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 Registration Number and
In the Company Register of Padua 00202040283
REA no. 84033

FINANCIAL STATEMENTS
31 DECEMBER 2020

GENERAL INFORMATION

BOARD OF DIRECTORS	**ENRICO CARRARO**	Chairman
In office until approval of the 2020 financial statements	**TOMASO CARRARO**	Deputy Chairman
(Appointments, Shareholders' Meeting of 14.05.2018)	**ANDREA CONCHETTO**	Director and General Manager
	ENRICO GOMIERO	Director
	VIRGINIA CARRARO	Director
	FABIO BUTTIGNON (1) (2)	Director *
	RICCARDO ARDUINI	Director
	MARINA MANNA (1) (2) (3)	Director *
	MARINA PITTINI (1) (2)	Director *

(1) Members of the Auditing and Risk Committee
(2) Members of the Appointments and Remuneration Committee
(3) Members of the Supervisory Board
* Independent directors

BOARD OF STATUTORY AUDITORS	**CARLO PESCE**	Chairman
In office until approval of the 2020 financial statements	**SAVERIO BOZZOLAN**	Regular Auditor
(Appointments, Shareholders' Meeting of 14.05.2018)	**STEFANIA CENTORBI**	Regular Auditor
	BARBARA CANTONI	Alternate Auditor
	GABRIELE ANDREOLA	Alternate Auditor
INDEPENDENT AUDITORS	**Deloitte & Touche S.p.A.**	
from 2016 to 2024		
PARENT COMPANY	**Finaid S.p.A.**	

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

The Chairman Mr Enrico Carraro, 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.

INCOME STATEMENT

(amounts in euros)	NOTES	31.12.2020	31.12.2019
A) REVENUES FROM SALES			
1) Products		109,017,039	111,748,067
2) Services		11,979,869	9,191,705
3) Other revenues		17,920,351	21,698,930
TOTAL REVENUES FROM SALES	**1**	**138,917,259**	**142,638,702**
A-bis) of which with related parties		*27,032,393*	*29,626,688*
B) OPERATING COSTS			
1) Purchases of goods and materials		78,020,606	118,807,041
2) Services		24,304,096	22,351,832
3) Use of third-party goods and services		-	4,822
4) Personnel costs		29,391,181	26,612,243
5) Amortisation, depreciation and impairment of assets		5,138,311	4,970,889
5.a) depreciation of Property, plant and equipment		*2,672,072*	*2,461,500*
5.b) amortisation of Intangible assets		*2,466,239*	*2,509,389*
5.c) impairment of fixed assets		-	-
5.d) impairment of receivables		-	-
6) Changes in inventories		14,470,511	-25,651,457
7) Provision for risks and other liabilities		858,665	794,083
8) Other income and expenses		-2,286,991	-3,505,173
9) Internal construction		7,026	-125,521
TOTAL OPERATING COSTS	**2**	**149,903,405**	**144,258,759**
B-bis) of which with related parties		*19,097,950*	*17,857,972*
OPERATING PROFIT/(LOSS)		**-10,986,146**	**-1,620,057**
C) GAINS/(LOSSES) ON FINANCIAL ASSETS			
10) Income from equity investments		-323	17,195,457
11) Other financial income		131,353	83,085
12) Financial costs and expenses		-4,173,485	-4,883,352
13) Net gains/(losses) on foreign exchange		-10,005	-31,092
14) Value adjustments of financial assets		- 696,849	-
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3**	**-4,749,309**	**12,364,098**
C-bis) of which with related parties		*-3,577,811*	*12,330,361*
PROFIT/(LOSS) BEFORE TAXES		**-15,735,455**	**10,744,041**
15) Current and deferred income taxes	**4**	-4,404,397	-3,487,695
NET PROFIT/(LOSS)		**-11,331,058**	**14,231,736**
EARNINGS (LOSSES) PER SHARE	**5**		
- basic, for the profit for the period attributable to ordinary shareholders		*-0.147*	*0.185*
- diluted, for the profit for the period attributable to ordinary shareholders		*-0.147*	*0.185*

STATEMENT OF COMPREHENSIVE INCOME

(amounts in euros)

	SECTION NOTES	31.12.2020	31.12.2019
NET PROFIT/(LOSS) FOR THE PERIOD		**-11,331,058**	**14,231,736**
Other income components that could be recognised in the income statement in subsequent periods:			
Total other income components that could be recognised in the income statement in subsequent periods:		**-**	**-**
Other income components that will not be recognised in the income statement in subsequent periods:			
Change in the provision for discounting employee benefits	**19**	-23,443	-101,015
Taxes on other comprehensive income components		5,626	24,244
Total other income components that will not be recognised in the income statement in subsequent periods:		**-17,817**	**-76,771**
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS		**-17,817**	**-76,771**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-11,348,875**	**14,154,965**

STATEMENT OF FINANCIAL POSITION

(amounts in euros)	NOTES	31.12.2020	31.12.2019
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	**6**	48,750,559	47,355,446
2) Intangible fixed assets	**7**	7,208,653	11,903,027
3) Real estate investments	**8**	599,327	539,703
4) Holdings in subsidiaries and associates	**9**	105,556,357	108,096,295
4.1) Holdings in subsidiaries and associates		105,556,357	*108,096,295*
5) Financial assets	**10**	526,447	1,382,661
5.1) Loans and receivables		*458,525*	*1,283,199*
5.2) Other financial assets		*67,922*	*99,462*
5-bis) of which with related parties		*458,525*	*1,113,399*
6) Deferred tax assets	**11**	12,823,479	12,518,347
7) Trade receivables and other receivables	**12**	39,342	28,196
7.1) Trade receivables		-	-
7.2) Other receivables		39,342	*28,196*
TOTAL NON-CURRENT ASSETS		**175,504,164**	**181,823,675**
B) CURRENT ASSETS			
1) Closing inventory	**13**	37,119,328	51,589,839
2) Trade receivables and other receivables	**12**	30,816,651	37,412,076
2.1) Trade receivables		*20,486,052*	*25,880,505*
2.2) Other receivables		*10,330,599*	*11,531,571*
2-bis) of which with related parties		*15,652,857*	*20,756,028*
3) Financial assets	**10**	670,105	668,763
3.1) Loans and receivables		*459,682*	*431,362*
3.2) Other financial assets		*210,423*	*237,401*
3-bis) of which with related parties		*59,440*	*293,725*
4) Cash and cash equivalents	**14**	1,730,507	13,305,227
4.1) Cash		*31,258*	*23,982*
4.2) Bank current accounts and deposits		*1,699,249*	*13,281,245*
4.3) Other cash and cash equivalents		-	-
TOTAL CURRENT ASSETS		**70,336,591**	**102,975,905**
TOTAL ASSETS		**245,840,755**	**284,799,580**

STATEMENT OF FINANCIAL POSITION

(amounts in euros)	NOTES	31.12.2020	31.12.2019
A) SHAREHOLDERS' EQUITY	**15**		
1) Share Capital		41,452,544	41,452,544
2) Other Reserves		40,489,230	30,565,245
3) Profits/(Losses) brought forward		13,505,986	-14,163
4) Cash-flow hedge reserve		-	-
5) Provision for discounting employee benefits		105,773	123,590
6) Profit/loss for the year		-11,331,058	14,231,736
TOTAL SHAREHOLDERS' EQUITY		**84,222,475**	**86,358,952**
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	**16**	78,430,213	54,627,657
1.1) Bonds		-	-
1.2) Loans		78,430,213	54,627,657
1-bis) of which with related parties		3,040,000	54,000,000
2) Trade payables and other payables	**17**	-	-
2.1) Trade payables		-	-
2.2) Other payables		-	-
3) Deferred tax liabilities	**11**	-	-
4) Provisions for employee benefits/retirement	**19**	2,395,406	2,433,292
5) Provision for risks and liabilities	**20**	742,898	987,084
5.1) Provision for warranties		742,898	*987,084*
5.2) Provision for legal claims		-	-
5.3) Provision for restructuring and reconversion		-	-
5.4) Other provisions			
TOTAL NON-CURRENT LIABILITIES		**81,568,517**	**58,048,033**
C) CURRENT LIABILITIES			
1) Financial liabilities	**16**	1,607,247	12,322,728
1.1) Bonds		-	-
1.2) Loans		*1,596,152*	*12,322,728*
1.3) Other financial liabilities		*11,095*	
1-bis) of which with related parties		*1,237,113*	*11,930,179*
2) Trade payables and other payables	**17**	72,060,933	120,956,654
2.1) Trade payables		*40,176,308*	*75,936,571*
2.2) Other payables		*31,884,625*	*45,020,083*
2-bis) of which with related parties		*6,425,837*	*8,660,481*
3) Current taxes payables	**18**	-	2,148,018
4) Provision for risks and liabilities	**20**	6,381,583	4,965,195
4.1) Provision for warranties		*4,286,071*	*4,482,081*
4.2) Provision for legal claims		*65,800*	*91,000*
4.3) Provision for restructuring and reconversion		*80,957*	*289,794*
4.4) Other provisions		*1,948,755*	*102,320*
TOTAL CURRENT LIABILITIES		**80,049,763**	**140,392,595**
TOTAL LIABILITIES		**161,618,280**	**198,440,628**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**245,840,755**	**284,799,580**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(amounts in euros)	Share Capital	Other reserves			Profits (Losses) brought forward	Provision for discounting employee benefits	Profit/(Loss) for the period	Total
		Capital reserves	Others Reserves	Treasury stock acquired				
Balance as at 1.1.2019	**41,452,544**	**30,034,914**	**7,351,844**	**-6,666,460**	**1,844,340**	**200,361**	**8,022,234**	**82,239,777**
Total profit/loss for the year						**-76,771**	**14,231,736**	**14,154,965**
Transactions with shareholders:								
Allocation of 2018 results			401,112		7,621,122		-8,022,234	-
Distribution of dividends (Shareholders' meeting of 11.04.2019)			-556,165	-	-9,465,462			**-10,021,627**
IFRS16 Restatement Effect					-14,163			**-14,163**
Total transactions of the period	**-**	**-**	**-155,053**	**-**	**-1,858,503**	**-**	**-8,022,234**	**-10,035,790**
Balance as at 31.12.2019	**41,452,544**	**30,034,914**	**7,196,791**	**-6,666,460**	**-14,163**	**123,590**	**14,231,736**	**86,358,952**

