373	87	-17	-
Write-downs	-	69	-6	22	-	85
Foreign exchange translation difference	-4	-548	-149	-53	-64	-818
Net as at 31.12.2019	**56,603**	**66,843**	**27,687**	**4,459**	**3,193**	**158,785**
Made up of:						
Historical cost	84,947	197,309	113,396	14,894	3,192	413,738
Provisions for amortisation and depreciations	-28,344	-130,466	-85,709	-10,435	1	-254,953

Items *(amounts in Euro thousands)*	**Land and buildings**	**Plant and machinery**	**Industrial equipment**	**Other assets**	**Investments in progress and deposits**	**Total**
Historical cost	84,947	197,309	113,396	14,894	3,192	413,738
Provisions for amortisation and depreciations	-28,344	-130,466	-85,709	-10,435	1	-254,953
Net as at 31.12.2019	**56,603**	**66,843**	**27,687**	**4,459**	**3,193**	**158,785**
Changes in 2020:						
Increases	417	1,929	5,927	1,244	5,937	15,454
Decreases	-90	145	-192	-95	-1	-233
Capitalisation	1,431	1,352	632	67	-3,482	-
Hyperinflation effect in Argentina	-	417	393	31	-266	575
Depreciation and amortisation	-1,821	-8,401	-5,678	-1,228	-	-17,128
Reclassification	-	-	-	-	-	-
Write-downs	-	6	1	1	-	8
Foreign exchange translation difference	-783	-2,349	-997	-157	-304	-4,590
Net as at 31.12.2020	**55,757**	**59,942**	**27,773**	**4,322**	**5,077**	**152,871**
Made up of:						
Historical cost	85,091	193,200	116,743	15,302	5,075	415,411
Provisions for amortisation and depreciations	-29,334	-133,258	-88,970	-10,980	2	-262,540

As at 31.12.2020, assets under finance leases for 2.7 mln euros and right-of-use assets (IFRS16) of 1.7 mln euros are recognised under property, plant and equipment.

Right-of-use assets (IFRS 16) are broken down by category as follows:
- Land and buildings: 0.06 million euros;
- Industrial equipment: 0.87 million euros;
- Other assets: 0.79 million euros;

Investments in land and buildings were carried out in particular by Siap S.p.A., Carraro Drive Tech Do Brasil and Carraro India Pvt. Ltd.
The main investments in plant and machinery were made by Carraro S.p.A., Carraro India Pvt. Ltd. and Siap S.p.A.
The increases in industrial equipment refer mainly to purchases made by Carraro S.p.A., Carraro India Pvt. Ltd. and Siap S.p.A.
The increases in other assets mainly refer to office equipment and vehicles purchased by Carraro S.p.A., Carraro India Pvt. Ltd. and Siap S.p.A.
The increases in Assets under development and payments on account are mainly due to the investments being made in Carraro S.p.A. relating to the extension of the owned building and offices, as well as to the increases in the offices of Carraro Drive Tech Italia S.p.A., Carraro India Pvt. Ltd. and Siap S.p.A.
The properties of Carraro India Pvt. Ltd. are encumbered by mortgages guaranteeing outstanding loans for a total of 5.24 million euros and its machinery by mortgages guaranteeing outstanding loans for a total of 16.52 million euros.
Decrease and exchange difference values are highlighted by the net value of the historical cost and the accumulated amortisation and uses of the depreciation provision.

Intangible assets (Note 7)
These items present a net balance of 46.9 million euros compared with 52.5 million euros in the previous period.
The breakdown is as follows:

Items *(amounts in Euro thousands)*	**Goodwill**	**Development costs**	**Royalties and patents**	**Licences and Trademarks**	**Invest. in prog. and deposits**	**Other intangible assets**	**Total**
Historical cost	38,294	10,298	1,219	26,717	6,108	-	82,636
Provisions for amortisation and depreciations	-1,500	-6,452	-1,073	-18,910	-	-	-27,935
Net as at 31.12.2018	**36,794**	**3,846**	**146**	**7,807**	**6,108**	**-**	**54,701**
Movements in 2019:							
Increases	-	-	75	411	696	-	1,182
Decreases	-	-	-2	-	1	-	-1
Capitalisation of internal costs	-	1,828	-	82	-1,910	-	-
Change in consolidation scope	-	-	-	4	-	-	4
Depreciation and amortisation	-	-1,490	-49	-1,809	-	-	-3,348
Reclassification	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Foreign exchange translation difference	-	1	-	7	-2	-	6
Net as at 31.12.2019	**36,794**	**4,185**	**170**	**6,502**	**4,893**	**-**	**52,544**
Made up of:							
Historical cost	38,294	12,126	1,292	27,210	4,894	-	83,816
Provisions for amortisation and depreciations	-1,500	-7,941	-1,122	-20,708	-1	-	-31,272

Items *(amounts in Euro thousands)*	**Goodwill**	**Development costs**	**Royalties and patents**	**Licences and Trademarks**	**Invest. in prog. and deposits**	**Other intangible assets**	**Total**
Historical cost	38,294	12,126	1,292	27,210	4,894	-	83,816
Provisions for amortisation and depreciations	-1,500	-7,941	-1,122	-20,708	-1	-	-31,272
Net as at 31.12.2019	**36,794**	**4,185**	**170**	**6,502**	**4,893**	**-**	**52,544**
Changes in 2020:							
Increases	-	-	48	566	184	-	798
Decreases	-	-3,062	-2	-	-40	-	-3,104
Capitalisation of internal costs	-	3,062	-	616	-3,678	-	-
Hyperinflation effect in Argentina	-	-	-	1	-	-	1
Depreciation and amortisation	-	-1,510	-60	-1,714	-	-	-3,284
Reclassification	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Foreign exchange translation difference	-	-	1	-116	156	-	41
Net as at 31.12.2020	**36,794**	**2,675**	**157**	**5,855**	**1,515**	**-**	**46,996**
Made up of:							
Historical cost	36,794	12,126	1,338	28,097	1,518	-	79,873
Provisions for amortisation and depreciations	-	-9,451	-1,181	-22,242	-3	-	-32,877

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

Goodwill and Impairment Tests

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

Business Area (*CGU*)	**2020**	**Changes**	**2019**
Drive Tech	36,794	-	36,794
Total	**36,794**	**-**	**36,794**

The assets of the CGUs were tested for impairment as described below.

ii) Impairment Tests
The impairment test was carried out, in application of the provisions of IAS 36, with the application criteria shown below, and in particular the indications provided by: *i)* Application no. 2 published by the OIC in December 2009; *ii)* the Guidelines with regard to Impairment Tests, published by the OIV on 14 June 2012; *iii)* Consob communication no. 0003907 of 19 January 2015; *iv)* the guidelines (on the subject of plans) of the Italian Evaluation Standards issued by the OIV in July 2015, *v)* Guidelines for Impairment Testing after the Covid-19 pandemic effects, published in draft by the OIV on 10 July 2020; *vi*) ESMA documents and public statements published in 2020 *vii)* Document no. 4 issued jointly by the Bank of Italy, Consob and the then ISVAP (now IVASS) on 3 March 2010 and taking into account Consob's Warning no. 6/20 of 9 April 2020.

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

- for the purpose of impairment testing for the Consolidated Financial Statements as at 31 December 2020, and as for the previous years, the "CGUs" were identified as the two business areas: "Drive Tech" and "Agritalia". As in previous years, the test was also carried out at a Group level overall, although the average Stock Exchange capitalisation value was higher than the carrying amount of shareholders' equity;

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

- the expected cash flow projections are based on: i) the 2021 budget approved by the Board of Directors on 17 December 2020; ii) projections prepared by the management for the period 2022-24, based on the most reliable and up-to-date information regarding foreseeable business developments, taking into account external sources of information (IAS 36, paragraph 33) and the differences between past cash flow projections and actual cash flows (IAS 36, paragraph 34);

- the configuration of cash flows is defined according to an "asset side" approach, i.e. regardless of the values deriving from financing activities (IAS 36, paragraph 51). Consequently, this value configuration presupposes application of the financial criterion in its unleveraged version;

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

- Taking into account the OIV guidelines for the conduct of the Impairment Test in contexts of uncertainty generated by the Covid-19 pandemic, it should be noted that: (i) the effects of the pandemic were included in the results, basing the Impairment Test on forecasts for the period 2021-2024 made on the basis of prudent assumptions; (ii) the Test was carried out taking into account the results of the fundamental analysis conducted on the CGUs and the Group; (iii) in order to avoid the rate being affected by contingent factors linked to stock market trends and/or the delay in analysts' forecasts, reference was made to longer-term estimates in determining beta and ERP and risk free rates, set at zero if the value is negative;

- The cash flow projections refer to current operating conditions and therefore do not include the cash flows arising from any extraordinary interventions;

- the terminal value was estimated based on the values of the last year of analytical forecasting; a "standard" tax rate was applied, which, for conservative purposes, does not consider any tax recovery arising from the use of previous losses. The estimated, forward-looking growth rate ("g") was prudently assumed to be 0.4%.

