Carraro Group
Annual Report 2020

Report

Shareholders' Meeting
29 June 2021

Report

Carraro
Group

Annual
Report 2020

Index

General Information

Board of Directors
In office until the approval of the 2020 financial statements (Appointments, Shareholders' Meeting of 14.05.2018)

Enrico Carraro
Chairman

Tomaso Carraro
Deputy Chairman

Andrea Conchetto[4]
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, Risks and Sustainability Committee
[2] Members of the Appointments and Remuneration Committee
[3] Members of the Supervisory Board
[4] Director co-opted on 26/10/2020
* Independent directors

Board of Statutory Auditors
In office until the approval of the 2020 financial statements (Appointments, Shareholders' Meeting of 14/05/2018)

Carlo Pesce
Chaiman

Stefania Centorbi
Regular Auditor

Saverio Bozzolan
Regular Auditor

Barbara Cantoni
Alternate Auditor

Gabriele Andreola
Alternate Auditor

Independent Auditors
from 2016 to 2024
Deloitte&Touche Spa

Parent Company
Finaid Spa

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.

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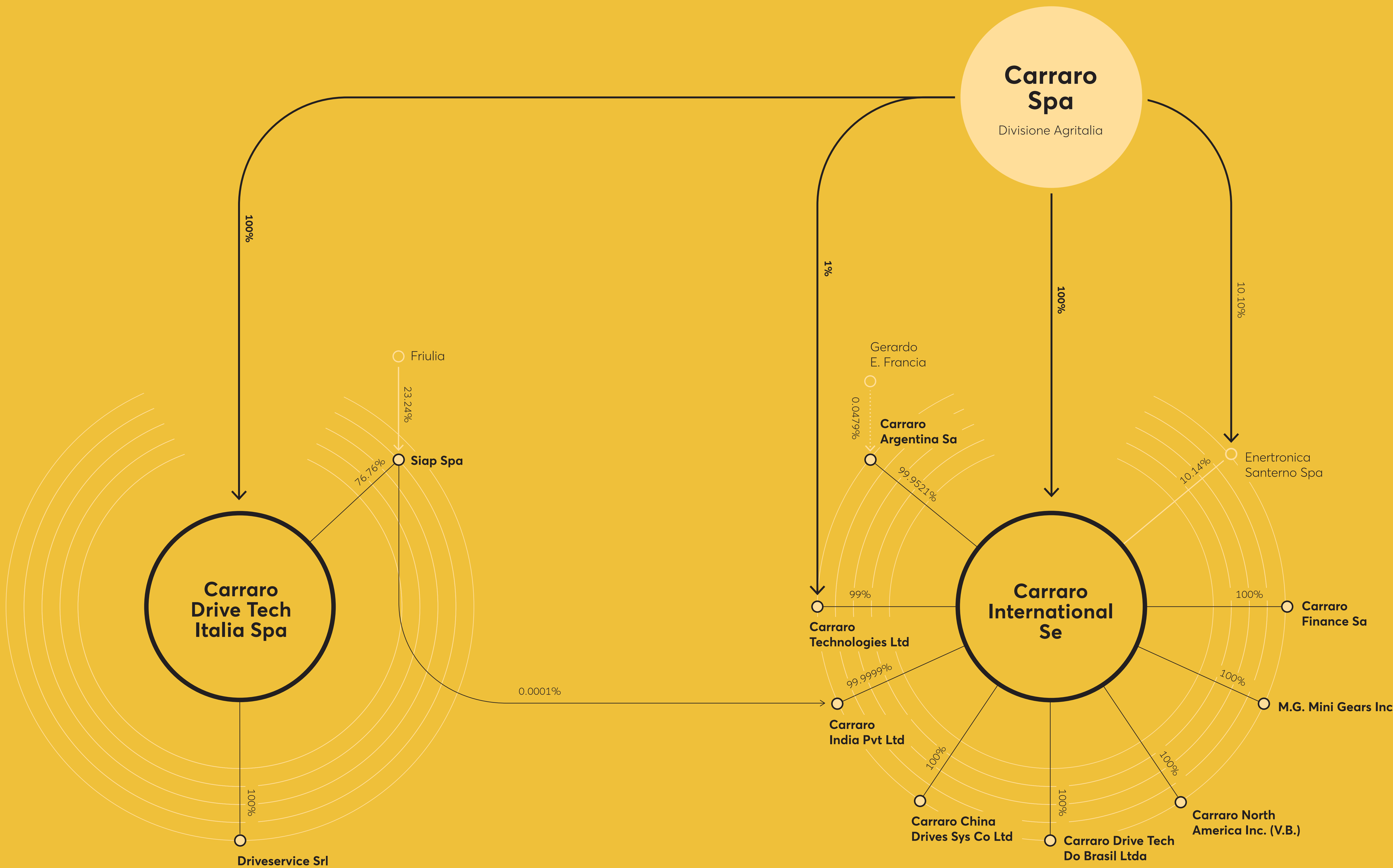
Share Capital
Euro 41,452,543.60,
fully paid-up.
Tax Code, VAT and
Registration Number
in the Padua Companies
Register 00202040283 –
REA No. 84033


Carraro Spa
Divisione Agritalia
100%
1%
100%
10.10%
Friulia
23.24%
Siap Spa
76.76%
Carraro Drive Tech Italia Spa
100%
Driveservice Srl
0.0001%
Gerardo E. Francia
0.0479%
Carraro Argentina Sa
99.9521%
Enertronica Santerno Spa
10.14%
Carraro International Se
99%
Carraro Technologies Ltd
100%
Carraro Finance Sa
99.9999%
Carraro India Pvt Ltd
100%
M.G. Mini Gears Inc.
100%
Carraro China Drives Sys Co Ltd
100%
Carraro Drive Tech Do Brasil Ltda
100%
Carraro North America Inc. (V.B.)

Report

Directors' Report on Operations
as at 31 December 2020

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:

	Sales			Sales to third parties		
	2020	2019	Diff. %	2020	2019	Diff. %
Carraro Drive Tech	386,745	454,485	-14.9	366,786	435,805	-15.8
Carraro div. Agritalia	113,064	118,091	-4.3	108,869	112,512	-3.2
Non-allocated business	26,067	24,805	5.1	3,015	502	
Total segments	**525,876**	**597,381**	**-12.0**	**478,670**	**548,819**	**-12.8**
Intra-group eliminations	-47,198	-48,535	-2.8	-	-	
Consolidated total	**478,678**	**548,846**	**-12.8**	**478,670**	**548,819**	**-12.8**

Amounts in Euro/000

	Related sales			Intra-group sales		
	2020	2019	Diff. %	2020	2019	Diff. %
Carraro Drive Tech		18	-100	19,959	18,662	6.9
Carraro div. Agritalia	-	-		4,195	5,579	-24.8
Non-allocated business	7	9	-22	23,052	24,294	-5.1
Total segments	**7**	**27**	**-74.1**	**47,206**	**48,535**	**-2.8**
Intra-group eliminations	-	-		-47,206	-48,535	-2.8
Consolidated total	**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:

	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/000

	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**

	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

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

Amounts in Euro/000

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

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

Amounts in Euro/000

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

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

Amounts in Euro/000

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

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Value adjustments of financial assets	1,506	-0.3	-2,234	-0.41	32.59

Amounts in Euro/000

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

Income (expenses) from hyperinflation

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Income (expenses) from hyperinflation	493	0,1	-359	-0.07	nr

Amounts in Euro/000

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.

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Earnings before tax	**-1,727**	**-0.4**	**10,436**	**1.90**	**nr**
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**	**nr**

Amounts in Euro/000

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:

	31.12.20	% of turnover	31.12.19	% of turnover	Diff. %
Net profit/(loss)	**-3,271**	**-0.7**	**8,121**	**1.48**	**nr**
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**	**nr**

Amounts in Euro/000

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

	31.12.20	% of turnover	31.12.19	% 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**

Amounts in Euro/000

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

	31.12.20	31.12.19
Investments	16,249	23,998

Amounts in Euro/000

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

	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

Amounts in Euro/000

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 Spa

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 Spa 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 76.432 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 Spa 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/000

	Carraro Spa					Carraro Germania Srl				
	31.12.20	% of turn.	31.12.19	% of turn.	Diff.%	31.12.20	% of turn.	31.12.19	% of turn.	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	−76,432		−51,686			–		11.194		
Shareholders' equity	84,222		86,359			.		11.105		

	Carraro International Se					MiniGears Inc.				
	31.12.20	% of turn.	31.12.19	% of turn.	Diff.%	31.12.20	% of turn.	31.12.19	% of turn.	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.
Ammortam. e svalut.	64	21.1	54	15.7	18.5	–		–		
Investimenti	65		45			–		–		.
Pos.finanziaria netta della gestione	−35,920		−20,666			1		2		
Patrimonio netto	25,139		18,552			1		2		

Business Areas

Drivetech

Business Area

Drivelines
& Components

Subconsolidated income statement as at 31.12.2020

Business Area Drivelines&Components / Drivetech

Amounts in Euro/000

	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

Subconsolidate statement of financial position as at 31.12.2020

Business Area Drivelines&Components / Drivetech

Amounts in Euro/000

	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
Business Area Drivelines&Components / Drivetech

	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**

Amounts in Euro/000

Corporate Structure as at 31.12.2020
Business Area Drivelines&Components / Drivetech

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/000

	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:

	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

Amounts in Euro/000

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:

		Sales			Sales to third parties	
	31.12.2020	31.12.2019	Diff %	31.12.2020	31.12.2019	Diff %
Carraro Drivetech	386,745	454,485	−14.9	366,786	435,805	−15.8
		Related sales			Intra-group sales	
	31.12.2020	31.12.2019	Diff %	31.12.2020	31.12.2019	Diff %
Carraro Drivetech	–	18	−100.0	19,959	18,662	6.9

Amounts in Euro/000

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:

Geographical Area	31.12.2020	%	31.12.2019	%	Diff. % '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 UE areas	16,206	4.19	18,297	6.35	−11.43
Other non-UE 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.

Amounts in Euro/000

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:

Sector	31.12.2020	%	31.12.2019	%	diff. % '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.

Amounts in Euro/000

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.

	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/000

	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

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

Amounts in Euro/000

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

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

Amounts in Euro/000

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

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

Amounts in Euro/000

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/000

	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/000

	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/000

	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/000

	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 / Drivetech as at 31/12/2020

Amounts in Euro/000

	Carraro Drive Tech Italia Spa [1]					Siap Spa				
	31.12.20	% of turn.	31.12.19	% of turn.	Diff. %	31.12.20	% of turn.	31.12.19	% of turn.	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
Amort., deprec. 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		

[1] Subholding company

Amounts in Euro/000

	Driveservice Srl					Carraro India Pvt. Ltd.				
	31.12.20	% of turn.	31.12.19	% of turn.	Diff. %	31.12.20	% of turn.	31.12.19	% of turn.	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.
Amort., deprec. 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		

Amounts in Euro/000

	Carraro China Drive Systems Co. Ltd.					Carraro Technologies Ltd.[2]				
	31.12.20	% of turn.	31.12.19	% of turn.	Diff. %	31.12.20	% of turn.	31.12.19	% of turn.	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
Amort., deprec. 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		

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

Amounts in Euro/000

	Carraro North America Inc. (Virginia Beach)					Carraro Drive Tech Do Brasil Inc.				
	31.12.20	% of turn.	31.12.19	% of turn.	Diff. %	31.12.20	% of turn.	31.12.19	% of turn.	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.
Amort., deprec. 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		

Amounts in Euro/000

	Carraro Argentina Sa				
	31.12.20	% of turn.	31.12.19	% of turn.	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
Amort., deprec. and impairment	472	4.11	483	4.1	−2.3
Investments	40		89		
Net financial position	−3,352		−937		
Shareholders' equity	416		1,413		

Agritalia

Business Area	Vehicles

Income Statement as at 31/12/2020
Business Area Vehicles / Agritalia

Amounts in Euro/000

	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/000

	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 of Operations at 31/12/2020
Business Area Vehicles / Agritalia

Amounts in Euro/000

	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 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/000

	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/000

	31.12.2020	%	31.12.2019	%	Diff. % '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%**

Note: following an improvement in the reclassification by geographical area, the 2019 data has 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.

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/000

	31.12.20	% of turn.	31.12.19	% of turn.	Diff. %
Ebitda	1,898	1.7	3,054	2.6	-37.9

	31.12.20	% of turn.	31.12.19	% of turn.	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/000

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

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

Amounts in Euro/000

	31.12.20	% of turn.	31.12.19	% of turn.	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/000

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

Investments

	31.12.20	31.12.19
Investments	2,005	1,443

Amounts in Euro/000

Human Resources

Workforce trend

	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 2020 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 Spa and Carraro Drivetech Italia Spa 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 Spa 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 Spa 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 Spa:

Amounts in Euro/000

Items	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 Spa	−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 Spa 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.

Enrico Carraro
Chairman

Statements

Consolidated Financial Statements
as at 31 December 2020

Consolidated income statement

Amounts in Euro/000

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

Consolidated comprehensive interim income statement

Amounts in Euro/000

	Notes	31.12.2020	31.12.2019
Net profit/(loss) for the period		**-3,021**	**8,796**
Other income components that could be recognised in the income statement in subsequent periods:			
Change in cash-flow hedge reserve	9	-216	130
Exchange differences from the translation of items from foreign operations	15	494	-1,667
Taxes on other comprehensive income components		53	-32
Total other income components that could be recognised in the income statement in subsequent periods:		**331**	**1,569**
Other income components that will not be recognised in the income statement in subsequent periods:			
Change in the provision for discounting employee benefits	19	-182	-216
Taxes on other comprehensive income components		18	68
Total other income components that will not be recognised in the income statement in subsequent periods:		**-164**	**-148**
Other comprehensive income components, net of tax effects		**167**	**-1,717**
Total comprehensive income for the period		**-2,854**	**7,079**
Total comprehensive income attributable to:			
Shareholders of the parent company		-3,100	6,413
Profit/(loss) pertaining to minorities		246	666
Total comprehensive income for the period		**-2,854**	**7,079**

Consolidated statement of financial position

Amounts in Euro/000

	Notes	31.12.2020	31.12.2019
A) Non-current assets			
1) Property, plant and equipment	6	152,871	158,785
2) Intangible fixed assets	7	46,996	52,544
3) Real estate investments	8	755	695
4) Investments	9	–	1,506
5) Financial assets	10	7,223	7,774
5.1) Loans and receivables		5,385	6,562
5.2) Other financial assets		1,838	1,212
6) Deferred tax assets	11	19,318	20,389
7) Trade receivables and other receivables	12	4,274	4,181
7.1) Trade receivables		–	–
7.2) Other receivables		4,274	4,181
Total non-current assets		**231,437**	**245,874**
B) Current assets			
1) Closing inventory	13	118,998	123,212
2) Trade receivables and other receivables	12	94,689	94,243
2.1) Trade receivables		61,501	58,315
2.2) Other receivables		33,188	35,928
3) Financial assets	10	3,090	2,048
3.1) Loans and receivables		1,794	1,456
3.2) Other financial assets		1,296	592
4) Cash and cash equivalents	14	347,263	76,120
4.1) Cash		77	72

	Notes	31.12.2020	31.12.2019
4.2) Bank current accounts and deposits		347,186	76,048
4.3) Other cash and cash equivalents		–	–
Total current assets		**564,040**	**295,623**
Total assets		**795,477**	**541,497**

