Carraro Group

Directors' Report on Operations as at 31 December 2020

CARRARO S.p.A.

Head Office in Via Olmo no. 37, Campodarsego (Padua) 35011

Share Capital 41,452,543.60 euros, fully paid-up.

Tax Code, VAT and Registration Number

in the Padua Companies Register 00202040283 – R.E.A. No. 84033

GENERAL INFORMATION

BOARD OF DIRECTORS	**ENRICO CARRARO**	Chairman
In office until approval of the 2020 Financial Statements (Appointed, Shareholders' Meeting 14.05.2018)	**TOMASO CARRARO**	Deputy Chairman
	ANDREA CONCHETTO	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 Control, Risk and Sustainability Committee	
	(2) Members of the Appointments and Remuneration Committee	
	(3) Members of the Supervisory Board	
	* Independent directors	
	*** Director co-opted on 26.10.2020	
BOARD OF STATUTORY AUDITORS	**CARLO PESCE**	Chairman
In office until approval of the 2020 Financial Statements (Appointed, Shareholders' Meeting 14.05.2018)	**STEFANIA CENTORBI**	Regular Auditor
	SAVERIO BOZZOLAN	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 Enrico Carraro, Deputy Chairman Tomaso Carraro - as well as the Chief Executive Officer Alberto Negri for the period in office, which ended on 26.10.2020 with his resignation - have been given 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 April 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. Furthermore (i) the Board Director Enrico Gomiero has specific powers related to his position as Chief Financial Officer and (ii) the Board Director Andrea Conchetto - co-opted on 26.10.2020 up to the date of the next Shareholders' Meeting - has been given specific authority related to his position as General Manager.

DISCLAIMER

This document contains forward-looking statements, in particular in the section "Expected business outlook 2021", in relation to future events and the operating, economic and financial results of the Carraro Group. These forecasts have by their very nature a component of risk and uncertainty, as they depend on the occurrence of future events and developments. The actual results may differ, even significantly, from those announced in relation to a multiplicity of factors.

CONSOLIDATED INCOME STATEMENT AS AT 31.12.2020

(amounts in Euro thousands)	**31.12.20**	**%**	**31.12.19**	**%**	**Changes** 31.12.20 /31.12.19	
REVENUES FROM SALES	**478,678**	**100%**	**548,846**	**100%**	**-70,168**	**-12.78%**
Purchases of goods and materials (net of changes in inventories)	-288,024	-60.17%	-337,631	-61.52	49,607	14.69%
Services and Use of third-party goods and services	-71,552	-14.95%	-77,835	-14.18%	6,283	8.07%
Personnel costs	-89,209	-18.64%	-91,835	-16.73%	2,626	2.86%
Amortisation, depreciation and impairment of assets	-20,452	-4.27%	-20,235	-3.69%	-217	-1.07%
Provisions for risks	-1,913	-0.40%	-7,359	-1.34%	5,446	74.00%
Other income and expenses	4,195	0.88%	8,111	1.48%	-3,916	-48.28%
Internal construction	440	0.09%	469	0.09%	-29	-6.18%
OPERATING COSTS	**-466,515**	**-97.46%**	**-526,315**	**-95.89%**	**59,800**	**11.36%**
OPERATING PROFIT/(LOSS) (EBIT)	**12,163**	**2.54%**	**22,531**	**4.11%**	**-10,368**	**-46.02%**
Income and expenses from equity investments	-	0.00%	280	0.05%	-280	-100.00%
Other financial income	1,253	0.26%	934	0.17%	319	34.15%
Financial costs and expenses	-14,486	-3.03%	-10,790	-1.97%	-3,696	-34.25%
Net gains/(losses) on foreign exchange	356	0.07%	74	0.01%	282	
Value adjustments of financial assets	-1,506	-0.31%	-2,234	-0.41%	728	32.59%
Income (expenses) from hyperinflation	493	0.10%	-359	-0.07%	852	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**-13,890**	**-2.90%**	**-12,095**	**-2.20%**	**-1,795**	**-14.84%**
PROFIT/(LOSS) BEFORE TAXES	**-1,727**	**-0.36%**	**10,436**	**1.90%**	**-12,163**	
Current and deferred income taxes	-1,294	-0.27%	-1,640	-0.30%	346	21.10%
NET PROFIT/(LOSS)	**-3,021**	**-0.63%**	**8,796**	**1.60%**	**-11,817**	
Profit/(loss) pertaining to minorities	-250	-0.05%	-675	-0.12%	425	62.96%
GROUP CONSOLIDATED PROFIT/(LOSS)	**-3,271**	**-0.68%**	**8,121**	**1.48%**	**-11,392**	
EBITDA*	**32,567**	**6.80%**	**42,660**	**7.77%**	**-10,093**	**-23.66%**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2020

(amounts in Euro thousands)	**31.12.20**	**31.12.19**
Property, plant and equipment	152,871	158,785
Intangible fixed assets	46,996	52,544
Real estate investments	755	695
Investments	-	1,506
Financial assets	7,223	7,774
Deferred tax assets	19,318	20,389
Trade receivables and other receivables	4,274	4,181
NON-CURRENT ASSETS	**231,437**	**245,874**
Closing inventory	118,998	123,212
Trade receivables and other receivables	94,689	94,243
Financial assets	3,090	2,048
Cash and cash equivalents	347,263	76,120
CURRENT ASSETS	**564,040**	**295,623**
TOTAL ASSETS	**795,477**	**541,497**
Share Capital	41,453	41,453
Reserves	6,067	8,153
Foreign currency translation reserve	9,619	6,476
Profit/loss for the year	-3,271	8,121
Minority interests	9,347	9,101
SHAREHOLDERS' EQUITY	**63,215**	**73,304**
Financial liabilities	474,476	194,096
Trade payables and other payables	62	115
Deferred tax liabilities	1,477	1,899
Provision for severance indemnity and retirement benefits	9,379	9,769
Provisions for risks and liabilities	3,024	3,746
NON-CURRENT LIABILITIES	**488,418**	**209,625**
Financial liabilities	28,477	17,861
Trade payables and other payables	196,774	219,247
Current tax payables	2,784	5,331
Provisions for risks and liabilities	15,809	16,129
CURRENT LIABILITIES	**243,844**	**258,568**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**795,477**	**541,497**

ANALYSIS OF NET WORKING CAPITAL AT 31.12.2020

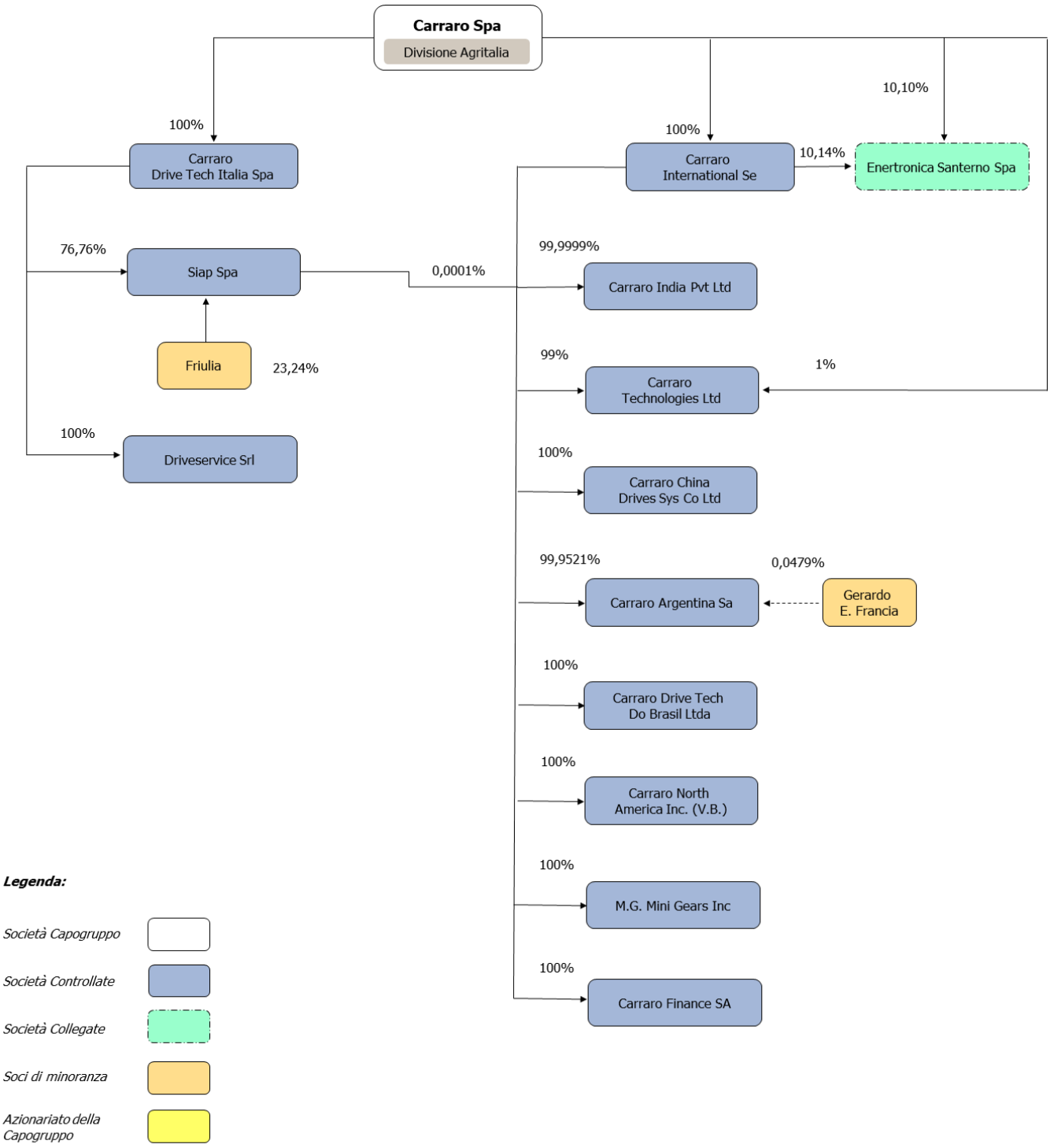
(amounts in Euro thousands)	**31.12.20**	**31.12.19**
Trade Receivables **	61,501	58,315
Closing inventory	118,998	123,212
Trade Payables ***	-140,400	-150,169
Net Working Capital of operations	**40,099**	**31,358**

**for details of the item please refer to Note 12 of the Consolidated Financial Statements.

*** for details of the item please refer to Note 17 of the Consolidated Financial Statements.

CORPORATE STRUCTURE OF THE CARRARO GROUP

AS AT 31.12.2020



The Carraro Group

Carraro is an international group, leader in transmission systems for off-highway vehicles and specialised tractors, with Headquarters in Italy in Campodarsego (Padua).
Carraro S.p.A. is not subject to management and coordination activities under the terms of Article 2497 and following 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.
To date the Group's activities are divided into two Business Areas:

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

Besides the two business areas, Carraro has developed its division

- **E-Power Systems**
  which offers innovative solutions for the electronic control of vehicle transmission systems, as well as complete engine units for e-mobility. The combination of mechanical know-how and electrical and electronic expertise has made it possible to design every type of vehicle architecture, sizing and integrating the most suitable electric modules (engineers, inverters), appropriately controlled from proprietary software and hardware platforms.

Reference markets

Agriculture

Despite the lockdowns gradually put in place in various geographic areas by governments to contain the COVID-19 pandemic, the drop in vehicle sales was less than expected at the start of the health crisis, and the reduction in volumes was mainly in the first half of 2020.

In the first half of the year, which is more important for seasonal trends, **Europe** recorded a considerable drop in sales compared to the same period of 2019. From the third quarter onwards, there were considerable signs of recovery in demand for all types of agricultural machinery. This trend was consolidated in the last part of the year, considerably reducing the loss of volumes compared to 2019. Sales of specialist tractors (Vineyards/Fruit Orchards) presented a similar trend, with a decrease over the previous year which was less significant than forecast in the first few months of 2020.

In 2020, the tractor market in **Turkey** picked up significantly (sector studies show an increase of 50/70% depending on the tractor type and size compared to 2019). This big increase in demand follows a lengthy phase when unsold items were destocked throughout the distribution network of main local manufacturers. The market now seems to be firmly on track to recover to the pre-crisis sales levels of 2018.

In **North America**, 2020 closed with a clear progression in sales volumes of all categories of agricultural machinery compared to the previous year. The demand trend was again influenced by trade tensions with China, one of the major export destinations for American agricultural products, whilst the spreading effects of the lockdowns caused by the pandemic did not seem to have had any effect on machinery sales.

In **China**, the first country to resume operations after the lockdown, 2020 saw a strengthening of demand for new agricultural machinery compared to the previous year, although in absolute terms, its level was still not high compared to the potential of this market. After a lengthy recession, the sector saw a change in trend, with tractors ranging from 60 to 100 hp being the most popular. Other Asian markets, such as **Japan** and **South Korea** are still in a recession.