(amounts in euros)	Share Capital	Other reserves			Profits (Losses) brought forward	Provision for discounting employee benefits	Profit/(Loss) for the period	Total
		Capital reserves	Others Reserves	Treasury stock acquired				
Balance as at 1.1.2020	**41,452,544**	**30,034,914**	**7,196,791**	**-6,666,460**	**-14,163**	**123,590**	**14,231,736**	**86,358,952**
Total profit/loss for the year						**-17,817**	**-11,331,058**	**-11,348,875**
Transactions with shareholders:								
Allocation of 2019 results			711,587		13,520,149		-14,231,736	-
Distribution of dividends (Shareholders' meeting of 11.04.2019)			-	-	-			-
Merger surplus reserve			9,212,398					**9,212,398**
Total transactions of the period	**-**	**-**	**9,923,985**	**-**	**13,520,149**	**-**	**-14,231,736**	**9,212,398**
Balance as at 31.12.2020	**41,452,544**	**30,034,914**	**17,120,776**	**-6,666,460**	**13,505,986**	**105,773**	**-11,331,058**	**84,222,475**

STATEMENT OF CASH FLOWS

(amounts in euros)	NOTES	31.12.2020	31.12.2019
Profit/(loss) for the year	15	-11,331,058	14,231,736
Tax for the year		-4,404,397	-3,487,695
Profit/(loss) before taxes		**-15,735,455**	**10,744,041**
Depreciation of property, plant and equipment	2	2,672,072	2,461,500
Amortisation of intangible fixed assets	2	2,466,239	2,509,389
Impairment of intangible assets	2	-	-
Provisions for risks	2	858,665	794,083
Provisions for employee benefits	2	1,467,699	1,385,555
Net gains/(losses) on foreign exchange	3	10,005	31,092
Income and expenses from equity investments	3	323	-17,195,457
Value adjustments of financial assets	3	696,849	-
Cash flows before changes in Net Working Capital		**-7,563,603**	**730,203**
Changes in inventory	13	14,470,511	-25,651,457
Change in trade receivables	12	5,394,453	-2,905,620
Change in trade payables	17	-35,770,401	29,633,848
Change in other receivables/payables	13-17	-11,945,586	26,413,605
Changes in receivables/payables for deferred taxation	11	56,570	-24,244
Use of provision for employee benefits	19	-1,523,403	-1,413,074
Use of risks provisions for risks and liabilities	20	313,537	-3,864,714
Dividends received	3	-	17,041,926
Change in other financial assets and liabilities		1,074,172	3,191,108
Tax payments	4	1,815,777	2,738,853
Cash flows from operating activities		**-33,677,973**	**45,890,434**
Investments in material fixed assets and real estate	6	-4,281,922	-4,529,893
Disinvestments and other movements in property, plant and equipment	6	214,737	84,838
Real estate investments		-59,624	
Investments in intangible fixed assets	7	-666,293	-1,032,597
Disinvestments and other movements in intangible fixed assets	7	2,894,428	2,140
Net cash acquired/sold through business combinations		377,128	
Equity investments/divestments		-50,000	336,903
Cash flows from investing activities		**-1,571,546**	**-5,138,609**
Change in financial assets	10	786,349	-375,700
Change in financial liabilities	16	22,888,450	-19,881,700
Shareholders' reserve for share capital increase	15	-	-
Dividends paid	15	-	-10,021,627
Other movements of shareholders' equity	15	-	-
Cash flows from financing activities		**23,674,799**	**-30,279,027**
Total cash flows for the period		**-11,574,720**	**10,472,798**
Opening cash and cash equivalents		**13,305,227**	**2,832,429**
Closing cash and cash equivalents		**1,730,507**	**13,305,227**

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

1. Introduction

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

Carraro S.p.A. is not subject to management and coordination activities under the terms of 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 S.p.A. and Carraro S.p.A.

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

Authorisation for the publication of these financial statements was issued by the Board of Directors on 26 March 2021.

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

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

Reporting criteria and accounting principles

The annual Financial Statements are drawn up in compliance with the International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and with the measures issued implementing Article 9 of Legislative Decree 38/2005. The term IFRS also includes the revised International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) previously known as the Standard Interpretation Committee (SIC). These standards are the same as those used for the Financial Statements as at 31 December 2018, with the exceptions described in the paragraph 2.2 "Accounting standards, amendments and interpretations not relevant for the company or not yet applicable and not adopted in advance by the company".

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

2. Form and content of the financial statements

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

2.1 Format of the financial statements

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

Income Statement

Items on the income statement are classified by their nature.

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

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

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

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

2.2 Accounting standards and measurement criteria

IFRS accounting standards, amendments and interpretations adopted since 1 January 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 company's 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 company's 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 company's 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 company's financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted in advance 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 the adoption of this amendments to have any significant effect on the company's financial statements.

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 company's 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 the adoption of this standard to have any significant effect on the company's financial statements.

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 change on the company's 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 changes on the company's financial statements.

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

An associated company is an entity over which the company is able to exercise significant influence, but does not have control or joint control, via the equity investment, over the financial and operating policies of the company.
For the purposes of the separate financial statements, equity investments in subsidiaries are measured at reduced cost in the presence of impairment while, as provided by IAS 28, equity investments in associates are measured at equity.

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.

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

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

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

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

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

Financial liabilities

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

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

Impairment losses on financial assets

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

Assets measured on the basis of amortised cost

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

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

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

Assets recognised at cost

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

Available-for-sale financial assets

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

Allowances and provisions

Provisions for risks and liabilities

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

Employee and similar benefits

According to IAS 19, 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 Company mainly refer to the following types:

- Income from services and other income paid to the Group companies;
- Income from the sale of agricultural tractors;

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

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

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

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

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

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

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

Value added tax

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

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

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

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

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

Derivative financial instruments and hedging transactions
The company's 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 company level by the Board of Directors of Carraro S.p.A. when it approves long-term plans and budgets (fixed and floating interest rates, proportions at short-term and medium/long-term);
3) to permit only the use of instruments traded on regulated markets for hedging transactions.

The company uses derivative financial instruments such as currency futures contracts and interest rate swaps to hedge the risks deriving mainly from fluctuations in interest and exchange rates. These derivative financial instruments are

initially recognised at their fair value at the date they were entered into; this fair value is periodically reviewed. They are accounted for as assets when the fair value is positive and as liabilities when it is negative.

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

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

For hedge accounting purposes, hedges are classified as:

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

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

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

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

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

Fair-value hedges

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

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

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

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

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

Cash flow hedges

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

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

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

Hedges of a net investment in a foreign operation

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

Credit risk

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

The raising of funds, consistent with the 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 Company'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 Company 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 Company'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 company has continued refinancing its debts with the support of its banking counterparties and the financial markets, a situation could arise in which it would have to seek additional financing in less favourable market conditions, with the limited availability of such sources and an increase in financial expenses.

The maturity features of the company's liabilities and financial assets are shown in notes 10 and 16 relating respectively to non-current financial receivables and non-current financial liabilities. The maturity features of derivative financial instruments are described in paragraph 9.2.

Exchange-rate risk and interest rate risk

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

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

The Company is also exposed to interest-rate risk in relation to financial liabilities undertaken for loans for both ordinary operations and investments. Changes in interest rates may have positive or negative effects on both the financial outcome and on cash flows.

The strategy adopted pursues the basic objective of achieving a balance between floating-rate and fixed-rate debt. The interest-rate risk on the floating portion may then be reduced via specific hedging operations.

Transactions with related parties

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

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

Discretionary assessments and significant accounting estimates

Estimates and assumptions
In the application of the accounting standards, the directors have not made decisions based on discretionary evaluations (excluding those which involve estimates) having a significant effect on the values in the financial statements.
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"*).

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

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

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

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

3. Reporting by business and geographic segment

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

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

a) Economic data (Euro/000)

31.12.2020 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Revenues from sales	**25,945**	**113,064**	**-92**	**138,917**
Sales to third parties	3,016	108,869	-2	111,883
Sales to other Business Areas	22,929	4,195	-90	27,034
Operating costs	**36,859**	**113,137**	**-93**	**149,903**
Purchases of goods and materials	3,450	74,539	32	78,021
Services	12,928	11,376	-	24,304
Use of third-party goods and services	-	-	-	-

Personnel costs	15,228	14,163	-	29,391
Amortisation, depreciation and impairment of assets	3,168	1,971	-1	5,138
Changes in inventories	15	14,579	-123	14,471
Provisions for risks	50	808	1	859
Other income and expenses	2,013	-4,299	-2	-2,288
Internal construction	7	-	-	7
Operating profit/(loss)	**-10,914**	**-73**	**1**	**-10,986**

31.12.2019 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Revenues from sales	**24,681**	**118,091**	**-133**	**142,639**
Sales to third parties	501	112,512	-3	113,010
Sales to other Business Areas	24,180	5,579	-130	29,629
Operating costs	**27,358**	**117,034**	**-133**	**144,259**
Purchases of goods and materials	1,815	117,125	-133	118,807
Services	10,664	11,688	-	22,352
Use of third-party goods and services	5	-	-	5
Personnel costs	12,947	13,666	-1	26,612
Amortisation, depreciation and impairment of assets	2,973	1,997	1	4,971
Changes in inventories	-18	-25,633	-	-25,651
Provisions for risks	-	794	-	794
Other income and expenses	-902	-2,603	-	-3,505
Internal construction	-126	-	-	-126
Operating profit/(loss)	**-2,677**	**1,057**	**-**	**-1,620**

b) Equity data (Euro/000)

31.12.2020 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Non-current assets	160,325	15,179	-	175,504
Current assets	15,372	54,442	523	70,337
Shareholders' equity	78,489	5,706	27	84,222
Non-current liabilities	80,179	1,390	-	81,569
Current liabilities	17,029	62,525	496	80,050

31.12.2019 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Non-current assets	164,312	17,512	-	181,824
Current assets	30,125	72,851	-	102,976
Shareholders' equity	108,638	-22,279	-	86,359
Non-current liabilities	56,525	1,523	-	58,048
Current liabilities	29,274	111,119	-	140,393

c) Other information

31.12.2020 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Investments	2,941	2,007	-	4,948
Workforce as at 31.12	178	331	-	509

31.12.2019 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Investments	4,119	1,443	-	5,562
Workforce as at 31.12	170	324	-	494

3.2 Geographic areas
Carraro S.p.A.'s industrial business, with reference to the Divisione Agritalia, is located in Italy.
Sales, with reference to the Vehicles business area are mainly to European customers. Investments are made in Italy.
The most significant information by geographic segment is presented in the tables below.