- WACC (weighted average cost of capital) rates were used to discount flows, calculated by analysing comparable company data in relation to each CGU (cash generating unit), so as to reflect the risk level of each segment of activity. The flows were determined net of the tax effect. The change in taxes from one year to another is affected, among others, by the change in the cost of money and update to the basket of comparable companies for each segment of activity. In line with the decisions taken in previous years, for each CGU a degree of "historical" error (in terms of overstatement) inherent in the forecasts prepared by the Group's management has been measured. Considering that the outbreak of the pandemic crisis made it inappropriate to compare the 2020 budget (formulated before the pandemic crisis) with the final figures for the same period, this error was determined by measuring the percentage difference between final turnover and EBITDA and those of the revised budget approved by the Board of Directors on 29.7.2020. As a result of this analysis, there were no "increases on the actual". In line with the previous year and with the OIV document of June 2012, a second and further increase has also been considered, determined by comparing the EBITDA envisaged in the Plan used for the impairment test at 31 December 2020 with that envisaged in the Plan used for the test as at 31 December 2019. In the current year, this increase was applied to the Drive Tech CGU, while it did not arise in relation to the Agritalia CGU.

The rates used for each CGU and for the Group overall, are indicated below:

	WACC Nominal discount rate
Carraro Group	7.72%
Drive Tech CGU	7.99%
Agritalia CGU	5.60%

- in order to deal with the risk linked to the difficulty of incorporating any lasting and persistent effects of the pandemic in the dynamics of the flows, the results of the Impairment test were verified by extending the sensitivity tests:
  i. taking into account the different business risk levels of the CGUs;
  ii. verifying the solidity of the Impairment test on the basis of a "worst case scenario" characterised by a growth rate (g) set to zero;
  iii. changing some of the basic parameters of the estimate carried out, in compliance with the Consob Communication of 19 January 2015, as an instrument for providing the additional information indicated in paragraph 134 letter f) of IAS 36. In particular, a sensitivity analysis was carried out on the following variables:
  - WACC (increased, in the light of the trend in market rates, by 25 bps and 50 bps, and determination of the rate that eliminates the difference between Enterprise Value and NIC);
  - Growth rate at full capacity (g): reduction of 20 bp;
  - EBIT (reduced by 5% and 10% and determination of the percentage reduction that eliminates the difference between Enterprise Value and CIN);

- Turnover (10% reduction).

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

	WACC	EBIT
Carraro Group	10.58%	-28.77%
Drive Tech CGU	13.13%	-41.26%
Agritalia CGU	6.69%	-16.94%

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

Licences and Trademarks
The increases are mainly attributable to the acquisition of licenses by Carraro S.p.A. and Carraro Technologies India Pvt. Ltd..

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

Research and development costs
In 2020, the financial commitment made by the group for R&D activities amounted to approximately 5.58% of turnover. These costs did not give rise to capitalisations in accordance with the criteria of IAS 38.

Real estate investments (Note 8)
These present a net balance of 0.79 million euros.
The breakdown is as follows:

Items *(amounts in Euro thousands)*	Buildings	Land	Total
Balance as at 31.12.2019	**694**	**35**	**729**
Increases	59		59
Decreases	-		-
Change in currency conversion	-		-
Balance as at 31.12.2020	**754**	**35**	**789**

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

Equity investments (Note 9)

Equity investments in associated companies

On the reporting date, the last available financial statements of Enertronica Santerno S.p.A. were those as at 30.6.2020. The equity investment was completely written down to bring it into line with the pro-rata value of Shareholders' Equity.

<table>
<tr><th rowspan="2">Name</th><th rowspan="2">Registered office</th><th rowspan="2">Holding company</th><th colspan="2">Share capital</th><th>Number of shares Stakes held</th><th>Profit (loss) 31.12.2020</th><th>Sh. Equity Consolidated 30.6.2020 (*)</th><th rowspan="2">Direct portion</th><th>Carrying amount of the investment</th></tr>
<tr><th>Currency</th><th>Amount</th><th>Total</th><th>(ctv. euros)</th><th>(ctv. euros)</th><th>31.12.2020</th></tr>
<tr><td>Enertronica Santerno S.p.A.</td><td>Milan, Italy</td><td>Carraro S.p.A.</td><td>EUR</td><td>784,988</td><td>793,200</td><td>n.a.</td><td>(5,873,812)</td><td>10.10%</td><td>-</td></tr>
<tr><td>Enertronica Santerno S.p.A.</td><td>Milan, Italy</td><td>Carraro International SE</td><td>EUR</td><td>784,988</td><td>795,600</td><td>n.a.</td><td>(5,873,812)</td><td>10.14%</td><td>-</td></tr>
</table>

(*) Figures updated to 31 December 2020 are not yet available. The most up-to-date financial information available has therefore been provided.

Financial assets (note 10)

(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
LOANS TO RELATED PARTIES	4,263	4,763
LOANS TO THIRD PARTIES	1,122	1,799
LOANS AND RECEIVABLES	**5,385**	**6,562**
AVAILABLE FOR SALE	61	87
OTHER FINANCIAL ASSETS	147	1,125
OTHER FINANCIAL ASSETS	**1,838**	**1,212**
NON-CURRENT FINANCIAL ASSETS	**7,223**	**7,774**
FROM RELATED PARTIES	1,031	400
FROM THIRD PARTIES	763	1,056
LOANS AND RECEIVABLES	**1,794**	**1,456**
FAIR VALUE OF DERIVATIVES	209	204
OTHER FINANCIAL ASSETS	272	388
OTHER FINANCIAL ASSETS	**1,296**	**592**
CURRENT FINANCIAL ASSETS	**3,090**	**2,048**

Non-current loans and receivables
Non-current receivables and loans from third parties mainly include the medium/long-term portion (1.12 million euros) of the receivable from the Argentinian real estate companies to which the land and the building relating to the Argentinian production plant were sold in two successive stages Non-current related party loans and receivables refer to the medium/long-term portion of 4.26 million euros of the loan to Elettronica Santerno S.p.A..
Values of these receivables approximate their fair value.

Other non-current financial assets
These mainly include minority interests and guarantee deposits and up-front fees incurred by Carraro International SE for revolving credit lines.

Current loans and receivables
These include 0.30 million euros relating to the short-term portion of the financial receivable from the Argentinian real estate companies to which the land and the building relating to the Argentinian production plant were transferred in two successive stages. Current related party loans and receivables refer to the short-term portion of 1.3 million euros of the loan to Elettronica Santerno S.p.A..

Other current financial assets
They include cash flow hedge derivatives for 0.20 million Euros. The amount refers to the fair value calculated as at 31.12.2020 on current instruments on currencies. As described in detail in the section on derivative financial instruments (paragraph 9), profits or losses deriving from hedging instruments are recognised in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve for the efficient part, while the remaining (inefficient) portion is recognised in the income statement and for 0.3 million euros they refer to the short-term part of the up front fees incurred by Group companies for 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	**Opening**		**Effect**		**Difference**	**Closing**
(amounts in Euro thousands)	**31.12.2019**	**Reclassification**	**on income statement**	**on net equity**	**Exchange rate**	**31.12.2020**
ASSETS:						
Depreciation and amortisation	8,829		-300			8,529
Measurement of receivables	85		25			110
Measurement of financial assets/liabilities	98	-132		44		10
Discounting of employee severance indemnity	220	-14		23		229
Allocations to provisions	8,922		-1,370		-8	7,544
Tax losses	593		67			660

Interest expense to be carried forward	373		-373			-
Other	1,208		894			955
Personnel bonuses	61	146	-75		2	1,281
TOTAL	**20,389**	**-**	**-1,132**	**67**	**-6**	**19,318**

LIABILITIES:						
Depreciation and amortisation	-3,710		201		302	-3,207
Tax losses	456		-56		-40	360
Measurement of financial assets/liabilities	-			-9		-9
Discounting of employee severance indemnity	-					-
Allocations to provisions	1,296		-74		-53	1,169
Other	59		145		6	210
TOTAL	**-1,899**	**-**	**216**	**-9**	**215**	**-1,477**
BALANCE	**18,490**	**-**	**-916**	**58**	**209**	**17,841**

The carrying amount of net deferred tax assets recognised as at 31 December 2020 was 18.4 million Euros (2019: 17.8 million euros). Deferred tax assets include the potential benefits associated with retained tax losses, insofar as it is likely that there will be adequate future taxable profits against which these losses can be used in a reasonably short period.