In **India**, after a first half of the year with very low sales figures due to the combined effect of the spread of the COVID-19 pandemic and the locust invasion, the tractor market saw a sharp increase in demand from the end of the second quarter. Sales recorded a series of monthly highs, thanks to a good winter harvest due to the positive effects of the monsoon, and good prices for agricultural products, which enabled farmers to purchase new vehicles. Moreover, the agricultural machinery segment is undergoing a phase of technological transformation that sees an increasing preference for 4-wheel drive vehicles, for which the Group is world leader. Market fundamentals were positive, also in the first half of 2021.

Sales of agricultural machinery in **South America** ended 2020 basically in line with 2019, while the Brazilian market proved to be more buoyant than other countries in the area. In absolute terms, the dimension of the market is well below its potential.

Construction equipment

As with the agricultural sector, the construction equipment sector also experienced a non-linear trend in demand due to the lockdowns to contain the spread of the virus: compared to a significantly lower first half of the year compared to 2019, this was followed by a significant rebound in sales volumes, starting in the third quarter of the year, which then consolidated in the fourth quarter.

In **Europe**, following a moderately optimistic start in the demand for construction vehicles, the situation deteriorated rapidly during the second quarter as a result of the spread of the pandemic with the associated halt in construction activities and the consequent low propensity to purchase new machinery. The third quarter, however, showed clear signs of recovery, which continued until the end of the year. The overall figures for 2020 show a drop in volumes compared to 2019 which was not as serious as expected.

Turkey confirmed signs of a buoyant demand, following on from a lengthy recession: the impact of COVID-19 does not appear to have been significant in the area.

In **North America**, 2020 started at a slower pace than in the same period of the previous year. This area was also affected by the end of a growth cycle that has lasted several years, almost without interruption. The negative trend remained substantially unchanged until the third quarter and signs of a recovery in demand were only seen in the latter part of the year. The final figures for 2020 show a considerable drop overall in sales compared to the previous year.

In **China**, despite the negative impacts of the lockdown, 2020 remained on the rise, thanks to continued large infrastructure investments by the central government and the various provinces and strong demand for crawler excavators. In 2020, the Chinese market absorbed more than 30% of the global construction machinery volume.

In **India**, following a first quarter with growing sales and a sharply declining second quarter, the second half of the year saw a significant rebound in demand. Nevertheless, overall sales for 2020 were significantly lower than the previous year.

In **Brazil**, demand for new vehicles in 2020 was better overall than the previous year, due to the release of certain new investments in the construction sector, although, in absolute terms, it remained at a level far from pre-2014 levels.

Research and Innovation: the Carraro Group's key success factor

Commitment to R&D continued, still focussed on developing innovative transmission systems and specialised tractors aimed at markets with greater potential. In particular, R&D investments in 2020 were higher than over the previous year, amounting to 5.58% of turnover (4.12% in 2019), with an increase in absolute values.
Despite the health emergency, design and simulation activities continued without interruption, with a considerable use of home working. Prototyping and experimental validation were inevitably affected by delays, which were partially recovered in the second half of the year.

Transmission systems and gearboxes

Activities for **agricultural transmissions** focussed on filling the gaps of the current range, with various versions - mechanical, as well as powership and powershuttle featuring electronic control, up to a version with continuously variable transmission (CVT). As regards **construction equipment**, development activities focussed on research into solutions that will comply with increasingly stringent requirements on reducing consumption and emissions, starting from more compact vehicles, and in this context Carraro will offer complete Electric Powertrain solutions.

Axle range evolution

The design of the new axle range, with both **suspension-free** and **portal** versions, continued in 2020, with the aim of introducing innovative features, such as a reduction in management costs plus the possibility to add different types of sensors designed to enable connectivity to remote services, including **predictive maintenance**, while in the **automotive** sector, activities continued for the optimisation of axles for the GRENADIER extreme off-road application.

Tractors

During 2020, all activities necessary to check engine installations that will cover the stage V portfolio variations were completed, as well as technical validations with requirements agreed with OEM customers.

Research and development on vehicle **electrification** continued.

e-Power Systems Division

The new division rolled out activities for the development of **innovative electronic control solutions** for transmission systems and vehicles, as well as **complete engine units for e-mobility.** The division is also exploring technologies for the development of **self-driving** solutions.

Summary of financial year 2020

To better understand the figures relating to the 2020 financial year, adjusted figures will be provided. Specifically, the ***adjusted*** *figures will take into account transactions not connected to ordinary operations.*

The following alternative performance indicators will also be used, which may in turn be adjusted to take account of transactions not related to ordinary operations:

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

Performance

After an extremely positive year, with a sharp increase in volumes, the Group was affected by a drastic slowdown at the end of the first quarter and during the second quarter, due to the consequences of the spread of the COVID-19 pandemic.

In particular, all Group sites, starting from the Chinese plant in January, had to gradually deal with production stopping, as imposed by the authorities. In February, the spread of the virus had affected all continents. In late March, Italian sites were closed, with this shutdown lasting until 4 May, as well as the plants at Pune (India), Buenos Aires (Argentina) and Caixas do Sul (Brazil), while only the logistics hub at Poggiofiorito stayed open, for the supply of replacement parts.

Normality more or less returned from June onwards, with the gradual re-opening of activities overall, in complete safety, thanks to the protocols to control and contain the spread of the COVID-19 virus adopted well in advance and efficiently based on experience at the Chinese site.

Reversing the trend of the first half of the year, the Group saw a considerable increase in volumes, from as early on as September and above all in the last quarter, predicting the positive performance expected for 2021, of which the results will depend on whether the supply chain is able to support growth, considering that it has resumed with a capacity below market demand, which will also have important evident effects on logistics activities. Despite the significant sales contraction, the economic data analysis highlights an encouraging stability in margins, essentially due to the positive effect of the various actions implemented over the past few years on production factors; despite activities stopping and the resulting slowdown, all Group companies were able to optimise the use of internal resources, significantly limiting the use of social shock absorbers (furlough schemes) in Italy, holidays and other government incentives (e.g. China).

An analysis of profitability ratios (EBIT and EBITDA), adjusted to take account of the non-recurring operations discussed further on, shows that margins were substantially in line in percentage terms with the previous year. This is the result of the responsiveness deployed in the first half of the year and targeted actions to contain fixed costs. This result can be considered a significant success, given the scope and duration of the global health crisis.

In addition to the above, during the volume recovery phase, in September, the Carraro Group was affected by cyber attack that caused production to stop for a few days and the loss of some operating data. The prompt recovery activities allowed a progressive and rapid restart of operations, guaranteeing their quality.

As already stated in the comments on the results for the first half of the year, both the internal growth plan, based on important R&D activities that will lead to new product lines on the market, and projects to expand external lines continued, in order to improve the Group's strategic and dimensional positioning, with the support of a new group bond issue in September for 150 million euros.

With regard to the financial profile, as expected, the financial position increased compared to December 2019, when it had been positively affected by the advances received from customers of the Agritalia Division for bunkering (the storage of engines that will be used in production in the next few years).

Besides the above bond, and to better deal with the effects of lockdowns, some new credit lines and liquid assets were obtained with a SACE guarantee (as established by the Liquidity decree).

For the relevant figures, please refer to the next paragraph.

Results summary

The year ended with a downturn in volumes for the reasons explained previously, and above all due to the impacts of lockdowns imposed in various parts of the world. Consolidated turnover in 2020 amounted to 478.678 million euros compared to 548.846 million euros in the previous year (-12.78%). As regards the Drive Tech Business Area, turnover fell by 14.9%, while the decrease for the Agritalia Business Area stood at 4.26%.

Despite this, margins decreased to a limited extent, thanks to the ability to react after the slowdown resulting from the various lockdowns and the actions taken to improve the industrial structure and the supply chain. These margins were negatively affected, as regards non-recurring operations, by the costs incurred to adapt workplaces to the health situation (COVID-related costs, such as costs for sanitisation and the purchase of face masks, sanitisers and safety equipment), the costs incurred due to the cyber attack, as well as the effects of the impairment of an engineering contract, and the costs for the restructuring of the Argentinian subsidiary).

EBITDA at 31 December 2020 came to 32.567 million euros (6.8% of turnover), down 23.66% compared to 42.660 million euros (7.77% of turnover) in 2019; 2020 EBIT amounted to 12.163 million euros (2.54% of turnover), down 46.02% compared to 22.531 million euros (4.11% of turnover) in 2019.

Having eliminated non-recurring effects, adjusted EBITDA and EBIT were down compared to 2019 in absolute terms; as a percentage of turnover, on the other hand, they were in more line with the previous year. As mentioned above, margins remained generally good, thanks to the Group's ability to absorb the drop in volumes.

GROUP *(Values in Euro thousands)*	**31.12.2020**	***% of turnover***	**31.12.2019**	***% of turnover***
EBITDA	32,567	6.8%	42,660	7.8%
ADJUSTED EBITDA	37,067	7.7%	43,961	8.0%
EBIT	12,163	2.5%	22,531	4.1%
ADJUSTED EBIT	16,663	3.5%	23,832	4.3%

The table shows EBIT and EBITDA adjusted to take into account non-recurring operations which amounted to 4.5 million euros for 2020, due mainly to the effects of the non-recoverability of an engineering contract of Carraro spa (for 3 million euros) costs incurred for the safety of factories and offices to minimise contagion (500 thousand euros), and costs incurred due to the cyber attack (878 thousand euros). In 2019, the same item amounted to 1.3 million euros for restructuring costs related to the Argentinian subsidiary.

Net financial expenses amounted to 13.233 million euros (2.76% of turnover), an increase compared to 9.856 million euros (1.8% of turnover) in 2019. This item was affected by liquid assets obtained to support tensions in working capital (liquidity decree loans) and the growth plan through external channels (new bond issue).

Again in 2020, the effect of hyperinflation accounting for the Argentinian subsidiary was recognised, affecting some items of the financial statements, with hyperinflation income of 0.493 million euros (0.1% of turnover) being recognised; in 2019, these expenses amounted to 0.359 million euros (-0.07% of turnover), recognised under financial expenses. For the appropriate detailed analysis, reference should be made to the specific paragraph of the Notes to the Financial Statements.

Exchange gains of 356 thousand euros were recognised (0.07% of turnover) improving on the previous year (exchange gains of 74 thousand euros (0.01% of turnover), thanks to policies to balance commercial flows (natural hedging) and hedging transactions.

Taxes for the period amounted to a total of 1.294 million euros (0.27% of turnover) compared to 1.640 million euros (0.3% of turnover) in the previous year. In 2019, larger amounts for some extraordinary items were recognised compared to 2020, including the effect of the tax subsidy for research and development activities pursuant to the 2015 stability law.

A net consolidated loss of 3.271 million euros was recorded (-0.68% of turnover), down on profit for 2019 equal to 8.121 million euros (1.5% of turnover). Without the effects of extraordinary items and after the related effect of taxes (-1,254 thousand euros in 2020 and -390 thousand euros in 2019) the adjusted net operating result broken even, as indicated in the following table.

GROUP *(Values in Euro thousands)*	**31.12.2020**	***% of turnover***	**31.12.2019**	***% of turnover***
NET PROFIT/(LOSS)	-3,271	-0.7%	8,121	1.5%
ADJUSTED NET PROFIT/(LOSS)	-25	-0.0%	9,032	1.6%

The consolidated net financial position at 31 December 2020 was negative 143.764 million euros, worsening compared to 31 December 2019 (negative 123.617 million euros). The position at the end of 2019 was affected by advances received from some customers of Agritalia for bunkering (the storage of engines that will be used in production in the next few years).

Consolidated shareholders' equity at 31 December 2020 was equal to 63.215 million euros (73.304 million euros in 2019); the change was affected by the result for the year, as well as changes in the translation reserve.

At 31 December 2020, all financial covenants of the regulations of the CAR FIN TF Ge 25 bond for 180 million euros issued in January 2018 (Incurrence Covenants) had been met. As regards the recently issued CAR FIN ST 26 bond, the registration of covenants for 2020 was not required.
Agreements with banks which required financial covenants to be met were suspended for all of 2020.

SIGNIFICANT EVENTS IN FINANCIAL YEAR 2020

The most significant events that occurred during the year are summarised below.

Between the end of the first quarter of 2020 and start of the second quarter, all Group sites were gradually affected by production stopping due to the lockdowns imposed by authorities in various areas of the world. The Chinese site was the first Carraro Group facility affected, and had to deal with production stopping for around a month, from January, to then return to a substantial normality.
Subsequently on 22 March 2020, the Italian government stopped all non-essential production activities up until 4 May. As a result of this decree, the production plants in Campodarsego, Maniago and Rovigo were therefore closed, while the Poggiofiorito logistics hub (which supplies replacement parts) remained operational.
From 23 March onwards, the sites at Pune (India), Buenos Aires (Argentina) and Caixas do Sul (Brazil) were closed, following similar measures taken by local governments, with activities resuming in full, first in Argentina and gradually in India, to return to near-normal conditions in June.

In September, the Company Carraro International issued a senior unsecured bond listed on the MOT and on the Luxembourg stock exchange maturing in 2026, for 150 million euros, with a coupon of 3.75%.
The placement closed with complete coverage on 14 September 2020, ahead of the scheduled closing date.