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

(amounts in Euro thousands)	***31.12.2020***	***31.12.2019***
Switzerland	23,245	23,245
Spain	12,764	12,764
France	10,997	10,997
Germany	11,443	11,443
Poland	430	430
South America	1,113	1,113
Australia	2,489	2,489
New Zealand	567	567
North America	9,775	9,775
United Kingdom	495	495
Other EU areas	919	919
Other non-EU areas	2,131	2,131
Total Abroad	**76,368**	**76,368**
Italy	66,271	66,271
Total	**142,639**	**142,639**
of which:		
Total EU area	**97,317**	**97,317**
Total non-EU area	**45,322**	**45,322**

4. Non-recurring operations and other corporate restructuring operations

Non-recurring operations as at 31.12.2020 were the following:

31.12.2020 *(amounts in Euro thousands)*	**NON-RECURRING OPERATIONS**
Services	1,003
Personnel costs	445,585
Other income and expenses	3,062,475
EBIT	**3,509,063**
Taxes	-979,029
Net profit/(loss)	**2,530,034**

Merger of Carraro Germania Srl with Carraro SpA

With effect from 1.1.2020, the merger of the wholly-owned subsidiary Carraro Germania S.r.l. with the parent company Carraro S.p.A. took place.
A summary of the items involved in the merger is provided below:

Effect of the "*Carraro Germania S.r.l.*" merger *(amounts in Euros)*	
TOTAL NON-CURRENT ASSETS	**-**
1) Closing inventory	-
2) Trade receivables and other receivables	10,556
3) Financial assets	10,817,028
4) Cash and cash equivalents	377,128
TOTAL CURRENT ASSETS	**11,204,712**
TOTAL ASSETS	**11,204,712**
TOTAL NON-CURRENT LIABILITIES	**-**

1) Financial liabilities	-
2) Trade payables and other payables	20,324
3) Current taxes payables	78,900
4) Provision for risks and liabilities	-
TOTAL CURRENT LIABILITIES	**99,224**
TOTAL LIABILITIES	**99,224**
MERGED SHAREHOLDERS' EQUITY:	**11,105,488**
Reversal of Carraro Germania equity investment value	-1,893,090
MERGER SURPLUS RESERVE	***9,212,398***

5. Detailed explanatory notes

Revenues from sales (note 1)

(amounts in euros)	**31.12.2020**	**31.12.2019**
SALES OF PRODUCTS	109,017,039	111,780,067
SALES RETURNS	-	-32,000
1) PRODUCTS	109,017,039	111,748,067
WORK ON CONTRACT	-	-
OTHER SERVICES	9,046,196	8,173,746
REVENUES FROM ADVANCES ON ORDERS	2,933,673	1,017,959
2) SERVICES	11,979,869	9,191,705
OTHER GOODS	5,050,448	6,321,660
OTHER REVENUES	12,869,903	15,377,270
CUSTOMER DISCOUNTS	-	-
3) OTHER REVENUES	17,920,351	21,698,930
TOTAL REVENUES FROM SALES	**138,917,259**	**142,638,702**

Operating costs (note 2)

(amounts in euros)	**31.12.2020**	**31.12.2019**
PURCHASES OF RAW MATERIALS	72,910,978	116,345,377
RETURNS OF RAW MATERIALS	-	-
A) PURCHASES	72,910,978	116,345,377
MISCELLANEOUS CONSUMABLES	267,730	246,439
CONSUMABLE TOOLS	48,703	40,269
MAINTENANCE MATERIAL	144,258	148,370
MAT. AND SERV. FOR RESALE	5,155,420	2,573,741
REBATES AND DISCOUNTS – SUPPLIERS	-506,483	-547,155
B) OTHER PRODUCTION COSTS	5,109,628	2,461,664
1) PURCHASES OF GOODS AND MATERIALS	**78,020,606**	**118,807,041**
A) EXTERNAL SERVICES FOR PRODUCTION	6,234,249	6,710,204
B) SUNDRY SUPPLIES	948,648	995,861
C) GENERAL OVERHEADS	16,649,864	14,105,849
D) COMMERCIAL COSTS	336,940	634,876
E) SALES EXPENSES	134,395	-94,958
2) SERVICES	**24,304,096**	**22,351,832**
RENTAL EXPENSES	-	4,822
3) USE OF THIRD-PARTY GOODS AND SERVICES	**-**	**4,822**
A) WAGES AND SALARIES	20,913,520	18,672,385

B) SOCIAL SECURITY CONTRIBUTIONS	5,824,546	5,709,691
D) EMPLOYEE SEVERANCE INDEMNITY AND PENSIONS	1,467,699	1,385,555
E) OTHER COSTS	1,185,416	844,612
4) PERSONNEL COSTS	**29,391,181**	**26,612,243**
A) DEPREC. PROP., PLANT & EQUIPMENT	2,672,072	2,461,500
B) AMORT. INTANGIBLE ASSETS	2,466,239	2,509,389
C) IMPAIRMENT OF FIXED ASSETS	-	-
D) IMPAIRMENT OF RECEIVABLES	-	-
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	**5,138,311**	**4,970,889**
A) CHANGES IN INVENTORIES OF RAW AND ANCILLARY MATERIALS AND GOODS	15,558,930	-27,808,793
B) CHANGES IN INVENTORIES OF WORK IN PROG. SEMI-FIN. & FIN. PRODS	-1,088,419	2,157,336
6) CHANGES IN INVENTORIES	**14,470,511**	**-25,651,457**
A) WARRANTY	858,665	707,248
B) COSTS OF LEGAL CLAIMS	-	61,000
C) RENOVATION AND CONVERSION	-	-
D) OTHER PROVISIONS	-	25,835
7) PROVISION FOR RISKS AND OTHER LIABILITIES	**858,665**	**794,083**
A) SUNDRY INCOME	-6,022,734	-4,120,709
B) GRANTS	-26,980	-15,488
C) OTHER OPERATING EXPENSES	677,086	807,394
D) OTHER NON-ORDINARY OPERATING INCOME/EXPENSES	3,085,637	-176,370
8) OTHER INCOME AND EXPENSES	**-2,286,991**	**-3,505,173**
9) INTERNAL CONSTRUCTION	**7,026**	**-125,521**

Turnover as at 31.12.2020 amounted to 138.917 million euros compared to 142.639 million euros as at 31.12.2019 and was generated largely by Divisione Agritalia.

In 2020, Carraro Divisione Agritalia realised a total turnover of 113,064 million euros, compared to 118,091 million euros in 2019.

The item “Other income and expenses” mainly includes rent income of 1.517 million euros (1.271 million in 2019) and recovery of R&D development costs of 2.790 million.

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

(amounts in euros)	**31.12.2020**	**31.12.2019**
10) INCOME FROM EQUITY INVESTMENTS	**-323**	**17,195,457**
A) FROM FINANCIAL ASSETS	38,013	-
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	2,815	139
C) FROM OTHER CASH EQUIVALENTS	22,707	7,468
D) INCOME OTHER THAN THE ABOVE	67,818	75,478
E) FROM CHANGES IN THE FAIR VALUE OF DERIVATIVE TRANSACTIONS ON RATES	-	-
11) OTHER FINANCIAL INCOME	**131,353**	**83,085**
A) FROM FINANCIAL LIABILITIES	-3,373,213	-3,696,670
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	-22,745	-54,319
C) EXPENSES OTHER THAN THE ABOVE	-777,527	-1,132,363
D) FROM CHANGES IN THE FAIR VALUE OF DERIVATIVE TRANSACTIONS ON RATES	-	-
12) FINANCIAL COSTS AND EXPENSES	**-4,173,485**	**-4,883,352**
FROM CHANGES IN FAIR VALUE OF DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	-51,442	-77,802
OTHERS	-39,672	-4,471
NEGATIVE EXCHANGE DIFFERENCES:	***-91,114***	***-82,273***
FROM CHANGES IN FAIR VALUE OF DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	112,792	33,828
OTHERS	-31,683	17,353

POSITIVE EXCHANGE DIFFERENCES:	***81,109***	***51,181***
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	**-10,005**	**-31,092**
14) VALUE ADJUSTMENTS OF FINANCIAL ASSETS	**-696,849**	**-**

Net financial expenses amounted to 4.04 million euros (2.91% of turnover), a decrease compared to 4.80 million euros (3.37% of turnover) as at 31 December 2019. This item includes financial income from the discounting of employee benefits relative to interest cost, for a total of 0.02 million euros.
Net exchange gains and losses recorded a debit balance of 0.01 million euros, compared to a debit figure of 0.03 million euros for the previous year.
For further details and analysis, see section 9.1 "General summary of the effects on the Income Statement deriving from financial instruments".