Tax losses for which it was decided not to recognise deferred tax assets as at 31 December 2020 amounted to 28.7 million euro (2019: 30.1 million euros) with a tax effect of 8 million euros (2019: 8.5 million euros).
With reference to temporarily non-deductible financial charges, it was decided to recognise deferred tax assets (2019: 0.3 million euros). No deferred tax assets on temporarily non-deductible interest charges were recognised for a taxable amount of 28.4 million euros (2019: 26.2 million Euros), with a tax effect of 6.8 million Euros (2019: 6.3 million euros).

The item "Amortisation and depreciation" includes deferred tax assets related to the capital gain resulting from a transaction carried out in 2014. Since this is a transaction between companies subject to common control, in accordance with the Assirevi document "OPI1" this capital gain has not been recognised for accounting purposes, having consequently given rise to the corresponding recognition of deferred tax assets, the value of which as at 31.12.2020 amounted to 7.6 million euros.

Trade receivables and other receivables (Note 12)

(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
NON CURRENT TRADE RECEIVABLES	**-**	**-**
FROM THIRD PARTIES	4,274	4,181
OTHER NON-CURRENT RECEIVABLES	**4,274**	**4,181**
NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**4,274**	**4,181**
FROM RELATED PARTIES	1,378	1,724
FROM THIRD PARTIES	60,123	56,591
CURRENT TRADE RECEIVABLES	**61,501**	**58,315**
FROM RELATED PARTIES	809	809
FROM THIRD PARTIES	32,379	35,119
OTHER CURRENT RECEIVABLES	**33,188**	**35,928**
CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**94,689**	**94,243**

Other non-current receivables (4.2 million euros) consist mainly of guarantee deposits, portions of costs pertaining to subsequent years and advance payments and tax credits of Carraro India Pvt Ltd. and Carraro Argentina S.A.

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

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

(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
VAT credits	20,051	21,536
VAT credits due for rebate	500	-
Other tax credits	824	1,857
Receivables for current taxes	8,724	9,584
Receivables from employees	22	28
Receivables from pensions agencies	362	358
Provisions for Depreciation of other Receivables	-	-
Other receivables	1,896	1,756
OTHER CURRENT RECEIVABLES FROM THIRD PARTIES	**32,379**	**35,119**

Other current receivables from third parties equal to 32 million euros (35 million euros in 2019) decreased, mainly due to the decrease in VAT receivables and other tax receivables.
The breakdown of trade and other receivables (including provisions for impairment of receivables) by maturity is shown in the following table:

(amounts in EUR thousands)	***31.12.2020***					***31.12.2019***				
	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	5,988	1,141	55,596	-	**62,725**	12,084	668	46,740	24	**59,516**
Other receivables	-	-	33,188	4,274	**37,462**	-	-	35,928	4,181	**40,109**
TOTAL	**5,988**	**1,141**	**88,784**	**4,274**	**100,187**	**12,084**	**668**	**82,668**	**4,205**	**99,625**

The balance of receivables is equal to 100.2 million Euros (99.6 million Euros in 2019). As envisaged in IFRS 7.37 bands of amounts past due were identified. In the 2020 financial year past due receivables amounted to 5.9 million euros and were mostly less than one year old.

An analysis was carried out on specific impairment at the reporting date for past due positions, from which a total impairment loss of 1.2 million Euros emerged (1.2 million Euros in 2019). In addition, for the purposes of verifying the recoverability of the positions recognised as at 31.12.2020, future prospects of recovery in line with the provisions of IFRS 9 were also taken into account.

Provisions for Depreciations of Receivables

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

(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
Trade receivables from related parties	1,378	1,724
NET TRADE RECEIVABLES FROM RELATED PARTIES	**1,378**	**1,724**
Current trade receivables from third parties	61,347	57,792
Provisions for depreciation	-1,224	-1,201
NET CURRENT TRADE RECEIVABLES FROM THIRD PARTIES	**60,123**	**56,591**
Other receivables from related parties	809	809
NET CURRENT OTHER RECEIVABLES FROM RELATED PARTIES	**809**	**809**
Other current receivables from third parties	32,379	35,119
Provisions for Depreciation of other Receivables	-	-
NET CURRENT OTHER RECEIVABLES FROM THIRD PARTIES	**32,379**	**35,119**

Related party trade and other receivables refer to the credit from tax consolidation vis-a-vis the parent company Finaid S.p.A. and to transactions with Enertronica Santerno S.p.A..

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

(amounts in Euro thousands)	**31.12.2019**	**Increases**	**Decreases**	**Change in consolidation scope**	**Reclassification**	**Exchange-rate adjustments**	**31.12.2020**
Provisions for impairment of trade receivables	1,201	47	81	-	-	-105	1,224
Provisions for impairment of other receivables	-	-	-	-	-	-	-
TOTAL	**1,201**	**47**	**81**	**-**	**-**	**-105**	**1,224**

Closing inventory *(note 13)*

Items *(amounts in Euro thousands)*	**31.12.2020**	**31.12.2019**
Raw materials	87,470	96,321
Work in progress and semi-finished products	33,275	27,627
Finished products	15,748	17,304
Goods in transit	-	255
Total inventories	**136,493**	**141,507**
Provision for impairment of inventories	-17,495	-18,295
Total inventories	**118,998**	**123,212**

Inventories recorded a net balance of 118.9 million euros compared with 123.2 million euros as at 31 December 2019.

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

(amounts in Euro thousands)	
Balance as at 31 December 2019	**18,134**
Provisions set aside	1,910
Utilisation	-1,710
Translation differences	-697
Other changes	553
Balance as at 31 December 2020	**17,495**

Cash and cash equivalents (Note 14)

(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
CASH	77	72
BANK CURRENT ACCOUNTS AND DEPOSITS	347,186	76,048
TOTAL	**347,263**	**76,120**

The constraints on cash and cash equivalents in the various companies of the Carraro Group as at 31 December 2020 are shown in the table below:

Group company: *(amounts in Euro thousands)*	*Currency*	*Constraint in Currency*	*Equivalent in euros*
Carraro India Ltd.	INR	1,195	13
Carraro India Ltd.	INR	204	2
Carraro India Ltd.	INR	5,608	63
Carraro India Ltd.	INR	68	1
Carraro Drive Tech Italia S.p.A.	USD	3,000	2,445
TOTAL CONSTRAINED CASH AND CASH EQUIVALENTS			**2,524**

Constrained cash and cash equivalents amount to 2.52 million euros and refer to counter guarantees provided in India to local public authorities and to a lien on a dollar account against a commercial agreement.

Shareholders' equity (note 15)

(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
1) Share Capital	41,453	41,453
2) Other Reserves	5,993	7,756
3) Profits/(Losses) brought forward	-	-
4) Cash flow hedge reserve	-51	113
5) Provision for discounting employee benefits	125	284
6) Foreign currency translation reserve	9,619	6,476
7) Result for the period pertaining to the group	-3,271	8,121
GROUP SHAREHOLDERS' EQUITY	**53,868**	**64,203**
8) Minority interests	9,347	9,101
TOTAL SHAREHOLDERS' EQUITY	**63,215**	**73,304**

The Shareholders' Meeting of Carraro S.p.A. held on 22 April 2020 resolved to allocate the profit for 2019, equal to 14,231,736.36 euros, as shown below:
- 711,586.82 euros to the Legal Reserve;
- 13,520,149.54 euros to retained earnings.

