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Informazione Regolamentata n. 2323-6-2022	Data/Ora Ricezione 09 Febbraio 2022 18:29:19	MOT

Societa'	:	CARRARO FINANCE
Identificativo Informazione Regolamentata	:	157276
Nome utilizzatore	:	CARRAROFINANCEN01 - SERGIO MARUSSO
Tipologia	:	3.1; 2.2
Data/Ora Ricezione	:	09 Febbraio 2022 18:29:19
Data/Ora Inizio Diffusione presunta	:	09 Febbraio 2022 18:30:07
Oggetto	:	CARRARO FINANCE S.A. BILANCIO 31 OTTOBRE 2021

Testo del comunicato

CARRARO Finance SA Financial Statements and audit reports 31 October 2021

FINANCIAL STATEMENTS AS AT 31 OCTOBER 2021 AND FOR THE PERIOD FROM 30 OCTOBER 2020 TO 31 OCTOBER 2021

BOARD OF DIRECTORS	ENRICO GOMIERO	Chairman
In office until approval of the 2022 financial statements	SERGIO MARUSSO	Chief Executive Officer
	FABIO MORVILLI	Director

INDEPENDENT AUDITORS	Deloitte Audit S.à.r.l . Luxembourg

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CARRARO Finance

INCOME STATEMENT

(amounts in Euro)	NOTES	Until 31.10.2021
A) REVENUES FROM SALES		
1) Products		-
2) Services		381,611
3) Other revenues		-
TOTAL REVENUES FROM SALES	1	**381,611**
A-bis) of which with related parties		*381,611*
B) OPERATING COSTS		
1) Purchases of goods and materials		697
2) Services		498,048
3) Use of third-party goods and services		10,259
4) Personnel costs		285,729
5) Amortisation, depreciation and impairment of assets		88,235
5.a) depreciation of property, plant and equipment		84,352
5.b) amortisation of intangible assets		*3,883*
6) Changes in inventories		-
7) Provision for risks and other liabilities		-
8) Other income and expenses		45,526
9) Internal construction		-
TOTAL OPERATING COSTS	2	**928,494**
B-bis) of which with related parties		*41,302*
OPERATING PROFIT/(LOSS)		**-546,883**
C) GAINS/(LOSSES) ON FINANCIAL ASSETS		
10) Income from equity investments		-
11) Other financial income		6,032,872
12) Financial costs and expenses		-9,772,544
13) Net gains/(losses) on foreign exchange		-106
14) Value adjustments of financial assets		-
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	3	**-3,739,778**
C-bis) of which with related parties		*6,030,883*
PROFIT/(LOSS) BEFORE TAXES		**-4,286,661**
15) Current and deferred income taxes	4	-
NET PROFIT/(LOSS)		**-4,286,661**

CARRARO Finance

STATEMENT OF COMPREHENSIVE INCOME

(amounts in Euro)	Until 31.10.2021
NET PROFIT/(LOSS) FOR THE PERIOD	**-4,286,661**
Other income components that could be recognised in the income statement in subsequent periods:	
Total other income components that could be recognised in the income statement in subsequent periods:	-
Other income components that will not be recognised in the income statement in subsequent periods:	
Total other income components that will not be recognised in the income statement in subsequent periods:	-
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-4,286.661**

CARRARO Finance

STATEMENT OF FINANCIAL POSITION

(amounts in Euro)	NOTES	31.10.2021
A) NON-CURRENT ASSETS		
1) Property, plant and equipment	6	413,149
2) Intangible fixed assets	7	155,066
3) Real estate investments	8	-
4) Equity investments in associated companies	9	-
5) Financial assets	10	85.012.773
5.1) Loans and receivables		85,000,000
5.2) Other financial assets		12.773
5-bis) of which with related parties		85,000,000
6) Deferred tax assets	11	-
7) Trade receivables and other receivables	12	93,619
7.2) Other receivables		93,619
TOTAL NON-CURRENT ASSETS		85,674.607
B) CURRENT ASSETS		
1) Closing inventory	13	-
2) Trade receivables and other receivables	12	62,636
2.2) Other receivables		62,636
3) Financial assets	10	54,365,169
3.1) Loans and receivables		54,345,659
3.2) Other financial assets		19,510
3-bis) of which with related parties		54,345,659
4) Cash and cash equivalents	14	193,551,949
4.2) Bank current accounts and deposits		193,551,949
TOTAL CURRENT ASSETS		247,979,754
TOTAL ASSETS		333,654,361