	Notes	31.12.2020	31.12.2019
A) Shareholders' equity	15		
1) Share Capital		41,453	41,453
2) Other Reserves		5,993	7,756
3) Profits/(Losses) brought forward		–	–
4) Cash flow hedge reserve		–51	113
5) Provision for discounting employee benefits		125	284
6) Foreign currency translation reserve		9,619	6,476
7) Profit/loss for the year pertaining to the group		–3,271	8,121
Group shareholders' equity		**53,868**	**64,203**
8) Minority interests		9,347	9,101
Total shareholders' equity		**63,215**	**73,304**
B) Non–current liabilities			
1) Financial liabilities	16	474,477	194,096
1.1) Bonds		324,433	176,707
1.2) Loans		150,044	17,368
1.3) Other financial liabilities		–	21
2) Trade payables and other payables	17	62	115
2.1) Trade payables		–	–
2.2) Other payables		62	115
3) Deferred tax liabilities	11	1,477	1,899
4) Provision for employee benefits/retirement	19	9,379	9,769
4.1) Provision for severance indemnity		7,728	8,197
4.2) Provision for retirement benefits		1,651	1,572
5) Provisions for risks and liabilities	20	3,024	3,746
5.1) Provision for warranties		2,311	2,989
5.2) Provision for legal claims		56	56
5.3) Provision for restructuring and reconversion		–	–
5.4) Other provisions		657	701
Total non–current liabilities		**488,419**	**209,625**
C) Current liabilities			
1) Financial liabilities	16	28,476	17,861
1.1) Bonds		–	–
1.2) Loans		23,800	15,067
1.3) Other financial liabilities		4,676	2,794
2) Trade payables and other payables	17	196,774	219,247
2.1) Trade payables		140,400	150,169
2.2) Other payables		56,374	69,078
3) Current taxes payables	18	2,784	5,331
4) Provisions for risks and liabilities	20	15,809	16,129
4.1) Provision for warranties		10,309	13,317
4.2) Provision for legal claims		314	461
4.3) Provision for restructuring and reconversion		1,071	1,483
4.4) Other provisions		4,115	868
Total current liabilities		**243,843**	**258,568**
Total liabilities		**732,262**	**468,193**
Total shareholders' equity and liabilities		**795,477**	**541,497**

Amounts in Euro/000

Statement of changes in consolidated shareholders' equity

Amounts in Euro/000

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

Amounts in Euro/000

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

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

Consolidated statement of cash flows

Amounts in Euro/000

	Notes	31.12.2020	31.12.2019
Profit/(loss) for the year pertaining to the Group	5	-3,271	8,121
Profit/(Loss) for the year pertaining to minority interests		250	675
Tax for the year	4	1,294	1,640
Profit/(loss) before taxes		**-1,727**	**10,436**
Depreciation of property, plant and equipment	2	17,128	16,866
Amortisation of intangible fixed assets	2	3,284	3,348
Impairment of intangible assets	2	-8	-85
Provisions for risks	2	2,413	7,359
Provisions for employee benefits	2	4,264	4,954
Net gains/(losses) on foreign exchange	3	-356	-74
Income and expenses from equity investments	3	-	-280
Value adjustments of financial assets	3	1,506	2,234
Other non-monetary income and expenses		-	-
Cash flows before changes in Net Working Capital		**26,504**	**44,758**
Changes in inventory	13	99	-6,635
Change in trade receivables	12	-5,954	19,726
Change in trade payables	17	-5,367	-8,791
Change in other receivables/payables	13-17	-11,751	33,624
Changes in receivables/payables for deferred taxation	11	-10	-36
Use of provisions for employee benefits	19	-4,637	-4,952
Use of risks provisions for risks and liabilities	20	-2,540	-8,989
Change in other financial assets and liabilities		-690	894
Tax payments	4	-2,663	-3,892
Cash flows from operating activities		**-7,009**	**65,707**
Investments in material fixed assets and real estate	6	-15,454	-22,817
Disinvestments and other movements in property, plant and equipment	6	-300	-885
Real estate investments		-60	-
Investments in intangible fixed assets	7	-798	-1,182
Disinvestments and other movements in intangible assets	7	2,934	-8
Equity investments/divestments		-	3,788
Cash flows from investing activities		**-13,678**	**-21,104**
Change in financial assets	10	392	823
Change in financial liabilities	16	294,548	5,928
Change in share capital	15	-	-
Declared dividends	15	-	-10,958
Entrance of non-controlling interests		-	-
Other movements of shareholders' equity		-1,520	202
Cash flows from financing activities		**293,420**	**-4,005**
Total cash flows for the period		**272,733**	**40,598**
Opening cash and cash equivalents		**76,120**	**35,617**
Exchange changes in cash and cash equivalents		-1,590	-95
Closing cash and cash equivalents		**347,263**	**76,120**

Explanatory and supplementary notes to the Consolidated Accounts as at 31 december 2020

1. Introduction

Publication of the Consolidated Financial Statements of Carraro Spa and "Carraro Group" subsidiaries for the year ended 31 December 2020 was authorised by a resolution of the Board of Directors on 26 March 2021.

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

Carraro Spa is not subject to management and coordination activities under the terms of Art. 2497 *et seq* of the Italian Civil Code.

The controlling shareholder Finaid Spa does not perform any activity of management and coordination in relation to Carraro, and in particular:

› Finaid is a purely financial holding;
› Finaid does not issue any directions to Carraro;
› the Finaid Board of Directors does not approve Carraro's strategic or business plans nor does it "interfere" regularly in its operations; and
› there are no relationships of a commercial or financial nature between Finaid and Carraro.

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

Amounts in these financial statements are given in thousands of euros, while amounts in the notes are indicated in millions of euros.

The Carraro Group companies are principally engaged in the manufacture and marketing of drive systems developed for agricultural tractors, construction equipment, material moving machinery, light commercial vehicles and automobiles, and electronic control and power systems.

The Carraro Group is organised into two CGUs (Cash Generating Units): Carraro Drive Tech and Agritalia.

Reporting criteria and accounting principles

The annual Financial Statements are drawn up in compliance with the International Financial Reporting Standards ('Ifrs') issued by the International Accounting Standards Board ("Iasb") and endorsed by the European Union, and with the measures issued implementing Article 9 of Legislative Decree 38/2005. The term Ifrs also includes the revised International Accounting Standards (Ias) and all interpretations of the International Financial Reporting Interpretations Committee (Ifric) previously known as the Standard Interpretation Committee (Sic). These standards are the same as those used for the Financial Statements as at 31 December 2019, with the exceptions described in paragraph 3.3 "Accounting standards, amendments and interpretations applicable as of 1 January 2020".

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

2. Form and content of the financial statements

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

This document contains a number of "alternative performance indicators" not envisaged by the Ifrs accounting standards:

- *Ebitda* (understood as the sum of operating profit/(loss), amortisation, depreciation and impairment of fixed assets);
- *Ebit* (understood as operating profit/(loss) in the income statement);
- *Net Financial Position*: Esma net debt determined in accordance with the provisions of paragraph 127 of the recommendations contained in the Esma document no. 319 of 2013, implementing Regulation (EC) 809/2004, deducting, where applicable, non-current receivables and financial assets, and the effects of the application of Ifrs 16.

2.1 Format of the consolidated financial statements

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

Income Statement

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

Statement of Comprehensive Income

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

Statement of Financial Position

The consolidated interim statement of financial position is presented with separate disclosure of Assets, Liabilities and Shareholders' Equity.

Assets and Liabilities are illustrated in the Consolidated Financial Statements according to their classification as current and non-current.

Statement of Changes in Shareholders' Equity

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

Statement of Cash Flows

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

Accounting statements of transactions with related parties (Consob regulation 15519)

With reference to the reporting of related-party transactions in the financial statements, provided for in Consob Regulation 15519 of 27 July 2006, balances of a significant amount are specifically indicated, to facilitate understanding of the assets and liabilities, financial position and results of the Group, in the table of paragraph 8 below on related-party transactions.

2.2 Content of the Consolidated Financial Statements

Basis of consolidation

The consolidated financial statements of the Group include the financial statements of Carraro Spa and companies it directly or indirectly controls.

Subsidiaries are companies in which the Company exercises control. The Company controls another company when it is exposed, or has rights, to the variability of the subsidiary's results, based on its involvement with the subsidiary, and can influence those results by exercising its power.

Control may be exercised through directly or indirectly holding the majority of shares with voting rights, or on the basis of contractual or legal agreements, also regardless of shareholding relations. The existence of potential voting rights that may be exercised at the reporting data is considered for the purposes of determining control.

In general, the existence of control is assumed when the Parent Company holds, directly or indirectly, more than half the voting rights.

Subsidiaries are consolidated on a line-by-line basis, starting from the date when control is actually acquired and stop being consolidated at the date when control is transferred to third parties.

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

Name	Based in	Currency	Nominal value Share capital	Group stake
Parent company:				
Carraro Spa	Campodarsego (Padua)	Eur	41,452,544	
Italian subsidiaries:				
Siap Spa	Maniago (Pordenone)	Eur	18,903,000	76.76%
Driveservice Srl	Campodarsego (Padua)	Eur	30,000	100.00%
Carraro Drive Tech Italia Spa	Campodarsego (Padua)	Eur	5,000,000	100.00%
Carraro International Se	Campodarsego (Padua)	Eur	13,500,000	100.00%
Foreign subsidiaries:				
Carraro Technologies India Pvt. Ltd.	Pune (India)	Inr	18,000,000	100.00%
Carraro Argentina Sa	Haedo (Argentina)	Ars	1,954,328,939	99.95%
Carraro China Drive System	Tsingtao (China)	Cny	168,103,219	100.00%
Carraro India Ltd.	Pune (India)	Inr	568,515,380	100.00%
Carraro North America Inc.	Virginia Beach (Usa)	Usd	1,000	100.00%
Carraro Drive Tech Do Brasil Comercio e Industria de Sistemas Automotivos Ltda	Caxias do Sul (Brazil)	Brl	39,583,482	100.00%
Carraro Finance Sa	Luxembourg	Eur	30,000	100.00%
Mini Gears Inc	Virginia Beach (Usa)	Usd	8,910,000	100.00%

Associated companies are consolidated using the net equity method as better defined in the following paragraph *"Accounting standards and measurement criteria"*.

A breakdown of the equity investments is given below:

Name	Based in	Currency	Nominal value Share capital	Group stake
Enertronica Santerno Spa	Milan	Eur	784,988	20.24%

Amounts in Euro/000

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

Demerger of Drive Tech Spa and merger with Carraro International SE

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

Merger of Carraro Germania Srl with Carraro Spa

Effective 1.1.2020, Carraro Spa merged Carraro Germania Srl, wholly owned as of December 31, 2019.

Constitution of Carraro Finance Sa

Carraro Finance Sa, wholly owned by Carraro International Se, was incorporated on 30 October 2020.

3. Consolidation criteria and accounting standards

3.1 Consolidation criteria

The figures are consolidated using the line by line method, that is assuming the entire amount of the assets, liabilities, costs and revenues of the individual companies, regardless of the stock held in the company.

Foreign companies are consolidated using financial statement formats in line with the layout adopted by the parent company and compiled in accordance with common accounting standards, as applied for Carraro Spa. Where necessary, to achieve alignment with the reporting dates of the foreign companies, infra-annual financial statements as at 31 December 2020 have been provided by the directors, with the same criteria as those for year-end statements.

The carrying amount of consolidated equity interests, held by Carraro Spaor by other companies within the scope of consolidation, was offset by the relevant amount of shareholders' equity in the subsidiary companies.

The amount of shareholders' equity and the net profit/(loss) of these third-party shareholders are shown in the Consolidated Statement of Financial Position, Consolidated Income Statement and Consolidated Statement of Comprehensive Income respectively.

Payable and receivables, income and expenditure and all operations undertaken between the companies included within the scope of consolidation have been eliminated, including dividends distributed within the Group.

Profits not yet realised and capital gains and losses deriving from operations between companies of the Group have also been eliminated.

Intra-group losses that indicate impairment are recognised in the consolidated financial statements.

Financial statements denominated in foreign currencies are translated into euros using the period-end exchange rates for assets and liabilities, historical exchange rates for equity items and average exchange rates for the period for the income statement, except for investments in hyperinflationary economies, for which the period-end exchange rates required by Ias 21, paragraph 42.b, were also used to translate the income statement.

Exchange differences resulting from this conversion method are shown in a specific shareholders' equity item entitled "Foreign currency translation reserve".

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

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

3.2 Discretionary valuations and significant accounting estimates

Estimates and assumptions

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

The activities that most required the use of estimates were those concerning the impairment test on goodwill, the analysis of deferred tax assets, development costs, provisions for risks and charges and the write-down of receivables and inventories.

In this regard, the estimates made as at 31 December 2020 reflect the considerations made by the Directors concerning possible developments linked to the national and international scenario marked by the spread of Covid-19 and the consequent restrictive measures for its containment, implemented by the public authorities of the countries affected.

From the analysis conducted by the Directors in consideration of the foreseeable income flows based on the most up-to-date estimates, the type of customers served, the dynamics of the orders received, at present there are no significant uncertainties regarding the recoverability of the value of existing assets or the need to allocate specific risk provisions. For further details, please refer to the Directors' Report on Operations (*"Consob Alert 1/2021"*).

Impairment loss on goodwill

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

Deferred tax assets

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

Pension funds and other post employment benefits

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

Development costs

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

Provisions for risks and liabilities

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

3.3 Accounting standards and measurement criteria

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

Definition of Material (Amendments to Ias 1 and Ias 8)

On 31 October 2018, the Iasb published the document "Definition of Material (Amendments to Ias 1 and Ias 8)". The document introduced a change in the definition of "material" contained in Ias 1 – "Presentation of Financial Statements" and Ias 8 – "Accounting Policies, Changes in Accounting Estimates and Errors". This amendment aims to make the definition of "material" more specific and introduces the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards being amended. The amendment clarifies that information is "obscured" if it has been described in such a way that the effect on primary readers of financial statements would be similar to the effect that would have occurred if such information had been omitted or incorrect. The adoption of this amendment had no effect on the Group consolidated financial statements.

References to the Conceptual Framework in Ifrs Standards

On 29 March 2018, the Iasb published an amendment to the "References to the Conceptual Framework in Ifrs Standards". The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of Ifrs standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders understand and interpret the Standards.

Amendments to Ifrs 9, Ias 39 and Ifrs 7: Interest Rate Benchmark Reform

On 26 September 2019, the Iasb, published the amendment entitled "Amendments to Ifrs 9, Ias 39 and Ifrs.7: Interest Rate Benchmark Reform". It amends Ifrs 9 – Financial Instruments and Ias 39 – Financial Instruments: Recognition and Measurement as well as Ifrs 7 – Financial Instruments: Disclosures. In particular, the amendment changes some of the requirements for the application of hedge accounting, providing for temporary exceptions to the same, in order to mitigate the impact of the uncertainty of the Ibor reform on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in their financial statements on their coverage ratios which are directly affected by the uncertainties generated by the reform and to which the above exceptions apply. The adoption of this amendment had no effect on the Group consolidated financial statements.

Definition of a Business (Amendments to Ifrs 3)

On 22 October 2018, the Iasb published the document "Definition of a Business (Amendments to Ifrs 3)". The document provides some clarifications regarding the definition of business for the purposes of the correct application of Ifrs 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of business, an integrated set of activities/processes and goods must include, as a minimum, a substantial input and process that together contribute significantly to the ability to create output. To this end, the Iasb has replaced the term "ability to create output" with "ability to contribute to the creation of output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also introduced an optional test ("concentration test"), which makes it possible to exclude the presence of a business if the price paid is substantially related to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is permitted. The adoption of this amendment had no effect on the Group consolidated financial statements.

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

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

Ifrs and Ifric accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted in advance by the Group as at 31 December 2020:

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

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

Interest Rate Benchmark Reform—Phase 2

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

› Ifrs 9 Financial Instruments;
› Ias 39 Financial Instruments: Recognition and Measurement;
› Ifrs 7 Financial Instruments: Disclosures;
› Ifrs 4 Insurance Contracts; and
› Ifrs 16 Leases.

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

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

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

Ifrs 17 – Insurance Contracts

On 18 May 2017, the Iasb published Ifrs 17 – *Insurance Contracts*, which is intended to replace Ifrs 4 – *Insurance Contracts*.

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

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

The new standard measures an insurance contract on the basis of a General Model or a simplified version of this, called the Premium Allocation Approach (“PAA”).
The main features of the General Model are:

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

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects the liability to reasonably represent an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the EAP approach. The simplifications resulting from the application of the PAA method do not apply to the measurement of liabilities for outstanding claims, which are measured with the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or collected will occur within one year of the date on which the claim occurred. An entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (Dpf). The standard is applicable as from 1 January 2023 but early application is allowed only for companies that have implemented Ifrs 9 – *Financial Instruments* and Ifrs 15 – *Revenue from Contracts with Customers*. The directors do not expect a significant effect in the consolidated financial statements of the Group from the adoption of this standard.