The share capital is set at 41,452,543.60 euros, fully paid-up, divided into 79,716,430 ordinary shares with a par value of 0.52 euros. The company has issued a single category of ordinary shares which do not give the right to a fixed dividend.

No other financial instruments which assign equity and investment rights have been issued.
No new treasury shares were purchased in 2020. The overall investment therefore amounts to 6.666 million euros.

Other reserves
The item "Other reserves" of 5.993 million euros includes the reserves of Carraro S.p.A. relating to profits not distributed or carried forward and others as follows:
- 7.926 million euros relating to the share premium reserve;
- 6.661 million euros relating to the legal reserve;
- 0.092 million euros relating to the future capital increase reserve;
- 14.754 million euro relating to the extraordinary reserve and profits carried forward;
- 9.212 million euros relating to the merger surplus reserve;
- less 6.666 million euros for deduction of the reserve corresponding to treasury share purchase;
- 22.200 million euros relating to other IAS reserves;
- less 48.002 million euros arising from the reduction in the shareholders' equities of consolidated companies with respect to the corresponding carrying amounts of equity investments and consolidation adjustments.

Other IAS/IFRS reserves
This includes the values arising from application of the criterion prescribed for cash flow hedging of 0.05 million euros.

Provision for discounting employee benefits
This reserve, which is negative amounting to 0.13 million euros, includes Employee benefit *actuarial gains/losses*, as provided for by IAS 19 Revised.
For further details, see section 3.3 "Accounting standards and measurement criteria".

Foreign currency translation reserve
This reserve, which is positive at 9.62 million euros, is used to record exchange differences arising from translation of the financial statements of foreign subsidiaries.
It should be noted that, as required by IAS 1 Revised paragraph 83, the movements in the period of the foreign currency translation reserve were recognised in the statement of comprehensive income and other capital reserves, as detailed below:

(amounts in Euro thousands)	**31.12.2019**	**Changes in the Statement of Comprehensive Income** *profit reserves*	**Changes in shareholders equity** *capital reserves*	**Changes in shareholders equity** *profit reserves*	**Changes by area**	**31.12.2020**
Exchange reserve of the parent company's shareholders	6,476	494	-10,000	12,649	-	9,619
Exchange reserve of minority interests	-		-		-	-
Translation reserve	**6,476**	**494**	**-10,000**	**12,649**	-	**9,619**

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

Financial liabilities (note 16)

It should be noted that as at 31 December 2020, all the financial parameters provided for by the regulations of the bond loan (senior unsecured type) of 180 million euros, maturity 2025, fixed rate 3.5% listed on the Luxembourg Stock Exchange and on the MOT issued in January 2018 (Incurrence Covenants type parameters) were met, while as at 31 December 2020, on the bond loan (senior unsecured type) of 150 million euros, maturity 2026, fixed rate 3.75% listed on the Luxembourg Stock Exchange and on the MOT issued in September 2020, there were no financial parameters.
Regarding the agreements with banks, the suspension of covenants (waiver) was granted for the whole of 2020.

The classification of financial liabilities is shown below:

(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
NON-CURRENT BONDS	**324,433**	**176,707**
MEDIUM/LONG-TERM LOANS	149,114	15,809
MEDIUM/LONG-TERM LEASE PAYABLES - IFRS 16	930	1,559
NON-CURRENT FINANCIAL LIABILITIES	**150,044**	**17,368**
FAIR VALUE OF NON-CURRENT INTEREST RATE DERIVATIVES	-	21
OTHER NON-CURRENT FINANCIAL LIABILITIES	**-**	**21**
NON-CURRENT FINANCIAL LIABILITIES	**474,477**	**194,096**
MEDIUM-/LONG-TERM LOANS – short-term portion	16,670	4,404
LOANS TO OTHERS	6,274	9,675
LEASE PAYABLES FROM RIGHTS OF USE - IFRS 16	856	988
CURRENT FINANCIAL LIABILITIES	**23,800**	**15,067**
FAIR VALUE OF INTEREST RATE DERIVATIVES	-	-
FAIR VALUE OF EXCHANGE RATE DERIVATIVES	97	142
OTHER CURRENT FINANCIAL LIABILITIES	4,579	2,652
OTHER CURRENT FINANCIAL LIABILITIES	**4,676**	**2,794**
CURRENT FINANCIAL LIABILITIES	**28,476**	**17,861**

Short-term loans include current accounts payable and loans taken out during 2020, with a short-term maturity.
Medium- and long-term loans are presented below, divided into short-term portion, medium-term portion and portion at more than 5 years.

COMPANY	**up to one year**		**from 1 to 5 years**		**more than 5 years**		
(amounts in Euro thousands)	*nominal value*	*amortised cost and exchange impact*	*nominal value*	*amortised cost and exchange impact*	*nominal value*	*amortised cost and exchange impact*	**Total 31.12.2020**
Carraro China	6,877	-	-				6,877
Carraro India Pvt. Ltd.	3,298	-	10,384	-	-	-	13,682
Carraro International	4,065	51	20,575	129	25,000		49,820
Siap S.p.A.	1,932	-	6,521	-	5,643	-	14,096
Carraro Drive Tech Italia S.p.A.	439	-	5,860	-	-	-	6,299
Carraro S.p.A.	8	-	75,002	-	-	-	75,010
Total	**16,619**	**51**	**118,342**	**129**	**30,643**	**-**	**165,784**

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

COMPANY *(amounts in Euro thousands)*	**LENDER**	**Short-term portion as at 31.12.20**	**Medium/ long-term portion as at 31.12.20**	**EXPIRY**	**RATE**	**RATE TYPE**	**CURRENCY**
Carraro China	Communication bank	237	-	Sep '21	5.03%	fixed	CNY
Carraro China	Communication bank	1,733	-	Sep '21	5.03%	fixed	CNY
Carraro China	Communication bank	449	-	Sep '21	5.09%	fixed	CNY
Carraro China	Communication bank	573	-	Sep '21	5.23%	fixed	CNY
Carraro China	Communication bank	137	-	Sep '21	5.23%	fixed	CNY
Carraro China	Communication bank	1,184	-	Sep '21	5.23%	fixed	CNY
Carraro China	Communication bank	1,567	-	Sep '21	5.23%	fixed	CNY
Carraro China	Communication bank	997	-	Sep '21	5.23%	fixed	CNY
Carraro India	Kotak Mahindra Bank Ltd.	836	1,673	Dec '23	9.00%	variable	INR
Carraro India	Idbi Bank	535	802	Jun '23	3.75%	variable	EURO
Carraro India	Federal bank	418	1,812	Mar '25	9.40%	variable	INR
Carraro India	Axis	1,091	2,052	Dec '24	8.38%	variable	INR
Carraro India	Icici	279	1,952	Jun-25	8.80%	variable	INR
Carraro India	Exim	139	2,093	Jul-25	9.25%	variable	INR
Carraro International SE	EIB	4,116	45,704	Jul '27	1.49%	fixed	EURO
Carraro International SE	Intesa Sanpaolo Bank Luxembourg	-	-	Jun '23	1.09%	variable	EURO
SIAP	Banca di Cividale	398	507	Mar '23	1.31%	variable	EURO
SIAP	Banca di Cividale (FRIE)	418	5,643	Jan '35	0.85%	variable	EURO
SIAP	Friulia Spa	996	1,004	May '22	1.50%	variable	EURO
SIAP	Banca Fucino	-	5,000	Jul-26	1.40%	variable	EURO
SIAP	Fraer Leasing	24	-	Nov '21	1.75%	variable	EURO
SIAP	Fraer Leasing	27	1	Jan '22	1.75%	variable	EURO
SIAP	Fraer Leasing	69	9	Feb '22	1.75%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Banca Fucino	-	5,000	Jul-26	1.40%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Selmabipiemme	21	17	Oct '22	1.90%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Selmabipiemme	43	50	Feb '23	1.92%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Selmabipiemme	45	64	May '23	1.98%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Fraer Leasing	13	-	Feb '21	1.75%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Fraer Leasing	38	15	May '22	1.75%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	76	140	Oct '23	1.58%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	16	37	Apr '24	1.58%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	14	34	May '24	1.57%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	118	289	May '24	1.58%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	8	20	May '24	1.57%	variable	EURO
Carraro Drive Tech Italia S.p.A.	Alba Leasing	47	194	Dec-25	1.59%	variable	EURO
Carraro S.p.A.	Cassa Depositi e prestiti	-	35,000	Jun-26	1.08%	variable	EURO
Carraro S.p.A.	Banca Fucino	-	5,000	Aug-26	1.40%	variable	EURO
Carraro S.p.A.	BANCA MPS	-	25,000	Jun-26	1.50%	variable	EURO
Carraro S.p.A.	Intesa SanPaolo	-	10,000	Jun-26	1.06%	variable	EURO
Carraro S.p.A.	Selmabipiemme Leasing	8	2	Mar '22	1.90%	variable	EURO
TOTAL		**16,670**	**149,114**				