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CARRARO Finance

STATEMENT OF FINANCIAL POSITION

(amounts in Euro)	NOTES	31.10.2021
A) SHAREHOLDERS' EQUITY	15	
1) Share Capital		4,280,000
2) Other Reserves		5,469,084
3) Profits/(Losses) brought forward		-
4) IAS/IFRS reserves		-
5) Provision for discounting employee benefits		-
6) Profit/(Loss) for the period		-4,286,661
TOTAL SHAREHOLDERS' EQUITY		**5,462,243**
B) NON-CURRENT LIABILITIES		
1) Financial liabilities	16	325,545,770
1.1) Bonds		*325,310,608*
1.2) Loans		*235,162*
2) Trade payables and other payables	17	-
3) Deferred tax liabilities	11	-
4) Provision for employee benefits/retirement	19	-
5) Provisions for risks and liabilities	20	-
TOTAL NON-CURRENT LIABILITIES		**325,545,770**
C) CURRENT LIABILITIES		
1) Financial liabilities	16	2,291,428
1.2) Loans		*158,162*
1.3) Other		*2,133,266*
1-bis) of which with related parties		*8,473*
2) Trade payables and other payables	17	354,740
2.1) Trade payables		*182,207*
2.2) Other payables		*172,533*
3) Current taxes payables	18	-
4) Provisions for risks and liabilities	20	-
TOTAL CURRENT LIABILITIES		**2,646,168**
TOTAL LIABILITIES		**328,191,938**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**333,654,361**

CARRARO Finance

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(amounts in Euro)	Share Capital	Other reserves	Profit/(Loss) for the period	Totale
Opening balance	-	-	-	-
Toal comprehensive income for the year			-4,286,661	-4,286,661
Transaction with shareholders:				
Memorandum of association - 30 October 2020	30,000		-	30,000
Contribution - 01 February 2021	3,000,000	4,219,084		7,219,084
Capital increase - 25 February 2021	1,250,000	1,250,000		2,500,000
Total transactions of the period	4,280,000	5,469,084	-	9,749,084
Balance as at 31.10.2021	4,280,000	5,469,084	-4,286,661	5,462,423

CARRARO Finance

STATEMENT OF CASH FLOWS

(amounts in Euro)	NOTES	31.10.2021
Profit/(loss) for the year	5	-4,286,661
Tax for the year	4	-
Profit/(loss) before taxes		***-4,286,661***
Depreciation of property, plant and equipment	2	84,352
Amortisation of intangible fixed assets	2	3,883
Net gains/(losses) on foreign exchange	3	106
Cash flows before changes in Net Working Capital		***-4,198,320***
Change in trade payables	17	141,289
Change in other receivables/payables	13-17	20,484
Change in other financial assets/liabilities		1,028,773
Cash flows from operating activities		***-3,007,774***
Investments in property, plant and equipment	6	-474,850
Disinvestments and other movements in property, plant and equipment	6	29,456
Investments in intangible fixed assets	7	-158,949
Loans granted to related parties	10	-99,109,406
Cash flows from investing activities		***-99,713,749***
Net liquidity acquired/sold through assignment and transfer	4	293,743,472
Increase in Share capital	15	1,280,000
Increase in Share premium reserve	15	1,250,000
Cash flows from financing activities		***296,273,472***
Total cash flows for the period		***193,551,949***
Opening cash and cash equivalents		-
Closing cash and cash equivalents		***193,551,949***

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CARRARO Finance

EXPLANATORY AND SUPPLEMENTARY NOTES

1. Introduction

Carraro Finance S.A. (hereinafter also "Company" or "Carraro Finance"), is a company incorporated under the laws of Luxembourg registered with the Registre de Commerce et des Sociétés (R.C.S.) Luxembourg under no. B248536.