Current and deferred income taxes (note 4)

(amounts in euros)	**31.12.2020**	**31.12.2019**
TAX CONSOLIDATION EXPENSE AND INCOME	-	-412,632
CURRENT TAXES	-1,963,266	-929,086
DEFERRED TAXES	-361,702	1,059,192
TAXES FROM PREVIOUS YEARS	-2,079,429	-3,205,169
15) CURRENT AND DEFERRED INCOME TAXES	**-4,404,397**	**-3,487,695**

Current taxes
Current IRAP is calculated on a regional basis (rate of 3.9%) on the estimated taxable income for the year. Current IRES for the year is calculated at the rate of 24% on the estimated taxable income for the year.
In 2018 and 2019, Carraro S.p.A., as the consolidating entity, opted for national tax consolidation. The option is valid for the three-year period 2018-2020 with reference to the subsidiaries Carraro Drive Tech S.p.a., Driveservice S.r.l., Siap S.p.a., Carraro International S.E. and for the three-year period 2019-2021 with reference to the subsidiary Carraro Drive Tech Italia S.p.A. The charges/income deriving from the transfer of the IRES taxable base are booked under current taxes.

Deferred taxes
These are set aside on the timing differences between the carrying amount of the assets/liabilities and the corresponding tax value.
The rates used are 24% for IRES and 3.9% for IRAP.
The company had tax losses to be carried forward of 23.1 mln euro. On the basis of the taxable income forecasts for the next five years in the scope of the Tax Consolidation, deferred tax assets of 0.7 mln euro were recognised, calculated on tax losses of 2.5 mln euro.
It was not considered prudent, moreover, to recognise deferred tax assets with reference to temporarily non-deductible financial expenses under the terms of the Thin Cap Rule (22.7 million euros), as the period of recovery is at the moment unforeseeable; the amount of unrecognised deferred tax assets was 5.4 million.

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

IRES

(amounts in Euro thousands)	**31.12.2020**	**%**	**31.12.2019**	**%**
Earnings before tax	**-15,735**		**10,744**	
Theoretical tax rate 24%	**-3,776**	**24.00%**	**2,579**	**24.00%**
Non-deductible interest expense	970	-6.16%		
Non-deductible equity investment write-down	181	-1.15%		
Effect of non-deductible costs	462	-2.94%	1,260	11.73%
Untaxable income	-	-	-3,886	-36.17%
Proceeds from transfer of interest expense to tax cons.	-107	0.68%	-416	-3.87%
Taxes from previous years	-459	2.92%	-302	-2.81%
Prior tax credits	-1,565	9.95%	-2,872	-26.73%
Taxation at effective rate	**-4,294**	**27.29%**	**-3,637**	**-33.86%**

IRAP [regional business tax]

(amounts in Euro thousands)	**31.12.2020**	**%**	**31.12.2019**	**%**
Earnings before tax	**-15,735**		**10,744**	

Theoretical tax rate 3.90%	**-614**	**3.90%**	**419**	**3.90%**
Effect of non-deductible costs	209	-1.33%	-794	-7.39%
IRAP personnel cost deduction	-980	6.23%	-	-
Income/expenses not relevant for IRAP	1,331	-8.46%	555	5.17%
Taxes from previous years	-56	0.36%	-31	-0.29%
Taxation at effective rate	**-110**	**0.70%**	**149**	**1.39%**

Research and development costs
In 2020, the financial commitment made by the group for R&D activities amounted to approximately 19.30% of turnover; these costs did not give rise to capitalisations in accordance with the criteria of IAS 38.

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

Results	**31.12.2020**	**31.12.2019**
Earnings (Losses) for the purposes of calculating basic earnings per share	-11,331,058	14,231,736
Diluting effect deriving from potential ordinary shares:	-	-
Earnings (Losses) for the purposes of calculating diluted earnings per share	-11,331,058	14,231,736

Number of shares	**31.12.2020**	**31.12.2019**
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 (Euro):	-0.147	0.185
Diluted earnings (losses) per share (Euro):	-0.147	0.185

Property, plant and equipment (note 6)

Items *(amounts in euros)*	**Land and buildings**	**Plant and machinery**	**Industrial equipment**	**Other assets**	**Investments in progress and deposits**	**Total**
Historical cost	46,692,076	16,639,655	18,470,257	4,472,641	3,865,685	90,140,314
Provisions for amortisation and depreciations	-15,818,269	-12,500,756	-13,701,270	-3,494,656	-	-45,514,951
Net as at 31.12.2018	**30,873,807**	**4,138,899**	**4,768,987**	**977,985**	**3,865,685**	**44,625,363**
Movements in 2019:						
Increases	149,666	189,036	1,008,893	801,417	2,380,881	4,529,893
Decreases	-39,105	-108	-18	-40,607	-5,000	-84,838
Capitalisation	3,740,142	1,063,301	116,276	286,716	-5,206,435	-
Depreciation and amortisation	-877,022	-392,440	-714,633	-477,405	-	-2,461,500
Reclassification	-	-	-	-	--	-
IFRS16 Restatement Effect	-	-	371,339	375,189	-	746,528
Net as at 31.12.2019	**33,847,488**	**4,998,688**	**5,550,844**	**1,923,295**	**1,035,131**	**47,355,446**
Made up of:						
Historical cost	50,532,384	17,881,663	20,073,649	5,826,811	1,035,131	95,349,638
Provisions for amortisation and depreciations	-16,684,896	-12,882,975	-14,522,805	-3,903,516	-	-47,994,192

Items *(amounts in euros)*	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress and deposits	Total
Historical cost	50,532,384	17,881,663	20,073,649	5,826,811	1,035,131	95,349,638
Provisions for amortisation and depreciations	-16,684,896	-12,882,975	-14,522,805	-3,903,516	-	-47,994,192
Net as at 31.12.2019	**33,847,488**	**4,998,688**	**5,550,844**	**1,923,295**	**1,035,131**	**47,355,446**
Changes in 2020:						
Increases	33,292	184,714	1,264,190	449,753	2,349,973	4,281,922
Decreases	-	-442	-1,475	-41,934	-1,119	-44,970
Capitalisation	854,774	20,000	161,828	-	-1,036,602	-
Depreciation and amortisation	-951,597	-408,860	-754,433	-557,182	-	-2,672,072
Reclassification	-	-	-	-	-169,767	-169,767
IFRS16 Restatement Effect	-	-	-	-	-	-
Net as at 31.12.2020	**33,783,957**	**4,794,100**	**6,220,954**	**1,773,932**	**2,177,616**	**48,750,559**
Made up of:						
Historical cost	51,420,450	18,056,189	21,458,809	6,139,791	2,177,616	99,252,855
Provisions for amortisation and depreciations	-17,636,493	-13,262,089	-15,237,855	-4,365,859	-	-50,502,296

The main increases related to equipment (1.264 million euros), other assets (0.449 million) and internal capitalised costs of (2.350 million euros) pertaining to work in progress to expand the factory and office space.

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

Intangible fixed assets (note 7)

Items *(amounts in euros)*	**Development costs**	**Licences and Trademarks**	**Royalties and patents**	**Invest. in prog. and deposits**	**Total**
Historical cost	10,119,275	17,131,465	1,219,682	6,042,846	34,513,268
Provisions for amortisation and depreciations	-6,272,907	-13,785,147	-1,073,255	-	-21,131,309
Net as at 31.12.2018	**3,846,368**	**3,346,318**	**146,427**	**6,042,846**	**13,381,959**
Movements in 2019:					
Increases	-	291,719	75,312	665,566	1,032,597
Decreases	-	-	-2,140	-	-2,140
Capitalisation of internal costs	1,828,101	81,724	-	-1,909,825	-
Depreciation and amortisation	-1,489,627	-970,535	-49,227	-	-2,509,389
Reclassification	-	-	-	-	-
Net as at 31.12.2019	**4,184,842**	**2,749,226**	**170,372**	**4,798,587**	**11,903,027**
Made up of:					
Historical cost	11,947,643	17,504,908	1,219,779	4,798,587	35,543,917
Provisions for amortisation and depreciations	-7,762,801	-14,755,682	-1,122,407	-	-23,640,890

Items *(amounts in euros)*	**Development costs**	**Licences and Trademarks**	**Royalties and patents**	**Invest. in prog. and deposits**	**Total**
Historical cost	11,947,643	17,504,908	1,219,779	4,798,587	35,543,917
Provisions for amortisation and depreciations	-7,762,801	-14,755,682	-1,122,407	-	-23,640,890
Net as at 31.12.2019	**4,184,842**	**2,749,226**	**170,372**	**4,798,587**	**11,903,027**
Changes in 2020:					
Increases	-	467,392	47,901	151,000	666,293
Decreases	-3,062,475	-62	-1,657	-1	-3,064,195
Capitalisation of internal costs	3,062,475	616,382	-	-3,678,857	-
Depreciation and amortisation	-1,510,193	-895,986	-60,060	-	-2,466,239
Reclassification	-	-	-	169,767	169,767
Net as at 31.12.2020	**2,674,649**	**2,936,952**	**156,556**	**1,440,496**	**7,208,653**
Made up of:					
Historical cost	11,947,376	18,588,562	1,338,905	1,440,496	33,315,339
Provisions for amortisation and	-9,272,727	-15,651,610	-1,182,349	-	-26,106,686

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

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

Real estate investments (note 8)

(amounts in Euro)	**Buildings**	**Total**
Balance as at 31.12.2019	**539,703**	**539,703**
Changes	59,624	**-**
Balance as at 31.12.2020	**599,327**	**539,703**

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

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

Movements in equity investments during financial year 2020:

Name *(amounts in euros)*	31.12.2019	Increases	Decreases	Revaluations /Write-downs	Other changes	31.12.2020
Carraro Drive Tech S.p.A.	68,874,221	-	-	-	-68,874,221	-
Carraro Drive Tech Italia S.p.A	50,000	50,000	-	-	68,874,221	68,974,221
Carraro Germania S.r.l.	1,893,090	-	-1,893,090	-		-
Carraro Technologies Ltd.	3,035	-	-	-		3,035
Carraro International S.E.	36,579,100	-	-	-		36,579,100
Enertronica Santerno S.p.A.	696,849	-		-696,849		-
TOTAL EQUITY INVESTMENTS	**108,096,295**	**50,000**	**-1,893,090**	**-696,849**	**-**	**105,556,357**

Equity investments are valued at historic cost apart from the holding in Enertronica S.p.A. which is valued with the net equity method as it is a *de-facto* associate: the shareholding directly held by Carraro S.p.A. in Enertronica Santerno S.p.A. is 10.10%, but the Group as a whole exceeds a 20% stake.
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.