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

Financial liabilities *(amounts in Euro thousands)*	**31.12.2019**	**Cash Flow**	**Reclassification**	**Other changes**	**Change in consolidation scope**	**Exchange impact**	**31.12.2020**
Gross non-current loans payable	197,368	301,327	-17,038	2,074	-624	-2,934	480,173
Gross current loans payable	15,067	-6,779	17,038	51	-103	-1,423	23,851
Total loans payable	**212,435**	**294,548**	**-**	**2,125**	**-727**	**-4,357**	**504,024**
Amortised cost	-3,293	-	-	-2,454	-	-	-5,747
Other non-current financial liabilities	21	-	-	-21	-	-	-
Other current financial liabilities	2,652	-2,683	-	4,619	-	-9	4,579
Financial liabilities:	**211,815**	**291,865**	**-**	**4,269**	**-727**	**-4,366**	**502,856**

The net financial position is broken down below:

Net financial position *(amounts in Euro thousands)*	**31.12.2020**	**31.12.2019**
Non-current bonds	-324,433	-176,707
Current bonds	-	-
Bonds:	**-324,433**	**-176,707**
Non-current loans payable	-150,044	-17,368
Current loans payable	-23,800	-15,067
Other non-current financial liabilities	-	-21
Other current financial liabilities	-4,579	-2,652
Financial liabilities:	**-178,423**	**-35,108**
Current loans and receivables	1,794	1,456
Other current financial assets	1,087	388
Financial assets:	**2,881**	**1,844**
Cash	77	72
Bank current accounts and deposits	347,186	76,048
Cash and cash equivalents:	**347,263**	**76,120**
Net financial position*	**-148,545**	**-133,851**
Non-current loans and receivables	5,385	6,562
Other non-current financial assets	1,777	1,125
Non-current leases - IFRS 16	930	1,559
Current leases - IFRS 16	856	988
Net financial position of operations	**-143,764**	**-123,617**
of which payables/(receivables):		
- non-current	-466,385	-184,850
- current	322,621	61,233

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

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 2.685 million euros at 31 December 2020.

In September 2020, the Company issued a 3.75% fixed-rate senior unsecured bond of 150 million euros - maturing in 2026 - listed on the Luxembourg Stock Exchange and on the MOT.

The effect of the amortised cost on this item amounted to 2.882 million euros at 31 December 2020.

The Carraro Group has total short-term bank credit facilities of 38.78 million euros, against a utilisation of 6.27 million euros. Medium and long-term bank credit facilities amount to a total of 199.60 million euros, against a utilisation of 165.95 million euros.

The rate terms vary according to the country of usage and can be summarised as follows:

- Europe: 1.50 – 2%
- India: 9 - 10.50%

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

Trade payables and other payables (note 17)

(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
FROM THIRD PARTIES	62	115
OTHER NON-CURRENT PAYABLES	**62**	**115**
TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES	**62**	**115**
FROM RELATED PARTIES	7	280
FROM THIRD PARTIES	140,393	149,889
CURRENT TRADE PAYABLES	**140,400**	**150,169**
FROM RELATED PARTIES	90	90
FROM THIRD PARTIES	60,451	68,988
OTHER CURRENT PAYABLES	**60,541**	**69,078**
TRADE PAYABLES AND OTHER CURRENT PAYABLES	**200,941**	**219,247**

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

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

(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
VAT payables	10,144	9,021
Other tax payables	593	356
Amounts due to pensions agencies	4,067	4,103
Amounts due to employees	11,943	11,845
IRPEF (personal income tax) employees & professionals	2,867	3,009
Board of Directors	1,562	1,218
Other payables	29,275	39,436
OTHER CURRENT PAYABLES	**60,451**	**68,988**

With regard to the Indian company, a tax dispute is underway following disputes by the local tax authorities over a number of years, mainly relating to the benchmark used for transfer pricing and the evidence of the services and related benefits received by the Indian plant for the deductibility of royalties and intra-group services. Extensive documentation has already been submitted in court in support of the defence arguments of the company.
Supported by the opinions of its tax consultants, the risk of losing the case in court in relation to the claims of the Indian financial administration is estimated to be possible for a total of 8.3 million euros. Considering the estimated degree of risk, it was not considered necessary to allocate a risk provision.

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

(amounts in Euro thousands)	*31.12.2020*					*31.12.2019*				
	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	12,288	905	127,165	42	**140,400**	11,180	912	138,060	17	**150,169**
Other payables	-	-	56,374	62	**56,436**	-	-	69,078	115	**69,193**
TOTAL	**12,288**	**905**	**183,539**	**104**	**196,836**	**11,180**	**912**	**207,138**	**132**	**219,362**

Current taxes payables (note 18)

(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
Current taxes payable	2,784	5,331
Current tax payables	**2,784**	**5,331**

Employee severance indemnities and retirement benefits (note 19)

PROVISION FOR SEVERANCE INDEMNITY AND RETIREMENT BENEFITS		
(amounts in Euro thousands)	**31.12.2020**	**31.12.2019**
Opening severance indemnities in accordance with IAS 19	**8,197**	**8,496**
Utilisation of employee severance indemnities	-573	-794
Employee severance indemnities transferred to other companies	-3,045	-44
Employee severance indemnities transferred from other companies	3,045	44
Interest cost	26	61
Actuarial gains/losses	78	434
Change in consolidation scope	-	-
Closing severance indemnities in accordance with IAS 19	**7,728**	**8,197**

The severance indemnity, calculated according to current Italian laws, is treated for accounting purposes as a defined-benefit fund and as such is recalculated at the end of each accounting period according to a statistical-actuarial criterion which also takes account of the effects of financial discounting.
The actuarial valuation of this obligation is carried out according to the actuarial criterion of the "projected unit credit method" with the support of the data issued by ISTAT, the INPS and the ANIA. The parameters used are as follows: 1) annual discount rate: -0.02%, 2) personnel rotation rate 5%, 3) annual inflation index 0.8%, 4) advances rate 2%, 5) remuneration increase rate 2.1%.
The accounting treatment of employee benefits recorded in the financial statements complies with IAS 19 Revised for defined-benefit plans. For further details, see section 3.3.
Termination benefits are benefits to employees regulated by the laws in force in Italy and recognised in the financial statements of Italian companies.
On the basis of the changes introduced in Law 296/06, with effect from 30 June 2007, termination benefits maturing after 1 January 2007 must be paid into a specific treasury reserve established at the pensions agency INPS, or, if the employee so chooses, into a special complementary pension fund. There are no more provisions for termination benefits with these contributions.

Sensitivity analysis IAS 19 Revised
The table below indicates the values of the Employee benefits provision as at 31.12.2020 calculated in the case of changes in actuarial assumptions reasonably possible at that date with the following variables:

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

(amounts in Euro thousands)	*Turnover frequency*		*Inflation rate*		*Discount rate*	
	1%	**-1%**	**+0.25%**	**-0.25%**	**+0.25%**	**-0.25%**
Provisions for employee benefits 31.12.2020	7,667	7,795	7,820	7,638	7,583	7,878

Pension/retirement funds
Pension funds and the like of 1.6 million euros (1.6 million euros as at 31.12.2019) refer to Argentine, Indian and Chinese personnel.