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

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

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

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

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

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

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

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

Business Combinations and Goodwill

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

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

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

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

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

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

Acquisitions of additional equity interests after achieving control

Ias 27 Revised states that, once control of an entity has been obtained, transactions in which the controlling entity buys or sells further minority interests without affecting the control exercised over the subsidiary are transactions with owners and therefore must be recognised in shareholders' equity. It follows that the carrying amount of the controlling and the minority interests must be adjusted to reflect the change in the equity investment in the subsidiary and any difference between the amount of the adjustment made to the minority interests and the fair value of the price paid or received in this transaction is recognised directly in shareholders' equity and is attributed to the owners of the parent company. There will be no adjustments to the value of goodwill and profits or losses recognised in the income statement. Any ancillary expenses deriving from these transactions, moreover, must be recognised in shareholders' equity in accordance with the provisions of Ias 32, paragraph 35.

Previously, in the absence of a specific Standard or Interpretation on the subject, in the case of acquisition of minority interests in companies already controlled, the Carraro Group had adopted the Parent Entity Extension Method, which involved recognition of the difference between the purchase price and the carrying amounts of assets and liabilities under the item Goodwill. In the case of sale of minority interests without loss of control, instead, the Group recognised the difference between the carrying amount of the assets and liabilities sold and the sales price in the income statement.

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

Property, plant and equipment

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

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

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

Assets held under finance leases, through which all the risks and benefits of ownership are transferred to the Group, are recognised as Group assets at their current value or, if lower, at the present value of the minimum lease payments.

The corresponding liability to the lessor is included in the financial statements under financial payables. Leases where the lessor substantially retains all the risks and benefits of ownership are classified as operating leases and the related costs are recognised in the income statement over the term of the contract.

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

Category	Useful life
Industrial buildings	20–50
Plant	15–25
Machinery	15–18
Equipment	3–15
Dies and models	5–8
Furniture and fittings	15
Office machines	5–10
Motor vehicles	5–15

Real estate investments

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

Intangible fixed assets

Intangible assets are recognised in the accounts only if they can be identified and checked, are expected to generate future economic benefits, and their cost can be reliably determined.

Intangible fixed assets with a limited life are carried at purchase or production cost net of amortisation and accumulated impairment losses.

Amortisation is calculated in relation to their anticipated useful life and starts when the asset becomes available for use.

Goodwill

Goodwill represents the surplus of the purchase cost compared to the acquirer's interest in the fair value (referred to the identifiable net values of the assets or liabilities of the entity acquired).

After initial recognition, goodwill is carried at cost, less any cumulative impairment losses.

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

Research and development costs

The costs of research are charged to the income statement when incurred, in accordance with Ias 38.

Again in compliance with Ias 38, development costs relating to specific projects are recorded among the assets only if all the following conditions are fulfilled:

› the asset can be identified;
› the technical feasibility of completing the intangible asset so that it will be available for use or sale exists;
› the intention to complete the intangible asset and use or sell it exists;
› the ability to use or sell the intangible asset exists;
› the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset exists;
› it is likely that the asset created will generate future financial benefits;
› the costs of the development of the asset can be reliably measured.

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

Licences, trademarks and similar rights

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

Software

The cost of software licences, inclusive of ancillary expenses, is capitalised and recognised net of amortisation and of any accumulated impairment losses.

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

Impairment losses

Where there are specific signs of impairment, tangible and intangible fixed assets are subject to an impairment test, estimating the recoverable value of the assets and comparing it with their net carrying amount. The recoverable value is the greater of the fair value of an asset net of selling costs and its value in use, which is determined as the present value of the cash flows that the company estimates will derive from the continuous use of the asset and from its disposal at the end of its useful life.

This recoverable value is determined for each individual asset except when the asset does not generate cash flows which are fully dependent on those generated by other assets.

If the recoverable value is lower than the carrying amount, the latter is reduced accordingly. This reduction represents an impairment loss, which is recognised in the income statement.

If there is no longer any reason for an impairment loss previously recognised to be maintained, with the exception of goodwill and of intangible assets with an unlimited useful life, the carrying amount is reinstated to the new value deriving from the estimate, provided that this value does not exceed the net carrying amount which the asset would have had, if no impairment had ever been made and net of amortisation that would have accumulated. The value written back is also recorded in the income statement.

Impairment tests are carried out annually in the case of goodwill and of intangible fixed assets with an unlimited useful life.

Impairment tests are also carried out on all assets with independent flows that show evidence of impairment.

Equity investments in associated companies

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

The income, expenses, assets and liabilities of associated companies are shown in the consolidated financial statements using the net equity method.

Equity investments in other companies and other securities

In accordance with Ifrs 9 and Ias 32, equity investments in companies other than subsidiaries and associates are classified as financial assets available for sale (hold to collect contractual cash flow and sell), and are carried at fair value except in cases where it is not possible to determine the market price or the fair value: in this case the cost method is used.

Profits and losses deriving from value adjustments are recognised in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve.

In the presence of permanent impairment losses or in the event of a sale, profits and losses recognised up to that moment in shareholders' equity are recognised in the income statement.

Financial assets

The standard Ifrs 9 sets out the following types of financial instruments: financial assets at amortised cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income. Initially, all financial assets are recognised at fair value, increased, in the case of assets other than those at fair value, by any ancillary expenses. The company establishes the classification of its financial assets at initial registration and, where appropriate and permitted, revises the classification at the end of each financial year.

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

Financial assets measured at amortised cost

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

Financial liabilities

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

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

Impairment losses on financial assets

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

Assets measured on the basis of amortised cost

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

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

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

Assets recognised at cost

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

Available-for-sale financial assets

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

Inventories

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

Works in progress to order

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

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

Trade receivables and other receivables

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

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

If there is objective evidence of elements indicating an impairment loss, the asset is reduced by an amount that returns the discounted value of the cash flows obtainable in the future. Impairment losses are recognised in the income statement. Where reasons for previous writedowns are not maintained into subsequent trading periods, the value of the asset is reinstated until it corresponds to the value that would have derived from application of the amortised cost.

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

Cash and cash equivalents

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

Loans and bonds

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

Allowances and provisions

Provisions for risks and liabilities

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

Employee and similar benefits

According to Ias 19, employee benefits to be paid out subsequent to the termination of the employment relationship and other long-term benefits (including the provision for severance indemnity) are subjected to actuarial valuations which have to take into account a series of variables (such as mortality, the provisions of future salary changes, the anticipated rate of inflation, etc.).

Following this method, the liability recognised represents the current value of the obligation, net of any plan assets, adjusted for any actuarial losses or profits not accounted for.

As provided for by Ias 19 Revised, actuarial gains and losses were recognised directly in the income statement, without using the corridor approach.

Following the adoption of Ias 19 Revised, actuarial gains/losses are no longer directly recognised in the income statement, but are directly recognised in a reserve of shareholders' equity with immediate recognition in the Statement of Comprehensive Income. Interest cost is classified under Financial income/expenses and no longer under the item Personnel Costs.

Recognition of revenues and other positive income components

1. Recognition of revenues (as required by Ifrs 15, paragraphs 31, 46, 47 and 119)

The revenues recognised by the Carraro Group mainly refer to the following types:

› Revenues from the sale of products (axles, transmissions, spare parts, agricultural tractors, gears and components);
› Revenues from holding, financing and processing activities and logistics on behalf of third parties.

1.1 Revenues from the sale of products (axles, transmissions, spare parts, tractors, gears and components)

The companies belonging to the Carraro Group sell axles, integrated power transmission systems, spare parts, agricultural tractors, gears and other components to other companies operating in the international construction of agricultural machinery, earthmoving machinery, industrial transport equipment, material handling and power tools sectors, thus operating in the B2B sector.

The guarantees related to the sale are aligned in terms of duration to those required by law and/or in accordance with commercial practice in the sector. Therefore, the company accounts for compliance guarantees in accordance with Ias 37 – "Provisions, Contingent Liabilities and Contingent Assets".

Revenues as described above include a single performance obligation concerning the sale of the product, not including in the sale of services or ancillary products which, in accordance with the standard, should constitute separate performance obligations.

As far as the recognition of revenues is concerned, these are recorded at the time of the transfer of control of the goods on which processing has been carried out (at a point in time), this condition depends on what has been established with the customer, in most cases this transfer of control occurs when the goods are taken over by the carrier (which may alternatively be a carrier or a ship). After the transfer of control, the customer has full discretion on the good, on its processing, on the method of distribution of the goods and on the sales price to be applied, has full responsibility for its use within its products and assumes the risks of obsolescence and possible loss of the goods.

Group companies recognise the receivable when control is transferred, as indicated in the previous paragraph, as it represents the moment when the right to the consideration becomes unconditional, since the due date of the invoice is the only prerogative that identifies when payment is due.

According to the standard contractual conditions applied by the company, the fee is certain and there are no variable parts. In addition, there are no contractually agreed sales with a right of return.

Returns are only made if there is an error in quality or delivery and therefore the goods sold have not been produced with the technical characteristics agreed with the customer at the time of ordering. For quality problems, the Guarantee Fund set aside in accordance with Ias 37 will be used.

1.2 Revenues from holding, financing and processing activities and logistics on behalf of third parties.

Some of the companies belonging to the Carraro Group carry out holding activities and therefore deal with the purchase, management, possession and sale of shares, bonds and other quotas or similar securities, as well as shareholdings or interests in other companies. They also finance subsidiaries and associates and coordinate their technical and financial activities within the limits and in compliance with the law.

The companies of the Carraro Group also carry out work on moulds, gears and mechanical work as well as road haulage services and logistics in general on behalf of third parties.

The guarantees related to the sale are aligned in terms of duration to those required by law and/or in accordance with commercial practice in the sector. Therefore, the company accounts for compliance guarantees in accordance with Ias 37 – “Provisions, Contingent Liabilities and Contingent Assets”.

Revenues as described above include a single performance obligation concerning the provision of the service, not including in the sale any services or ancillary products which, in accordance with the standard, should constitute separate performance obligations. Group companies recognise the receivable when control is transferred, as indicated in the previous paragraph, as it represents the moment when the right to the consideration becomes unconditional, since the due date of the invoice is the only prerogative that identifies when payment is due.

According to the standard contractual conditions applied by the company, the fee is certain and there are no variable parts.

2. Recognition of other positive income components

Interest income is recognised in accordance with the accruals concept, on the basis of the amount financed and the effective interest rate applicable, which represents the rate that discounts future collections estimated over the expected life of the financial asset so as to take them back to the carrying amount of the asset itself.

Revenues from dividends are recorded when the right to collection arises, which normally corresponds to the resolution of the shareholders’ meeting approving distribution of the dividends. Dividends to shareholders are recognised as payable at the time of the distribution resolution.

Public grants

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

Taxes

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

Current taxes

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

Deferred taxes

Deferred taxes are determined on the basis of the taxable temporary differences existing between the carrying amount of assets and liabilities and their value for tax purposes; they are classified under non-current assets and liabilities.

Deferred tax assets are provided for only to the extent that future tax burdens will probably exist, against which this asset balance can be used.

The value of deferred tax assets which can be recognised is subject to an annual assessment and is written down to the extent that it is not likely that sufficient income for tax purposes will be available in the future so as to permit all or part of this credit to be used. Unrecognised deferred tax assets are reviewed annually at the reporting date and are recognised to the extent that it has become likely that income for tax purposes will be sufficient to permit these deferred tax assets to be recovered.

Deferred tax assets and liabilities are determined with reference to the tax rates which are expected to be applied in the period in which these deferments will be realised, taking into account the rates in force or those which it is known will be subsequently issued.

Deferred tax assets and liabilities are offset, if a legal right exists to offset the current tax assets with current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

Value added tax

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

› the tax applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;

› it refers to trade receivables and payables recorded including the value of the tax.

Earnings (losses) per share

Basic earnings (losses) per share are calculated by dividing the net profit (net loss) for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding in the period.

Diluted earnings (losses) per share are obtained by means of adjustment of the weighted average of outstanding shares, so as to take into account all the potential ordinary shares with diluting effects.

Translation of foreign currency balances

Functional currency

The companies of the Group provide their financial statements in the currency used in the individual country.

The Group's functional currency is the euro, which represents the currency in which the separate financial statements are drawn up and published.

Accounting transactions and entries

Transactions carried out in a foreign currency are initially recognised using the exchange rates at the transaction date.

At the reporting date, the monetary assets and liabilities denominated in a foreign currency are re-translated on the basis of the exchange rate in force at that date.

Non-monetary foreign currency items measured at historical cost are translated using the exchange rate in force at the date of the transaction.

Non-monetary items recognised at fair value are translated using the exchange rate in force at the date of determination of the value.

Derivative financial instruments and hedging transactions

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

The main objectives indicated by the policy are as follows:

A) Exchange-rate risks:

1) to hedge all commercial and financial transactions against the risk of fluctuation;
2) to apply the "currency balancing" method of hedging the risk, where possible, favouring the offsetting of revenues and expenses and payables and receivables in foreign currencies in order to engage in hedging solely for the excess balance not offset;
3) not to permit the use and ownership of derivatives or similar instruments for mere trading purposes;
4) to permit only the use of instruments traded on regulated markets for hedging transactions.

B) Interest-rate risks:

1) to hedge financial assets and liabilities against the risk of changes in interest rates;
2) in hedging against risk, to comply with the general criteria for balancing lending and borrowing set at the Group level by the Board of Directors of Carraro S.p.A. when it approves long-term plans and budgets (fixed and floating interest rates, proportions at short term and medium/long term);
3) to permit only the use of instruments traded on regulated markets for hedging transactions.

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

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

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

For hedge accounting purposes, hedges are classified as:

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

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

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

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

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

Fair-value hedges

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

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

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

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

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

Cash flow hedges

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

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

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

Hedges of a net investment in a foreign operation

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

Credit risk

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

The management of credit is designed to prioritise the acquisition of customers of national and international standing for multi-annual supplies; on this basis consolidated historical relationships have been built up with the main customers. Generally speaking, these relationships are governed by ad-hoc supply contracts. Credit control requires periodic monitoring of the main financial and economic data (including the delivery schedules) relating to each customer.

Except in special circumstances to do with country or counterparty risk, guarantees are not normally obtained on credit.

Receivables are recognised in the accounts net of any writedowns determined by assessing the counterparty's risk of insolvency based on the information available.

The effects of the spread of the pandemic in 2020 have not resulted in any significant consequences on the overall operations of customers such as to jeopardize the continuity of the cash flows from the sale of the Group's products.

Liquidity risk

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

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

The cash flows envisaged for 2021 include, besides the trend in working capital of operations and investments, the effects of current liabilities and the short-term portions of medium- and long-term loans reaching maturity, as well as the effects (assuming the same rates of exchange with compared to 31.12.2020) of the closure of derivative financial instruments on currencies in existence at the reporting date.

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

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

Uncertainties in financial markets have had an effect on borrowing by banks and as a consequence on credit granted to businesses. This instability could also continue in 2021, preventing the normal execution of financial transactions.

Lastly, regardless of the fact that the Group has continued refinancing its debts with the support of its banking counterparties and the financial markets, the situation could arise of having to seek additional financing in less favourable market conditions, with the limited availability of such sources and an increase in financial expenses.

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

Exchange-rate risk and interest rate risk

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

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

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

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

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

Intra-group transactions

As regards related-party transactions, including intra-group transactions, said transactions cannot be qualified as atypical or unusual, and are part or the normal operations of Group companies. Said transactions take place at market conditions, considering the characteristics of the goods and services provided.

Information on related-party transactions, including the information required by Consob Communication of 28 July 2006, is given in section 8.

4. Reporting by business and geographic segment

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

For operational purposes, the group manages and controls its business on the basis of the type of products supplied.

The Carraro Group as at 31.12.2020 was organised in the following Business Areas:

› Carraro Drive Tech (*Transmission systems and components*): specialised in the design, manufacture and sale of transmission systems (axles, transmissions and planetary drives) mainly for agricultural and construction equipment, and also markets a wide range of components and gears for very diverse sectors, from the automotive industry to light power tools, material handling, agricultural applications and construction equipment;
› Carraro Divisione Agritalia (*Vehicles*): designs and manufactures special tractors (from 60 to 100 hp) for third-party brands;

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

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

4.1 Business segments

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

A. Economic data

Amounts in Euro/000

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

Amounts in Euro/000

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

B. Other information

Amounts in Euro/000

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

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

4.2 Geographic segments

The Group's industrial operations are located in various areas of the world: Italy, other European countries, North and South America, Asia and other non-European countries.