The Company is controlled by Carraro International S.E. belonging to the Carraro S.p.A (the "Group").

The Company was incorporated on 30 October 2020 by notarial deed no. 17154 of 30 October 2020 and with effect from 31 January 2021 (midnight), the parent company, Carraro International S.E., transferred the business unit relating to the finance and treasury functions for the benefit of the Carraro Group to Carraro Finance, including the 2 Bonds issued for which Carraro Finance chose Luxembourg as the member state of origin pursuant to the Transparency Directive.
For further details on the scope of the contribution, reference should be made to paragraph 4 below (*Non-recurring transactions and other corporate restructuring transactions*).

The first financial year began on the day of incorporation and will end on 31 December 2021, so comparative data is not available for the first year and this financial statements do not present any comparative data, and the various income statement figures represent all accounting events from the date of incorporation to 31 October 2021. In subsequent years, the financial year will begin on 1 January and end on 31 December of each year.

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

Carraro Finance S.A. provides financial, treasury and consulting services to subsidiaries, affiliates and to the parent company, in line with the approved policies and the strategic needs of the Carraro Group.

Publication of the Financial Statements of Carraro Finance SA for the period from 30 October 2020 to 31 October 2021, was authorised by Board of Directors resolution dated January 31, 2022.

Reporting criteria and accounting principles

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU").

The financial statements were prepared under the going concern assumption.

2. Form and content of the financial statements

The present financial statements were prepared in conformity with the International Financial Reporting Standards, as adopted by the EU.
This document contains a number of "alternative performance indicators" not envisaged by the IFRS accounting standards:

NET FINANCIAL POSITION OF OPERATIONS (understood as ESMA Net Financial Debt determined in accordance with paragraph 127 of the recommendations contained in the ESMA document no. 32-382-1138 of 2021, less non-current receivables and financial assets arising from the adoption of IFRS 16, where applicable.

2.1 Format of the financial statements

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

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

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 and changes to the translation reserve.

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

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

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

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Accounting schedules of transactions with related parties
With reference to the reporting of related-party transactions in the financial statements, balances of a significant amount are specifically indicated, to facilitate understanding of the assets and liabilities, financial position and results of the Company, in the table of section 8 below concerning related party transactions.

2.2 Accounting standards and measurement criteria

IFRS accounting standards, amendments and interpretations adopted since the date of incorporation:

Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2"
(published on 27 August 2020)

The amendment amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement in addition to IFRS 7 - Financial Instruments, IFRS 4 - *Insurance Contracts and* IFRS 16 *Leases*: Disclosures. Specifically, the amendment changes some of the requirements for the application of hedge accounting in the light of the IBOR reform.
All amendments came into force on 1 January 2021.
The adoption of this amendment had no effect on the financial statements.

Amendment to IFRS 16 "Covid-19 Related Rent Concessions beyond 31 June 2021"
(published on 31 March 2021)

The document extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting of the benefits granted to lessees due to Covid-19. The amendments apply as from 1 April 2021 The adoption of this amendment had no significant effect on the 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 Company as at 31 October 2021:

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 the amendments above will enter into force on 1 January 2022. At the moment, the Directors are considering the possible impacts of these amendments on the financial statements.

IFRS 17 – Insurance Contracts

(published on 18 May 2017)

This standard 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 company of insurance contracts at the time of initial recognition; 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 company of contracts.

The PAA approach involves measuring the liability for the residual coverage of a company 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 PAA 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 expect no effect in the financial statements from the adoption of this standard.