Equity investments in associated companies:

Name	Registered office	Holding company	Share capital		Number of shares Stakes held	Profit (loss) 31.12.2020	Sh. Equity Consolidated 30.6.2020 (*)	Direct portion	Carrying amount of the investment
			Currency	Amount	Total	(ctv. euros)	(ctv. euros)		31.12.2020
Enertronica Santerno S.p.A.	Milan, Italy	Carraro S.p.A.	EUR	784,988	793,200	n.a.	(5,873,812)	10.10%	-

(*) 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)	31.12.2020	31.12.2019
LOANS TO SUBSIDIARIES	458,525	1,100,028
LOANS TO THIRD PARTIES	-	*183,171*
LOANS AND RECEIVABLES	***458,525***	***1,283,199***
AVAILABLE FOR SALE	60,268	86,091
OTHER NON-CURRENT FINANCIAL ASSETS	*7,654*	*13,371*
OTHER FINANCIAL ASSETS	***67,922***	***99,462***
NON-CURRENT FINANCIAL ASSETS	**526,447**	**1,382,661**
FROM SUBSIDIARIES	10,168	65,019
FROM THIRD PARTIES	499,514	366,343
LOANS AND RECEIVABLES	***459,682***	***431,362***
CASH-FLOW HEDGING DERIVATIVES (exchange rate derivatives)	908	6,453
OTHER CURRENT FINANCIAL ASSETS	209,515	230,948
OTHER FINANCIAL ASSETS	***210,423***	***237,401***
CURRENT FINANCIAL ASSETS	**670,105**	**668,763**

Non-current loans and receivables:
- from subsidiaries these include receivables past due by more than a year from the company Carraro North America for 0.46 million Euros. The value of these receivables approximates their fair value.

Other non-current financial assets:
– available for sale (0.06 million euros): these are assets relating to non-controlling equity investments, and therefore have no set redemption date; details are provided below:

Name *(amounts in euros)*	**Based in**	**Currency**	**Value of the equity investment**
ASSOCIAZIONE NORD EST	PADUA	EURO	1,033
GRUPPO SPORTIVO PETRARCA RUGBY	PADUA	EURO	10,329
CO.NA.I. Consorzio Nazionale Imballaggi	ROME	EURO	784
Consorzio Padova Ricerche	PADUA	EURO	44,774
Isontina Energia – Consorzio per l'acquisto di risorse energetiche	GORIZIA	EURO	516
Pordenone Energia	PORDENONE	EURO	250
FONDAZIONE TEATRO LA FENICE	VENICE	EURO	2,582
TOTAL			**60,268**

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

Description of differences	**Deferred taxes**	**Reclassification**	**Effect**	**Effect**	**Deferred taxes**
(amounts in Euro)	**31.12.2019**		**on net equity**	**on IS**	**31.12.2020**
Depreciation and amortisation	9,593,913			-201,789	9,392,124
Measurement of receivables	19,912				19,912
Discounting of employee severance indemnity	82,106		5,626		87,732
Provisions for risks	2,063,559			-99,275	1,964,284
Previous tax losses	592,993			521,263	543,444
Others	143,683			66,702	659,695
Personnel bonuses	22,181		-62,196	74,801	156,288
TOTAL	**12,518,347**		**-56,570**	**361,702**	**12,823,479**

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.

It is acknowledged that from the date of approval of the financial statements, the conversion of deferred tax assets, amounting to 896,671 Euros, into a tax credit will take effect, pursuant to Article 2 paragraphs 55/56 of Italian Decree Law 225/2010.

Trade receivables and other receivables (Note 12)

(amounts in Euro)	**31.12.2020**	**31.12.2019**
NON CURRENT TRADE RECEIVABLES	**-**	**-**
FROM THIRD PARTIES	39,342	28,196
OTHER NON-CURRENT RECEIVABLES	**39,342**	***28,196***
NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**39,342**	**28,196**
FROM RELATED PARTIES	12,905,432	17,828,027
FROM THIRD PARTIES	7,580,620	8,052,478
CURRENT TRADE RECEIVABLES	**20,486,052**	**25,880,505**
FROM RELATED PARTIES	2,747,425	2,928,001

FROM THIRD PARTIES	7,583,174	8,603,570
OTHER CURRENT RECEIVABLES	**10,330,599**	**11,531,571**
CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**30,816,651**	**37,412,076**

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

(amounts in Euro)	**31.12.2020**	**31.12.2019**
VAT credits	263,649	1,994,251
VAT credits due for rebate	500,000	-
Other tax credits	104,525	242,713
Receivables for current taxes	5,806,926	5,273,054
Receivables from employees	378	4,491
Receivables from pensions agencies	119,177	139,000
Provisions for Depreciation of other Receivables	-	-
Other receivables	788,519	950,061
OTHER CURRENT RECEIVABLES FROM THIRD PARTIES	**7,583,174**	**8,603,570**

Other non-current receivables (0.03 million euros) mainly refer to guarantee deposits.
Trade receivables bear no interest and mature on average at 60 days.
Current tax receivables mainly include tax payments on account, foreign tax credits and the so-called research and development credit relating to previous tax periods.

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

(amounts in Euro)	**31.12.2020**	**31.12.2019**
Trade receivables from related parties	12,905,432	17,828,027
NET CURRENT TRADE RECEIVABLES FROM RELATED PARTIES	**12,905,432**	**17,828,027**
Trade receivables from third parties	7,860,734	8,332,592
Provisions for Depreciations of Receivables	-280,114	-280,114
NET CURRENT TRADE RECEIVABLES FROM THIRD PARTIES	**7,580,620**	**8,052,478**
Other receivables from related parties	2,747,425	2,928,001
NET CURRENT OTHER RECEIVABLES FROM RELATED PARTIES	**2,747,425**	***2,928,001***
Other receivables from third parties	7,583,174	8,603,570
Provisions for Depreciations of Receivables	-	-
NET CURRENT OTHER RECEIVABLES FROM THIRD PARTIES	**7,583,174**	***8,603,570***

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

(amounts in euros)	***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	421,129	1,640,548	18,704,489	-	**20,766,166**	1,065,759	1,695,451	23,399,409	-	**26,160,619**
Other receivables	-	-	10,330,599	39,342	**10,369,941**	-	-	11,531,571	28,196	**11,559,767**
TOTAL	**421,129**	**1,640,548**	**29,035,088**	**39,342**	**31,136,107**	**1,065,759**	**1,695,451**	**34,960,980**	**28,196**	**37,720,386**

Provisions for Depreciations of Receivables

Movements in the Provision for Depreciations of Receivables:

(amounts in Euro)	**31.12.2019**	**decreases**	**31.12.2020**
Provisions for impairment of trade receivables	280,114	-	280,114
TOTAL	**280,114**	**-**	**280,114**

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

Closing inventory (note 13)

Items *(amounts in Euro)*	**31.12.2020**	**31.12.2019**
Raw materials	32,852,813	48,108,718
Work in progress and semi-finished products	5,050,688	4,319,981
Finished products	1,146,341	768,444
Goods in transit	-	-
Total inventories	***39,049,842***	***53,197,143***
Provision for impairment of inventories	-1,930,514	-1,607,304
TOTAL	**37,119,328**	**51,589,839**

Inventories recorded a net balance of 37.12 million euros compared with 51.59 million euros as at 31 December 2019. Provisions for impairment of inventories, recognised to align the value of obsolete or slow-moving stocks with the estimated realisable value, amount to 1.93 million euros, referred to raw, subsidiary and consumable materials for 1.78 million euros and to semi-finished products for 0.15 million euros.

Movements in provisions for impairment of inventories:

(amounts in euros)	
Balance as at 31 December 2019	**1,607,304**
Provisions set aside	323,210
Utilisation	-
Balance as at 31 December 2020	**1,930,514**

Cash and cash equivalents (Note 14)

Items *(amounts in Euro)*	**31.12.2020**	**31.12.2019**
CASH	31,258	23,982
BANK CURRENT ACCOUNTS AND DEPOSITS	1,699,249	13,281,245
TOTAL	**1,730,507**	**13,305,227**

Shareholders' equity (note 15)

Items *(amounts in Euro)*	**31.12.2020**	**31.12.2019**
1) Share Capital	41,452,544	41,452,544
2) Other Reserves	40,489,230	30,565,245
3) Profits/(Losses) brought forward	13,505,986	-14,163
4) Cash-flow hedge reserve	-	-
5) Provision for discounting employee benefits	105,773	123,590
6) Profit/(Loss) for the period	-11,331,058	14,231,736
SHAREHOLDERS' EQUITY:	**84,222,475**	**86,358,952**

The Shareholders' Meeting of Carraro S.p.A. held on 22 April 2020 resolved to allocate the profit for 2019, equal to 14,232,736.36 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, consisting of 79,716,430 ordinary shares with a nominal value of 0.52 euros each. 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.

The shareholders' equity of Carraro S.p.A at 31 December 2020 amounts to 84.22 million euros compared to 86.36 million euros in 2019.