The Group's sales, deriving from the manufacturing carried out in the above areas are achieved equally with customers in Europe, Asia and the Americas.

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

A. Sales

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

Amounts in Euro/000

	31.12.2020	%	31.12.2019	%
India	70,749	14.78%	76,159	13.88%
North America	57,017	11.91%	77,394	14.10%
Germany	56,381	11.78%	70,865	12.91%
Turkey	29,532	6.17%	13,115	2.39%
South America	28,494	5.95%	32,926	6.00%
Switzerland	27,996	5.85%	28,083	5.12%
France	26,683	5.57%	29,776	5.43%
China	25,571	5.34%	22,747	4.14%
United Kingdom	15,542	3.25%	40,888	7.45%
Spain	8,742	1.83%	16,280	2.97%
Other EU areas	28,934	6.04%	29,366	5.35%
Other non-EU areas	14,094	2.94%	12,920	2.35%
Total Abroad	**389,735**	**81.42%**	**450,519**	**82.08%**
Italy	88,943	18.58%	98,327	17.92%
Total	**478,678**	**100.0%**	**548,846**	**100.00%**
of which:				
Total EU area	**209,683**	**43.80%**	**244,613**	**44.57%**
Total non-EU area	**268,995**	**56.20%**	**304,233**	**55.43%**

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

B. Carrying amount of assets by area

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

Amounts in Euro/000

	31.12.2020		31.12.2019	
	Current assets	Non-current assets	Current assets	Non-current assets
Italy	485,939	383,548	288,555	480,445
North America	234	1	285	–
South America	10,481	2,963	11,357	4,239
Asia (India, China)	114,512	47,362	89,289	53,062
Eliminations and items not allocated	-47,126	-202,437	-93,863	-291,872
Total	**564,040**	**231,437**	**295,623**	**245,874**

C. Investments by geographic segment

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

Amounts in Euro/000

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

5. Non-recurring transactions and other extraordinary events

Non-recurring transactions:

At 31 December 2020, the following non-recurring operations were present: relating to costs incurred for the adaptation of the workplace to the health situation (Covid costs incurred for sanitation and purchase of masks, sanitizers and safety devices), costs incurred due to of the cyber attack, in addition to the effects of the devaluation of an engineering contract, as well as the costs for the restructuring of the Argentine subsidiary.

Amounts in Euro/000

31.12.2020	Services	Personnel costs	Provisions for risks and liabilities	Other income and expenses	Ebit	Before tax	Taxes	Minorities	Net
Carraro Spa	1	446	–	3,062	3,509	3,509	-979	–	2,530
Carraro Drive Tech Spa	14	77	–	–	91	91	-25	–	66
Carraro Drive Tech Italia Spa	26	197	–	191	414	414	-115	–	299
Siap Spa	51	228	–	–	279	279	-78	-47	154
Driveservice Srl	–	39	–	-81	-42	-42	12	–	-30
Carraro India	6	70	–	–	76	76	-19	–	57
Carraro Cina	3	29	–	–	32	32	-8	–	24
Carraro Argentina Sa	–	–	141	–	141	141	-42	–	99
Total	**101**	**1,086**	**141**	**3,172**	**4,500**	**4,500**	**-1,254**	**-47**	**3,199**

B. Other extraordinary events:

Argentina – hyperinflationary economy: impacts of the application of Ias 29

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

For the purposes of preparing these consolidated financial statements and in accordance with the provisions of Ias 29, certain items in the balance sheets of the investee Carraro Argentina S.A. have been remeasured by applying the general consumer price index to the historical data, in order to reflect the changes in the purchasing power of the Argentine peso at the closing date of the financial statements.

The non-monetary balance sheet data of the financial statements of this company was remeasured by applying the inflation rates from their original acquisition date.

In particular, during 2020, the accounting effects of this remeasurement were recorded in the following manner:

› the remeasurement of non-monetary items, shareholders' equity items and income statement items recognised during the 2020 financial year, carried out to take account of the change in the reference price index, was recognised as a contra entry in a specific item of the income statement under financial income and expense (see item in the financial statements: C15 - Income (charges) from hyperinflation).

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

Effects – hyperinflationary economy Carraro Argentina

Amounts in Euro/000

Balance sheet effects:	Effects Ias 29:
Total assets	**797**
Total shareholders' equity	**521**
Total liabilities	**276**

Amounts in Euro/000

Economic effects:	Effects Ias 29:
1) Products	1,340
2) Services	26
3) Other revenues	3
Total revenues from sales	**1,369**
1) Purchases of goods and materials	770
2) Services	348
3) Use of third-party goods and services	21
4) Personnel costs	347
5) Amortisation, depreciation and impairment of assets	404
6) Changes in inventories	61
7) Provision for risks and other liabilities	31
8) Other income and expenses	-7
9) Internal construction	–
Total operating costs	**1,975**
Operating profit/(loss)	**-606**
10) Income and expenses from equity investments	–
11) Other financial income	7
12) Financial costs and expenses	-7
13) Net gains/(losses) on foreign exchange	-84
14) Value adjustments of financial assets	–
15) Income (charges) from hyperinflation	493
Net gains/(losses) on financial assets	**409**
Profit/(loss) before taxes	**-197**
15) Current and deferred income taxes	51
Net profit/(loss)	**248**
16) Minority interests	–
Group consolidated profit/(loss)	**248**
Ebitda	**-202**

6. Notes and comments

Revenues and costs

A) Revenues from sales *(note 1)*

Analysis by business segment and geographic area

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

B) Operating costs *(note 2)*

Amounts in Euro/000

	31.12.2020	31.12.2019
Purchases of raw materials	277,464	334,901
Returns of raw materials	-34	-8
A) purchases	277,430	334,893
Miscellaneous consumables	1,164	1,670
Consumable tools	3,781	4,439
Maintenance material	2,009	2,467
Mat. And serv. For resale	4,995	2,614
Rebates and discounts - suppliers	-1,454	-1,817
B) other production costs	10,495	9,373
1) Purchases of goods and materials	**287,925**	**344,266**
A) external services for production	37,615	42,116
B) sundry supplies	7,240	7,733
C) general overheads	24,096	23,211
D) commercial costs	723	1,540
E) sales expenses	1,760	3,151
2) Services	**71,434**	**77,751**
3) Use of third-party goods and services	**118**	**84**
A) wages and salaries	64,159	65,003
B) social security contributions	16,032	17,241
C) employee severance indemnity and retirement	4,264	4,954
D) other costs	4,754	4,637
4) Personnel costs	**89,209**	**91,835**
A) deprec. Prop., Plant & equipment	17,128	16,866
B) amort. Intangible assets	3,284	3,348
C) impairment of fixed assets	-8	-85
D) impairment of receivables	48	106
5) Amortisation, depreciation and impairment of assets	**20,452**	**20,235**
A) changes in inventories of raw and ancillary materials and goods	6,527	-15,868
B) changes in inventories of work in prog. Semi-fin. & Fin. Prods	-6,428	9,233
6) Changes in inventories	**99**	**-6,635**
A) warranty	1,478	6,508
B) costs of legal claims	87	99
C) renovation and conversion	141	357

	31.12.2020	31.12.2019
D) other provisions	207	395
7) Provision for risks and other liabilities	**1,913**	**7,359**
A) sundry income	-7,466	-8,051
B) grants	-160	-47
C) other operating expenses	1,127	1,293
D) other non-ordinary operating income/expenses	2,304	-1,306
8) Other income and expenses	**-4,195**	**-8,111**
9) Internal construction	**-440**	**-469**

C. Net income from financial assets (note 3)

Amounts in Euro/000

	31.12.2020	31.12.2019
10) Income/expenses from equity investments	**-**	**280**
A) from financial assets	131	-
B) from bank current accounts and deposits	197	113
C) from other cash equivalents	234	65
D) income other than the above	691	756
E) from changes in the fair value of derivative transactions on rates	-	-
11) Other financial income	**1,253**	**934**
A) from financial liabilities	-11,191	-8,160
B) from bank current accounts and deposits	-758	-961
C) expenses other than the above	-2,537	-1,669
D) from changes in the fair value of derivative transactions on rates	-	-
12) Financial costs and expenses	**-14,486**	**-10,790**
From net derivative transactions on exchange rates	368	-976
From changes in the fair value of derivative transactions on net exchange rates	266	264
Other net exchange rate differences	-278	786
13) Net gains/(losses) on foreign exchange	**356**	**74**
A) revaluations	113	-
B) impairment	-1,619	-2,234
14) Value adjustments of financial assets	**-1,506**	**-2,234**
Income (charges) from hyperinflation	-493	359
15) Income (charges) from hyperinflation	**-493**	**359**
Net gains/(losses) on financial assets	**-13,890**	**-12,095**

Financial expenses amounted to 14.486 million euros compared to 10.790 million euros in 2019, an increase of 34.25%.

Financial expenses also include the fees paid on the bond issues that are absorbed along the bond amortisation schedule in application of the amortised cost method of accounting.

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

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

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

Current and deferred income taxes (note 4)

Amounts in Euro/000

	31.12.2020	31.12.2019
Current taxes	2,037	2,527
Tax consolidation expense and income	1,963	3,307
Taxes from previous years	-3,622	-4,129
Deferred taxes	916	-65
15) Current and deferred income taxes	**1,294**	**1,640**

Current taxes

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

Tax consolidation expense and income

The companies Carraro Spa, Carraro Drive Tech Spa, Siap Spa, Carraro International Se, Driveservice Srl and Carraro Drive Tech Italia Spa adhere to the tax consolidation area of the parent company Carraro Spa. The option is valid for the three-year period 2018-2020 with reference to the subsidiaries Carraro Drive Tech Spa, Siap Spa, Carraro International Se and Driveservice Srl and for the three-year period 2019-2021 with reference to the subsidiary Carraro Drive Tech Italia Spa. The expense/income deriving from the transfer of the Ires taxable base are booked under income and charges from tax consolidation.

Deferred taxes

These are set aside on the temporary differences between the carrying amount of the assets and liabilities and the corresponding tax value.

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

Amounts in Euro/000

	31.12.2020	%	31.12.2019	%
Earnings before tax	**-1,727**		**10,436**	
Theoretical tax rate	**-482**	**27.90%**	**2,912**	**27.90%**
Tax effects related to:				
Effect of non-deductible costs	4,429	-256.46%	9,808	93.98%
Untaxable income	-915	52.98%	-7,269	-69.65%
Effect of change in deferred tax rate	-	0.00%	-239	-2.29%
Other unrecognised deferred tax assets	373	-21.60%	568	5.44%
Adjustment of deferred taxes of previous year			-	-
Unrecognised deferred taxes on tax losses	444	-25.71%	-	-
Foreign companies rate difference	-167	9.67%	-	-
Capital gains taxes	881	-51.01%	-	-

	31.12.2020	%	31.12.2019	%
Taxes on dividend distribution	392	−22.70%	–	–
Prior-year tax credits	−1,565	90.62%	−3,333	−31.94%
Taxes from previous years	−2,096	121.37%	−807	−7.73%
Taxation at effective rate	**1,294**	**−74.94%**	**1,640**	**15.71%**

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

Earning (loss) per share (note 5)

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

Amounts in Euro/000

	31.12.2020	31.12.2019
Results		
Earnings (Losses) for the purposes of calculating basic earnings per share	−3,271	8,121
Diluting effect deriving from potential ordinary shares	–	–
Earnings (Losses) for the purposes of calculating diluted earnings per share	−3,271	8,121
Number of shares		
Weighted average number of ordinary shares for calculating:		
basic earnings (losses) per share:	77,089,442	77,089,442
diluted earnings (losses) per share:	77,089,442	77,089,442
Basic earnings (losses) per share (euros):	−0.04	0.11
Diluted earnings (losses) per share (euros):	−0.04	0.11

Dividends

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

Property, plant and equipment *(note 6)*

These items present a net balance of 152.87 million euros compared with 158.78 million euros in the previous period. The breakdown is as follows:

Amounts in Euro/000

Items	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Invest. in progress and deposits	Total
Historical cost	77,878	198,328	103,699	11,975	10,024	401,904
Provisions for amort. and deprec.	−26,533	−136,052	−79,283	−9,315	–	−251,183
Net as at 31.12.2018	**51,345**	**62,276**	**24,416**	**2,660**	**10,024**	**150,721**
Movements in 2019:						
Increases	753	8,814	6,982	1,808	4,460	22,817
Decreases	−40	154	−96	−104	−3	−89
Capitalisation	6,040	4,436	418	313	−11,207	–
Hyperinflation effect in Argentina	308	636	1,130	861	–	2,935

Items	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Invest. in progress and deposits	Total
Depreciation and amortisation	−1,799	−8,551	−5,381	−1,135	–	−16,866
Reclassification	–	−443	373	87	−17	–
Write-downs	–	69	−6	22	–	85
Foreign exchange translation difference	−4	−548	−149	−53	−64	−818
Net as at 31.12.2019	**56,603**	**66,843**	**27,687**	**4,459**	**3,193**	**158,785**
Made up of:						
Historical cost	84,947	197,309	113,396	14,894	3,192	413,738
Provisions for amort. and deprec.	−28,344	−130,466	−85,709	−10,435	1	−254,953

Amounts in Euro/000

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

As at 31.12.2020, assets under finance leases for 2.7 mln euros and right-of-use assets (Ifrs16) of 1.7 mln euros are recognised under property, plant and equipment.

Right-of-use assets (Ifrs 16) are broken down by category as follows:

› Land and buildings: 0.06 million euros;
› Industrial equipment: 0.87 million euros;
› Other assets: 0.79 million euros;

Investments in land and buildings were carried out in particular by Siap Spa, Carraro Drive Tech Do Brasil and Carraro India Pvt. Ltd.

The main investments in plant and machinery were made by Carraro Spa, Carraro India Pvt. Ltd. and Siap Spa.

The increases in industrial equipment refer mainly to purchases made by Carraro Spa, Carraro India Pvt. Ltd. and Siap Spa

The increases in other assets mainly refer to office equipment and vehicles purchased by Carraro Spa, Carraro India Pvt. Ltd. and Siap Spa.

The increases in Assets under development and payments on account are mainly due to the investments being made in Carraro Spa relating to the extension of the owned building and offices, as well as to the increases in the offices of Carraro Drive Tech Italia Spa, Carraro India Pvt. Ltd. and Siap Spa.

The properties of Carraro India Pvt. Ltd. are encumbered by mortgages guaranteeing outstanding loans for a total of 5.24 million euros and its machinery by mortgages guaranteeing outstanding loans for a total of 16.52 million euros.

Decrease and exchange difference values are highlighted by the net value of the historical cost and the accumulated amortisation and uses of the depreciation provision.

Intangible assets (Note 7)

These items present a net balance of 46.9 million euros compared with 52.5 million euros in the previous period.

The breakdown is as follows:

Amounts in Euro/000

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

Amounts in Euro/000

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

The other intangible fixed assets with a limited useful life are amortised on a straight-line basis over terms estimated at between three and five years.

Decrease and exchange difference values are highlighted by the net value of the historical cost and the accumulated amortisation and uses of the depreciation provision.