Besides the aforesaid bond, and to better deal with the health crisis, some new amortizing credit lines maturing in 2026 were obtained, for a total of 85 million euros from various banks with a SACE guarantee (as established by the Liquidity decree).

In September, all Carraro Group companies were involved in a cyber attack that affected a part of the IT infrastructure, causing a production shutdown of a few days and the loss of some operating data. Recovery activities made it possible to quickly resume operations. The integrity of company data was guaranteed in full, thanks to the rapid deployment of protection systems.

In November, the Company SIAP Spa took out an additional loan with Civibank for 3.75 million euros from FRIE, the Rotation Fund for Economic Initiatives in Friuli Venezia Giulia. This loan, in addition to the 7.5-million-euro loan obtained last year, is part of a support programme with Civibank that will make it possible to accelerate the investments planned to expand the production capacity of the Maniago site.

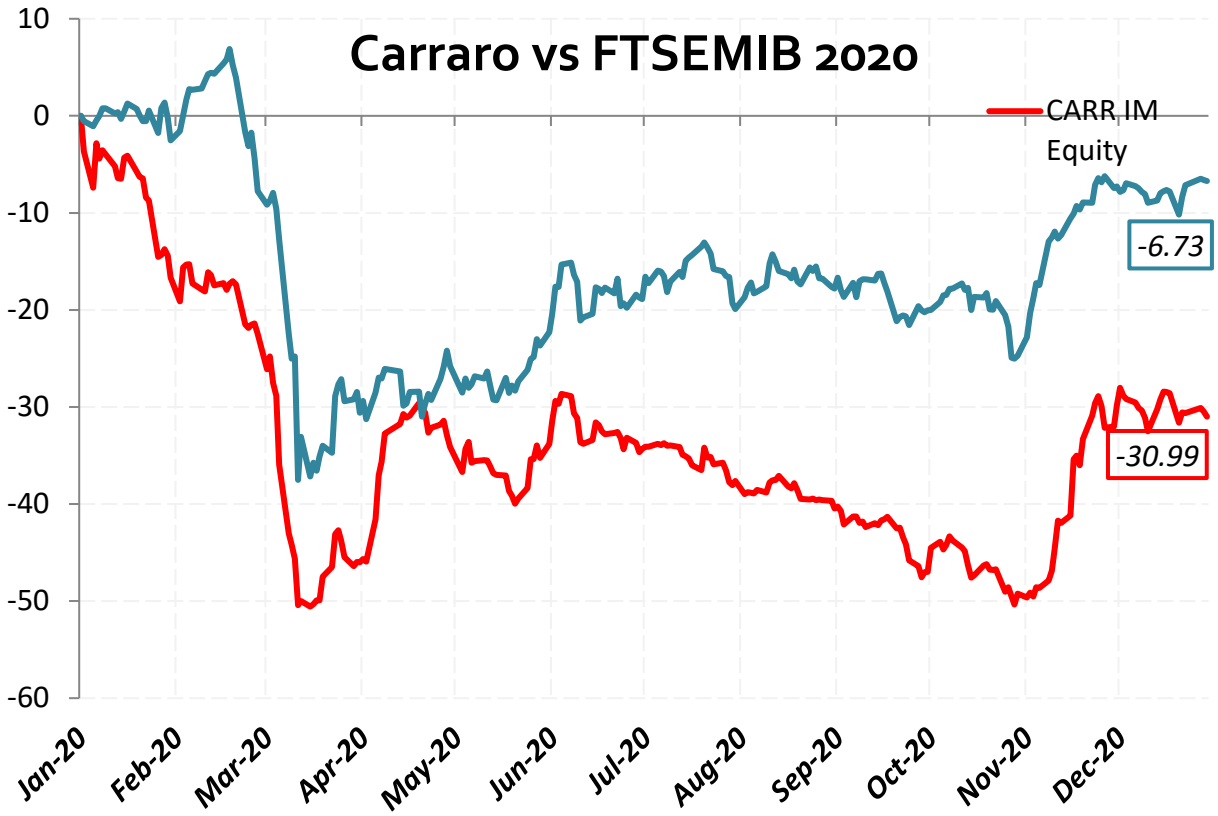
Following the resignation of the Chief Executive Officer Alberto Negri, on 26 October 2020, the Board of Directors of the Company decided to co-opt Andrea Conchetto, already appointed General Manager on 1 January 2020, and granted him the widest-ranging powers for the operational management of the Company.

SHARE PERFORMANCE

In 2020, the share, although following the trend of the MIB, performed worse than the index, affected heavily by the uncertainty of markets due to the spread of the pandemic.

The mean official price of 2020 was 1.48 euros, reaching the maximum listing of 2.23 euros on 2 January 2020 and the minimum of 1.10 euros on 16 March 2020.

Carraro - FTSE MIB



SUBSEQUENT EVENTS

There are no subsequent events to report.

EXPECTED BUSINESS OUTLOOK 2021

The first half of 2021 shows a growing order backlog thanks to the positive performance of all target markets, compared to both the previous year as well as expectations. The ability to meet this backlog will be affected by certain critical issues in the supply chain, caused both by the availability of materials as well as the corresponding price increase, and also by certain problems linked to the logistics chain, all of which the group is pro-actively addressing.

CONSOB 1/2021 ALERT

As regards the evaluations on the business being a going concern, the effect of the new phenomenon of the pandemic in 2020 made it necessary to reconsider possible scenarios in business forecasts and in the assumptions used for the business being a going concern.
Considering the recent indications of European and national technical and control authorities (ESMA 28.10.2020, Consob 16.02.2021), the directors reviewed the economic effects of measures taken by the authorities to contain the virus on their own industrial context, and the trend of main market ratios for the year ended and subsequent period.
This review showed that despite the complexity of the general situation, no elements to indicate that the business is no longer a going concern have occurred, within reasonably foreseeable limits.

In particular the following is noted:

- the group's markets are reporting growth, as demonstrated by the robust portfolio expected for 2021;
- the reliability of the supply chain, despite some difficulties in processing orders due to the sudden increase in demand, has not shown any signs so far of substantial discontinuity overall;
- at present, the Group does not plan to use public support measures which, if no longer provided, would have significant economic/financial effects;
- thanks to recent and significant mid-term funding operations, the Group is not in conditions where it has a limited availability of or access to financial resources;
- the Group operates with customers that have excellent credit ratings, whose past and present financial performance has no critical aspects that would affect the recoverability of amounts owing by them.

BALANCE SHEET AND FINANCIAL DATA

Turnover

Consolidated turnover at 31 December 2020 amounted to 478.678 million euros, down 12.78% compared to turnover for 2019, equal to 548,846 million euros.

The following table breaks turnover down by business segment:

(amounts in Euro thousands)

	SALES			SALES TO THIRD PARTIES			RELATED SALES			INTRA-GROUP SALES		
	2020	2019	Diff. %	2020	2019	Diff. %	2020	2019	Diff. %	2020	2019	Diff. %
CARRARO DRIVE TECH	386,745	454,485	-14.9	366,786	435,805	-15.8		18	-100	19,959	18,662	6.9
CARRARO DIV. AGRITALIA	113,064	118,091	-4.3	108,869	112,512	-3.2	-	-		4,195	5,579	-24.8
NON-ALLOCATED BUSINESS	26,067	24,805	5.1	3,015	502		7	9	-22	23,052	24,294	-5.1
TOTAL SEGMENTS	**525,876**	**597,381**	**-12.0**	**478,670**	**548,819**	**-12.8**	**7**	**27**	**-74.1**	**47,206**	**48,535**	**-2.8**
INTRA-GROUP ELIMINATIONS	-47,198	-48,535	-2.8	-	-		-	-		-47,206	-48,535	-2.8
CONSOLIDATED TOTAL	**478,678**	**548,846**	**-12.8**	**478,670**	**548,819**	**-12.8**	**7**	**27**	**-74.1**	-	-	

Intra-group sales refer to sales realised between companies from different business areas (in particular Carraro Drive Tech and Divisione Agritalia).

The following table breaks down total turnover by geographical area:

(amounts in Euro thousands)	31.12.2020	%	31.12.2019	%	Diff. 2020-19 %
India	70,749	14.78%	76,159	13.88%	-7.10%
North America	57,017	11.91%	77,394	14.10%	-26.33%
Germany	56,381	11.78%	70,865	12.91%	-20.44%
Turkey	29,532	6.17%	13,115	2.39%	125.18%
South America	28,494	5.95%	32,926	6.00%	-13.46%
Switzerland	27,996	5.85%	28,083	5.12%	-0.31%
France	26,683	5.57%	29,776	5.43%	-10.39%
China	25,571	5.34%	22,747	4.14%	12.41%
United Kingdom	15,542	3.25%	40,888	7.45%	-61.99%
Spain	8,742	1.83%	16,280	2.97%	-46.30%
Other EU areas	28,934	6.04%	29,366	5.35%	-1.47%
Other non-EU areas	14,094	2.94%	12,920	2.35%	9.09%
Total Abroad	**389,735**	**81.42%**	**450,519**	**82.08%**	**-13.49%**
Italy	88,943	18.58%	98,327	17.92%	-9.54%
Total	**478,678**	**100.00%**	**548,846**	**100.00%**	**-12.78%**
of which:					
Total EU area	**209,683**	**43.80%**	**244,613**	**44.57%**	**-14.28%**
Total non-EU area	**268,995**	**56.20%**	**304,233**	**55.43%**	**-11.58%**

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

It should be noted that the Group mainly sells to the production sites of OEMs that may reside in different countries from the nations of end users of their products.

In terms of foreign country positioning, India - albeit recording a limited decline in absolute terms (-7.1%), went against the trend compared to 2019, ranking in first place overall, ahead of the group's historic market, North America (down by -26.33%). As regards sales on European markets, Germany maintained its lead, despite a significant drop of -20.44%. All other geographic areas decreased, except for Turkey, which regained significant momentum in 2020 (+125.18%), as mentioned already in the section on markets.

EBITDA and EBIT

The following tables show details of the non-recurring items affecting EBITDA and EBIT.

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
EBITDA	**32,567**	**6.8**	**42,660**	**7.8**	**-23.66**
Costs/(income) of non-recurring operations	4,500		1,301		
of which:					
Restructuring costs in Argentina	141		1,301		
Other restructuring costs	-81				
COVID-19-related costs	500				
Cyber attack costs	878				
Other (impairment effect)	**3,062**				
ADJUSTED EBITDA	**37,067**	**7.7**	**43,961**	**8.0**	**-15.68**

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
EBIT	**12,163**	**2.5**	**22,531**	**4.1**	**-46.02**
Costs/(income) of non-recurring operations	4,500		1,301		
of which:					
Restructuring costs in Argentina	141		1,301		
Other restructuring costs	-81				
COVID-19-related costs	500				
Cyber attack costs	878				
Other (impairment effect)	3,062				
ADJUSTED EBIT	**16,663**	**3.5**	**23,832**	**4.3**	**-30.08**

Minus the non-ordinary effects, margins in terms of EBITDA and EBIT were solid in both absolute and relative terms. An analysis of these indicators, adjusted to take account of non-recurring operations, shows that margins in absolute terms improved and are substantially in line in percentage terms with the previous year, in particular for EBITDA.

Net financial expenses

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Net financial expenses	-13,233	-2.8	-9,856	-1.8	-34.3

Financial expenses increased by 34.3%, going up from 9.856 million euros to 13.233 million euros as a consequence of the liquid assets obtained, as indicated in the introduction.
Expenses also include the fees paid on the bond, absorbed in the repayment schedule, based on the amortised cost method.

Income (expenses) from equity investments

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Income/(expenses) from equity investments	0	0	0.280	0.05	-100%

During 2019, 7.62% of the shares of Enertronica Santerno Spa were sold, resulting in a total capital gain of 280 thousand euros. In 2020, no changes were recorded.

Exchange differences

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Exchange differences	356	0.07	74	-0.01	n.r.

Exchange differences at 31 December 2020 were positive amounting to 356 thousand euros (0.07% of turnover). In 2019, exchange differences were positive amounting to 74 thousand euros (0.01% of turnover).

Thanks to a natural hedge policy, the Group's sales flow profile is substantially balanced.

Value adjustments of financial assets

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Value adjustments of financial assets	1,506	-0.31	-2,234	-0.41	32.59

Adjustments in 2020 refer to the economic effect arising from the equity method valuation of the investment in Elettronica Santerno S.p.A.

Income (expenses) from hyperinflation

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Income (expenses) from hyperinflation	493	0.1	-359	-0.07	no.

In 2020, the effect of inflation accounting for the Argentinian subsidiary was recognised in the financial statements, which affected several items and resulted in total income of 493 thousand euros, 0.1% of turnover (in 2019 this was equal to expenses for 359 thousand euros, 0.07% of turnover). For the appropriate detailed analysis, reference should be made to the specific paragraph of the Notes to the Consolidated Financial Statements.

Net profit/(loss)

2020 closed with a loss of 3.271 million euros (-0.7% of turnover), a deterioration compared to the profit of 2019 (8.121 million euros (1.48 % of turnover). Taxes at 31 December 2020 amounted to 1.294 million euros (-0.30% of turnover) against 1.640 million euros (-0.30% of turnover) at 31 December 2019.