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

Amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"
(published on 23 January 2020)

The purpose of the document is to clarify how to classify short-term and long-term payables and other liabilities. The amendments will enter into force on 1 January 2023. At the moment, the Directors are considering the possible impacts of this amendment on the financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" and Amendments to IAS 8 "Definition of Accounting Estimates"
(published on 12 February 2021)

The amendments are intended to improve the disclosure on accounting policies so as to provide more useful information to investors and other primary users of financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 1 January 2023, but early application is permitted. The Directors do not expect a significant effect in the financial statements from the adoption of these amendments.

Amendments to IAS 12 "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction"
(published on 7 May 2021)
The document clarifies how deferred tax assets should be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will apply from 1 January 2023, but early application is permitted. The Directors do not expect a significant effect in the financial statements of the Company from the adoption of this amendment.

Property, plant and equipment

Property, plant and equipment are recognised at historical cost, less accumulated depreciation and accumulated impairment losses.

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 leases, through which substantially all the risks and rewards of ownership are transferred to the company, are recognised as assets of the company at their current value or, if lower, at the present value of the minimum lease payments due.

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 year, is as follows:

Category	Useful Life
FURNITURE AND FITTINGS	5-10
OFFICE MACHINES	5-10
EQUIPMENT	5
LEASHOLD IMPROVEMENTS	3

Intangible fixed assets

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

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

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

Software

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

Such intangible assets are amortised on a straight-line basis over their useful lives of 10 years.

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.

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 Company of similar financial assets) is derecognised when:

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

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

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

Financial liabilities

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

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

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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 recognized in the income statement. Where reasons for previous write downs 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.

Bad debts provision has to be estimated on the basis of expected losses model, as required by IFRS 9 standard. In order to estimate expected losses on receivables a specific and an overall analysis need to be performed at each reporting date.

Specific analysis:

A specific analysis of account receivables based on ageing must be conducted by the entitiy to identify not recoverable receivables. The key elements to be considered are:

- Ageing indicators by counterpart: overdue balances and their evolution along business relationship is analyzed jointly by accounting and financial department;

- Information on ongoing financial reliability: news or indicators of solvency level (i.e. financial rating, declared or supposed bankruptcy, debt restructuring processes, chapter 11 status, and similar)

The methodology to be adopted must provide for the following information:

- for any balance analyzed an estimated loss must be assessed according to the above mentioned key elements;

- for any balance analyzed specific notes/remarks must be disclosed to explain or support the evaluation provided.

Overall analysis:

An historical index of losses booked on Profit & Loss in the past has to be calculated as a percent ratio between credit losses (referred to receivables without a specific bad debt provision) booked on last years (at least three years or more if available) and total turnover. The overall provision is calculated applying this ratio to receivables not covered in the specific analysis. The overall ratio is updated on annual basis.

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 write-downs 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.

Recognition of revenues and other positive income components

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

The revenues recognised by the Company mainly refer to the following types:

- Revenues from holding activities;
- Revenues from finance activities, and the technical/financial coordination of subsidiaries and affiliates.

1.1 Revenues from holding activities

The Company carries out holding activities and therefore deals with the purchase, management, ownership and sale of bonds and other securities and holdings, equity interests or stakes in other companies.

Revenues deriving from the assets described above include a single performance obligation concerning the provision of the service, not including in the sale any services or ancillary products which, in accordance with the new standard, should constitute separate performance obligations.

The Company recognises the receivable when the service is provided, as indicated in the previous paragraph, as this represents the moment when the right to the consideration becomes unconditional, since the due date of the invoice is the only prerogative that identifies when payment is due.

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

1.2 Revenues from finance activities, and the technical/financial coordination of subsidiaries and affiliates

The Company carries out finance activities for the subsidiaries and affiliates, and provides technical and financial coordination in accordance with the legal conditions, on a B2B basis.

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

The Company recognises the receivable when the service is provided, as indicated in the previous paragraph, as this represents the moment when the right to the consideration becomes unconditional, since the due date of the invoice is the only prerogative that identifies when payment is due.

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

2. Recognition of other positive income components

Interest income and screening commission are 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.

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Taxes

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

Current taxes

Current income taxes have been provided for on the basis of an estimate of the taxable income, 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.