Goodwill and Impairment Tests

i) Goodwill

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

Amounts in Euro/000

Business Area (Cgu)	2020	Changes	2019
Drivetech	36,794	–	36,794
Total	**36,794**	**–**	**36,794**

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

ii) Impairment Tests

The impairment test was performed in application of the provisions of IAS 36, and taking into account the indications and guidelines provided by the various bodies in charge (Esma, Consob, Oic, Oiv, Ivass / Isvap, Bank of Italy), with the application criteria listed below:

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

- for the purpose of impairment testing for the Consolidated Financial Statements as at 31 December 2020, and as for the previous years, the "CGUs" were identified as the two business areas: "Drive Tech" and "Agritalia". As in previous years, the test was also carried out at a Group level overall, although the average Stock Exchange capitalisation value was higher than the carrying amount of shareholders' equity;
- the reference time horizon for the estimate of future cash flows is a period of four years, subsequently using the perpetual return criterion;
- the expected cash flow projections are based on: i) the 2021 budget approved by the Board of Directors on 17 December 2020; ii) projections prepared by the management for the period 2022-24, based on the most reliable and up-to-date information regarding foreseeable business developments, taking into account external sources of information (Ias 36, paragraph 33) and the differences between past cash flow projections and actual cash flows (Ias 36, paragraph 34);
- the configuration of cash flows is defined according to an "asset side" approach, i.e. regardless of the values deriving from financing activities (Ias 36, paragraph 51). Consequently, this value configuration presupposes application of the financial criterion in its unleveraged version;
- discounting is carried out on the basis of a discount rate, which reflects the current market assessments of the time value of money and the specific risks of the asset not reflected in the cash flow estimates (Ias 36, paragraph 55). Specific risks include those related to the environmental context in which the activity is carried out and those related to the execution of the plan itself;
- Taking into account the OIV guidelines for the conduct of the Impairment Test in contexts of uncertainty generated by the Covid-19 pandemic, it should be noted that: (i) the effects of the pandemic were included in the results, basing the Impairment Test on forecasts for the period 2021-2024 made on the basis of prudent assumptions; (ii) the Test was carried out taking into account the results of the fundamental analysis conducted on the CGUs and the Group; (iii) in order to avoid the rate being affected by contingent factors linked to stock market trends and/or the delay in analysts' forecasts, reference was made to longer-term estimates in determining beta and Erp and risk free rates, set at zero if the value is negative;
- The cash flow projections refer to current operating conditions and therefore do not include the cash flows arising from any extraordinary interventions;
- the terminal value was estimated based on the values of the last year of analytical forecasting; a "standard" tax rate was applied, which, for conservative purposes, does not consider any tax recovery arising from the use of previous losses. The estimated, forward-looking growth rate ("g") was prudently assumed to be 0.4%.
- Wacc (weighted average cost of capital) rates were used to discount flows, calculated by analysing comparable company data in relation to each CGU (cash generating unit), so as to reflect the risk level of each segment of activity. The flows were determined net of the tax effect. The change in taxes from one year to another is affected, among others, by the change in the cost of money and update to the basket of comparable companies for each segment of activity. In line with the decisions taken in previous years, for each CGU a degree of "historical" error (in terms of overstatement) inherent in the forecasts prepared by the Group's management has been measured. Considering that the outbreak of the pandemic crisis made it inappropriate to compare the 2020 budget (formulated before the pandemic crisis) with the final figures for the same period, this error was determined by measuring the percentage difference between final turnover and Ebitda and those of the revised budget approved by the Board of Directors on 29.7.2020. As a result of this analysis, there were no "increases on the actual". In line with the previous year and with the OIV document of June 2012, a second and further increase has also been considered, determined by comparing the Ebitda envisaged in the Plan used for the impairment test at 31 December 2020 with that envisaged in the Plan used for the test as at 31 December 2019. In the current year, this increase was applied to the Drive Tech CGU, while it did not arise in relation to the Agritalia CGU.

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

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

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

The effect produced by the joint variation of some of the above parameters was also verified.

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

	Wacc	Ebit
Carraro Group	10.58%	−28.77%
CGU Drivetech	13.13%	−41.26%
CGU Agritalia	6.69%	−16.94%

Investments in progress and deposits

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

Licences and Trademarks

The increases are mainly attributable to the acquisition of licenses by Carraro Spa and Carraro Technologies India Pvt. Ltd.

Royalties and patents

Investments in Royalties and Patents mainly refer to purchases of Carraro Spa.

Research and development costs

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

Real estate investments *(Note 8)*

These present a net balance of 0.79 million euros.

The breakdown is as follows:

Amounts in Euro/000

Items	Buildings	Total
Balance as at 31.12.2019	**695**	**695**
Increases	60	60
Decreases	–	–
Change in currency conversion	–	–
Balance as at 31.12.2020	**755**	**755**

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

Equity investments *(Note 9)*

Equity investments in associated companies

On the reporting date, the last available financial statements of Enertronica Santerno Spa were those as at 30.6.2020, taken as a reference for the valuation of the investment as at 31 December 2020. The equity investment was completely written down to bring it into line with the pro-rata value of Shareholders' Equity, which is still less than the fair value of the shares at the date December 31, 2020.

Name	Registered office	Holding company	Share capital		Number of shares Stakes held	Profit (loss) 31.12.20	Sh. Equity Consolida-ted 30.6.20	Direct portion	Carrying amount of the invest. 31.12.20
			Currency	Amount	Total	(ctv. euros)	(ctv. euros)		
Enertronica Santerno Spa	Milan Italy	Carraro Spa	Eur	784,988	793,200	n.d.	(5,873,812)	10.10%	–
Enertronica Santerno Spa	Milan Italy	Carraro Inter-national Se	Eur	784,988	795,600	n.d.	(5,873,812)	10.14%	–

Financial assets *(note 10)*

Amounts in Euro/000

	31.12.2020	31.12.2019
Loans to related parties	4,263	4,763
Loans to third parties	1,122	1,799
Loans and receivables	**5,385**	**6,562**
Non-current financial assets at current value	1,630	–
Available for sale	61	87
Other financial assets	147	1,125
Other financial assets	**1,838**	**1,212**
Non-current financial assets	**7,223**	**7,774**
From related parties	1,031	400
From third parties	763	1,056
Loans and receivables	**1,794**	**1,456**
Financial assets at current value	815	–
Fair value of derivatives	209	204
Other financial assets	272	388
Other financial assets	**1,296**	**592**
Current financial assets	**3,090**	**2,048**

Non-current loans and receivables

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

Values of these receivables approximate their fair value.

Other non-current financial assets

They mainly include the medium / long-term portion of security deposits with customers with whom the companies of the Group have commercial relations and to a lesser extent minority interests.

Current loans and receivables

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

Other current financial assets

They include the short-term portion of the aforementioned guarantee deposits and cash flow hedge derivatives for 0.20 million Euros. The amount refers to the fair value calculated as at 31.12.2020 on current instruments on currencies. As described in detail in the section on derivative financial instruments (paragraph 9), profits or losses deriving from hedging instruments are recognised in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve for the efficient part, while the remaining (inefficient) portion is recognised in the income statement.

Deferred tax assets and liabilities (note 11)

The table below illustrates the composition of deferred taxation by the nature of the temporary differences that determine it. The change corresponds to the effect of deferred taxes on net equity and income.

Amounts in Euro/000

Description of differences	Opening 31.12.2019	Reclassific.	Effect on income statement	Effect on net equity	Difference Exchange rate	Closing 31.12.2020
Assets:						
depreciation and amortisation	8,829		−300			8,529
Measurement of receivables	85		25			110
Measurement of financial assets/ liabilities	98	−132		44		10
Discounting of employee severance indemnity	220	−14		23		229
Allocations to provisions	8,922		−1,370		−8	7,544
Tax losses	593		67			660
Interest expense to be carried forward	373		−373			–
Other	1,208		894			955
Personnel bonuses	61	146	−75		2	1,281
Total	**20,389**	**–**	**−1,132**	**67**	**−6**	**19,318**
Liabilities:						
depreciation and amortisation	−3,710		201		302	−3,207
Tax losses	456		−56		−40	360
Measurement of financial assets/ liabilities	–			−9		−9
Discounting of employee severance indemnity	–					–
Allocations to provisions	1,296		−74		−53	1,169
Other	59		145		6	210
Total	**−1,899**	**–**	**216**	**−9**	**215**	**−1,477**
Balance	**18,490**	**–**	**−916**	**58**	**209**	**17,841**

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

Tax losses for which it was decided not to recognise deferred tax assets as at 31 December 2020 amounted to 28.7 million euro (2019: 30.1 million euros) with a tax effect of 8 million euros (2019: 8.5 million euros).

With reference to temporarily non-deductible financial charges, it was decided to recognise deferred tax assets (2019: 0.3 million euros). No deferred tax assets on temporarily non-deductible interest charges were recognised for a taxable amount of 28.4 million euros (2019: 26.2 million Euros), with a tax effect of 6.8 million Euros (2019: 6.3 million euros).

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

Trade receivables and other receivables (Note 12)

Amounts in Euro/000

	31.12.2020	31.12.2019
Non current trade receivables	–	–
From third parties	4,274	4,181
Other non-current receivables	**4,274**	**4,181**
Non-current trade receivables and other receivables	**4,274**	**4,181**
From related parties	1,378	1,724
From third parties	60,123	56,591
Current trade receivables	**61,501**	**58,315**
From related parties	809	809
From third parties	32,379	35,119
Other current receivables	**33,188**	**35,928**
Current trade receivables and other receivables	**94,689**	**94,243**

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

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

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

Amounts in Euro/000

	31.12.2020	31.12.2019
Vat credits	20,051	21,536
Vat credits due for rebate	500	–
Other tax credits	824	1,857
Receivables for current taxes	8,724	9,584
Receivables from employees	22	28
Receivables from pensions agencies	362	358
Provisions for depreciation of other receivables	–	–
Other receivables	1,896	1,756
Other current receivables from third parties	**32,379**	**35,119**

Other current receivables from third parties equal to 32 million euros (35 million euros in 2019) decreased, mainly due to the decrease in VAT receivables and other tax receivables.

The breakdown of trade and other receivables (including provisions for impairment of receivables) by maturity is shown in the following table:

Amounts in Euro/000

31.12.2020	Past due		Not yet due		
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	Total
Trade receivables	5,988	1,141	55,596	–	62,725
Other receivables	–	–	33,188	4,274	37,462
Total	**5,988**	**1,141**	**88,784**	**4,274**	**100,187**

31.12.2019	Past due		Not yet due		
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	Total
Trade receivables	12,084	668	46,740	24	59,516
Other receivables	–	–	35,928	4,181	40,109
Total	**12,084**	**668**	**82,668**	**4,205**	**99,625**

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

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

Provisions for Depreciations of Receivables

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

Amounts in Euro/000

	31.12.2020	31.12.2019
Trade receivables from related parties	1.378	1.724
Net trade receivables from related parties	**1.378**	**1.724**
Current trade receivables from third parties	61.347	57.792
Provisions for depreciation	−1.224	−1.201
Net current trade receivables from third parties	**60.123**	**56.591**
Other receivables from related parties	809	809
Net current other receivables from related parties	**809**	**809**
Other current receivables from third parties	32.379	35.119
Provisions for depreciation of other receivables	–	–
Net current other receivables from third parties	**32.379**	**35.119**

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

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

Amounts in Euro/000

	31.12.19	Increases	Decreases	Change in consolid. scope	Reclas-sif.	Exchange-rate adjustments	31.12.20
Provisions for impairment of trade receivables	1,201	47	81	–	–	−105	1,224
Provisions for impairment of other receivables	–	–	–	–	–	–	–
Total	**1,201**	**47**	**81**	**–**	**–**	**−105**	**1,224**

Closing inventory (note 13)

Amounts in Euro/000

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

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

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

Amounts in Euro/000

Balance as at 31 December 2019	**18,295**
Provisions set aside	1,874
Utilisation	−2,530
Translation differences	−697
Other changes	553
Balance as at 31 December 2020	**17,495**

Cash and cash equivalents (note 14)

	31.12.2020	31.12.2019
Cash	77	72
Bank current accounts and deposits	347,186	76,048
Total	**347,263**	**77,120**

Amounts in Euro/000

Al 31 dicembre 2020 sussistono disponibilità liquide vincolate che ammontano ad Euro 0,08 Ml. e sono riferibili a controgaranzie prestate in India a favore di Enti Pubblici locali.

Shareholders' equity (note 15)

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

Amounts in Euro/000

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

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

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

Other reserves

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

Other Ias/Ifrs reserves

This includes the values arising from application of the criterion prescribed for cash flow hedging of 0.05 million euros.

Provision for discounting employee benefits

This reserve, which is negative amounting to 0.13 million euros, includes Employee benefit *actuarial gains/losses*, as provided for by Ias 19 Revised.

For further details, see section 3.3 "Accounting standards and measurement criteria".

Foreign currency translation reserve

This reserve, which is positive at 9.62 million euros, is used to record exchange differences arising from translation of the financial statements of foreign subsidiaries.

It should be noted that, as required by Ias 1 Revised paragraph 83, the movements in the period of the foreign currency translation reserve were recognised in the statement of comprehensive income and other capital reserves, as detailed below:

	31.12.19	Changes in the Statement of Comprehensive Income *profit reserves*	Changes in shareholders equity *capital reserves*	Changes in shareholders equity *profit reserves*	Changes by area	31.12.20
Exchange reserve of the parent company's shareholders	6,476	494	–10,000	12,649	–	9,619
Exchange reserve of minority interests	–		–		–	–
Translation reserve	**6,476**	**494**	**–10,000**	**12,649**	**–**	**9,619**

Amounts in Euro/000

Minority interests

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

Financial liabilities (note 16)

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

Regarding the agreements with banks, the suspension of covenants (waiver) was granted for the whole of 2020.

The classification of financial liabilities is shown below:

	31.12.2020	31.12.2019
Non-current bonds	**324,433**	**176,707**
Medium/long-term loans	149,114	15,809
Medium/long-term lease payables – ifrs 16	930	1,559
Non-current financial liabilities	**150,044**	**17,368**
Fair value of non-current interest rate derivatives	–	21
Other non-current financial liabilities	**–**	**21**
Non-current financial liabilities	**474,477**	**194,096**
Medium-/long-term loans – short-term portion	16,670	4,404
Loans to others	6,274	9,675
Lease payables from rights of use – ifrs 16	856	988
Current financial liabilities	**23,800**	**15,067**
Fair value of interest rate derivatives	–	–
Fair value of exchange rate derivatives	97	142
Other current financial liabilities	4,579	2,652
Other current financial liabilities	**4,676**	**2,794**
Current financial liabilities	**28,476**	**17,861**

Amounts in Euro/000

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

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

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

Amounts in Euro/000

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

Amounts in Euro/000

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

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

Amounts in Euro/000

Financial liabilities	31.12.19	Cash Flow	Reclassif.	Other changes	Change in consolida-tion scope	Exchan-ge impact	31.12.20
Gross non-current loans payable	197,368	301,327	-17,038	2,074	-624	-2,934	480,173
Gross current loans payable	15,067	-6,779	17,038	51	-103	-1,423	23,851
Total loans payable	**212,435**	**294,548**	**-**	**2,125**	**-727**	**-4,357**	**504,024**
Amortised cost	-3,293	-	-	-2,454	-	-	-5,747
Other non-current financial liabilities	21	-	-	-21	-	-	-
Other current financial liabilities	2,652	-2,683	-	4,619	-	-9	4,579
Financial liabilities	**211,815**	**291,865**	**-**	**4,269**	**-727**	**-4,366**	**502,856**

The net financial position is broken down below:

Amounts in Euro/000

Net financial position	31.12.2020	31.12.2019
Non-current bonds	-324,433	-176,707
Current bonds	-	-
Bonds:	**-324,433**	**-176,707**
Non-current loans payable	-150,044	-17,368
Current loans payable	-23,800	-15,067
Other non-current financial liabilities	-	-21
Other current financial liabilities	-4,579	-2,652
Financial liabilities:	**-178,423**	**-35,108**
Current loans and receivables	1,794	1,456
Other current financial assets	1,087	388
Financial assets:	**2,881**	**1,844**
Cash	77	72
Bank current accounts and deposits	347,186	76,048
Cash and cash equivalents:	**347,263**	**76,120**
Net financial position*	**-152,712**	**-133,851**
Non-current loans and receivables	5,385	6,562
Other non-current financial assets	1,777	1,125
Non-current leases - Ifrs 16	930	1,559
Current leases - Ifrs 16	856	988
Net financial position of operations	**-143,764**	**-123,617**
of which payables/(receivables):		
non-current	-466,385	-184,850
current	322,621	61,233

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

In January 2018, the Company issued a 3.5% fixed-rate senior unsecured bond of 180 million euros - maturing in 2025 - listed on the Luxembourg Stock Exchange and on the MOT.

The effect of the amortised cost on this item amounted to 2.685 million euros at 31 December 2020.