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
EARNINGS BEFORE TAX	**-1,727**	**-0.4**	**10,436**	**1.90**	**no.**
Current and deferred income taxes	-1,294	-0.3	-1,640	-0.3	
Profit/(loss) pertaining to minorities	-250	-0.1	-675	-0.12	
NET PROFIT/(LOSS)	**-3,271**	**-0.683**	**8,121**	**1.48**	**no.**

Net of the effects of non-recurring operations, the net operating result decreased compared to the previous year and basically broke even, as shown in the table below:

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
NET PROFIT/(LOSS)	**-3,271**	**-0.7**	**8,121**	**1.48**	**no.**
Costs/(income) of non-recurring operations net of the tax effect	3,246		911		
ADJUSTED NET PROFIT/(LOSS)	**-25**	**0.0**	**9,032**	**1.65**	**no.**

The adjusted net operating result takes account of the extraordinary items referred to in previous paragraphs for 3.2 million euros net of the related tax effect, including the effects related to the impairment of an engineering contract of Carraro spa, the costs incurred to adapt workplaces to the health situation (COVID-related costs, such as costs for sanitisation and the purchase of face masks, sanitisers and safety equipment), and the costs incurred due to the cyber attack, as well as the costs for the restructuring of the Argentinian subsidiary; in 2019, extraordinary items related only to the Argentinian subsidiary amounted to 0.9 million euros net of the related tax effect (-390 thousand).

Amortisation, depreciation and impairment of fixed assets

(amounts in Euro thousands)

	31.12.2020	% of turnover	31.12.2019	% of turnover	Diff. %
Depreciation and amortisation	20,412	4.3	20,214	3.7	1.0
Impairment of fixed assets	-8	-0.0	-85	-0.0	n.r.
Amortisation, depreciation and impairment	**20,404**	**4.3**	**20,129**	**3.7**	**1.4**

Amortisation and depreciation amounted to 20.412 million euros (4.3% of turnover), an increase compared to 20.214 million euros (3.7% of turnover)) in 2019.

Investments

(amounts in Euro thousands)

	31.12.20	31.12.19
Investments	16,249	23,998

In 2020, investments of 16.249 million euros were made for the purchase of machinery and the maintenance of efficiency and modernisation of the plant and equipment at the various sites. The decrease compared to the previous year is due to the slowdown in business caused by the health crisis. For supplies of the same capex, the waiting times for new machinery became far longer (even more than a year).

Net financial position of operations

(amounts in Euro thousands)

	31.12.20	30.09.20	30.06.20	31.12.19
Net financial position of operations	-143,764	-147,238	-149,609	-123,617

The consolidated net financial position at 31 December 2020 was negative 143.764 million euros, a deterioration compared to 31 December 2019 (negative 123.617 million euros), but improving on the figure at 30 June 2019 (149.609 million euros). It should be recalled that 31 December 2019 was affected by advances received from Agritalia's customers for purchasing and storing engines which were not followed by payment of the related goods to the supplier.

Research and innovation

Expenses for Research and Innovation, the purposes and applications of which are commented on in a specific paragraph, amounted in 2020 to 26.708 million euros, accounting for 5.58% of turnover (22.618 million euros in 2019, representing 4.12% of turnover).

Treasury Shares

At 31 December 2020, the company held 2,626,988 treasury shares for a total investment of 6.666 million euros.

HUMAN RESOURCES

Workforce trend

Figures as at 31.12.2020

	31.12.2020	31.12.2019	31.12.2018
Executives	27	26	24
Clerical staff	711	703	678
Factory workers	2,045	2,016	2,104
Temporary workers	672	347	460
Total	**3,455**	**3,092**	**3,266**

Group headcount at 31 December 2020 (including temporary workers, trainees and interim workers), amounted to 3,455 persons compared to 3,092 actually working at 31 December 2019. The higher numbers compared to 31 December 2019 is mainly due to the increase in production volumes in the last part of 2020.

In terms of the geographic breakdown, at 31 December 2020, there were 1,480 employees in Italy and 1,975 in other countries.

PERFORMANCE OF THE PARENT COMPANY

Carraro S.p.A.

Carraro SpA is the parent company, with strategic guidance, control and coordination functions, and centralises and integrates R&D activities. The company also has a production site, Divisione Agritalia, based in Rovigo, for the development, manufacture and distribution of agricultural tractors based on agreements with major international manufacturers (Agco, John Deere, Claas) and Carraro branded tractors.

In 2020, Carraro S.p.A. realised sales revenues of 138.917 million euros (142.639 million euros as at 31 December 2019). The reduction in turnover is attributable to the contraction in volumes of the Agritalia division, as explained in the relevant section.

EBIT was negative 10.986 million euros, -7.9% of turnover (in 2019 it was negative 1.620 million euros, -1.1% of turnover) and EBITDA was negative 5.848 million euros, -4.2% of turnover (3.351 million euros in 2019, 2.3% of turnover). Both ratios performed worse due to the deterioration in volumes.

Net financial expenses amounted to 4 million euros (2.9% of turnover), improving on the figure of 4.8 million euros (3.4% of turnover) at 31 December 2019.

In 2020, dividends were not recognised as they were suspended following the obligation imposed by the Cure Italy decree for companies that intended to request loans secured by the SACE guarantee. At 31 December 2019, dividends amounted to 17 million euros, referred to the investees Carraro Drive Tech SpA and Carraro International SE.

Taxes totalled 4.4 million euros (3.5 million euros in 2019) and 2020 closed with a loss of 11.3 million euros (-8.1% of turnover) compared with a profit of 14.2 million euros (9.9% of turnover) in the previous year.

In 2020, amortisation and depreciation were equal to 5.138 million euros, substantially in line with those of the previous year (4.971 million euros).

Gross investments amounted to 4.944 million euros in 2020, down on 5.559 million euros as at 31 December 2019. The decrease compared to the previous year is due to the slowdown in business caused by the health crisis.

The net financial position of operations recorded debt of 77.172 million euros as at 31 December 2020, compared to a negative position amounting to 50.714 million euros as at 31 December 2019. It should be noted that 2019 was positively impacted by the effects of bunkering, which concerned the Divisione Agritalia.

The shareholders' equity of Carraro S.p.A at 31 December 2020 amounted to 84.222 million euros, up compared to 86.359 million euros in 2019.

The workforce at 31 December 2020 totalled 509 persons (of which 178 at the holding in Campodarsego, including the R&D area with 100 people, and 331 at the Rovigo plant of Divisione Agritalia).

Summary results of the parent company and the companies it directly controls, not attributable to any of the Business Areas, are given below.

(amounts in Euro thousands)

	Carraro SpA					Carraro Germania Srl				
	31.12.20	**% of turnover**	**31.12.19**	**% of turnover**	**Diff. %**	**31.12.20**	**% of turnover**	**31.12.19**	**% of turnover**	**Diff. %**
Turnover	138,917		142,639		-2.6	-		-		
EBITDA	-5,848	-4.2	3,351	2.3	n.r.	-		8		-100.0
EBIT	-10,986	-7.9	-1,620	-1.1	n.r.	-		8		-100.0
Net Profit/(loss)	-11,331	-8.2	14,232	10.0	n.r.	-		359		-100.0
Amortisation, depreciation and impairment	5,138	3.7	4,971	3.5	3.4	-		-		
Investments	4,944		5,559			-		-		
Net financial position of operations	-77,172		-51,686			-		11,194		
Shareholders' equity	84,222		86,359			.		11,105		

	Carraro International SE					MiniGears Inc.				
	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Turnover	303		344		-11.9	-		-		
EBITDA	-1,601	n.r.	-984	n.r.	62.7	-1		-		n.r.
EBIT	-1,665	n.r.	-1,038	n.r.	60.4	-1		-		n.r.
Net Profit/(loss)	-7,337	n.r.	2,822	n.r.	n.r.	-1		-		n.r.
Amortisation, depreciation and impairment	64	21.1	54	15.7	18.5	-		-		
Investments	65		45			-		-		.
Net financial position of operations	-35,950		-20,666			1		2		
Shareholders' equity	25,139		18,552			1		2		

Performance and results of the Carraro Group Business Areas

DRIVELINES & COMPONENTS - DRIVE TECH BUSINESS AREA

SUBCONSOLIDATED INCOME STATEMENT AS AT 31.12.2020
DRIVELINES & COMPONENTS - DRIVE TECH BUSINESS AREA

(amounts in Euro thousands)	**31.12.20**	**%**	**31.12.19**	**%**	**Changes** 31.12.20	31.12.19
REVENUES FROM SALES	**386,745**	**100.00%**	**454,485**	**100.00%**	**-67,740**	**-14.90%**
Purchases of goods and materials (net of changes in inventories)	-218,644	-56.53%	-268,523	-59.08%	49,879	18.58%
Services and Use of third-party goods and services	-70,081	-18.12%	-79,236	-17.43%	9,155	11.55%
Personnel costs	-59,530	-15.39%	-64,959	-14.29%	5,429	8.36%
Amortisation, depreciation and impairment of assets	-16,639	-4.30%	-16,372	-3.60%	-267	-1.63%
Provisions for risks	-1,055	-0.27%	-6,564	-1.44%	5,509	83.93%
Other income and expenses	3,798	0.98%	6,081	1.34%	-2,283	-37.54%
Internal construction	447	0.12%	344	0.08%	103	29.94%
OPERATING COSTS	**-361,704**	**-93.53%**	**-429,229**	**-94.44%**	**67,525**	**15.73%**
OPERATING PROFIT/(LOSS) (EBIT)	**25,041**	**6.47%**	**25,256**	**5.56%**	**-215**	**-0.85%**
Income from equity investments	-	0.00%	-	0.00%	-	
Other financial income	1,085	0.28%	918	0.20%	167	18.19%
Financial costs and expenses	-6,603	-1.71%	-7,075	-1.56%	472	6.67%
Net gains/(losses) on foreign exchange	369	0.10%	106	0.02%	263	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
Income (expenses) from hyperinflation	493	0.13%	-359	-0.08%	852	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**-4,656**	**-1.20%**	**-6,410**	**-1.41%**	**1,754**	**27.36%**
PROFIT/(LOSS) BEFORE TAXES	**20,385**	**5.27%**	**18,846**	**4.15%**	**1,539**	**8.17%**
Current and deferred income taxes	-5,278	-1.36%	-5,101	-1.12%	-177	-3.47%
NET PROFIT/(LOSS)	**15,107**	**3.91%**	**13,745**	**3.02%**	**1,362**	**9.91%**
Profit/(loss) pertaining to minorities	-250	-0.06%	-675	-0.15%	425	62.96%
BUSINESS AREA CONSOLIDATED RESULT	**14,857**	**3.84%**	**13,070**	**2.88%**	**1,787**	**13.67%**
EBITDA *	**41,632**	**10.76%**	**41,536**	**9.14%**	**96**	**0.23%**

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

SUBCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2020
DRIVELINES & COMPONENTS - DRIVE TECH BUSINESS AREA

(amounts in Euro thousands)	**31.12.20**	**31.12.19**
Property, plant and equipment	111,404	112,184
Intangible fixed assets	39,787	40,641
Real estate investments	155	155
Investments	-	-
Financial assets	2,863	1,687
Deferred tax assets	5,872	7,291
Trade receivables and other receivables	4,223	4,075
NON-CURRENT ASSETS	**164,304**	**166,033**
Closing inventory	83,859	73,511
Trade receivables and other receivables	83,166	82,630
Financial assets	1,455	1,064
Cash and cash equivalents	38,995	24,700
CURRENT ASSETS	**207,475**	**181,905**
TOTAL ASSETS	**371,779**	**347,938**
Share Capital	5,000	30,102
Reserves	84,105	46,213
Foreign currency translation reserve	9,430	6,287
Profit/loss for the year	14,857	13,070
Minority interests	9,347	9,101
SHAREHOLDERS' EQUITY	**122,739**	**104,773**
Financial liabilities	60,946	46,409
Trade payables and other payables	62	114
Deferred tax liabilities	1,477	1,899
Provision for severance indemnity and retirement benefits	6,984	7,336
Provisions for risks and liabilities	2,281	2,759
NON-CURRENT LIABILITIES	**71,750**	**58,517**
Financial liabilities	22,095	46,825
Trade payables and other payables	142,983	123,609
Current tax payables	2,784	3,050
Provisions for risks and liabilities	9,428	11,164
CURRENT LIABILITIES	**177,290**	**184,648**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**371,779**	**347,938**