(amounts in Euro thousands)	**Opening 31.12.2019**	**Increases**	**Decreases**	**Change in consolidation scope**	**Change in currency**	**Closing 31.12.2020**
PENSION AND SIMILAR FUNDS	**1,572**	42	-48	-	85	**1,651**

Number of employees
The number of employees refers only to the fully consolidated companies and is divided into categories:

Employees	**31.12.2019**	**Changes**	**31.12.2020**
Executives	26	1	27
Clerical staff	703	8	711
Factory workers	2,016	29	2,045
Temporary workers	347	325	672
Total as at 31.12	**3,092**	**363**	**3,455**

Provisions for risks and liabilities (Note 20)

The item can be broken down as follows:

(amounts in Euro thousands)	**Opening situation**	**Increases**	**Decreases**	**Reclassification**	**Exchange-rate adjustments**	**Closing situation**
Non-current portion						
1) WARRANTY	2,989	-	-	-606	-72	2,311
2) COSTS OF LEGAL CLAIMS	56	-	-	-	-	56
3) RENOVATION AND CONVERSION	-	-	-	-	-	-
4) OTHER PROVISIONS	701	20	-	-	-64	657
TOTAL	**3,746**	**20**	**-**	**-606**	**-136**	**3,024**
Current portion						
1) WARRANTY	13,317	1,976	-4,936	53	-101	10,309
2) COSTS OF LEGAL CLAIMS	461	83	-204	-	-26	314
3) RENOVATION AND CONVERSION	1,483	121	-355	-	-178	1,071
4) OTHER PROVISIONS	868	3,706	-396	-	-63	4,115
TOTAL	**16,129**	**5,886**	**-5,891**	**53**	**-368**	**15,809**

Warranty reserve:
From the product warranty reserve, 5.8 million euros was used for customer claims accepted and the reserve was increased by 5.8 million euros on the basis of the expected warranty costs which will be incurred in relation to the sales made.

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

Provision for restructuring and reconversion
The detailed movements of provisions for restructuring are shown below:

(amounts in Euro thousands)	**Provisions 31.12.19**	**Increases**	**Decreases**	**Reclassification**	**Exchange-rate adjustments**	**Provisions 31.12.20**
Carraro S.p.A.	290	-	-209	-	-	81
Carraro Drive Tech S.p.A.	-	-	-	-	-	-
SIAP S.p.A.	341	-	-	-	-	341
Driveservice S.r.l.	341	-	-81	-	-	260
Carraro Argentina S.A.	511	121	-65	-	-178	389
TOTAL	**1,483**	**121**	**-355**	**-**	**-178**	**1,071**

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

7. Commitments and risks

(amounts in euros)

Items	**31.12.2019**	**31.12.2018**
- guarantees given	1,825,773	8,754,407

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

(amounts in euros)

IN FAVOUR OF	***ON BEHALF OF***	**Expiry**	**amount of guarantee at 31.12.2019**	**amount used at 31.12.2019**
INTESA (FORMERLY CASSA DI RISPARMIO DEL VENETO)	ELETTRONICA SANTERNO SPA	ON DEMAND	1,920,000	845,773
INTESA (FORMERLY BANCA POPOLARE DI VICENZA)	ELETTRONICA SANTERNO SPA	ON DEMAND	980,000	980,000
TOTAL			**2,900,000**	**1,825,773**

8. Transactions with related parties (note 21)

The Carraro Group is controlled directly by Finaid S.p.A., which as at 31.12.2020 held 35.3949% of the shares outstanding.

Carraro S.p.A. and all Italian subsidiaries are included in the tax consolidation area of the parent company Carraro S.p.A. The charges/income deriving from the transfer of the IRES taxable base are booked under current taxes.

The transactions between Carraro S.p.A. and its subsidiaries which are affiliated entities of Carraro S.p.A., were eliminated in the consolidated financial statements and are not pointed out in these notes.

The details of the transactions between Carraro Group and other affiliated companies according to principle IAS 24 and Consob requirements, are indicated below.

	Financial and commercial transactions			**Economic transactions**					
Related parties	Financial assets	Trade receivables and other receivables	Trade payables and other payables	Sales revenues	Purchases of goods and materials	Purchases of services	Other income and expenses	Other financial income	Value adjustments of financial assets
Finaid S.r.l.	-	873	90	7	-	-	-	-	-
Enertronica Santerno S.p.A.	5,294	1,314	7	-	-	-	-24	131	-1,506
Elettronica Santerno Ind. e Com Ltd.	-	-	-	-	-	-	-	-	-
Santerno South Africa Pty Ltd.	-	-	-	-	-	-	-	-	-
Santerno USA	-	-	-	-	-	-	-	-	-
TOTAL	**5,294**	**2,187**	**97**	**7**	**-**	**-**	**-24**	**131**	**-1,506**

9. FINANCIAL INSTRUMENTS

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

31.12.2020 *(amounts in Euro thousands)*	FINANCIAL INCOME	FINANCIAL EXPENSES	POSITIVE EXCHANGE DIFF.	NEGATIVE EXCHANGE DIFF.	SUSPENSION COSTS REVENUES
A) FINANCIAL ASSETS:					
A.1) Cash and Cash Equivalents:					
Bank accounts, positive balance	197	-	-	-	-
A.2) Non-derivative Financial Instruments:					
A.2.1) Financial instruments at fair value (FVTPL):					
A.2.2) Financial instruments held to maturity (HTM):					
A.2.3) Loans and receivables (L&R):					
A.2.3.1) Loans:					
Loans receivable	131	-	-	-	-
A.2.3.2) Other assets:					
Trade receivables	-	-	2,604	-1,848	-
Other financial assets	925	-	1,487	-	-
A.2.4) Financial instruments available for sale (AVS):					
A.3) Derivative Financial Instruments:					
A.3.1) Hedging derivatives:					
A.3.1.2) Cash Flow Hedging Derivatives on currencies:					
Fair value through profit or loss	-	-	124	-	-
Fair value in shareholders' equity					-59
Profit realised	-	-	1,323	-	-
A.3.1.2) Cash-Flow Hedging Derivatives on interest rates:					
Profit realised	-	-	-	-	-
A.3.2) Speculative derivatives (Trading):					
B) FINANCIAL LIABILITIES					
B.1) Non-derivative Financial Instruments:					
B.1.1) Financial Instruments at fair value:					
B.1.2) Other Financial Instruments:					
Bank accounts, negative balance	-	-758	-	-	-
Trade payables	-	-	1,216	-2,691	-
Loans payable		-11,191	-	-	-
Other financial liabilities	-	-2,537	-	-1,046	-
B.2) Derivative Financial Instruments:					
B.2.1) Hedging derivatives:					
B.2.1.1) Cash Flow Hedging Derivatives on currencies:					
Fair value through profit or loss	-	-	-	142	-
Fair value in shareholders' equity	-	-	-	-	-
Loss realised	-	-	-	-955	-
B.2.1.2) Cash Flow Hedging Derivatives on interest rates:					
Loss realised					
B.2.2) Speculative derivatives (Trading):		-			
TOTAL	**1,253**	**-14,486**	**6,754**	**-6,398**	**-59**

31.12.2019 *(amounts in Euro thousands)*	FINANCIAL INCOME	FINANCIAL EXPENSES	POSITIVE EXCHANGE DIFF.	NEGATIVE EXCHANGE DIFF.	SUSPENSION COSTS REVENUES
A) FINANCIAL ASSETS:					
A.1) Cash and Cash Equivalents:					
Bank accounts, positive balance	113	-	-	-	-
A.2) Non-derivative Financial Instruments:					
A.2.1) Financial instruments at fair value (FVTPL):					
A.2.2) Financial instruments held to maturity (HTM):					
A.2.3) Loans and receivables (L&R):					
A.2.3.1) Loans:					
Loans receivable	-	-	-	-	-
A.2.3.2) Other assets:					
Trade receivables	-	-	1,953	-1,281	-
Other financial assets	821	-	1,400	-	-
A.2.4) Financial instruments available for sale (AVS):					
A.3) Derivative Financial Instruments:					
A.3.1) Hedging derivatives:					
A.3.1.2) Cash Flow Hedging Derivatives on currencies:					
Fair value through profit or loss	-	-	5	-	-
Fair value in shareholders' equity					157
Profit realised	-	-	1,253	-	-
A.3.1.2) Cash-Flow Hedging Derivatives on interest rates:					
Profit realised	-	-	-	-	-
A.3.2) Speculative derivatives (Trading):					
B) FINANCIAL LIABILITIES					
B.1) Non-derivative Financial Instruments:					
B.1.1) Financial Instruments at fair value:					
B.1.2) Other Financial Instruments:					
Bank accounts, negative balance	-	-961	-	-	-
Trade payables	-	-	1,370	-2,236	-
Loans payable		-8,160	-	-	-
Other financial liabilities	-	-1,669	-	-420	-
B.2) Derivative Financial Instruments:					
B.2.1) Hedging derivatives:					
B.2.1.1) Cash Flow Hedging Derivatives on currencies:					
Fair value through profit or loss	-	-	-	259	-
Fair value in shareholders' equity	-	-	-	-	-
Loss realised	-	-	-	-2,229	-
B.2.1.2) Cash Flow Hedging Derivatives on interest rates:					
Loss realised					
B.2.2) Speculative derivatives (Trading):		-			
TOTAL	**934**	**-10,790**	**5,981**	**-5,907**	**157**

The source for foreign currency exchange rates is provided by the ECB and the Bank of Italy for exchange rates with the Argentinian peso.