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

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

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

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

› Europe: 1.50-2%
› India: 9-10.50%

Fair Value

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

Trade payables and other payables (note 17)

Amounts in Euro/000

	31.12.2020	31.12.2019
From third parties	62	115
Other non-current payables	**62**	**115**
Trade payables and other non-current payables	**62**	**115**
From related parties	7	280
From third parties	140,393	149,889
Current trade payables	**140,400**	**150,169**
From related parties	90	90
From third parties	56,284	68,988
Other current payables	**56,374**	**69,078**
Trade payables and other current payables	**196,774**	**219,247**

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

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

	31.12.2020	31.12.2019
VAT payables	10,144	9,021
Other tax payables	593	356
Amounts due to pensions agencies	4,067	4,103
Amounts due to employees	11,943	11,845
Irpef (personal income tax) employees & professionals	2,867	3,009
Board of Directors	1,562	1,218
Other payables	25,108	39,436
Other current payables	**56,284**	**68,988**

Amounts in Euro/000

With regard to the Indian company, a tax dispute is underway following disputes by the local tax authorities over a number of years, mainly relating to the benchmark used for transfer pricing and the evidence of the services and related benefits received by the Indian plant for the deductibility of royalties and intra-group services. Extensive documentation has already been submitted in court in support of the defence arguments of the company.

Supported by the opinions of its tax consultants, the risk of losing the case in court in relation to the claims of the Indian financial administration is estimated to be possible for a total of 8.3 million euros. Considering the estimated degree of risk, it was not considered necessary to allocate a risk provision.

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

31.12.2020	Past due		Not yet due		
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	Total
Trade payables	12,288	905	127,165	42	**140,400**
Other payables	–	–	56,374	62	**56,436**
Total	**12,288**	**905**	**183,539**	**104**	**196,836**

Amounts in Euro/000

31.12.2020	Past due		Not yet due		
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	Total
Trade payables	11,180	912	138,060	17	**150,169**
Other payables	–	–	69,078	115	**69,193**
Total	**11,180**	**912**	**207,138**	**132**	**219,362**

Current taxes payables (note 18)

	31.12.2020	31.12.2019
Current taxes payable	2,784	5,331
Debiti pea Current tax payables r imposte correnti	**2,784**	**5,331**

Amounts in Euro/000

Employee severance indemnities and retirement benefits (note 19)

Provision for severance indemnity and retirement benefits

	31.12.2020	31.12.2019
Opening severance indemnities in accordance with Ias 19	**8,197**	**8,496**
Utilisation of employee severance indemnities	−573	−794
Employee severance indemnities transferred to other companies	−3,045	−44
Employee severance indemnities transferred from other companies	3,045	44
Interest cost	26	61
Actuarial gains/losses	78	434
Change in consolidation scope	–	–
Closing severance indemnities in accordance with Ias 19	**7,728**	**8,197**

Amounts in Euro/000

The severance indemnity, calculated according to current Italian laws, is treated for accounting purposes as a defined-benefit fund and as such is recalculated at the end of each accounting period according to a statistical-actuarial criterion which also takes account of the effects of financial discounting.

The actuarial valuation of this obligation is carried out according to the actuarial criterion of the "projected unit credit method" with the support of the data issued by Istat, the Inps and the Ania. The parameters used are as follows: 1) annual discount rate: -0.02%, 2) personnel rotation rate 5%, 3) annual inflation index 0.8%, 4) advances rate 2%, 5) remuneration increase rate 2.1%.

The accounting treatment of employee benefits recorded in the financial statements complies with Ias 19 Revised for defined-benefit plans. For further details, see section 3.3.

Termination benefits are benefits to employees regulated by the laws in force in Italy and recognised in the financial statements of Italian companies.

On the basis of the changes introduced in Law 296/06, with effect from 30 June 2007, termination benefits maturing after 1 January 2007 must be paid into a specific treasury reserve established at the pensions agency Inps, or, if the employee so chooses, into a special complementary pension fund. There are no more provisions for termination benefits with these contributions.

Sensitivity analysis IAS 19 Revised

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

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

	Turnover frequency		Inflation rate		Discount rate	
	1%	−1%	+0,25%	−0,25%	+0,25%	−0,25%
Provisions for employee benefits 31.12.2020	7,667	7,795	7,820	7,638	7,583	7,878

Amounts in Euro/000

Pension/retirement funds

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

	Opening 31.12.2019	Increases	Decreases	Change in consolida-tion scope	Change in currency	Closing 31.12.2020
Pension and similar funds	**1,572**	42	-48	-	85	**1,651**

Amounts in Euro/000

Workforce number

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

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

Provisions for risks and liabilities (Note 20)

The item can be broken down as follows:

	Opening situation	Increases	Decreases	Reclassif.	Exchange-rate adjust.	Closing situation
Non-current portion						
1) Warranty	2,989	-	-	-606	-72	2,311
2) Costs of legal claims	56	-	-	-	-	56
3) Renovation and convers.	-	-	-	-	-	-
4) Other provisions	701	20	-	-	-64	657
Total	**3,746**	**20**	**-**	**-606**	**-136**	**3,024**
Current portion						
1) Warranty	13,317	1,976	-4,936	53	-101	10,309
2) Costs of legal claims	461	83	-204	-	-26	314
3) Renovation and convers.	1,483	121	-355	-	-178	1,071
4) Other provisions	868	3,706	-396	-	-63	4,115
Total	**16,129**	**5,886**	**-5,891**	**53**	**-368**	**15,809**

Amounts in Euro/000

Warranty reserve

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

Provision for costs of legal claims:

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

Provision for restructuring and reconversion

The detailed movements of provisions for restructuring are shown below:

	Provisions 31.12.19	Increases	Decreases	Reclassif.	Exchange-rate adjust.	Provisions 31.12.20
Carraro Spa	290	-	-209	-	-	81
Carraro Drive Tech Spa	-	-	-	-	-	-
Siap Spa	341	-	-	-	-	341
Driveservice Sel	341	-	-81	-	-	260
Carraro Argentina Sa	511	121	-65	-	-178	389
Total	**1,483**	**121**	**-355**	**-**	**-178**	**1,071**

Amounts in Euro/000

Other provisions:

The item “Other provisions” includes amounts recognised for individual companies for future expenses and liabilities.

7. Commitments and risks

As of December 31, 2020, there are no commitments and risks.

8. Transactions with related parties (note 21)

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

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

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

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

Related parties	Financ. assets	Trade receiv. and other receiv.	Trade payables and other payables	Sales revenues	Purch. of goods and materials	Purch. of services	Other income and expenses	Other financial income	Purch. of assets
	Financial and commercial transactions							Economic transactions	
Finaid Spa	–	873	90	7	–	–	–	–	–
Enertronica Santerno Spa	5,294	1,314	7	–	–	–	−24	131	−1,506
Elettronica Santerno Ind. e Com Ltd.	–	–	–	–	–	–	–	–	–
Santerno South Africa Pty Ltd	–	–	–	–	–	–	–	–	–
Santerno Usa	–	–	–	–	–	–	–	–	–
Total	**5,294**	**2,187**	**97**	**7**	**–**	**–**	**−24**	**131**	**−1,506**

Amounts in Euro/000

9. Financial instruments

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

Amounts in Euro/000

31.12.2020	Financ. income	Financ. expenses	Positive exchange diff.	Negative exchange diff.	Suspension Costs Revenues
A) FINANCIAL ASSETS:					
A.1) Cash and Cash Equivalents:					
Bank accounts, positive balance	197	–	–	–	–
A.2) Non-derivative Financial Instruments:					
A.2.1) Financial instruments at fair value (Fvtpl):					
A.2.2) Financial instruments held to maturity (Htm):					
A.2.3) Loans and receivables (L&R):					
A.2.3.1) Loans:					
Loans receivable	131	–	–	–	–
A.2.3.2) Other assets:					
Trade receivables	–	–	2,604	−1,848	–
Other financial assets	925	–	1,487	–	–
A.2.4) Financial instruments available for sale (Avs):					
A.3) Derivative Financial Instruments:					
A.3.1) Hedging derivatives:					
A.3.1.2) Cash Flow Hedging Derivatives on curren.:					
Fair value through profit or loss	–	–	124	–	–
Fair value in shareholders' equity					−59
Profit realised	–	–	1,323	–	–
A.3.1.2) Cash Flow Hedging Derivatives on interest rates:					
Profit realised	–	–	–	–	–
A.3.2) Speculative derivatives (Trading):					

31.12.2020	Financ. income	Financ. expenses	Positive exchange diff.	Negative exchange diff.	Suspension Costs Revenues
B) FINANCIAL LIABILITIES					
B.1) Non-derivative Financial Instruments:					
B.1.1) Financial Instruments at fair value:					
B.1.2) Other Financial Instruments:					
Bank accounts, negative balance	–	−758	–	–	–
Trade payables	–	–	1,216	−2,691	–
Loans payable		−11,191	–	–	–
Other financial liabilities	–	−2,537	–	−1,046	–
B.2) Derivative Financial Instruments:					
B.2.1) Hedging derivatives:					
B.2.1.1) Cash Flow Hedging Derivatives on curren.:					
Fair value through profit or loss	–	–	–	142	–
Fair value in shareholders' equity	–	–	–	–	–
Loss realised	–	–	–	−955	–
B.2.1.2) Cash Flow Hedging Derivatives on interest rates:					
Loss realised					
B.2.2) Speculative derivatives (Trading):		–			
Total	**1,253**	**−14,486**	**6,754**	**−6,398**	**−59**

Amounts in Euro/000

31.12.2019	Financ. income	Financ. expenses	Positive exchange diff.	Negative exchange diff.	Suspension Costs Revenues
A) FINANCIAL ASSETS:					
A.1) Cash and Cash Equivalents:					
Bank accounts, positive balance	113	–	–	–	–
A.2) Non-derivative Financial Instruments:					
A.2.1) Financial instruments at fair value (Fvtpl):					
A.2.2) Financial instruments held to maturity (Htm):					
A.2.3) Loans and receivables (L&R):					
A.2.3.1) Loans:					
Loans receivable	–	–	–	–	–
A.2.3.2) Other assets:					
Trade receivables	–	–	1,953	−1,281	–
Other financial assets	821	–	1,400	–	–
A.2.4) Financial instruments available for sale (Avs):					
A.3) Derivative Financial Instruments:					
A.3.1) Hedging derivatives:					
A.3.1.2) Cash Flow Hedging Derivatives on curren.:					
Fair value through profit or loss	–	–	5	–	–
Fair value in shareholders' equity	–	–	–	–	157
Profit realised	–	–	1,253	–	–
A.3.1.2) Cash Flow Hedging Derivatives on interest rates:					
Profit realised	–	–	–	–	–
A.3.2) Speculative derivatives (Trading):					

31.12.2019	Financ. income	Financ. expenses	Positive exchange diff.	Negative exchange diff.	Suspension Costs Revenues
B) FINANCIAL LIABILITIES					
B.1) Non–derivative Financial Instruments:					
B.1.1) Financial Instruments at fair value:					
B.1.2) Other Financial Instruments:					
Bank accounts, negative balance	–	–961	–	–	–
Trade payables	–	–	1,370	–2,236	–
Loans payable		–8,160	–	–	–
Other financial liabilities	–	–1,669	–	–420	–
B.2) Derivative Financial Instruments:					
B.2.1) Hedging derivatives:					
B.2.1.1) Cash Flow Hedging Derivatives on curren.:					
Fair value through profit or loss	–	–	–	259	–
Fair value in shareholders' equity	–	–	–	–	–
Loss realised	–	–	–	–2,229	–
B.2.1.2) Cash Flow Hedging Derivatives on interest rates:					
Loss realised					
B.2.2) Speculative derivatives (Trading):		–			
Total	**934**	**–10,790**	**5,981**	**–5,907**	**157**

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

9.2 Derivative financial instruments on currencies

The following tables indicate all the key information relating to the portfolio of derivative financial instruments on currencies outstanding as at 31.12.2020. These are instruments designated to cover:

› foreign currency sales budgets;
› imbalances of current receivables and payables in foreign currencies.

A. Notional values

Amounts in Euro/000

Contract	Swaps (DCS) [1]	Swaps (DCS) [2]	Total notional values
Carraro Spa	–	678	678
Carraro Drive Tech Italia Spa	28,420	4,633	33,053
Carraro India	–	–	–
Siap	2,261	–	2,261
Carraro China	–	–	–
Group Total 31.12.2020	**30,681**	**5,311**	**35,992**
Group Total 31.12.2019	**30,420**	**7,016**	**37,436**

[1] Instruments hedging foreign currency sales and purchasing budget
[2] Instruments hedging current receivables and payables in foreign currencies

B. Reference currencies and expiry dates of contracts

Contract	Swaps (DCS) [1]		Swaps (DCS) [2]	
	Currencies	Expiry dates	Currencies	Expiry dates
Carraro Spa	–	–	Usd/Eur	Jan 21
Carraro Drive Tech Italia Spa	Usd/Eur Cny/Eur Inr/Eur	Feb '22	Usd/Eur	Jan 21
Siap	Usd/Eur	Dec '21	–	–

[1] Instruments hedging foreign currency sales and purchasing budget
[2] Instruments hedging current receivables and payables in foreign currencies

C. Fair value

Amounts in Euro/000

Contract	Swaps (DCS) [1]	Swaps (DCS) [2]	Total
Carraro Spa	–	1	1
Carraro Drive Tech Italia Spa	–77	103	26
Carraro India	–	–	–
Siap	85	–	85
Carraro China	–	–	–
Group Total 31.12.2020	**8**	**104**	**112**
Group Total 31.12.2019	**15**	**46**	**61**

[1] Instruments hedging foreign currency sales and purchasing budget
[2] Instruments hedging current receivables and payables in foreign currencies

D. Details of fair values

Amounts in Euro/000

	31.12.2020		31.12.2019	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Fair Value/Cash Flow Hedge Exchange Rate Risk	209	–97	204	–142

E. Summary of fair values recognised before tax effect according to their accounting treatment

Amounts in Euro/000

	FV recognised in the income statement	FV recognised in net equity	Total
Carraro Spa	1	–	1
Carraro Drive Tech Italia Spa	123	–97	26
Carraro India	–	–	–
Siap	47	38	85
Carraro China	–	–	–
Group Total 31.12.2020	**171**	**–59**	**112**
Group Total 31.12.2019	**–96**	**157**	**61**

In relation to the positioning in the hierarchy of fair values pursuant to IFRS 7 par. 27 the financial instruments described are classifiable as level 2; there were no transfers of level during the period.

The fair values as at 31.12.2020 of financial instruments on exchange rates were calculated using the forward exchange rate method.

The counterparties with which the contracts are stipulated are leading national and international banking institutions.

The financial instruments on currencies are used, on a basis consistent with the financial risk management policy adopted by the group, to hedge the risks deriving from exchange rate fluctuations and concern sales volumes compared with the budget exchange rate and the collections and payment of short and medium-term receivables and payables with respect to the historical value.

For accounting purposes in relation to contracts hedging sales budgets in foreign currencies effective at the reporting date, it should be noted that for the transactions executed, especially Domestic Currency Swaps, and in accordance with all the conditions provided by the Ias/Ifrs standards, hedge accounting was applied.

With reference to cash-flow hedges (hedging of future cash flows) the related changes in fair value are recognised in the equity reserve, net of the tax effect, while for fair-value hedges (hedging the fair value of assets and liabilities) the related changes in fair value are reflected in the income statement, net of the tax effect.

9.3 Derivative financial instruments on interest rates

A. Notional values and fair values

There are no derivative contracts on interest rates outstanding as at 31 December 2020.