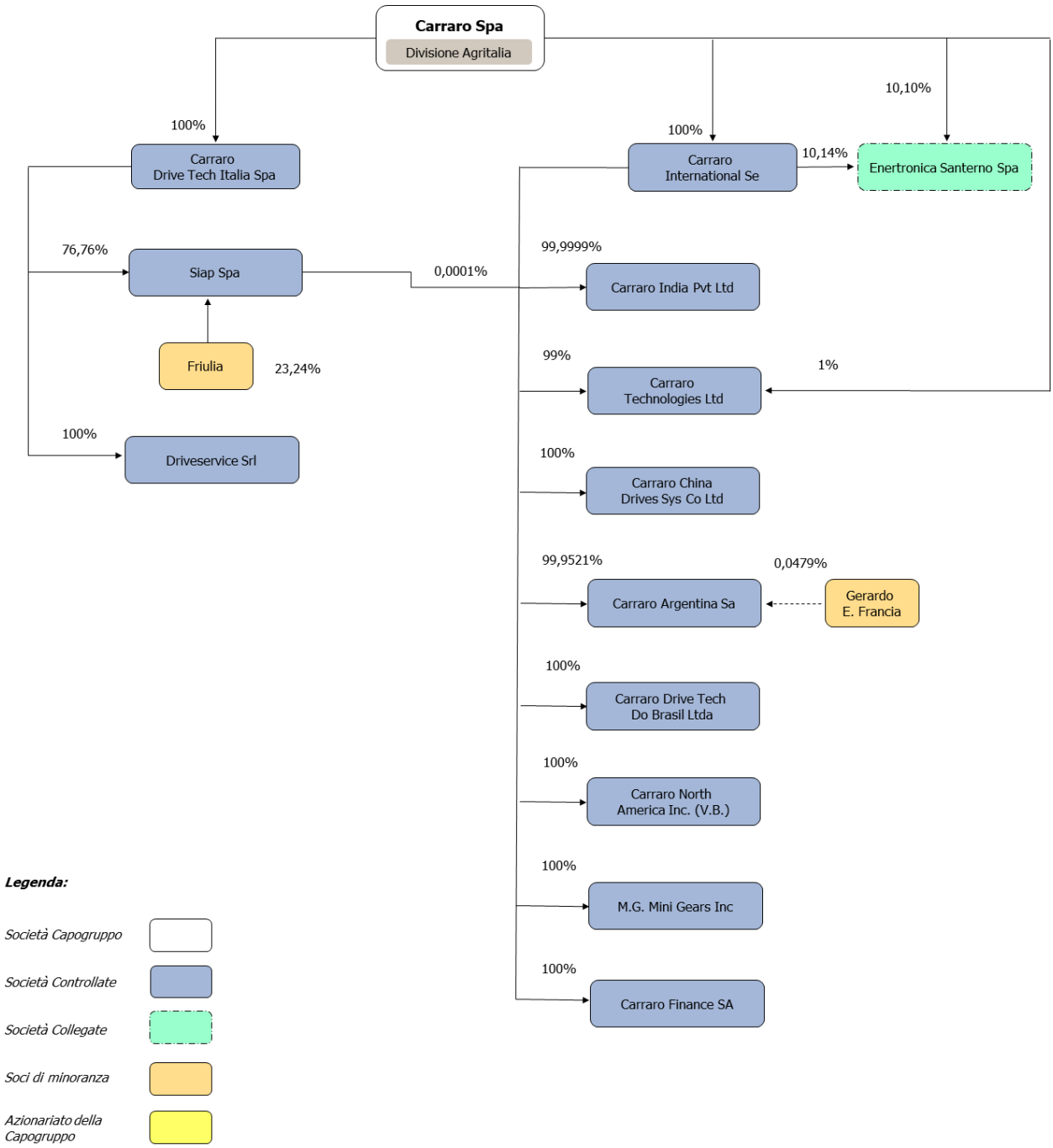
ANALYSIS OF NET WORKING CAPITAL AT 31.12.2020

DRIVELINES & COMPONENTS - DRIVE TECH BUSINESS AREA

(amounts in Euro thousands)	**31.12.20**	**31.12.19**
Trade Receivables	58,141	55,981
Closing inventory	83,859	73,511
Trade Payables	-116,958	-97,243
Net Working Capital of operations	**25,042**	**32,249**

CORPORATE STRUCTURE OF THE BUSINESS AREA DRIVELINES & COMPONENTS - DRIVE TECH

AS AT 31.12.2020



Drivelines & Components - Drive Tech Business Area

Sales in 2020 were considerably affected by developments in the COVID-19 pandemic, from the first few months of the year onwards. The restrictions put in place by all countries worldwide to limit the spread of the virus, and in particular the general lockdowns imposed in the second quarter, reduced orders for the period to a minimum, for both the agricultural and construction equipment sectors. The recovery of all markets starting as early as the third quarter and the explosion of orders in the fourth quarter failed to offset the full-year effect. In addition, they posed a significant strain on the logistics and production chain, highlighting limits in the production capacity of Carraro's suppliers in the Asian area and of the Group's plants.

Sales revenues of Drive Tech as at 31 December 2020 amounted to a total of 386.745 million euros compared to 454.485 million euros in the same period of 2019, registering a decrease of 14.9%, which was far lower than expected at the start of the pandemic.

Turnover from third parties, which accounts for 94.8% of total turnover, was equal to 366.786 million euros compared to 435.825 million for the previous year (95.9% of total turnover) down by 15.8%.

Below is the detailed analysis of the main target markets.

Agricultural market

Despite the negative effect caused by the production of our main customers stopping in the second quarter, sales on the agricultural market, which account for 38.25% of the overall turnover of the Drive Tech Business Area (29.77% in 2019), increased by 3.8% compared to the previous year.

The main market for the segment is Asia. In India, in particular, which accounts for 10.36% of turnover (8.29% in 2019), after a first half of the year with very low sales figures due to the combined effect of the spread of the COVID-19 pandemic and the locust invasion, the tractor market saw a sharp increase in demand from the end of the second quarter onwards. Sales recorded a series of monthly highs, thanks to a good winter harvest due and good prices for agricultural products, which enabled farmers to purchase new vehicles. Sales in India in 2020 increased by 10.9% compared to the previous year.
China, which accounts for 3.68% of total turnover (3.02% in 2019), also record an increase, of 8.0% compared to the previous year, thanks to the growth in demand for new agricultural machinery which was still very low compared to the potential expected of this market. In 2020, after a lengthy recession, the agricultural sector saw a change in trend, with tractors ranging from 60 to 100 hp being the most popular. Other Asian markets, such as Japan and South Korea remained in a recessionary phase.

The European market also came to a major standstill in the second quarter of 2020 due to the COVID-19 pandemic. Despite this, the year closed with an increase of 1.71% compared to 2019, thanks to the recovery in orders for all types of agricultural machinery from the third quarter onwards.
In particular, sales increased in Italy, which accounted for 6.66% of overall turnover in 2020 (2.76% in 2019) and in France (3.67% in 2020 and 2.98% in 2019), offsetting the drop in sales in Germany (0.95% in 2020 against 1.22% in 2019).

The North American market continued to be fundamentally affected by the trade war with China, which is one of the main export destinations for US agricultural products, with the US accounting for 3.20% of turnover in 2020 (3.34% in 2019) decreasing by 34.1% compared to the previous year.

In South America, where demand for agricultural machinery was basically in line with the previous year, entirely different results were recorded for Brazil, with a downturn of 48.3% compared to the previous year (1.11% in 2020 compared to 1.9% in 2019) and for Argentina, which ended the year with an increase of 37.1% compared to 2019, accounting for 2.40% of turnover (1.49% in 2019).

Turkey recorded a positive trend, with a considerable increase in tractor sales from the start of the year. The strong growth in demand followed a long destocking phase, which had affected sales in the previous two years. The market now seems firmly on track to recover pre-crisis sales levels and turnover in this area is equal to 3.17% of the total (just 0.98% in 2019) confirming this trend with an increase of 186.7%.

Construction equipment market

The impact of the COVID-19 pandemic was more significant for the construction machinery market, naturally with different effects in various areas worldwide. Compared to the first half of the year which recorded a considerable drop compared to 2019, sales volumes rebounded significantly starting from the third quarter of the year, to then consolidate at the end of the year.
Consequently, the Construction equipment sector, which accounted for 37.86% of sales in 2020, despite the recovery in the second half of the year, ended at -26.0% compared to 2019.

As regards the analysis in terms of geographic markets, Europe began 2020 with a moderate optimism in terms of demand for construction vehicles, pointing to considerable growth compared to 2019 volumes. The rapid spread of the virus in the second quarter of the year and halt in construction activities imposed by lockdowns, as well as the consequent low propensity to purchase new machinery suddenly reversed this trend, and despite signs of a recovery in the third quarter, which were more than consolidated at the end of the year, this led to a considerable downturn for European markets.
Italy, which regained its leading position in Europe, accounted for 5.83% (6.56% in 2019) registering a decrease of 21.9% compared to 2019, basically in line with figures for Germany, where sales were equal to 5.06% of the total (5.64% in 2019), decreasing by 23.6%.

The United Kingdom registered a 66.0% decrease compared to the previous year (8.44% of turnover in 2019) and accounted for just 3.23% of total sales in 2020.

India, with 6.65% was the first market in this segment, and the decrease in sales (equal to 26.3%), refers to both backhoe loaders (-23.6%) and applications used in road maintenance (-36.2%) and is mainly due to the lockdowns caused by the pandemic and heavy decline in investments in the constructions industry. In this region as well, demand went up to reach pre-COVID levels, from as early on as the third quarter.

Despite being the area where the pandemic started, and being first affected by the economic impacts, China maintained its growth in demand for construction machinery throughout 2020. This result was achieved thanks to major investments in the constructions industry being continued by central government and various provinces. Demand has always been driven by the strong request for crawler excavators, and In 2020 the Chinese market alone absorbed more than 30% of the global construction machinery volume. The year ended with sales up on the figure of 2019 (+28.9%) and China now represents 2.66% of overall turnover (1.83% in 2019).

The year 2020 opened in North America with demand from the construction equipment market slowing down compared to the same period of 2019. This area was also affected by the end of a growth cycle lasting several years, almost without interruption. The negative trend remained basically unchanged until the third quarter. Signs of recovery picking up could only be seen in the last part of the year. Consequently, the overall figures for 2020 show a considerable drop in sales compared to 2019 (-45.9%) and sales in the United States were equal to just 3.33% compared to 5.24% in the previous year.

In Brazil, South America's main market, demand for new vehicles was overall more buoyant than the previous year, thanks to some new investments in the constructions industry, however in absolute terms it was far from the figures of a few years ago. The impact of the pandemic and consequent slowdown in the construction industry exacerbated the situation, explaining the fall in sales in South America, from 3.23% in 2019 to 3.21% in 2020, with a 11.9% decrease in absolute terms.

Particular mention should be made of the 111.3% increase in sales in the Turkish market, which represents 4.05% of total turnover (1.7% in 2019) and appears to confirm the end of a long period of recession. The impact of COVID-19 does not seem to have been significant in the area.

Material handling market

The Material Handling segment represented 3.89% of total turnover (6.02% in 2019), with a 42.6% decrease compared to the previous year and this is mainly due to the phase-out of a German customer, rather than to the effects of the pandemic.

Automotive Market

The "Automotive" segment accounted for 2.87% of total turnover in the Drive Tech Business Area, compared to 2.9% in the previous year, a decrease of 12.3%.

Europe, and Italy in particular (2.11% of total turnover) is the main market for this segment, accounting for 93% of sales.

In 2020, activities continued at full pace for the design of new axles for the Grenadier extreme off-road application, for which a commercial agreement was signed with INEOS in 2019; the axles will be produced at the Maniago plant from late 2021 onwards.

Replacement parts

Turnover from replacement parts in 2020 was affected by the general downturn in the market, due to the pandemic, recording a decrease of 9.1% compared to the previous year.

From the second half of 2018, in order to guarantee better service to customers, the replacement parts warehouse management function was internalised and a new company, Driveservice srl (part of the Group) was formed which has been equipped with specialised infrastructure and management software.

Germany, where the main OEMs of the sectors the Group operates in are based, is still the main market, despite the drop in demand caused by the pandemic (-19.6%);
A similar result was also recorded for sales in the US, which is the second market for replacement parts, accounting for 2.4%, down by 20.1% compared to 2019.
Lastly, the Italian market reported positive signs, with an increase of 6.8% compared to the previous year, as well as the Indian market, where sales increased by 19.3% compared to 2019.

Results summary

Despite the significant sales contraction as amply discussed above, income data analysis shows an encouraging albeit slight increase in margins, in absolute terms, and good improvement in percentage terms, essentially due to the positive effect of actions implemented over the past few years on production factors; despite the halt in activities and the resulting slowdown, all Business Area Companies were able to optimise the use of internal resources, significantly limiting the use of social shock absorbers (furlough schemes) in Italy, holidays and other government incentives (e.g. China). Last, but not least, fixed costs and overheads were constantly monitored, recording a decrease, due also to the restrictions on moment.

EBITDA amounted to 41.632 million euros (10.8% of turnover), up slightly compared to the 41.536 million euros (9.1% of turnover) of 2019, while EBIT amounted to 25.041 million euros (6.5% of turnover), a decrease of 0.85% compared to the 25.256 million euros of 31 December 2019 (5.6% of turnover).
2020 EBITDA was affected by non-recurring costs of 991 thousand euros, including 60 thousand euros for restructuring costs, and 931 thousand euros for other effects.