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

Nature/description	31.12.2019	Movements in 2020	31.12.2019	Possibility of use	Notes	Portion available
Share capital:	41,452,544		41,452,544	---		
Capital reserves:						
Share premium reserve	7,926,332		7,926,332	A, B, C	(1)	7,926,332
Costs on account of future capital increase	-91,809		-91,809	A, B	(2)	-91,809
Adjustment of value of property, plant and equipment (FTA)	22,200,392	-	22,200,392	A, B	(3)	22,200,392
Profit reserves:						
Legal reserve	5,948,979	711,587	6,660,566	B		-
Extraordinary reserve	1,247,811	-	1,247,811	A, B, C		1,247,811
Retained earnings (accumulated losses)	-14,163	13,520,149	13,505,986	A, B, C		13,505,986
Treasury share reserve	-6,666,460	-	-6,666,460	---	(4)	-6,666,460
Other Shareholders' Equity Reserves:						
Provision for discounting employee benefits	123,590	-17,817	105,773	B	(5)	105,773
Merger surplus reserve		9,212,399	9,212,399			9,212,399
Profit/(Loss) for the period:	14,231,736	-25,562,794	-11,331,058	---		-11,331,058
Total (A)	**86,358,952**	**-2,136,476**	**84,222,476**			**36,109,366**
Non-distributable reserves (B)						-20,074,174
Legal reserve of profit for the year (C)						
Capitalised development costs (D)					(6)	-3,770,126
Distributable portion (E = A + B + C + D)						**12,265,066**

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

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

Financial liabilities (note 16)

On 31 December 2020, the financial covenants provided for and not suspended in the contract for that date on the consolidated figures had been met, while there are no covenants on the figures for the separate financial statements of Carraro S.p.A.

The classification of financial liabilities is shown below:

Items *(amounts in Euro)*	**31.12.2020**	**31.12.2019**
MEDIUM/LONG TERM LOANS TO RELATED PARTIES	*3,040,000*	*54,000,000*
MEDIUM/LONG-TERM LOANS	*75,001,786*	*9,837*
MEDIUM/LONG-TERM LEASE PAYABLES - IFRS 16	388,427	617,820
NON-CURRENT FINANCIAL LIABILITIES	**78,430,213**	**54,627,657**
LOANS TO RELATED PARTIES	1,237,113	11,930,179
MEDIUM/LONG-TERM LOANS (SHORT-TERM PORTION)	8,051	38,400
LEASE PAYABLES FROM RIGHTS OF USE - IFRS 16	350,988	354,149
FINANCIAL LIABILITIES	**1,596,152**	**12,322,728**
FAIR VALUE OF EXCHANGE RATE DERIVATIVES	-	-
OTHER CURRENT FINANCIAL LIABILITIES	-	-
OTHER FINANCIAL LIABILITIES	**11,095**	**-**
CURRENT FINANCIAL LIABILITIES	**1,607,247**	**12,322,728**

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

(amounts in euros)

up to one year		**from 1 to 5 years**		**more than 5 years**		
nominal value	*effect of amortised cost*	*nominal value*	*effect of amortised cost*	*nominal value*	*effect of amortised cost*	**Total 31.12.2020**
8,051	-	**75,001,786**	-	-	-	**75,009,837**

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

LENDER *(amounts in Euro)*	**Short-term portion as at 31.12.2020**	**Medium/long-term portion as at 31.12.2020**	**EXPIRY**	**RATE**	**RATE TYPE**	**CURRENCY**
Cassa Depositi e prestiti	-	35,000,000	Jun-26	1.08%	variable	EURO
Banca Fucino	-	5,000,000	Aug-26	1.40%	variable	EURO
BANCA MPS	-	25,000,000	Jun-26	1.50%	variable	EURO
Intesa SanPaolo	-	10,000,000	Jun-26	1.06%	variable	EURO
Selmabipiemme Leasing	8,051	1,786	Mar '22	1.90%	variable	EURO
	8,051	**75,001,786**				

Non-current loans (75.00 million euros) refer to loans taken out in 2020: 35 million euros Cassa depositi e prestiti, 25 million euros MPS, 10 million euros Banca Intesa, 5 million euros Banca Fucino.
The loans mature on 30 June 2026 and provide for repayment of principal instalments from September 2022.

Non-current loans to related parties (3.04 million euros) refer to the 54.00 million euros for funding received from Carraro International for a credit facility totalling 54.00 million euros, with a final rate of 4.462%; a non-utilisation fee and an origination fee of 0.1% are envisaged.

Current loans (1.61 million euros) are made up of the following:
- 1.24 million euros of financial payables to Carraro International relating to invoices for interest on the loan;
- 0.01 million euros payable to leasing companies
- 0.01 million euros payable for interest on m/L-term loans
- 0.35 million euros relating to IFRS16 lease rights-of-use;

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

Financial liabilities *(amounts in euros)*	**31.12.2019**	**Cash Flow**	**IFRS 16 effect**	**Reclassification**	**Other changes**	**31.12.2020**
Gross non-current loans payable	54,627,659	24,040,000	-229,394	-8,050	-	78,430,213
Gross current loans payable	12,322,726	-1,151,550	-3,161	8,050	1,237,113	1,596,152
Total loans payable	**66,950,385**	**22,888,450**	**-232,555**	**-**	**1,237,113**	**80,026,365**
Amortised cost	-	-		-	-	-
Other non-current financial liabilities	-	-		-	-	-
Other current financial liabilities	-	-		-	11,095	11,095
Financial liabilities:	**66,950,385**	**22,888,450**	**-232,555**	**-**	**1,248,208**	**80,037,460**

The net financial position is broken down below:

Net financial position *(amounts in euros)*	**31.12.2020**	**31.12.2019**
Non-current loans payable	-78,430,213	-54,627,657
Current loans payable	-1,596,152	-12,322,728
Other current financial liabilities	11,095	-
Financial liabilities:	**-80,015,270**	**-66,950,385**
Current loans and receivables	459,682	431,362
Other current financial assets	209,515	230,948
Financial assets:	**669,197**	**662,310**
Cash	31,258	23,982
Bank current accounts and deposits	1,699,249	13,281,245
Cash and cash equivalents:	**1,730,507**	**13,305,227**
Net financial position *	**-77,615,566**	**-52,982,848**
Non-current loans and receivables	458,525	1,283,199
Other non-current financial assets	7,654	13,371
Non-current leases - IFRS 16	388,427	617,820
Current leases - IFRS 16	350,988	354,149
Net financial position of operations	**-76,409,972**	**-50,714,309**
of which payables/(receivables):		
- non-current	-77,575,607	-52,713,267
- current	1,165,635	1,998,958

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

Short-term loans include current accounts payable and loans taken out during 2020, with a short-term maturity.

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

Trade payables and other payables (note 17)

Items *(amounts in Euro)*	**31.12.2020**	**31.12.2019**
NON-CURRENT TRADE PAYABLES	**-**	**-**
OTHER NON-CURRENT PAYABLES	**-**	**-**
TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES	**-**	**-**
FROM RELATED PARTIES	6,165,809	8,398,281
FROM THIRD PARTIES	34,010,499	67,538,290
CURRENT TRADE PAYABLES	***40,176,308***	***75,936,571***
FROM RELATED PARTIES	260,028	262,200
FROM THIRD PARTIES	31,624,597	44,757,883
OTHER CURRENT PAYABLES	***31,884,625***	***45,020,083***
TRADE PAYABLES AND OTHER CURRENT PAYABLES	**72,060,933**	**120,956,654**

Trade payables are settled on average at 120 days.

Trade payables and other payables

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

(amounts in euros)	***31.12.2020***					***31.12.2019***				
	PAST DUE		NOT YET DUE		***TOTAL***	PAST DUE		NOT YET DUE		***TOTAL***
	Less than 1 year	More than 1 year	Within 1 year	More than 1 year		Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	
Trade payables	2,949,407	143,728	37,083,173	-	**40,176,308**	2,051,692	73,559	73,811,320	-	**75,936,571**
Other payables	-	-	31,884,625	-	**31,884,625**	-	-	45,020,083	-	**45,020,083**
TOTAL	**2,949,407**	**143.728**	**68,967,798**	**-**	**72,060,933**	**2,051,692**	**73,559**	**118,831,403**	**-**	**120,956,654**

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

Items *(amounts in Euro)*	**31.12.2020**	**31.12.2019**
Tax payables	-	-
Amounts due to pensions agencies	1,607,043	1,580,605
Amounts due to employees	3,046,652	2,753,839
IRPEF (personal income tax) employees & professionals	1,368,804	1,297,504
Board of Directors	1,018,086	655,417
Other payables	24,584,012	38,470,518
OTHER CURRENT PAYABLES	**31,624,597**	**44,757,883**

Current taxes payables (note 18)

(amounts in Euro)	**31.12.2020**	**31.12.2019**
Current tax payables	-	2,148,018

Employee severance indemnities and retirement benefits (note 19)

(amounts in Euro)	**31.12.2020**	**31.12.2019**
Factory workers	1,949,303	1,935,548
Clerical staff and executives	4,557,347	4,338,530
Sub Total	**6,506,650**	**6,274,078**
Severance indemnity - Pensions Agency	-4,111,244	-3,840,786
TOTAL PROVISIONS FOR EMPLOYEE BENEFITS	**2,395,406**	**2,433,292**

(amounts in Euro)	**31.12.2020**	**31.12.2019**
Opening severance indemnities in accordance with IAS 19	**2,433,292**	**2,384,040**
Utilisation of employee severance indemnities	-139,576	-67,864
Employee severance indemnities transferred to other companies	-18,352	-13,980
Employee severance indemnities transferred from other companies	89,198	11,370
Current Service Cost	-	-
Interest cost	8,095	17,757
Actuarial Exchange Gains/Losses	22,749	101,969
Closing severance indemnities in accordance with IAS 19	**2,395,406**	**2,433,292**

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

	turnover frequency		*inflation rate*		*discount rate*	
(amounts in Euro)	**+1%**	**-1%**	**+ 0.25%**	**-0.25%**	**+0.25%**	**- 0.25%**
Provision for employee benefits as at 31.12.2020	2,376,686	2,416,166	2,422,840	2,368,466	2,352,452	2,439,903

Number of employees

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

Employees	31.12.2019	Changes	31.12.2020
Executives	18	2	20
Clerical staff	216	6	222
Factory workers	208	16	224
Temporary workers	52	-9	43
Total as at 31.12	**494**	**15**	**509**

Provision for risks and liabilities (note 20)

The item can be broken down as follows:

(amounts in Euro)	Opening situation	Increases	Decreases	Reclassification	Closing situation
Provisions - non-current portion					
1) WARRANTY	987,084	-	-	-244,186	742,898
2) COSTS OF LEGAL CLAIMS	-	-	-	-	-
3) RENOVATION AND CONVERSION	-	-	-	-	-
4) OTHER PROVISIONS	-	-	-	-	-
TOTAL	**987,084**	**-**	**-**	**-244,186**	**742,898**
Provisions - current portion					
1) WARRANTY	4,482,081	858,665	-1,298,861	244,186	4,286,071
2) COSTS OF LEGAL CLAIMS	91,000	-	-25,200	-	65,800
3) RENOVATION AND CONVERSION	289,794	-	-208,837	-	80,957
4) OTHER PROVISIONS	102,320	1,960,992	-103,161	-11,396	1,948,755
TOTAL	**4,965,195**	**2,819,657**	**-1,636,059**	**232,790**	**6,381,583**

Warranty reserve:
1.30 million euros of the product warranty reserve allocated in previous years was used for customer claims. The warranty reserve was increased by 0.86 million euros on the basis of the expected warranty costs which will be incurred in relation to the sales made.