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

Amounts in Euro/000

	Level 2 31.12.2020	Level 2 31.12.2019
Assets		
Foreign exchange derivative assets	209	204
Total Assets	**209**	**204**
Liabilities		
Foreign exchange derivative liabilities	97	142
Interest rate derivative liabilities	–	–
Total Liabilities	**97**	**142**

Sensitivity analysis

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

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

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

The following methods were used:

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

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

Amounts in Euro/000

Balances as at 31.12.2020	Interest rate risk				Exchange rate risk			
	+1%		−0.15%		+10%		−10%	
	Financ. effect.	Effect on equity	Financ. effect.	Effect on equity	Financ. effect.	Effect on equity	Financ. effect.	Effect on equity
Assets								
Trade receivables					116		143	
Other financial assets – derivat. on currencies					−9	−1,903	290	1,419
Other financial assets – derivat. on interest rates		–		–				
Loans					–		–	
Cash and cash equiv.					216		−166	
Total gross effect	**–**	**–**	**–**	**–**	**323**	**−1,903**	**267**	**1,419**
Taxes (24%)	–	–	–	–	−78	457	−64	−341
Total net effect	**–**	**–**	**–**	**–**	**245**	**−1,446**	**203**	**1,078**
Liabilities								
Trade payables					233		−45	
Loans	4,475		−671		−142		142	
Total gross effect	**4,475**	**–**	**−671**	**–**	**91**	**–**	**97**	**–**
Taxes (24%)	−1,074	–	161	–	−22	–	−23	–
Total net effect	**3,401**	**–**	**−510**	**–**	**69**	**–**	**74**	**–**
Total	**3,401**	**–**	**−510**	**–**	**314**	**−1,446**	**277**	**1,078**

Amounts in Euro/000

Balances as at 31.12.2019	Interest rate risk				Exchange rate risk			
	+1%		−0.15%		+10%		−10%	
	Financ. effect.	Effect on equity	Financ. effect.	Effect on equity	Financ. effect.	Effect on equity	Financ. effect.	Effect on equity
Assets								
Trade receivables					−271		560	
Other financial assets – derivat. on currencies					1,012	−3,003	−743	2,259
Other financial assets – derivat. on interest rates		–		–				
Loans					–		–	
Cash and cash equiv.					289		−286	
Total gross effect	**–**	**–**	**–**	**–**	**1,030**	**−3,003**	**−469**	**2,259**
Taxes (24%)	–	–	–	–	−283	826	129	−621
Total net effect	**–**	**–**	**–**	**–**	**747**	**−2,177**	**−340**	**1,638**

Balances as at 31.12.2019	Interest rate risk				Exchange rate risk			
	+1%		-0.15%		+10%		-10%	
	Financ. effect.	Effect on equity	Financ. effect.	Effect on equity	Financ. effect.	Effect on equity	Financ. effect.	Effect on equity
Liabilities								
Trade payables					33		115	
Loans	2,030		-305		-190		190	
Total gross effect	**2,030**	**–**	**-305**	**–**	**-157**	**–**	**305**	**–**
Taxes (24%)	-487	–	73	–	38	–	-73	–
Total net effect	**1,543**	**–**	**-232**	**–**	**-119**	**–**	**232**	**–**
Total	**1,543**	**–**	**-232**	**–**	**628**	**-2,177**	**-108**	**1,638**

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

10. Subsequent events

There are no subsequent events to report.

11. Information in accordance with article 149-duodecies of the Consob Issuers' Regulations.

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

	2020	**2019**
Accounting audit		
Carraro Spa	352	351
Subsidiaries	380	401
Total independent auditing services	**732**	**752**
Other services		
Carraro Spa	–	25
Subsidiaries	115	31
Total other services	**115**	**56**
Total fees	**847**	**808**

Amounts in Euro/000

Equity investments held by Directors, Statutory auditors and General Managers and immediate family members

Name and surname	Subsidiary company: Carraro Spa	No. of shares held as at 31.12.2019	No. of shares purchased	No. of shares sold	No. of shares held as at 31.12.2020
Mario Carraro	Directly held	600,000	–	–	600,000
	through Finaid Spa	28,215,519	–	–	28,215,519
Enrico and Tomaso Carraro		3,774,640	2,137,588	–	5,912,228
Julia Dora Koranyi Arduini		21,629,779	–	–	21,629,779
Alberto Negri *		46,460	–	–	nr
Enrico Gomiero		15,855	–	–	15,855
Andrea Conchetto **		nr	–	–	11,700

* Chief Executive Officer resigned on October 26, 2020.
** General Manager from 01 January 2020; Member of the Board of Directors (by co-option on 26 October 2020).

Enrico Carraro
Chairman

Annex to the notes to the consolidated financial statements 31.12.2020
Transparency obligations under Law No. 124 of 2017
(Annual Law on the Market and Competition)

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

Name and tax number of the recipient: Carraro Spa – 00202040283
Name of the supplying party: European Social Fund ESF;
Sum collected: 26,980 euros;
Payment Purpose: Personnel Training

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

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

During the 2020 financial year, the company Carraro Spa, has:

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

During 2020, the Company also received the following contributions and benefits:

- Personnel-related: the company benefited from Inps and Inail benefits relating to sickness, maternity, Law 104 leave, breastfeeding, extraordinary leave, blood donations, family allowances, accident benefits, Covid parental leave and Law 104 Covid. The company also advanced the Covid unemployment benefits on behalf of Inps.
- Fiscal in nature: among the various benefits are the tax credit for investments in new capital goods and 'industry 4.0' and Ace (aid to economic growth) investments.

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

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

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

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

During 2020, the company also received the following benefits:

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

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

During the 2020 financial year, the company Siap Spa, has:

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

During 2020, Siap also received the following contributions and benefits:

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

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

During 2020, Driveservice Srl also received the following benefits:

- Personnel-related: among others, the Inps and Inail benefits for sickness, leave under Law 104, maternity, blood donations, marriage leave, family allowances. The company advanced the Covid unemployment benefits on behalf of Inps;
- Fiscal in nature: among the various benefits are the tax credit for investments in new capital goods and Ace (aid to economic growth) investments.

Enrico Carraro
Chairman

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

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

- the adequacy in relation to the characteristics of the enterprise;
- the effective application of the administrative and accounting procedures used to prepare the consolidated financial statements for 2020;

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

3. We can also certify that:

3.1 the consolidated financial statements:

- were prepared in conformity with the applicable international accounting standards endorsed by the European Community under the terms of Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;
- correspond to the accounting records;
- give a true and fair picture of the financial position and performance of the Group and of all the companies included in the scope of consolidation;

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

Date: 26 March 2021

Enrico Carraro
Chairman of the Board
of Directors

Enrico Gomiero
Financial Reporting Officer

Report of the Board of Statutory Auditors for the year 2020 to the shareholders of Carraro Spa prepared in accordance with art. 153 of legislative decree 58/1998 e dell'art. 2429

CARRARO S.P.A.
Registered office in Campodarsego (Padua) – Via Olmo no. 37
Share capital of 41,452,543.60 euros fully paid-up
Registered in the Company Register of Padua and Tax Identification No. 00202040283
REA [Economic and Administrative Index] of Padua No. 84033

*

REPORT OF THE BOARD OF STATUTORY AUDITORS FOR THE YEAR 2020, TO THE SHAREHOLDERS' MEETING OF CARRARO S.P.A.

pursuant to Article 153 of Legislative Decree 58/1998 and Article 2429 of the Civil Code.

Dear Shareholders,

During the year ended 31 December 2020, we carried out the supervisory activities required by law (in particular by Article 149 of Legislative Decree 58/1998 or "Consolidated Finance Act – TUF"), in accordance with the Rules of Conduct of the Boards of Statutory Auditors of listed companies recommended by the National Association of Certified Public Accountants, the CONSOB recommendations concerning corporate controls and activities of the Board of Statutory Auditors, the guidelines of the Code of Conduct as adopted by the company, as well as in our capacity as the Internal Control and Auditing Committee pursuant to Article 19 of Legislative Decree 39/2010.

The Board has overseen compliance with the principles of sound administration, and specifically, the adequacy of the organisational, administrative and accounting structures used by the Company, the effective operation of those structures, and the methods used to implement the corporate governance rules as provided for in the relevant laws. The Board also checked the independence of the independent auditors mandated to carry out the statutory audit.

In 2020 the Board of Statutory Auditors held fifteen meetings, some of which were held jointly with the Control, Risk and Sustainability Committee, on topics of common interest. The Board also participated:

- in eleven meetings of the Board of Directors pursuant to Article 149, paragraph 2 of Legislative Decree 58/1998;
- in its collegial composition, in meetings of the Control, Risk and Sustainability Committee, of which twelve were held;
- in its collegial composition, in meetings of the Appointments and Remuneration Committee, of which six were held;

2020 was marked by severe uncertainty regarding the onset and worldwide spread of the Covid-19 virus. The indications and measures issued by the various governments

1

from February and throughout 2020 imposed particularly severe measures such as lockdown situations and significant constraints on people's mobility. The activities of the Board of Statutory Auditors continued to be carried out "remotely" by holding meetings via video-conferencing systems made available by the Company and by acquisition of the necessary documentation in electronic format and through dedicated IT platforms also made available by the Company. Bearing in mind the degree of reliability and timeliness of the Company in ensuring that meetings were conducted properly and the possibility of maintaining a high level of interaction and constant contact with management and corporate functions, the Board of Statutory Auditors believes that the adoption of these methods did not reduce or affect the degree of reliability of the information received and the effectiveness of its activities.

The Board acknowledges that it conducted its self-assessment in accordance with the provisions of the Code of Conduct of the Board of Statutory Auditors of Listed Companies (Rule Q.1.1) and that on 22 March 2021 it submitted to the Board of Directors, which acknowledged it on 28 March 2021, the Board's periodic "Self-Assessment Report", pursuant to and for the purposes of "Rule Q.1.1" of the "Rules of conduct of the Board of Statutory Auditors of listed companies", issued by the National Council of Chartered Accountants, illustrating the contents of the same. The Corporate Governance Report indicates the dimensions in which the self-assessment process was conducted.

Pursuant to and for the purposes of point 8.C.1. of the Code of Conduct adopted by the Company, the Board acknowledges to have verified both the existence of the independence requirements for the members of the Board of Statutory Auditors, according to the criteria set out in the Code of Conduct, and the permanence of such requirements on an annual basis.. The Board declares, with reference to each of its members, that it proceeded in accordance with procedures aimed at ensuring an impartial and truthful assessment.

1. Supervision of compliance with the law and the Articles of Association

We monitored compliance with the law and the Articles of Association without having any observations or findings in compliance with applicable legislation. We have overseen compliance with reporting obligations pertaining to regulated and inside information.

On at least a quarterly basis, we received information from the directors about the Company's activities and any transactions with a significant effect on the Company's financial position and performance, and on its subsidiaries. We can provide reasonable assurance that the actions adopted and undertaken by the Company conform to the law and the Articles of Association.

The main group reorganisation activities and the most significant events for the Company in 2020, which the Board of Statutory Auditors deems necessary to highlight,

are described below:

- with effect from 1 January 2020, the subsidiary Carraro Germania S.r.l. was merged with Carraro S.p.A. The transaction resulted in a merger surplus of 9,212,398 euros, recognised as a Shareholders' Equity item;
- between the end of the first quarter of 2020 and the beginning of the second, due to the Covid-19 outbreak, the Group's plants were progressively affected by lockdowns imposed by the governmental authorities of the various countries. The first Carraro Group plant to be affected was that in China, starting in January. Subsequently, on 22 March 2020, the Italian government stopped all non-essential production activities until 4 May 2020. As a result of this decree, the Group's Italian production facilities were closed down. Starting from 23 March, the plants in India, Argentina and Brazil were temporarily closed;
- with effect from 1 August 2020, Carraro Drive Tech S.p.A. was subject to a partial, non-proportional demerger, by means assignment in favour of Carraro Drive Tech Italia S.p.A. of a business unit, while at the same time the merger of Carraro Drive Tech S.p.A. with Carraro International SE took place.
- in September, with a guarantee provided by Carraro S.p.A., Carraro International S.E. 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%.In addition, new amortizing credit lines expiring in 2026 were obtained for a total of 85 million euros, guaranteed by SACE;
- 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 the operations of production plants.
- following the resignation of the Chief Executive Officer on 26 October 2020, the Board of Directors of the Company decided to co-opt the current Group General Manager to the Board of Directors, with effect on 1 January 2021, granting him the widest-ranging powers for the operational management of the Company.

2. Supervision of compliance with the principles of correct administration, the adequacy of the organisational structure and of the internal control and risk management system

On at least a quarterly basis, we received information from the directors about the Company's activities and any transactions with a significant effect on the Company's financial position and performance, and on its subsidiaries. We can provide reasonable assurance that the actions adopted and undertaken by the Company were not manifestly imprudent or reckless, nor did they have potential conflict of interests or conflict with the resolutions passed by the meeting of shareholders, nor would they compromise the integrity of the company's assets. The resolutions of the Board of Directors are correctly executed by the Chief Executive Officer and/or the top managers.

We became familiar with and monitored, within our area of responsibility, compliance with the principles of proper management, the adequacy of the Company's organisational structure, and of regulations issued by the Company for subsidiaries pursuant to Article 114, paragraph 2 of Legislative Decree 58/1998, by collecting information from relative responsible parties and meeting with the independent auditors appointed for the statutory audit.

We maintained contact with our counterparts at the Italian-law subsidiaries, obtaining information from their Boards of Statutory Auditors for the purpose of mutual exchange of relevant data and information. No critical issues emerged from the exchange of information with the members of the subsidiaries' Boards of Statutory Auditors. We also examined and obtained information on the organisational and procedural activity carried out in accordance with the corporate responsibility law, Legislative Decree 231/2001. Nothing significant that would require a mention in this report emerged from the information exchanged with the internal control bodies and the Supervisory Board.

During 2020, the Company did not carry out any atypical and/or unusual transactions with Group companies or related parties, as defined in Consob Communication no. DEM/6064293 of 28 July 2006; the Board of Statutory Auditors did not receive information about such transactions from the Board of Directors, the Independent Auditors and the Director in charge of the internal control and risk management system.

The Board of Statutory Auditors acknowledges that management decisions were therefore based on the principle of correct information and reasonableness.

We collected evidence concerning the adequacy of the composition, size and operation of the Board of Directors with reference to the preparation of the company's strategic guidelines, the definition of the group's corporate structure and the existence of adequate information flows to the Board of Directors, required to monitor the performance of the company and of the group.

To this end, we point out that the internal Committees set up within the Board of Directors, whose meetings the Board of Statutory Auditors attended, carried out the investigative and recommendatory activities entrusted to them by the regulations and by the Code of Conduct.

The Board of Directors considered the recommendations made in the annual report of the Corporate Governance Committee, on the application of the Code of Conduct. The Board of Statutory Auditors was informed on the results of the self assessment carried out by the Board of Directors, and no elements emerged that we consider need to be highlighted in this report.

As required by Legislative Decree 39/2010, in addition to coordinating the respective control objectives and procedures with the Independent Directors on the Control, Risk and Sustainability Committee, based on the provisions of the Code of Conduct, this Board also specifically analysed the activities and audits carried out by Internal Audit in relation to financial reporting processes.

The Board periodically exchanged information with the Chief Executive Officer, with

the General Manager and with the top management with reference to the analysis and monitoring of the main corporate risks. In particular, meetings were held with the company's management regarding the methods of risk assessment, identifying corrective actions, and the implementation of those actions.

In our capacity as Internal Control and Accounts Auditing Committee, we evaluated and monitored the adequacy of the internal control and accounting system, and the reliability of the accounting system for correctly presenting the actions of management, by obtaining information from responsible parties in the various departments, examining company documents, evaluating the results of Internal Audit's activity plan, and analysing the results of the independent auditors' work, by overseeing the work of the Internal Control Manager. In particular:

- we checked the existence, regular updating and adequacy of internal procedures on the main business cycles, as well as the audit work done by Internal Control;
- we monitored the adoption of administrative procedures designed to provide necessary information about operations and the financial position and performance of subsidiaries established and regulated by the laws of non-EU member states that have significant relevance, within the meaning of the combined provisions of art. 36 and 39 of the Markets Regulation;
- we ascertained that the information flows provided by the non-EU subsidiaries were adequate for the purposes of the auditing of the annual and interim accounts as provided for by art. 15 of the Markets Regulation adopted with Consob resolution no. 20249 of 28 December 2017.

With reference to the outcomes of our specific activities, no elements emerged that would need to be mentioned in this report.

With regard to the preparation of the Non-Financial Statement (legislative decree 254 of 30 December 2016, as amended and supplemented, and the implementing regulation adopted by Consob in resolution no. 20267 18 January 2018), this Board:

- verified that the structure of the Company was adequate for the purposes of fulfilling the obligation to prepare the Non-Financial Statement in accordance with legislative decree 254/2016;
- received regular updates on the work done to define the main areas of relevant non-financial information, including issues relating to climate change, for the Carraro Group, to be included in the non-financial statement, and also on the preparation of the non-financial statement itself;
- met with the independent auditors Deloitte & Touche S.p.A. which has been mandated with the limited review of the non-financial statement.