Net of the non-recurring operations, adjusted and EBITDA and EBIT would be the following:

(amounts in Euro thousands)	**31.12.2020**	**% of turnover**	**31.12.2019**	**% of turnover**
EBITDA	41,632	10.8	41,536	9.1
ADJUSTED EBITDA	42,623	11.0	42,837	9.4
EBIT	25,041	6.5	25,256	5.6
ADJUSTED EBIT	26,032	6.7	26,557	5.8

Despite the decrease in sales, and net of extraordinary effects, margins improved slightly in absolute terms over the previous year, and increased in percentage terms.

Earnings before tax amounted to 20.385 million euros (equal to 5.3% of turnover), up on the figure of 18.846 million euros recorded in 2019 (equal to 4.2% of turnover); earnings before tax for 2020 include restructuring costs and COVID-related costs, as well as costs concerning the cyber attack for 669 thousand euros, as mentioned above. In 2019

these costs amounted to 911 thousand euros. These items are calculated net of the related tax effects (-322 thousand euros in 2020 and -390 thousand euros in 2019).

Net profit was equal to 14.857 million euros (3.8% of turnover) compared to 13.070 million euros (2.9% of turnover) in 2019. After adjusting for non-recurring items, net profit for 2020 was 15.526 million euros, up on 13.981 million euros recorded in 2019.

Net of non-recurring operations, adjusted net profit would have been the following:

(amounts in Euro thousands)	**31.12.2020**	**% of turnover**	**31.12.2019**	**% of turnover**
NET PROFIT/(LOSS)	14,857	3.8	13,070	2.9
ADJUSTED NET PROFIT/(LOSS)	15,526	4.0	13,981	3.1

The net financial position as at 31 December 2020 was negative amounting to 31.433 million euros, decreasing compared to the figure of 63.464 million euros as at 31 December 2019, thanks to the cash flow from the positive result for the year including amortisation and depreciation and the improvement in net working capital.

Turnover

A breakdown of turnover between sales to third parties and intra-group is provided below:

(amounts in Euro thousands)

	SALES			SALES TO THIRD PARTIES			RELATED SALES			INTRA-GROUP SALES		
	31.12. 2020	31.12. 2019	Diff. %	31.12. 2020	31.12. 2019	Diff. %	31.12. 2020	31.12. 2019	Diff. %	31.12. 2020	31.12. 2019	Diff. %
CARRARO DRIVE TECH	386,745	454,485	-14.9	366,786	435,805	-15.8	-	18	-100.0	19,959	18,662	6.9

Intra-group sales refer to sales realised between companies from different business areas (in particular Drive Tech and Divisione Agritalia).

Turnover from third parties, which accounts for 94.8% of total turnover, was equal to 366,786 million euros compared to 435.805 million for the previous year (95.9% of total turnover) down by 15.8%. Turnover from Group and related companies amounted to 19,959 million euros (5.16% of total turnover), with a 6.85% decrease compared to 18.680 million euros (4.1% of total turnover) in 2019.

The following table breaks down total turnover by geographical area:

(amounts in Euro thousands)

	31.12.2020	%	31.12.2019	%	difference % '20-'19
India	70,781	18.30	76,159	16.76	-7.06
North America	45,315	11.72	67,547	14.86	-32.91
Germany	39,490	10.21	58,782	12.93	-32.82
Turkey	29,524	7.63	13,109	8.89	125.22
South America	28,176	7.29	32,049	7.05	-12.08
China	25,409	6.57	22,611	4.98	12.37
France	18,633	4.82	17,562	3.86	6.10
United Kingdom	15,315	3.96	40,386	2.88	-62.08
Sweden	6,579	1.70	7,304	1.61	-9.93
Belgium	6,258	1.62	5,706	1.29	9.67
Other EU areas	16,206	4.19	18,297	6.35	-11.43
Other non-EU areas	16,130	4.17	18,520	1.72	-12.90
Total Abroad	**317,816**	**82.18**	**378,031**	**83.18**	**-15.93**
Italy	68,929	17.82	76,454	16.82	-9.84
Total	**386,745**	**100.00**	**454,485**	**100.00**	**-14.90**

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

In analysing turnover, it should be noted that the Group mainly sells to the production sites of OEMs that may reside in different countries from the nations of end users of their products.

Sales made within the European market accounted for 40.36% of total turnover (49.39% in 2019), while sales to markets outside Europe amounted to 59.64% (50.61% in 2019). These percentages were affected by the reclassification of sales in Great Britain, which left the European Union in 2020.

Drive Tech's total turnover by geographic area shows India with 18.30% (16.76% in 2019) as the main foreign market, followed by North America with 11.72 (14.86% in 2019). Germany, with 10.21% (12.93% in 2019) is the main market in the European Union followed by France with 4.82% (3.86% in 2019). Turnover in Italy fell (-9.84% compared to 2019).

The following table breaks down total sales by application segment:

(amounts in Euro thousands)

	31.12.2020	%	31.12.2019	%	difference % '20-'19
Agricultural	147,916	38.25	142,463	43.55	-3.83
Construction Equipment	146,435	37.86	197,921	31.35	-26.01
Replacement parts	49,712	12.85	54,669	12.03	-9.07
Material Handling	15,052	3.89	26,243	5.77	-42.64
Automotive	11,110	2.87	12,663	2.79	-12.26
Other	16,520	4.27	20,526	4.52	-19.52
Total	**386,745**	**100.00**	**454,485**	**100.00**	**-14.90**

Note: following a revision for the application market, 2019 data were restated.

EBITDA and EBIT

EBITDA amounted to 41.632 million euros (10.8% of turnover), up slightly compared to 41.536 million euros (9.1 % of turnover) in 2019. Excluding non-recurring operations, as discussed previously, EBITDA would have amounted to 42,623 million euros (11.0% of turnover), down slightly compared to 42.837 million euros (9.4% of turnover) in 2019. EBIT amounted to 25.041 million euros (6.5% of turnover), down slightly compared to 25.256 million euros (6.5% of turnover) in 2019. Excluding non-recurring operations, EBIT would have amounted to 26.032 million euros (6.7% of turnover) down 2.0% compared to 26.557 million euros (5.8% of turnover) in 2019.

(amounts in Euro thousands)	31.12.2020	% of turnover	31.12.2019	% of turnover	Diff. %
EBITDA	**41,632**	**10.8**	**41,536**	**9.1**	**0.2**
Restructuring costs in Argentina	141		1,301		
Other restructuring costs	-81		-		
COVID-19-related costs	371				
Cyber attack costs	560				
ADJUSTED EBITDA	**42,623**	**11.0**	**42,837**	**9.4**	**-0.5**

(amounts in Euro thousands)	31.12.2020	% of turnover	31.12.2019	% of turnover	Diff. %
EBIT	**25,041**	**6.5**	**25,256**	**5.6**	**-0.9**
Restructuring costs in Argentina	141		1,301		
Other restructuring costs	-81		-		
COVID-19-related costs	371				
Cyber attack costs	560				
ADJUSTED EBIT	**26,032**	**6.7**	**26,557**	**5.8**	**-2.0**

Financial expenses

(amounts in Euro thousands)

	31.12.2020	% of turnover	31.12.2019	% of turnover	Diff. %
Net financial expenses	**-5,518**	**-1.4**	**-6,157**	**-1.4**	**10.4**

Financial expenses at 31 December 2020 amounted to 5.518 million euros (1.4% of turnover), a decrease compared to 6.157 million euros (1.4% of turnover) at 31 December 2019.

Exchange differences

(amounts in Euro thousands)

	31.12.2020	% of turnover	31.12.2019	% of turnover	Diff. %
Exchange differences	369	0.1	106	0.0	248.1

Exchange differences at 31 December 2020 were positive, amounting to 369 thousand euros (0.1% of turnover) compared to 106 million euros (-0.02% of turnover) at 31 December 2019.

Thanks to a natural hedge policy, the Group's sales flow profile is mainly well balanced.

Income (expenses) from hyperinflation

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Income (expenses) from hyperinflation	493	0.1	-359	-0.1	237.3

In 2020, income amounted to 493 thousand euros (0.13% of turnover). In 2020, the effect of inflation accounting for the Argentinian subsidiary was recognised in the financial statements, which affected several items and resulted in total income of 493 thousand euros (0.1% of turnover). For the appropriate detailed analysis, reference should be made to the specific paragraph of the Notes to the Consolidated Financial Statements.

Net profit/(loss)

2020 closed with a profit of 20.385 million euros (5.27% of turnover) up compared to 2019 (18.846 million euros, 4.15% of turnover). Taxes at 31 December 2020 amounted to 5.278 million euros (-1.36% of turnover) against 5.101 million euros (-1.12% of turnover) at 31 December 2019.

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
EARNINGS BEFORE TAX	**20,385**	**5.27%**	**18,846**	**4.15%**	**8.17%**
Current and deferred income taxes	-5,278	-1.36%	-5,101	-1.12%	
Profit/(loss) pertaining to minorities	-250	-0.06%	-675	-0.15%	
NET PROFIT/(LOSS)	**14,857**	**3.84%**	**13,070**	**2.88%**	**13.67%**

Amortisation, depreciation and impairment of fixed assets

(amounts in Euro thousands)

	31.12.2020	% of turnover	31.12.2019	% of turnover	Diff. %
Depreciation and amortisation	16,599	4.3	16,365	3.6	1.4
Impairment of fixed assets	-8	-0.0	-85	-0.0	90.6
Amortisation, depreciation and impairment	**16,591**	**4.3**	**16,280**	**3.6**	**1.9**

Amortisation and depreciation for the year amounted to 16.591 million euros (4.3% of turnover), an increase compared to 16.280 million euros (3.6% of turnover) in 2019.

Investments

(amounts in Euro thousands)

	31.12.2020	31.12.2019
Investments	20,372	18,405

In 2020, investments of 20.372 million euros were made for the purchase of machinery and the maintenance of efficiency and modernisation of the plant and equipment at various sites.

Net financial position of operations

(amounts in Euro thousands)

	31.12.2020	30.09.2020	30.06.2020	31.12.2019
Net financial position of operations	-31,433	-43,139	-58,581	-63,464

The consolidated net financial position at 31 December 2020 was negative for 31.433 million euros, an improvement compared to 31 December 2019 (negative for 63.464 million euros), and compared to 30 June 2020 (58.581 million euros).

HUMAN RESOURCES

Workforce trend

	31.12.2020	31.12.2019	31.12.2018
Executives	6	7	7
Clerical staff	488	486	475
Factory workers	1,821	1,808	1,909
Temporary workers	629	295	396
Total	**2,944**	**2,596**	**2,787**

The increase in the workforce compared to 31 December 2019 is mainly due to the increase in production volumes of the Indian subsidiary.

Summary data of companies belonging to the Business Area Drivelines & Components - Drive Tech as at 31.12.2020

(amounts in Euro thousands)

	Carraro Drive Tech Italia S.p.A. (1)					Siap S.p.A.				
(amounts in Euro thousands)	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Turnover	107,425		-		n.r.	60,652		76,359		-20.6
EBITDA	13,867	12.91	6	0	n.r.	6,241	10.29	8,267	10.83	-24.5
EBIT	11,934	11.11	6	0	n.r.	930	1.53	3,146	4.12	-70.4
Net profit/(loss)	7,907	7.36	-	0.0		1,076	1.77	2,904	3.80	-62.9
Amortisation, depreciation and impairment	1,933	1.80	-	0.0		5,311	8.76	5,121	6.71	3.7
Investments	1,745		-			5,437		7,849		
Net financial position	-37,027		-50			-8,303		-4,686		
Shareholders' equity	18,681		-33			40,220		39,161		

	Driveservice S.r.l.					Carraro India Pvt. Ltd.				
(amounts in Euro thousands)	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Turnover	3,293		3,281		0.4	111,276		123,138		-9.6
EBITDA	628	19.1	567	17.3	10.8	7,494	6.7	6,601	5.4	13.5
EBIT	207	6.3	146	4.4	41.8	3,349	3.0	2,354	1.9	42.3
Net profit/(loss)	106	3.2	60	1.8	76.7	976	0.9	349	0.3	n.r.
Amortisation, depreciation and impairment	421	12.8	421	12.8	0.0	4,145	3.7	4,247	3.4	-2.4
Investments	1,205		2,275			3,372		5,160		
Net financial position	-1,259		-1,630			-11,522		-16,459		
Shareholders' equity	178		77			29,182		32,098		

	Carraro China Drive Systems Co. Ltd.					Carraro Technologies Ltd. (2)				
(amounts in Euro thousands)	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Turnover	46,890		59,793		-21.6	1,995		1,691		18.0
EBITDA	5,363	11.4	5,850	9.8	-8.3	634	31.8	754	44.6	-15.9
EBIT	3,689	7.9	4,237	7.1	-12.9	455	22.8	571	33.8	-20.3
Net profit/(loss)	2,677	5.7	3,205	5.4	-16.5	404	20.3	403	23.8	0.2
Amortisation, depreciation and impairment	1,674	3.6	1,613	2.7	3.8	179	9.0	183	10.8	-2.2
Investments	851		1,138			98		110		
Net financial position	12,111		10,282			545		268		
Shareholders' equity	25,254		26,156			1,435		1,178		