9.2 Derivative financial instruments on currencies

The following tables indicate all the key information relating to the portfolio of derivative financial instruments on currencies outstanding as at 31.12.2020. These are instruments designated to cover:
- foreign currency sales budgets;
- imbalances of current receivables and payables in foreign currencies.

a) Notional values

CONTRACT *(amounts in Euro thousands)*	**Swaps (DCS) (1)**	**Swaps (DCS) (2)**	**Total notional values**
Carraro S.p.A.	-	678	678
Carraro Drive Tech	28,420	4,633	33,053
Carraro India	-	-	-
SIAP	2,261	-	2,261
Carraro China	-	-	-
GROUP TOTAL 31.12.2020	**30,681**	**5,311**	**35,992**
GROUP TOTAL 31.12.2019	**30,420**	**7,016**	**37,436**

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

b) Reference currencies and expiry dates of contracts

CONTRACT	**Swaps (DCS) (1)**		**Swaps (DCS) (2)**	
	Currencies	**Expiry dates**	**Currencies**	**Expiry dates**
Carraro S.p.A.	-	-	USD/EUR	Jan-21
Carraro Drive Tech	USD/EUR CNY/EUR INR/EUR	Feb '22	USD/EUR	Jan-21
SIAP	USD/EUR	Dec-21	-	-

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

c) Fair value

CONTRACT *(amounts in Euro thousands)*	**Swaps (DCS) (1)**	**Swaps (DCS) (2)**	**Total**
Carraro S.p.A.	-	1	1
Carraro Drive Tech	-77	103	26
Carraro India	-	-	-
SIAP	85	-	85
Carraro China	-	-	-
GROUP TOTAL 31.12.2020	**8**	**104**	**112**
GROUP TOTAL 31.12.2019	**15**	**46**	**61**

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

d) Details of *fair values*

(amounts in Euro thousands)	31.12.2020		31.12.2019	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
FAIR VALUE/CASH FLOW HEDGE				
Exchange rate risk	209	-97	204	-142

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

(amounts in Euro thousands)	**FV recognised in the income statement**	**FV recognised in net equity**	**Total**
Carraro S.p.A.	1	-	1
Carraro Drive Tech	123	-97	26
Carraro India	-	-	-
SIAP	47	38	85
Carraro China	-	-	-
GROUP TOTAL 31.12.2020	**171**	**-59**	**112**
GROUP TOTAL 31.12.2019	**-96**	**157**	**61**

In relation to the positioning in the hierarchy of fair values pursuant to IFRS 7 par. 27 the financial instruments described are classifiable as level 2; there were no transfers of level during the period.
The fair values as at 31.12.2020 of financial instruments on exchange rates were calculated using the forward exchange rate method.
The counterparties with which the contracts are stipulated are leading national and international banking institutions.
The financial instruments on currencies are used, on a basis consistent with the financial risk management policy adopted by the group, to hedge the risks deriving from exchange rate fluctuations and concern sales volumes compared with the budget exchange rate and the collections and payment of short and medium-term receivables and payables with respect to the historical value.
For accounting purposes in relation to contracts hedging sales budgets in foreign currencies effective at the reporting date, it should be noted that for the transactions executed, especially Domestic Currency Swaps, and in accordance with all the conditions provided by the IAS/IFRS standards, hedge accounting was applied.
With reference to cash-flow hedges (hedging of future cash flows) the related changes in fair value are recognised in the equity reserve, net of the tax effect, while for fair-value hedges (hedging the fair value of assets and liabilities) the related changes in fair value are reflected in the income statement, net of the tax effect.

9.3 Derivative financial instruments on interest rates

a) Notional values and fair values
There are no derivative contracts on interest rates outstanding as at 31 December 2020.

Below is a summary table of the assets and liabilities valued at fair value as at 31 December 2020, as required by IFRS 13, described in paragraph 3.2:

(amounts in Euro thousands)	**Level 2 31.12.2020**	**Level 2 31.12.2019**
Assets		
Foreign exchange derivative assets	209	204
Total Assets	**209**	**204**
Liabilities		
Foreign exchange derivative liabilities	97	142
Interest rate derivative liabilities	-	-
Total Liabilities	**97**	**142**

Sensitivity analysis

The table below shows the economic and financial effects generated by financial statement assets and liabilities (as at 31.12.2020 and 31.12.2019 respectively), in the event of sudden changes in the following market variables:

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

The interest rate oscillation bands represent the average expectations of maximum change that the markets currently express.
The following methods were used:

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

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

Balances as at 31.12.2020 *(amounts in EUR thousands)*	**INTEREST RATE RISK** +1% FINANCIAL EFFECT	+1% EFFECT ON EQUITY	-0.15% FINANCIAL EFFECT	-0.15% EFFECT ON EQUITY	**EXCHANGE RATE RISK** +10% FINANCIAL EFFECT	+10% EFFECT ON EQUITY	-10% FINANCIAL EFFECT	-10% EFFECT ON EQUITY
ASSETS								
Trade receivables					116		143	
Other financial assets - derivatives on currencies					-9	-1,903	290	1,419
Other financial assets - derivatives on interest rates		-		-				
Loans					-		-	
Cash and cash equivalents					216		-166	
Total gross effect	**-**	**-**	**-**	**-**	**323**	**-1,903**	**267**	**1,419**
Taxes (24%)	-	-	-	-	-78	457	-64	-341
Total net effect	**-**	**-**	**-**	**-**	**245**	**-1,446**	**203**	**1,078**
LIABILITIES								
Trade payables					233		-45	
Loans	4,475		-671		-142		142	
Total gross effect	**4,475**	**-**	**-671**	**-**	**91**	**-**	**97**	**-**
Taxes (24%)	-1,074	-	161	-	-22	-	-23	-
Total net effect	**3,401**	**-**	**-510**	**-**	**69**	**-**	**74**	**-**
TOTAL	**3,401**	**-**	**-510**	**-**	**314**	**-1,446**	**277**	**1,078**

Balances as at 31.12.2019 *(amounts in EUR thousands)*	**INTEREST RATE RISK** +1% FINANCIAL EFFECT	+1% EFFECT ON EQUITY	-0.15% FINANCIAL EFFECT	-0.15% EFFECT ON EQUITY	**EXCHANGE RATE RISK** +10% FINANCIAL EFFECT	+10% EFFECT ON EQUITY	-10% FINANCIAL EFFECT	-10% EFFECT ON EQUITY
ASSETS								
Trade receivables					-271		560	
Other financial assets - derivatives on currencies					1,012	-3,003	-743	2,259
Other financial assets - derivatives on interest rates		-		-				
Loans					-		-	
Cash and cash equivalents					289		-286	
Total gross effect	**-**	**-**	**-**	**-**	**1,030**	**-3,003**	**-469**	**2,259**
Taxes (24%)	-	-	-	-	-283	826	129	-621
Total net effect	**-**	**-**	**-**	**-**	**747**	**-2,177**	**-340**	**1,638**
LIABILITIES								
Trade payables					33		115	
Loans	2,030		-305		-190		190	
Total gross effect	**2,030**	**-**	**-305**	**-**	**-157**	**-**	**305**	**-**
Taxes (24%)	-487	-	73	-	38	-	-73	-
Total net effect	**1,543**	**-**	**-232**	**-**	**-119**	**-**	**232**	**-**
TOTAL	**1,543**	**-**	**-232**	**-**	**628**	**-2,177**	**-108**	**1,638**

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

10. Subsequent events

There are no subsequent events to report.