The Board checked that the Report on Corporate Governance and Ownership Structures, prepared in accordance with article 123-bis of the TUF (available on the company's website) contains a detailed illustration of the material implementation of the corporate governance rules set out in the Code of Conduct, which the Company has publicly declared that it complies with. That report was prepared in accordance with the instructions in the Regulations of the Organised Markets managed by the Italian Stock Exchange and in art. 123-*bis* of the TUF. If necessary, in those limited cases where the Company has decided to depart from the provisions of the Code, reasons have been given.

As required by Article 149, paragraph one, letter c-bis, of Legislative Decree 58/1998 and by Code of Conduct, we monitored:

- the methods of implementing the rules of corporate governance required by the Code without having to raise any findings;
- the correct application of the criteria and verification procedures adopted by the Board of Directors in assessing the independence of its members, as well as other procedures with relevance to the public.

This Board considers that the contents of the Remuneration Report, available on the Company's website, are clear and present a detailed illustration of the material implementation of the remuneration policies. The Board has verified the corporate processes that led to the definition of the Company's remuneration policies, with particular reference to the remuneration criteria of the Executive Directors, the Financial Reporting Officer and the Head of Internal Audit.

Taking into account the information acquired, the Board believes that this activity was carried out in compliance with the principles of sound administration and that the organisational structure, the internal control and risk management system and the administrative and accounting system that drives the financial disclosure process are on the whole adequate for the company's needs. The Board has no particular observations to make in relation to these aspects.

3. Supervision of the Statutory Audit

In accordance with art. 19 of Legislative Decree 39/2010, the Board, identified in that law as the "Internal Control and Auditing Committee", carried out the required supervision of the work of the Independent Auditors.

The Board of Statutory Auditors met several times during the year (to discuss the management letter, the interim report, the setting up of the audit of the annual financial statements, to share the results) with the Independent Auditors Deloitte & Touche S.p.A., also pursuant to Art. 150 of the Consolidated Finance Act, in order to exchange information on their activities. At those meetings, the Independent Auditors never highlighted any areas for concern or irregularities that may require reporting pursuant to art. 155(2) of the Consolidated Finance Act.

During the year, the Board of Statutory Auditors met the Independent Auditors on the occasion of preparation of the Company's Interim Report at 30 June 2020. On that occasion, the Independent Auditors illustrated the activities carried out with particular reference to the most significant valuation items.

On 12 April 2021, the Independent Auditors, pursuant to art. 14 of Legislative Decree 39/2010 and art. 10 of Regulation (EU) 537/2014, issued the Report on the audit of the financial statements as at 31 December 2020 and the Report on the audit of the consolidated financial statements as at 31 December 2020.

With regard to the opinions and certifications, in their Audit Report, the

Independent Auditors:

- issued an opinion which showed that Carraro's ordinary and consolidated financial statements provide a truthful and correct representation of the equity and financial situation of Carraro S.p.A. and of the Group at 31 December 2020, of the operating profit/loss and cash flows for the year ended on that date, in accordance with the IAS/IFRS standards adopted by the European Union and the provisions issued in implementation of art. 9 of Legislative Decree 38/2005;
- issued an opinion on the cohesion of the single report on operations and the ordinary and consolidated financial statements to 31 December 2020, and on its legal compliance;
- declared that there was nothing to report in terms of material errors in the reports on operations, based on their knowledge and understanding of the company and its context.

On 12 April 2021, the Independent Auditors also issued the report on the consolidated non-financial statement pursuant to Article 3, Legislative Decree 254/2016 and Article 5 of CONSOB Regulation no. 20267 of 18 January 2018, certifying that said independent auditors did not receive any evidence that the consolidated non-financial statement of the Carraro Group, for the year ended 31 December 2020, was not drafted, in all its significant aspects, in compliance with the requirements of Articles 3 and 4 of the aforementioned decree and the GRI Standards.

Finally, on 12 April 2021, the independent auditors issued the declaration on independence, as required by Article 6, paragraph 2, letter a) of Regulation (EU) 537/2014, from which no situations emerged that could compromise their independence. Finally, the Board of Statutory Auditors took note of the Transparency Report prepared by the independent auditors and published on its website pursuant to Article 18 of Legislative Decree 39/2010.

In addition to the tasks envisaged by the regulations for listed companies, the Independent Auditors, together with the other companies belonging to its network, carried out non-audit activities, on which the Board expressed its prior authorisation, pursuant to Article 54 Reg. EU 537/2014 and Legislative Decree 135/2016, in favour of Carraro S.p.A. for total fees and consideration pertaining to the 2020 financial year of 70,000 euros. These fees, also shown in the annex to the financial statements as required by art. 149-duodecies of the Issuer's Regulation, were charged to the income statement. These mandates are not included in the services prohibited under art. 5(1) of Regulation (EU) 537/2014).

Taking into account the mandates given by Carraro and the Group companies to Deloitte & Touche S.p.A. and its network, the Board of Statutory Auditors does not believe that there are any critical aspects in relation to the independence of Deloitte & Touche.

The Independent Auditors also confirmed to this Board that it did not issue any legal opinions without there being the conditions necessary for their issue.

With regard to the preparation of the ordinary and consolidated financial statements, the Board of Statutory Auditors acknowledges that, on 17 December

2020, as required by the joint Bank of Italy/CONSOB/ISVAP document of 3 March 2010, the Board of Directors approved the methodology for conducting the impairment test.

On 12 April 2021, the Independent Auditors submitted to the Board of Statutory Auditors the Additional Report required by art. 11 of the European Regulation 537/2014, which:

- includes the declaration of independence of the Independent Auditors
- illustrates the scope and timing of the audit, describes the methodology used and indicates the quantitative level of overall significance;
- indicates and evaluates the evaluation methods applied to the various items of the financial statements without highlighting any issues regarding the appropriateness of the accounting standards adopted by the Company;
- does not raise doubts about the ability of Carraro S.p.A. to continue as a going concern (business continuity);
- does not indicate significant shortcomings in the internal control system, in relation to the financial reporting process;
- does not mention any cases of non-compliance with laws, regulations or important statutory provisions in relation to the activity of the Board of Statutory Auditors;
- does not contain any reports of limitations on the auditing activity nor the existence of significant difficulties arising from the legal audit.

In this regard, as required by Article 19 of Legislative Decree 39/2010, on 12 April 2021 the Board of Statutory Auditors informed the Board of Directors, without considering it necessary to support said report with its own observations.

4. Supervision of transactions with related parties

With regard to transactions entered into with Group companies or related parties pursuant to art. 2391 and 2391-*bis* of the Italian Civil Code, we noted the existence of intra-group transactions concerning ordinary equity, economic and financial relationships with subsidiaries and associated companies, with the parent company, and with other related parties. Those relationships were described in detail in the notes to the ordinary and consolidated Financial Statements.

In particular it is noted:

- that such ordinary relations primarily concern transactions of a financial or commercial nature, the provision of services and advisory services;
- that such transactions with subsidiaries and associated companies, with the parent company, and with other related parties, carried out at arm's length conditions, are considered to have been made at fair prices, in accordance with the Company's interests;
- that there were no atypical and/or unusual transactions with related parties that could significantly impact the Company's financial position and performance;
- that the information provided by the Directors in the Report on Operations and in

the notes to the Financial Statements on intra-group transactions and/or transactions with related parties and atypical or unusual transactions, is considered to be adequate.

5. Omissions or areas of concern, opinions rendered and initiatives taken

During the course of the year, no complaints were received pursuant to Article 2408 of the Italian Civil Code, nor were any petitions received from shareholders and/or third parties.

During 2020, the Board of Statutory Auditors formulated opinions required by current legislation and issued the advisory opinions required by the Code of Conduct and by the policies and procedures adopted by the Company with reference to: (i) the remuneration policies contained in the Remuneration Report (ii) non-audit assignments entrusted to the Deloitte independent auditors network. During the year, we constantly carried out monitoring activities as required by Article 149 of Legislative Decree 58/1998, and we can conclusively confirm that in carrying out our activities, we did not ascertain any irregularities, omissions, or punishable acts and therefore do not have any proposals to make to the Shareholders' Meeting pursuant to Article 153, paragraph 2 of Legislative Decree 58/1998.

6. Impacts of the Covid-19 Pandemic on business continuity

The Report on Operations, taking into account the indications provided by the European and national authorities responsible for the supervision of financial markets (ESMA and CONSOB), reports on the activities put in place by the Board of Directors on the impact of the Pandemic on the main indicators of the reference markets, both in 2020 and prospectively.

The analysis formulated on the basis of the following evidence:

- the Group's markets are reporting growth, as demonstrated by the robust backlog 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,

led the Board of Directors to conclude that, despite the complexity of the overall situation, at the reporting date, there is no evidence that the business continuity assumption has been jeopardised.

The Board is of the opinion that the analysis process adopted by the Board of Directors, despite the permanent uncertainty, for assessing business continuity, complies with the rules of proper administration and management and cannot therefore be criticised.

7. Control

Carraro S.p.A. is controlled by Finaid S.p.A.
The corporate governance report illustrates the reasons why Carraro S.p.A. is not subject to direction and coordination by Finaid S.p.A.

8. Public Tender Offer

It should be noted that, on 28 March 2021, the company FLY S.r.l. made a communication pursuant to Article 102(1) of Legislative Decree no. 58 of 24 February 1998, as amended and supplemented ("Consolidated Finance Act – TUF") and Article 37 of the Regulations adopted by Consob resolution no. 11971 of 14 May 1999, as amended and supplemented ("Issuers' Regulations"), concerning the voluntary public tender offer on the ordinary shares of Carraro S.p.A.

FLY S.r.l. is owned by the Carraro shareholders Mr. Enrico Carraro, Mr. Tomaso Carraro, Mrs. Julia Dora Koranyi Arduini, Finaid SpA and communicated its intention to promote a public tender offer on all of the ordinary shares of Carraro S.p.A. – after deducting the Investment held by the aforementioned shareholders and the Treasury Shares held by Carraro S.p.A. – amounting to a total of 21,331,916 ordinary shares representing 26.76% of the share capital of Carraro S.p.A.

The above Communication contains the following indications:

1. Parties participating in the operation;
2. Legal prerequisites and reasons for the offer;
3. Essential elements of the offer.

The Board of Directors of Carraro S.p.A., in its meeting of 30 March 2021, examined the contents of the press release and passed the consequent resolution to appoint Lazard as independent expert to assist the Board in expressing its opinion on the content of the public tender offer. In turn, the Independent Directors of the Company appointed Mediobanca as an independent expert to assist them in their assessment of the fairness of the consideration of the Offer for the purposes of their assessment of the offer and the fairness of the consideration offered.

Information relating to the offer, pursuant to Article 129(2) of the Issuers' Regulations, Carraro S.p.A., is contained on the website https://www.carraro.com/it/investor-relations/opa-fly.

9. Conclusions

10

The Financial Statements as at 31 December 2020 of Carraro S.p.A. and the Consolidated Financial Statements as at the same date, were prepared in accordance with the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB), in conformity with the provisions of Legislative Decree of 28 February 2005, no. 38, enacted pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The Board of Statutory Auditors has examined the criteria adopted in preparation of the above-mentioned Financial Statements, with particular reference to the content and structure, the basis of consolidation and uniformity of application of accounting standards, the existence of adequate disclosures on the business performance, on the evaluations carried out for impairment testing and on the continuation of the business as a going concern.

The Independent Auditors did not comment on the information provided.

Since analytical control of the content of the Financial Statements is not our responsibility, we have checked the general structure of the Financial Statements and Consolidated Financial Statements, their compliance with the law with regard to their formation and structure, and in this regard we have no particular observations to make.

To the best of our knowledge, the Directors, in preparing the Financial Statements, did not depart from the rules of law pursuant to Article 2423, paragraph 4 of the Italian Civil Code.

We have verified that the Financial Statements and the Directors' Report on Operations are consistent with the facts and information of which we are aware as a result of our work, and we have no observations in this regard. The statutory and consolidated Financial Statements of Carraro S.p.A. are accompanied by the required report of the independent auditors, to which we refer.

For all the above reasons, the Board expresses its opinion in favour of approving the financial statements for the year ended 31 December 2020, as submitted by the Board of Directors, and agrees with the Board's proposal regarding the coverage of the loss for the year of 11,331,058.45 euros through the definitive use, for the same amount, of the reserve for adjustments to the value of real estate assets upon first-time adoption of the international accounting standards (so-called "FTA" or First Time Adoption) which will consequently be reduced to 10,869,334 euros.

Finally, the Board of Directors will propose to the Shareholders' Meeting to approve the distribution of a dividend equal to 11,563,416.30 euros, taking it from the "Retained Earnings" of previous financial years.

Finally, the Board recalls that, with the approval of the financial statements for the financial year ending on 31 December 2020, the three-year mandate conferred on the same will expire; the Shareholders' Meeting will therefore have to adopt the consequent resolutions, as provided for by the law and the Articles of Association.

11

Venice, 12 April 2021

Carlo Pesce

Saverio Bozzolan

Stefania Centorbi

12

Independent Auditors' Report Pursuant to art. 14 of legislative decree n. 39 of January 27, 2010 and article 10 of the EU regulation 537/2014

Deloitte.

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

To the Shareholders of
Carraro S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Carraro S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Impairment test on the goodwill related to Drive Tech CGU	
Description of the key audit matter	The consolidated financial statements of the Group as of December 31, 2020 include a goodwill of € 36.8 million recorded under Intangible assets. This goodwill is entirely allocated to the Drive Tech cash-generating unit ("CGU") and, as required by the international accounting standard "IAS 36 Impairment of assets", it is not amortized but is subject to an impairment test at least annually by comparing the recoverable value of the CGU and the book value, which takes into account both the goodwill and the other tangible and intangible assets allocated to the CGU. The recoverable value was determined by the Directors according to the value in use considering the expected results for the period 2021-2024 reported in the estimates prepared starting from the budget for fiscal year 2021 and the projections for the next three fiscal years ("Management's estimates"). The assessment process of the goodwill performed by the Management is complex and is based on assumptions concerning, inter alia, the forecast of expected cash flows of the CGU, the determination of an appropriate discounting rate (WACC) and of the long-term growth rate (g-rate). These assumptions are influenced by future expectations and market conditions. The test did not result in any impairment to be booked. The Management prepared a sensitivity analysis, as described in explanatory notes, by considering also the uncertainty factors related to the spreading of Covid-19 at national and international level. In consideration of the importance of the amount of goodwill recorded in the consolidated financial statements, of the subjectivity of the estimates relating to the cash flows of the CGU and the key variables of the impairment model, we considered the impairment test a key audit matter of the consolidated financial statements as of December 31, 2020 of the Carraro Group. Note 7 of explanatory notes to the consolidated financial statements reports the information on the goodwill and on the impairment test, including also a sensitivity analysis which explains the effects deriving from variations in the key assumptions used in the test.
Audit procedures performed	As part of our audits we have, among other activities, carried out the following procedures, also with the support of our experts: - understanding of the methods adopted and of the significant controls implemented by the Carraro Group on the process of preparing and approving the impairment test; - analysis of the forecasts for the period 2021-2024 included in the Management's estimates and of the reasonableness of the main assumptions at the basis of them; - analysis of the actual results compared to the original plans in order to assess the nature of the deviations, taking into account also the effects of Covid-19, and the reliability of the planning process; - reasonableness assessment of the discounting rate (WACC) and long-term growth rate (g-rate); - verification of the mathematical accuracy of the model used to determine the value in use of the CGU; - verification of the correct determination of the carrying amount of the CGU; - verification of the sensitivity analysis prepared by the Management; - examination of the adequacy of the information provided on the impairment test by the Group and its compliance with the provisions of applicable IFRS.

Deloitte.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

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

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

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Deloitte.

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Deloitte.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

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

The Shareholders' Meeting of Carraro S.p.A. has appointed us on April 15, 2016 as auditors of the Company for the years from December 31, 2016 to December 31, 2024.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Carraro S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Carraro Group as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Carraro Group as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Carraro Group as at December 31, 2020 and are prepared in accordance with the law.

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

Deloitte.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Carraro S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padova, Italy
April 12, 2021

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

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Bunker
bnkr.it

Typeset in
Averta
Intelligent Design, 2015
Mercury
Hoefler & Co., 1999