(1) Subholding company.
(2) This company carries out design, research and development for the Group and third parties and is based in Pune (India)

	Carraro North America Inc. (Virginia Beach)					Carraro Drive Tech Do Brasil Inc.				
(amounts in Euro thousands)	**31.12.20**	**% of turnover**	**31.12.19**	**% of turnover**	**Diff. %**	**31.12.20**	**% of turnover**	**31.12.19**	**% of turnover**	**Diff. %**
Turnover	595		547		8.8	3,052		6,036		-49.4
EBITDA	5	0.8	6	1.1	-16.7	-808	-26.5	322	5.3	n.r.
EBIT	5	0.8	6	1.1	-16.7	-1,007	-33.0	65	1.1	n.r.
Net profit/(loss)	-1	-0.2	-	0.0		-1,695	-55.5	-153	-2.5	n.r.
Amortisation, depreciation and impairment	-	0.0	-	0.0		199	6.5	257	4.3	-22.6
Investments	2		-			115		217		
Net financial position	-434		-439			1,115		-2,076		
Shareholders' equity	-296		-322			2,360		949		

	Carraro Argentina SA				
(amounts in Euro thousands)	**31.12.20**	**% of turnover**	**31.12.19**	**% of turnover**	**Diff. %**
Turnover	11,491		11,795		-2.6
EBITDA	763	6.63	-570	-4.8	n.r.
EBIT	291	2.53	-1,053	-8.9	n.r.
Net profit/(loss)	-745	-6.48	-2,554	-21.8	-70.8
Amortisation, depreciation and impairment	472	4.11	483	4.1	-2.3
Investments	40		89		
Net financial position	-3,352		-937		
Shareholders' equity	416		1,413		

BUSINESS AREA VEHICLES – AGRITALIA

INCOME STATEMENT AT 31.12.2020 20 - BUSINESS AREA VEHICLES - AGRITALIA

(amounts in Euro thousands)	**31.12.20**	**%**	**31.12.19**	**%**	**Changes**	
					31.12.20	31.12.19
REVENUES FROM SALES	**113,064**	**100.00%**	**118,091**	**100.00%**	**-5,027**	**-4.26%**
Purchases of goods and materials (net of changes in inventories)	-89,118	-78.82%	-91,492	-77.48%	2,374	2.59%
Services and Use of third-party goods and services	-11,376	-10.06%	-11,688	-9.90%	312	2.67%
Personnel costs	-14,163	-12.53%	-13,666	-11.57%	-497	-3.64%
Amortisation, depreciation and impairment of assets	-1,971	-1.74%	-1,997	-1.69%	26	1.30%
Provisions for risks	-808	-0.71%	-794	-0.67%	-14	-1.76%
Other income and expenses	4,299	3.80%	2,603	2.20%	1,696	65.16%
Internal construction	-	0.00%	-	0.00%	-	
OPERATING COSTS	**-113,137**	**-100.06%**	**-117,034**	**-99.10%**	**3,897**	**3.33%**
OPERATING PROFIT/(LOSS) (EBIT)	**-73**	**-0.06%**	**1,057**	**0.90%**	**-1,130**	
Income from equity investments	-	0.00%	-	0.00%	-	
Other financial income	19	0.02%	11	0.01%	8	72.73%
Financial costs and expenses	-35	-0.03%	-75	-0.06%	40	53.33%
Net gains/(losses) on foreign exchange	4	0.00%	-	0.00%	4	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**-12**	**-0.01%**	**-64**	**-0.05%**	**52**	**81.25%**
PROFIT/(LOSS) BEFORE TAXES	**-85**	**-0.08%**	**993**	**0.84%**	**-1,078**	
Current and deferred income taxes	-	0.00%	-	0.00%	-	0.00%
CONTRIBUTION TO THE NET PROFIT/(LOSS) OF CARRARO SPA	**-85**	**-0.08%**	**993**	**0.84%**	**-1,078**	
EBITDA*	**1,898**	**1.68%**	**3,054**	**2.59%**	**-1,156**	**-37.85%**

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

STATEMENT OF FINANCIAL POSITION AS AT 31.12.2020
BUSINESS AREA VEHICLES – AGRITALIA

(amounts in Euro thousands)	**31.12.20**	**31.12.19**
Property, plant and equipment	11,885	10,996
Intangible fixed assets	1,895	5,124
Real estate investments	-	-
Holdings in subsidiaries and associates	-	-
Financial assets	-	-
Deferred tax assets	1,387	1,384
Trade receivables and other receivables	12	8
NON-CURRENT ASSETS	**15,179**	**17,512**
Closing inventory	36,946	51,525
Trade receivables and other receivables	17,496	21,326
Financial assets	-	-
Cash and cash equivalents	-	-
CURRENT ASSETS	**54,422**	**72,851**
TOTAL ASSETS	**69,621**	**90,363**
CONTRIBUTION TO SHAREHOLDERS' EQUITY OF CARRARO SPA	**5,706**	**-22,279**
Financial liabilities	238	369
Trade payables and other payables	-	-
Deferred tax liabilities	-	-
Provision for severance indemnity and retirement benefits	1,152	1,154
Provisions for risks and liabilities	-	-
NON-CURRENT LIABILITIES	**1,390**	**1,523**
Financial liabilities	181	183
Trade payables and other payables	58,150	107,024
Current tax payables	-	-
Provisions for risks and liabilities	4,194	3,912
CURRENT LIABILITIES	**62,525**	**111,119**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**69,621**	**90,363**

ANALYSIS OF NET WORKING CAPITAL AT 31.12.2020

BUSINESS AREA VEHICLES – AGRITALIA

(amounts in Euro thousands)	**31.12.20**	**31.12.19**
Trade Receivables	6,405	9,681
Closing inventory	36,946	51,525
Trade Payables	-31,273	-66,531
Net Working Capital of operations	**12,078**	**-5,325**

CORPORATE STRUCTURE OF THE BUSINESS AREA VEHICLES – AGRITALIA AS AT 31.12.2020

Business Area Vehicles – Agritalia

Carraro Agritalia ended 2020 with a turnover of 113.064 million euros, down slightly on the figure of 118.091 million euros recoded in the previous year (-4.26%) and well below expectations due to the drastic slowdown caused by the lockdown. This reduction was also partially affected by a decrease in the average price per tractor related to a different sales mix.

The recovery, during the second half of the year, of poor turnover in the first half, was limited by some difficulties in procuring components, particularly from India.

3,409 tractors were sold, up slightly on the figure of 3,347 in 2019, when volumes were already well below expectations due to the destocking phase of some important customers and slowdown in some stimulus packages of some markets in the Mediterranean area.

Due to the reduced volumes, margins decreased compared to the previous year. Thanks to the response in the first half of the year and actions to streamline production processes, Agritalia managed to limit this decline. Apart from health prevention and protection costs, overheads did not increase in the year, making it possible to limit the negative impact of lower volumes on the operating result.

EBITDA in 2020 amounted to 1.898 million euros (1.7% of turnover), down compared to the 3.054 million euros (2.6% of turnover) of 2019, while EBIT in 2020 amounted to -0.1 million euros (-0.1% of turnover) a sharp decrease compared to 1,057 million euros (0.9% of turnover) in 2019.

As regards research and development, commitment in the year, which will also continue in the medium term, focussed on renewing ranges related to the change to Stage V emission standards, imposed by regulations.

Turnover

Turnover from the Vehicles Business Area at 31 December 2020 amounted to 113.064 million euros, decreasing by 4.26% compared to 118.091 million euros at 31 December 2019.

A breakdown of turnover between sales to third parties and intra-group is provided below:

(amounts in Euro thousands)

	SALES			SALES TO THIRD PARTIES			INTRA-GROUP SALES		
	31.12.20	31.12.19	Diff. %	31.12.20	31.12.19	Diff. %	31.12.20	31.12.19	Diff. %
CARRARO DIV. AGRITALIA	113,064	118,091	-4.3	108,869	112,512	-3.2	4,195	5,579	-24.8

Intra-group sales refer to sales realised between companies from different business areas (in particular to Carraro Drive Tech).

The following table breaks down total turnover by geographical area:

(amounts in Euro thousands)

(amounts in Euro thousands)	31.12.2020	%	31.12.2019	%	difference % '20-'19
Switzerland	24,242	21.44%	23,245	19.68%	4.29%
Germany	16,891	14.94%	12,083	10.23%	39.79%
North America	11,703	10.35%	9,847	8.34%	18.85%
France	8,050	7.12%	12,214	10.34%	-34.09%
Spain	6,658	5.89%	12,785	10.83%	-47.92%
Other EU areas	2,302	2.04%	2,437	2.06%	-5.54%
Other non-EU areas	1,257	1.11%	816	0.69%	54.04%
Total Abroad	**71,103**	**62.89%**	**73,427**	**62.18%**	**-3.17%**
Italy	41,961	37.11%	44,664	37.82%	-6.05%
Total	**113,064**	**100.0%**	**118,091**	**100.00%**	**-4.26%**

It should be noted that the Group mainly sells to the production sites of OEMs that may reside in different countries from the nations of end users of their products.

Decreases in turnover in various geographic segments is due to the fall in volumes caused by lockdowns imposed by governments to offset the spread of the pandemic.

The German market went against this trend, where the halt in activities in the first half of 2020 was more limited.

EBITDA and EBIT

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
EBITDA	1,898	1.7	3,054	2.6	-37.9

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
EBIT	-73	-0.1	1,057	0.9	no.

EBITDA amounted to 1.898 million euros (1.7% of turnover), a deterioration compared to the 3,054 million euros (2.6% of turnover) at 31 December 2019. EBIT was negative amounting to 73 million euros (-0.1% of turnover), compared to 1,057 million euros (0.9% of turnover) at 31 December 2019.

The result in terms of margins is due, as explained previously, to the fall in volumes.

Non-recurring, non-significant expenses, equal to approximately 201 thousand euros, refer to costs incurred to adapt workplaces to the health situation (COVID-related costs, such as costs for sanitisation and the purchase of face masks, sanitisers and safety equipment) for 88 thousand euros, and costs incurred due to the cyber attack for 113 thousand euros.

Net financial expenses

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Net financial expenses	-16	- 0.1	-64	- 0.1	75

Contribution to the net profit/(loss) of Carraro SpA

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Contribution to the net profit/(loss) of Carraro SpA	-85	-0.08	993	0.8	no.

2020 closed with a loss of 85 thousand euros (-0.08% of turnover), a considerable decrease on the previous year (net profit of 993 million euros, 0.8% of turnover) for the reasons mentioned in the introduction and especially due to the drop in volumes.

Amortisation, depreciation and impairment of fixed assets

(amounts in Euro thousands)

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Amortisation, depreciation and impairment	1,971	1.7	1,997	1.7	-1.3

Investments

(amounts in Euro thousands)

	31.12.20	31.12.19
Investments	2,005	1,443

HUMAN RESOURCES

Workforce trend

Figures as at 31.12.2020

	31.12.20	31.12.19	31.12.18
Executives	5	6	5
Clerical staff	93	95	88
Factory workers	191	173	160
Temporary workers	42	50	62
Total	**331**	**324**	**315**

The increase in the workforce compared to 31 December 2019 is mainly due to the increase in production volumes in the last part of 2020.

KEY RISKS AND UNCERTAINTIES TO WHICH CARRARO SPA AND THE GROUP ARE EXPOSED

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

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

The following are some of the main types of risk for the Carraro Group that are of greater importance for the rest of the year, suitably reviewed in light of the changed context of reference due to the spread of COVID-19.

Strategic risks

Risks associated with the general economic conditions

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

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

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

Risks related to the trends on the markets/industrial customers

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

Country risk

The Carraro Group operates in different countries and its exposure to them has gradually increased over the years. These markets show cyclical conditions of economic and political instability (for example in Turkey). This has affected, and may continue to negatively affect the subsidiaries' situation and results. A global presence is fundamental for the Group, encompassing a strategy serving clients and seizing opportunities on new markets for its product range.

Risks associated with protectionist regulations in various countries in terms of customs and embargoes

The Group is exposed to the risk of protectionist policies in the countries where it operates, which take the form of customs duties. In other cases, the risk may arise from constraints or bans resulting from international agreements that restrict free trade conditions (e.g. embargoes).

To deal with all the risks mentioned above, the Group constantly monitors:

- *macroeconomic variables, with particular regard to the supply of commodities and final destination of products (agriculture, public works and construction);*
- *the direction of government decisions that could have effects in sales markets;*
- *the evolution of protectionist policies;*

through the collection of information and forecasts by its central and local sales and tax offices, in order to take any measures to mitigate potential negative effects.

Financial risks

Risks associated with funding requirements

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

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

The cash flows envisaged for 2021 include, besides the trend in working capital from 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 respect to 31.12.2020) of the closure of derivative financial instruments on currencies in existence at the reporting date.

The Group envisages meeting the needs arising from all of the above with the flows deriving from operations, available liquidity, the collection of receivables from the sale of assets and the availability of additional credit facilities.

The management of liquidity, funding requirements and cash flows are under the direct control and management of the Group Treasury, which operates with the aim of managing the resources available as efficiently as possible.