Other provisions:
The item "Other current provisions", amounting to 1.94 million euros, is mainly made up of the provision for the employee profit bonus.

6. Commitments and risks

(amounts in euros)

Items	31.12.2020	31.12.2019
- guarantees given	342,626,677	195,313,566

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 31.12.2020	amount used at 31.12.2020
UNICREDIT FACTORING	CARRARO DRIVE TECH ITALIA SPA	ON DEMAND	30,000,000	8,296,797
BANCA MPS	CARRARO DRIVE TECH ITALIA SPA	ON DEMAND	5,400,000	1,487,788
BANCA MPS	SIAP S.P.A.	ON DEMAND		169,746
SACE FCT	CARRARO DRIVE TECH ITALIA SPA	ON DEMAND	1,000,000	1,000,000
SACE FCT	CARRARO DRIVE TECH ITALIA SPA	ON DEMAND	5,000,000	1,672,346
BOND HOLDERS	CARRARO INTERNATIONAL SE	31/01/2025	180,000,000	180,000,000
BOND HOLDERS	CARRARO INTERNATIONAL SE	25/09/2026	150,000,000	150,000,000
TOTAL			**371,400,000**	**342,626,677**

7. FINANCIAL INSTRUMENTS

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

31.12.2020	*(amounts in euros)*	**FINANCIAL INCOME**	**FINANCIAL EXPENSES**	**POSITIVE EXCHANGE DIFF.**	**NEGATIVE EXCHANGE DIFF.**	**DEFERRED COSTS AND REVENUES**
A) FINANCIAL ASSETS:						
A.1) Cash and Cash Equivalents:						
	Bank accounts, positive balance	2,815	-	-	-	-
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	38,013	-	-	-	-
A.2.3.2) Other assets:						
	Trade receivables	-	-	-32,498	-37,169	-
	Other financial assets	90,524	-	158	-	-
A.2.4) Financial instruments available for sale (AVS):						
A.3) Derivative Financial Instruments:						
A.3.1) Hedging derivatives:						
A.3.1.1) Cash-Flow Hedging Derivatives on currencies:						
	Fair value through profit or loss	-	-	-5,545	-	-
	Profit realised	-	-	118,337	-	-
A.3.1.2) Cash-Flow Hedging Derivatives on interest rates:						
	Fair value in shareholders' equity	-	-	-	-	-
B) FINANCIAL LIABILITIES						
B.1) Non-derivative Financial Instruments:						
B.1.1) Financial Instruments at fair value:						
B.1.2) Other Financial Instruments:						
	Bank accounts, negative balance	-	-22,745	-	-	-
	Trade payables	-	-	657	-1,910	-
	Loans payable	-	-3,373,213	-	-	-
	Other financial liabilities	-	-777,527	-	-593	-
B.2) Derivative Financial Instruments:						
B.2.1) Hedging derivatives:						
B.1.2.1) Cash-Flow Hedging Derivatives on currencies:						
	Fair value through profit or loss	-	-	-	-	-
	Fair value in shareholders' equity					-
	Loss realised	-	-	-	-51,442	-
B.1.2.2) Cash-Flow Hedging Derivatives on interest rates:	loss realised	-	-	-	-	-
TOTAL		**131,353**	**-4,173,485**	**81,109**	**-91,114**	**-**

31.12.2019	*(amounts in euros)*	**FINANCIAL INCOME**	**FINANCIAL EXPENSES**	**POSITIVE EXCHANGE DIFF.**	**NEGATIVE EXCHANGE DIFF.**	**DEFERRED COSTS AND REVENUES**
A) FINANCIAL ASSETS:						
A.1) Cash and Cash Equivalents:						
Bank accounts, positive balance	Bank accounts, positive balance	139	-	-	-	-
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	-	-	14,286	-3,650	-
	Other financial assets	82,945	-	92	-	-
A.2.4) Financial instruments available for sale (AVS):						
A.3) Derivative Financial Instruments:						
A.3.1) Hedging derivatives:						
A.3.1.1) Cash-Flow Hedging Derivatives on currencies:						
	Fair value through profit or loss	-	-	3,161	-	-
	Profit realised	-	-	30,667	-	-
A.3.1.2) Cash-Flow Hedging Derivatives on interest rates:						
	Fair value in shareholders' equity	-	-	-	-	-
B) FINANCIAL LIABILITIES						
B.1) Non-derivative Financial Instruments:						
B.1.1) Financial Instruments at fair value:						
B.1.2) Other Financial Instruments:						
	Bank accounts, negative balance	-	-54,319	-	-	-
	Trade payables	-	-	2,975	-695	-
	Loans payable	-	-3,696,670	-	-	-
	Other financial liabilities	-	-1,132,363	-	-126	-
B.2) Derivative Financial Instruments:						
B.2.1) Hedging derivatives:						
B.1.2.1) Cash-Flow Hedging Derivatives on currencies:						
	Fair value through profit or loss	-	-	-	-	-
	Fair value in shareholders' equity					-
	Loss realised	-	-	-	-77,802	-
B.1.2.2) Cash-Flow Hedging Derivatives on interest rates:	Loss realised	-	-	-	-	-
TOTAL		**83,085**	**-4,883,352**	**51,181**	**-82,273**	**-**

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

7.2 Derivative financial instruments on currencies

The following tables indicate all the key information relating to the portfolio of derivative financial instruments on currencies outstanding as at 31.12.2020. These are instruments hedging foreign currency in circulation.

a) notional values

CONTRACT	Notional value as at 31.12.2020	Notional value as at 31.12.2019
Swaps (DCS) (1)	-	-
Swaps (DCS) (2)	677,551	830,341
Total notional values	**677,551**	**830,341**

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

b) Reference currencies and expiry dates of contracts

CONTRACT	
Swaps (DCS) (1)	
Currencies	-
Expiry dates	-
Swaps (DCS) (2)	
Currencies	USD/EUR
Expiry dates	Jan-21

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

c) Fair value

(amounts in Euro thousands)	31.12.2020	31.12.2019
Swaps (DCS) (1)	-	-
Swaps (DCS) (2)	908	6,453
Total	**908**	**6,453**

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

d) Details of *fair values*

	31.12.2020		31.12.2019	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Exchange-rate risk – Domestic Currency Swaps	908	-	6,453	-

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

	31.12.2020	31.12.2019
FV recognised in the income statement	908	6,453
FV recognised in net equity	-	-
Total	**908**	**6,453**

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.

7.3 Derivative financial instruments on interest rates

There are no derivative contracts on interest rates outstanding as at 31.12.2020.

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.

Balances as at 31.12.2020	**INTEREST RATE RISK**				**EXCHANGE RATE RISK**			
(amounts in Euro)	1%		-0.15%		10%		-10%	
	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY
ASSETS								
Trade receivables					-72,617		88,754	
Other financial assets - derivatives on currencies					62,383	-	-74,228	-
Other financial assets - derivatives on interest rates								
Loans					-		-	
Cash and cash equivalents					-		-	
Total gross effect	**-**	**-**	**-**	**-**	**-10,234**	**-**	**14,526**	**-**
Taxes (24%)	-	-	-	-	2,456	-	-3,486	-
Total net effect	**-**	**-**	**-**	**-**	**-7,778**	**-**	**11,040**	**-**
LIABILITIES								
Trade payables					-11,741		14,350	
Loans	953,292		-142,994		-		-	
Total gross effect	**953,292**	**-**	**-142,994**	**-**	**-11,741**	**-**	**14,350**	**-**
Taxes (24%)	-228,790	-	34,319	-	2,818	-	-3,444	-
Total net effect	**724,502**	**-**	**-108,675**	**-**	**-8,923**	**-**	**10,906**	**-**
TOTAL	**724,502**	**-**	**-108,675**	**-**	**-16,701**	**-**	**21,946**	**-**

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

Balances as at 31.12.2019 *(amounts in Euro)*	**INTEREST RATE RISK**				**EXCHANGE RATE RISK**			
	1%		-0.15%		10%		-10%	
	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY
ASSETS								
Trade receivables					-84,048		102,725	
Other financial assets - derivatives on currencies					81,194	-	-84,897	-
Other financial assets - derivatives on interest rates								
Loans					-		-	
Cash and cash equivalents					-		-	
Total gross effect	**-**	**-**	**-**	**-**	**-2,854**	**-**	**17,828**	**-**
Taxes (24%)	-	-	-	-	685	-	-4,279	-
Total net effect	**-**	**-**	**-**	**-**	**-2,169**	**-**	**13,549**	**-**
LIABILITIES								
Trade payables					-8,243		10,075	
Loans	814,093		-122,114		-		-	
Total gross effect	**814,093**	**-**	**-122,114**	**-**	**-8,243**	**-**	**10,075**	**-**
Taxes (24%)	-195,382	-	29,307	-	1,978	-	-2,418	-
Total net effect	**618,711**	**-**	**-92,807**	**-**	**-6,265**	**-**	**7,657**	**-**
TOTAL	**618,711**	**-**	**-92,807**	**-**	**-8,434**	**-**	**21,206**	**-**