11. 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 2020 financial year, relating to audit services and other services provided, net of incidental expenses charged.

(amounts in Euro thousands)	**2020**	**2019**
Accounting audit		
- Carraro S.p.A.	352	351
- subsidiaries	380	401
Total independent auditing services	**732**	**752**
Other services		
- Carraro S.p.A.	-	25
- subsidiaries	115	31
Total other services	**115**	**56**
Total fees	**847**	**808**

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

Name and surname	Subsidiary company: Carraro S.p.A.	No. of shares held as at 31.12.2018	Number of shares purchased	Number of shares sold	No. of shares held as at 31/12/2019
Mario Carraro	Directly held	4,374,640	-	-3,774,640	600,000
	through Finaid S.p.A.	28,215,519	-	-	28,215,519
Enrico and Tomaso Carraro		-	3,774,640	-	3,774,640
Julia Dora Koranyi Arduini		21,629,779	-	-	21,629,779
Alberto Negri		46,460	-	-	46,460
Enrico Gomiero		15,855	-	-	15,855

Annex to the notes to the consolidated financial statements 31.12.2020

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

The following is a list of grants, contributions, paid assignments and, in any case, economic advantages of any kind received by public administrations and other entities as defined in article 1, subsection 125 of Law 124 of 2017, which the companies belonging to the Carraro Group and therefore included in the scope of consolidation received during the 2020 financial year:

Name and tax number of the recipient: Carraro S.p.A. - 00202040283
Name of the supplying party: European Social Fund ESF;
Sum collected: 26,980 euros;
Payment Purpose: Personnel Training

Name and tax number of the recipient: Carraro S.p.A. - 00202040283
Name of the supplying party: Customs Agency
Sum collected: 72,078 euros
Payment Purpose: Refund of customs duties. Reference Law No. 639 of 05/07/1964 - Law No. 773 of 08/11/1973 - Presidential Decree No. 788 of 07/09/1977.

Name and tax number of the recipient Carraro S.p.A. - 00202040283
Name of the supplying party: Customs Agency
Sum collected: 48,224 euros
Payment Purpose: Tax credit for Energy Products shipped to foreign countries, Reference Legislative Decree no. 504 of 26/10/1995 and Ministerial Decree no. 689 of 12/12/1996.

During the 2020 financial year, the company Carraro S.p.A., has:
- obtained relief from contributions (as provided for by Law 205/201 and by article 6 of Decree Law no. 104 of 14 August 2020) for 82,631 euros;
- offset tax credits deriving from investments in Research and Development (as provided for by Decree Law 145/2013, as amended) for 1,686,528 euros and for 'training 4.0' (as provided for by Article 1 paragraphs 46-56 of Law no. 205 of December 27, 2017) for 36,467 euros.

During 2020, SIAP also received the following contributions and benefits:
- Personnel-related: the company benefited from INPS and INAIL benefits relating to sickness, maternity, Law 104 leave, breastfeeding, extraordinary leave, blood donations, family allowances, accident benefits, Covid parental leave and Law 104 Covid. The company also advanced the Covid unemployment benefits on behalf of INPS.

- Fiscal in nature: among the various benefits are the tax credit for investments in new capital goods and 'industry 4.0' and ACE (aid to economic growth) investments.

Name and tax number of the recipient: Carraro Drive Tech Italia S.p.A. - 05253180284
Name of the supplying party: European Social Fund ESF;
Sum collected: 2,500 euros
Payment Purpose: Personnel Training

Name and tax number of the recipient: Carraro Drive Tech Italia S.p.A. - 05253180284
Name of the supplying party: Customs Agency
Sum collected: 50,547 euros
Payment Purpose: Refund of customs duties. Reference Law No. 639 of 05/07/1964 - Law No. 773 of 08/11/1973 - Presidential Decree No. 788 of 07/09/1977.

Name and tax number of the recipient: Carraro Drive Tech Italia S.p.A. - 05253180284
Name of the supplying party: Customs Agency
Sum collected: 47,303 euros
Payment Purpose: Tax credit for Energy Products shipped to foreign countries, Reference Legislative Decree no. 504 of 26/10/1995 and Ministerial Decree no. 689 of 12/12/1996.

During the 2020 financial year, Carraro Drive Tech Italia S.p.A. obtained contribution relief (as provided for by Law 205/2017, article 6 of Decree Law 104 of 14 August 2020) of 49,082 euros.

During 2020, the company also received the following benefits:
- Personnel-related: INPS and INAIL benefits amounting to 332,525 euros deriving from sickness allowance, maternity allowance, law 104 leave, breastfeeding, extraordinary leave, blood donations, family allowances, accident allowance, Covid parental leave and Covid law 104). The company also advanced the Covid unemployment benefits on behalf of INPS.
- Fiscal in nature: among the various benefits are the tax credit for investments in new capital goods and 'industry 4.0' and ACE (aid to economic growth) investments.

Name and tax number of the recipient: Siap S.p.A. - 00074530932
Name of the supplying party: European Social Fund ESF (Fondimpresa)
Sum collected: 18,626 euros
Payment Purpose: Personnel Training

During the 2020 financial year, the company SIAP S.p.A., has:
- obtained relief from contributions (as provided for by Law 205/2017, Law 92/2012 art. 2 par. 10-bis, article 6 of Decree Law no. 104 of 14 August 2020) of 71,533 euros;
- offset tax credits deriving from investments in Research and Development (as provided for by Legislative Decree 145/2013 and subsequent amendments) for 185,821 euros;
- collected, in advance, a capital contribution of 450,000.00 euros from the Friuli Venezia Giulia Region with regard to the implementation of the project called "Project of environmental protection with investments in high-efficiency cogeneration" pursuant to concession decree no.1894/PROTUR of 19/07/2019, pursuant to article 6 of Regional Law no. 3 of 20 February 2015 and the Implementation Regulation DPReg 18/04/17 no 82.

During 2020, SIAP also received the following contributions and benefits:
- Personnel-related: among the various amounts, we point out the sums advanced relating to the integration of services to support income from the company on behalf of INPS and INAIL (illness, maternity, permits and leave under Law 104, breastfeeding permits, extraordinary leave, blood donations, family allowances, accident indemnity, Covid family leave and Covid Law 104).
- Fiscal in nature: among the various benefits are the tax credits for investments in new capital goods and 'industry 4.0' and ACE (aid to economic growth) investments.
- Of a different nature: among other things, the tariff concessions provided for energy-intensive businesses (energy-intensive businesses), as per the Ministerial Decree of 5 April 2013 of the Ministry of the Economy and Finance, should be noted.

The company advanced the Covid unemployment benefits on behalf of INPS.

During 2020, Driveservice S.r.l. also received the following benefits:
- Personnel-related: among others, the INPS and INAIL benefits for sickness, leave under Law 104, maternity, blood donations, marriage leave, family allowances. The company advanced the Covid unemployment benefits on behalf of INPS;
- Fiscal in nature: among the various benefits are the tax credit for investments in new capital goods and ACE (aid to economic growth) investments.

The Chairman

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Enrico Carraro

Certification of the consolidated financial statements for the year pursuant to Art. 154-bis, subsection 5 of Leg. Dec. 58/1998 (Consolidated Finance Act) and Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended.

1. The undersigned Enrico Carraro, Chairman of the Board of Directors, and Enrico Gomiero, Financial Reporting Officer of Carraro S.p.A., also taking into account also the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, certify:

• the adequacy in relation to the characteristics of the enterprise;

• the effective application of the administrative and accounting procedures used to prepare the consolidated financial statements for 2020;

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

3. We can also certify that:

3.1 the consolidated 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 19 July 2002;

b) correspond to the accounting records;

c) give a true and fair picture of the financial position and performance of the Group and of all the companies included in the scope of consolidation;

3.2 the report on operations includes a reliable analysis of the progress and results of operations, as well as the situation of the issuer and of the set of companies included in the consolidation, together with a description of the key risks and uncertainties they are exposed to.

Date: 26 March 2021

Enrico Carraro Enrico Gomiero

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Chairman of the Board Financial Reporting Officer
of Directors