Risks relating to fluctuating exchange and interest rates

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

Another aspect of exchange rate risk is the fact that several Group companies present their financial statements in currencies other than the Group's functional currency.

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

The Group is also exposed to interest rate risks in relation to financial liabilities assumed to fund either normal operations or, where applicable, the Group's expansion by acquisitions. Changes in interest rates may have positive or negative effects on both the financial outcome and on cash flows.

The interest-rate risk on the floating portion is then reduced if needed via specific hedging operations.

Credit risk

The Group includes among its customers leading international manufacturers of agricultural machinery, construction equipment vehicles and industrial; 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.

The effects of the spread of the pandemic in 2020 did not have significant consequences on the overall operations of customers affecting the continuity of inflows from the sale of the Group's products.

Receivables are recognised in the accounts net of any writedowns determined by assessing the counterparty's risk of insolvency based on the information available. See also the Notes on the application of IFRS 9.

Commodity price risk

Given the type of materials mainly used in production, the Group is exposed to changes in the prices of main raw materials and commodities. Besides continual monitoring of prices and listings, also regarding forecasts, the Group arranges for sales contracts with customers to include, where necessary, a price adjustment mechanism related to the trend of commodity prices.

Operational risks

Supply chain risks

Achieving the objectives of its strategy require Carraro to operate within a supply chain in which its suppliers must meet the same standards of technological ability, quality, efficiency and ethics that the Group has set for itself. Accordingly, inadequate management of strategic suppliers in terms of quality controls, delivery times and required production flexibility carries a risk of potential operational inefficiencies and the inability to meet customer needs.

To deal with this risk, Carraro subjects its suppliers - and in particular strategic suppliers – to initial and periodic assessments. The assessment measures their adequacy in terms of technological and production capacity, overall process and product quality, ISO quality certifications, corporate and financial situation, and compliance with Carraro's ethical principles.

The unexpected phenomenon of the pandemic, with activities being consequently stopped in various production sectors in a number of countries, led to some delays in the functioning of the chain to procure materials necessary for production at the Group's various production facilities. This new risk characteristic related to the supply chain led the Group to review its supply strategies, seeking, where possible, alternative sources in order to limit these delays.

Risks associated with employee and trade-union relationships

The Group carries out industrial activities through complex production processes that make extensive use of skilled labour in the processing, assembly and handling phases. Relations with employees are mediated by trade unions, which are normally well organised and historically deep-rooted in the various countries. The status of these relationships determines the continuity of production and the ability to plan to meet delivery commitments with customers, with risks of delays or interruptions in activities caused by conflict over contract renewals or the downsizing and closure of production sites.

Risks related to product quality

The success of the products manufactured depends to a large extent on the ability to ensure quality standards appropriate to sales markets, taking into account:

- *for transmission systems (axles, transmissions, etc.), the levels of reliability required by the machines in which the Group's products are used as key components;*
- *for agricultural vehicles, the safety requirements for their use, according to the constraints dictated by applicable laws or legislation and industry standards for road safety, operating safety, occupational safety and environmental safety (noise and engine emissions).*

The risk of defects is therefore mitigated from the design phase, through procurement, production and testing, at all times in dialogue with customers to discuss the results achieved, and with suppliers to ensure required quality levels are met from the start of the industrial supply chain.

Risks regarding health and safety at work

The Group carries out industrial processes consisting to a large extent of machining, assembly of mechanical components. Risks related to health and safety in the workplace arising from work activities mainly comprise risks typical of the metalwork industry, which involves mechanical processing with interactions between the operator and am automatic or semi-automatic machine, parts assembly, handling of loads, use of high temperature furnaces and other ancillary activities.

Faced with these risks, the Group has adopted an EH&S (Environmental Health and Safety) Management System based on international best practices and in force across all production sites.

Risks related to the COVID-19 pandemic

Since January 2020, the national and international scenario has been characterised by the spread of COVID-19 and the consequent restrictive measures for its containment, implemented by the public authorities of the countries affected.

As is known, restrictions led to a slowdown and subsequent halt in the production activities of various industrial sectors, including those in which the Group operates, which, starting from March, stopped activities at different times, and in various countries, according to the orders of the local authorities.

In dealing with this situation, the Group set itself the following main goals:

- *safeguarding, at all costs, the safety of its employees in the workplace;*
- *providing continuity, as far as possible, for operations, considering commitments with customers;*
- *mitigating the effects of possible supply chain discontinuities.*

All actions necessary to deal with the situation caused by the pandemic were immediately taken in this direction, with the utmost attention paid to safeguarding and protecting personnel, as well as curbing the effects of this emergency situation on the business.

The measures contained in the safety protocols established by national authorities were gradually adopted and, where required, shared by industry associations and trade unions, to protect workplace health, including: sanitising areas, providing protective equipment for employees, reviewing layouts, installing partitions for workstations.

Committees for the management of the pandemic emergency were set up at each site, involving management and competent functions, as well as staff representatives, to constantly monitor the situation and identify the most suitable measures to prevent risks of contagion, in line with the provisions of local authorities.

Each measure adopted was disclosed to all employees and to staff of companies operating with access to sites (e.g. contractors).

The head offices of the parent company Carraro S.p.A. and Carraro Drivetech Italia S.p.A. have joined the "Pilot project to reopen production activities", promoted by the Veneto Region, with voluntary qualitative serological testing on employees.

To maintain business continuity, the work organisation was reviewed; shifts with fewer staff present were organised, as well as working from home in all cases where possible, particularly for white collars, as a way to limit the spread of the virus.

Risks related to IT systems and cyber security

IT systems have a major supporting role in business processes; it therefore follows that effective monitoring of the risks related to IT security is a significant matter for the Group.

Statistics from the last few years show a growing number of cyber attacks on private companies and public entities, not only large in scale, with sophisticated techniques to penetrate company networks and which are more aggressive in causing harm to data and information archives.

One condition favouring these attacks may also be the expansion of company networks, which has been necessary - in the recent circumstances caused by the pandemic - to provide access to all staff enabled to work remotely using connections not directly managed by the company.

The significance of these archives, and consequent harm that a breach or damage entails, is assessed based on their significance not only for operations (technical, design, management and reporting data), but also for activities which involve the storage of third-party personal data, i.e. information on external staff and other persons, which must be managed based on specific requirements of law (privacy regulations).

The seriousness of this threat is demonstrated by the fact that even the most well-equipped organisations in IT terms have been affected by the spread of this phenomenon.

This risk actually happened in September 2020 with a cyber attack by a specialised criminal organisation, with the aim of making a large number of data and information contained in the archives unusable and releasing said data and information for a ransom.

The response of the Group's IT department, which was quick to deal with the first signs of the attack, made it possible to reduce the severity of the impact which in any case affected the availability of some archives and caused the loss of some sets of data concerning some associates. In deploying defence mechanisms, the systems had to be isolated from external networks, and most applications stopped, even on a precautionary basis, to carry out appropriate controls, so activities were stopped for several days necessary to turn off and reboot the machines and programmes installed. Main operating systems were rebooted first as a priority, followed by ancillary systems, with a programme run at the same time to clean the IT devices used by staff.

The analysis of the procedures, times, scope, breadth and origin of the attack was overseen by companies specialised in IT investigation and cyber security protection; these analyses then made it possible to develop specific short and medium/long term mitigation and remediation plans, useful for improving protection and risk management mechanisms and procedures in this sector, and for reducing the vulnerabilities of the company infrastructure, with an awareness however of the constant danger posed by organisations dedicated to cyber attacks.

Environmental risks

The Group operates across 8 manufacturing sites in 5 different nations.

The manufacturing processes carried out at the Group's industrial sites are essentially mechanical processing of iron and steel and assembly of purchased components.

These processes have accessory materials such as packaging, lubricants, paints and solvents. The objective of limiting the impact of emissions into the environment has seen a significant improvement from 2008 onwards through an important investment in moving from solvent-based coatings to water-based paints that reduce atmospheric emissions.

Under the EH&S Management System, Each site operates in compliance with local environmental regulations; as a result of relentless management engagement, most of the plants have acquired ISO 14001 Environmental Certification.

Particular attention has been paid to increasing the efficiency of processes in order to maximise energy savings.

Risks related to climate change

The pressure of conclusions reached in scientific circles has gradually led to climate change and its possible effects establishing itself as a topic of increasing importance for international bodies, national authorities, politicians and in public debate.

Faced with worrying signs, resulting in unpredictable climate changes whose root causes seem to have been identified (increased greenhouse gases, global warming), studies are ongoing into the possible consequences on the planet's equilibrium in terms of continuity of access to natural resources, the seasons, and the effect on agricultural, mining and more general productive activities.

The emerging picture of uncertainty leads to new hypothetical types of risks or, at least, risks of a different gradation to those currently identified, with a future direction that is still difficult to imagine and, moreover, quantify even roughly.

Given this situation, the Group has set out to collect and aggregate all the information that gradually becomes available, so as to conduct an analysis that will help to adapt the risk framework of its business segments to the new future of industrial activities in the agricultural and construction equipment sectors.

As already explained with regard to containment of environmental risks, the Group has long brought its standards of conduct up to an adequate level to obtain international certifications in this area.

In terms of production processes, the relentless work to improve energy efficiency is bringing benefits in terms of less energy used for the same output, with a consequent reduction in costs and emissions.

In terms of end products, the impetus given by increasingly stringent vehicle pollution regulations and end customers' need to reduce consumption costs is leading manufacturers such as Carraro to adapt their strategies towards the development of innovative technical solutions in terms of the energy absorbed by vehicle transmission systems. This is a constraint but also an opportunity that the Group must seize by steering its research and development work in this direction – as it is already doing.

As indicated above, in view of the fact that assessing the impacts of climate change on company activities is highly complex and the methods and tools for effectively reporting these effects have not yet been unequivocally defined, the Group decided to adopt an approach when identifying the main risk conditions and opportunities deriving in the abstract from climate change based on strictly qualitative considerations.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties carried out during the period gave rise to relationships of a commercial, financial or advisory nature and were expedited at market terms, in the economic interest of the individual companies involved in the transactions.

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

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

STANDARDS USED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

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

OTHER INFORMATION

With reference to the provisions of Articles 15 and 18 of Consob Regulation 20249 of 28.12.2017 (the so-called "Market Regulations"), the parent company Carraro S.p.A. meets the conditions required by points a), b) and c) of paragraph 1 of the aforementioned Article 15 on the subject of accounting situations, articles of association, corporate bodies and administrative and accounting control of its subsidiaries incorporated and regulated in countries that do not belong to the European Union.

The Group's perimeter includes 12 companies of which seven are established and regulated in non-European Union countries, specifically in Argentina, Brazil, China, India and the United States; of these, three, in Argentina, China and India, are significant under the terms of Title VI, Section II of the Issuer Regulations (Consob Resolution 11971/1999).

For more complete disclosure on the system of corporate governance of Carraro S.p.A. and its ownership structures, as required by Article 123-bis of Legislative Decree 58 of 24 February 1998, (Consolidated Finance Act – TUF), see the "Report on Corporate Governance and Ownership Structures", which can be consulted on the company's website www.carraro.com, under the *about us/corporate governance section*.

Consolidated non-financial statement

The Carraro Group's consolidated non-financial statement 2019, prepared in accordance with Legislative Decree 254/16, is a separate report ("Sustainability Report") to this directors' report, as required by Article 5, paragraph 3, letter b) of Legislative Decree 254/16. It is available on the website www.carraro.com.

STATEMENT OF RECONCILIATION OF CONSOLIDATED NET PROFIT/(LOSS) AND SHAREHOLDERS' EQUITY WITH THE NET PROFIT/(LOSS) AND SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

The following statement illustrates the reconciliation of the consolidated net income and shareholders' equity as disclosed in the Consolidated Financial Statements and the net income and shareholders' equity disclosed in the Financial Statements of Carraro S.p.A:

Items ***(amounts in Euro thousands)***	**Net profit/(loss) for the period**	**Shareholders' equity for the period**	**Net profit/(loss) for the previous year**	**Shareholders' equity for the previous year**
Net profit/(loss) and shareholders' equity of Carraro S.p.A.	-11,331	84,222	14,232	86,359
Net profit/(loss) and shareholders' equity of subsidiaries	6,635	142,592	18,758	190,721
Aggregate	**-4,696**	**226,814**	**32,990**	**277,080**
Elimination of carrying amount of subsidiaries	3,020	-193,614	2,709	-233,810
Consolidation adjustments	-1,345	30,016	-26,903	30,034
Profit and shareholders' equity	**-3,021**	**63,216**	**8,796**	**73,304**
Recognition of minority interests	-250	-9,347	-675	-9,101
Profit and shareholders' equity of the Group	**-3,271**	**53,869**	**8,121**	**64,203**

The information required by Article 152 *quinquies* 1 of the Issuers' Regulations and Regulation EU 596/2014 Article 19 (information on the equity investments in the Parent Company Carraro S.p.A. and its subsidiaries held by directors, statutory auditors and …omitted…) is set forth in a specific statement annexed to the Explanatory Notes to the Financial Statements to which this Report refers.

The Chairman

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