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

8. Transactions with related parties (note 21)

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

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

Name and surname	Subsidiary company: Carraro S.p.A.	No. of shares held as at 31/12/2019	Number of shares purchased	Number of shares sold	No. of shares held as at 31/12/2020
Mario Carraro	Directly held	600,000	-	-	600,000
	through Finaid S.p.A.	28,215,519	-	-	28,215,519
Enrico and Tomaso Carraro		3,774,640	2,137,588	-	5,912,228
Julia Dora Koranyi Arduini		21,629,779	-	-	21,629,779
Alberto Negri *		46,460	-	-	no.
Enrico Gomiero		15,855	-	-	15,855
Andrea Conchetto **		no.	-	-	11,700

** Chief Executive Officer who resigned on 26 October 2020.*
*** General Manager since 01 January 2020; Member of the Board of Directors (co-opted on 26 October 2020).*

(amounts in Euro thousands)	Financial and commercial transactions				Economic transactions									
	Financial receivables	Financial debts	Trade receivables and other receivables	Trade payables and other payables	Sales of products	Sales of services	Other revenues	Purchases of goods and materials	Purchases of services	Purchases of assets	Other income (expenses)	Income from equity investments	Other financial income	Financial costs and expenses
Parent Companies														
Finaid S.p.A.			**864**			7								
Subsidiary Companies														
Carraro Drive Tech Italia Spa			8,800	3,480	478	4,670	13,892	15,161	229		1,327		93	
Siap S.p.A.			1,135	412		1,088	205	1,958	323		263		4	
Driveservice S.r.l.			149			122								
Carraro India Ltd			1,921	887	10	1,618	2,812	221	128					
Carraro Technologies			225	698		225			1,964					
Carraro Argentina				172					172					
Carraro Drive Tech Do Brasil														
Carraro International S.A.	59	4,277	397			10			79					3,675
Carraro Germania S.r.l.														
F.O.N. S.A.														
Carraro North America Inc	459		-106			7								
Carraro China Drives Sys. Co Ltd			955	770	95	856	937	19	434					
TOTAL	**518**	**4,277**	**13,476**	**6,419**	**583**	**8,596**	**17,846**	**17,359**	**3,329**		**1,590**		**97**	**3,675**
Associated companies														
Elettronica Santerno S.p.A.			1,313	7										
Elettronica Santerno Ind.e Comércio Ltda														
Elettronica Santerno USA														
Elettronica Santerno South Africa Pty Ltd														
TOTAL			**1,313**	**7**										
TOTAL	**518**	**4,277**	**15,653**	**6,426**	**583**	**8,603**	**17,846**	**17,359**	**3,329**		**1,590**		**97**	**3,675**

Notes:

1. Financial transactions

Financial transactions relate to short and long-term loans.

2. Economic transactions

The most significant economic transactions represent trade transactions for the purchase and sale of raw materials, semi-finished products, transactions of purchase and sale of raw materials, semi-finished products and component technology for the production of drive systems; purchases of services refer mainly to services for industrial processing.

The main sales of services include amounts charged for the utilisation of central information systems and the organisational support provided by the Parent Company in the various operating areas.

Fees and royalties refer to specific commercial agency agreements and the sale of rights to use industrial know-how.

Interest income is generated by outstanding loans; interest expense is generated by the loan received from Carraro International.

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

The auditing of the Carraro Group's financial statements is carried out by Deloitte & Touche S.p.A.
The following is a summary of the fees and charges of the independent auditors for the 2020 financial year, relating to audit services and other services provided, net of incidental expenses charged.

(amounts in Euro thousands)	**2020**	**2019**
Accounting audit	352	351
Other services		25
Total fees	**352**	**376**

9. Events subsequent to the reporting date

There are no subsequent events to report.

10. SCHEDULE OF EQUITY INVESTMENTS

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

1) SUBSIDIARY COMPANIES DIRECTLY HELD

Name	Registered office	Parent Company	Share capital		Number of shares/ units	Sh. Equity before 2020 results	Profit (loss) 31.12.2020	Sh. Equity 31.12.2020	Direct portion
			Currency	Amount	Total	(ctv. euros)	(ctv. euros)	(ctv. euros)	
Carraro International S.E.	Campodarsego (Padua)	Carraro S.p.A.	EUR	13,500,000	13,500	32,475,943	-7,336,753	25,139,190	100.00%
Carraro Drive Tech Italia S.p.A.	Campodarsego (Padua)	Carraro S.p.A.	EUR	5,000,000	50,000	10,773,775	7,906,754	18,680,529	100.00%
Carraro Technologies India Pvt. Ltd.	Pune (India)	Carraro S.p.A.	INR	18,000,000	1,800,000	1,030,835	403,989	1,434,824	1.00%
Enertronica Santerno S.p.A.	Castel Guelfo	Carraro S.p.A.	EUR	784,988	7,849,884	n.a	n.a	n.a	10.10%

2) SUBSIDIARY COMPANIES INDIRECTLY HELD

Name	Registered office	Holding company (indirect parent)	Share capital		Number of shares/ units	Profit (loss) 31.12.2020	Sh. Equity 31.12.2020	Portion Holding company	Indirect portion	Carrying amount of the investment
			Currency	Amount	Total	(ctv. euros)	(ctv. euros)			31.12.2020
SIAP S.p.A.	Maniago (Pordenone)	Carraro Drive Tech Italia S.p.A.	EUR	18,903,000	18,903,000	1,076,111	40,220,278	76.76%	76.76%	25,782,509
Driveservice S.r.l.	Campodarsego (Padua)	Carraro Drive Tech Italia S.p.A.	EUR	30,000	30,000	106,423	178,400	100.00%	100.00%	-
Carraro India Ltd.	Pune (India)	Carraro Drive Tech Italia S.p.A.	INR	568,515,380	56,851,538	975,916	29,181,524	0.01%	0.01%	-
Carraro India Ltd.	Pune (India)	Carraro International S.E.	INR	568,515,380	56,851,538	975,916	29,181,524	99.99%	99.99%	42,119,666
Carraro Technologies India Pvt. Ltd.	Pune (India)	Carraro International S.E.	INR	18,000,000	1,800,000	403,989	1,434,824	99.00%	99.00%	447,265
Carraro China Drive System Co. Ltd.	Tsingtao (China)	Carraro International S.E.	CNY	168,103,219	-	2,676,895	25,254,279	100.00%	100.00%	16,901,673
Carraro Finance SA	Luxembourg	Carraro International S.E.	EUR	30,000	300	-8,538	21,462	100.00%	100.00%	30,000
Carraro Argentina S.A.	Haedo (Argentina)	Carraro International S.E.	ARS	1,435,634,276	1,435,634,276	-745,476	416,073	99.95%	99.95%	415,874
Carraro North America Vb	Norfolk (USA)	Carraro International S.E.	USD	1,000	1,000	-826	-295,913	100.00%	100.00%	-
Carraro Drive Tech do Brasil	Campodarsego (Padua)	Carraro International S.E.	BRL	39,583,482	5,701,954	-1,695,417	2,359,546	100.00%	100.00%	2,359,546
Enertronica Santerno S.p.A.	Milan	Carraro International S.E.	EUR	784,988	7,849,884	n.a.	n.a	10.14%	10.14%	-
MG Mini Gears Inc.	Virginia Beach (USA)	Carraro International S.E.	USD	8,910,000	-	-657	1,017	100.00%	100.00%	-

Annex to the explanatory notes to the Financial Statements as at 31.12.2020 – Carraro S.p.A.

Information on the corporate assets subject to fiscal revaluation.

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

REVALUATION LAW 576/1975

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

REVALUATION LAW 72/1983

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

REVALUATION LAW 413/1991

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

During the 1976 financial year, a monetary revaluation was made in accordance with Law 576/75, which produced a positive balance of 230,122 euros in Carraro S.p.A. and 129,114 euros in the incorporated company Carraro PNH S.p.A. During 1983, the assets were revalued in accordance with the provisions of Law no. 72/83, which produced a positive balance of 2,386,070 euros in Carraro S.p.A. The revaluation balances relating to these laws were utilised in Carraro S.p.A. in 1984 for a free capital increase.

During 1991, the real estate assets were revalued in Carraro S.p.A. in accordance with Law no. 413/91, which produced a positive balance of 1,084,804 euros gross of the substitute tax of 173,569 euros. This was utilised for a free increase in the share capital in accordance with the resolution of 31 May 1995. In 1991, a revaluation of the assets was carried out in the incorporated company Carraro PNH S.p.A. in accordance with Law no. 413/91, which produced a positive revaluation balance of 1,312,399 euros.

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

Below is a list of the subsidies, grants and other economic benefits received from public authorities and other parties as defined in Article 1(125), Law 124/2017, received by Carraro S.p.A. during 2020:

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.

Proposed appropriation of profits for the period:

Dear Shareholders,
For the financial statements closing on 31 December 2020 we propose that the financial statements to that date be approved as presented to you. The year ended with a loss of 11,331,058.45 euros which we propose be entirely carried forward.

The Chairman

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Enrico Carraro

Certification of the financial statements for the year pursuant to Article 154-*bis*, subsection 5 of Legislative Decree 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 and

- the effective application of the administrative and accounting procedures used to prepare the financial statements during financial year 2020.

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

3. We can also certify that:

3.1 the financial statements:

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

b) correspond to the accounting records;

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

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

Date: 26 March 2021

Enrico Carraro — *Chairman of the Board of Directors*

Enrico Gomiero — *Financial Reporting Officer*