Translation of foreign currency balances

Functional currency

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

Accounting transactions and entries

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

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

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

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

Credit risk

Credit control provides for periodic monitoring of the main economic and financial information relating to the Carraro Group's subsidiaries and associates.

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 write-downs determined by assessing the counterparty's risk of insolvency based on the information available.

Liquidity risk

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

The raising of funds, consistent with the company's short- and medium-term development plans, is intended to finance both working capital and investments in fixed assets necessary to ensure sufficient and technologically advanced production capacity of subsidiaries. This requirement is directly proportional to the trend in customer orders and the consequent trend in business volumes.

The cash flows envisaged for 2021 include, besides the trend in working capital and investments, the effects of current liabilities and the short-term portions of medium- and long-term loans reaching maturity, as well as the effects of the closure of derivative financial instruments on currencies in existence at the reporting date.

The company envisages meeting the needs arising from all of the above with the flows deriving from operations, from available liquidity and from the availability of the above credit facilities.

In 2021, the Company expects to be able to generate financial resources through its operations such as to ensure adequate support for investments.

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

The uncertainties of financial markets have had an effect on the bank borrowing and as a consequence on credit granted to businesses. This instability could also continue during the last months of the year and in 2022, preventing the normal execution of financial transactions.

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

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

Interest rate risk

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

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

If interest rates had been 1% per cent lower and all other variables were held constant, the Company's profit for the period ended 31 October 2021 would have not decreased. If interest rates had been 1% per cent higher and all other variables were held constant, the Company's profit for the period ended 31 October 2021 would have increased of approximately be around EUR 787,000. This is mainly attributable to the Company's exposure to interest rates on its variable rate lending.

Transactions with related parties

Pursuant to the IAS 24 standard, it should be noted that:

a) intragroup transactions and transactions with related parties during the period gave rise to trade, financial or consulting relations, and were carried out at arm's length conditions, in the financial interest of the individual companies involved;
b) the interest rates and terms applied (paid and received) in financial relationships between the various companies are in line with market terms.

Discretionary assessments and significant accounting estimates

Estimates and assumptions

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

We present below the key assumptions on the future and other significant sources of uncertainty in the estimates at the reporting date, which could bring about significant changes in the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets

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

Bad debts provisions

Bad debts provision has to be estimated on the basis of expected credit losses (ECL) model, as required by IFRS 9 standard. In order to estimate expected losses on receivables a specific and an overall analysis need to be performed at each reporting date

Fair value

IFRS 13 is the only reference source for fair value measurement and the related disclosures when this measurement is required or permitted by another standard. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard replaces and extends the disclosure required about fair value measurement in other standards, including IFRS 7 Financial instruments disclosures.

IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value in hierarchical order as follows:

• Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

• Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

• Level 3 inputs: unobservable inputs for the asset or liability.

All assets and liabilities of the Company are recognised with the amortized cost method.

3. Geographic areas

The financial activities of Carraro Finance S.A. are located in Luxembourg.

a) Revenues

The breakdown of revenues from group companies by main geographic area is shown in the following table.

(amounts in Euro)

Geographical Area	Until 31.10.2021	%
Italy	314,860	83%
India	47,557	12%
China	18,827	5%
North America	367	0%
Total	**381,611**	**100%**

4. Non-recurring transactions and other corporate restructuring transactions

Transfer of Carraro International S.E. business unit to Carraro Finance S.A.

On 31 January 2021 (midnight) the assignment and transfer of the Finance Business Unit which Carraro International S.E. exercised, both directly and through its Luxembourg Branch (comprising all the finance and treasury activities and consultancy for the benefit of subsidiaries, associates and the parent company), to Carraro Finance S.A. was completed. A summary of the transaction amounts related to the assignment and transfer of the Finance Business Unit of Carraro International S.E. is provided below:

Effect of transfer of Carraro International S.E. Finance business unit (amounts in Euro)

1) Property, plant and equipment	52,108
2) Intangible fixed assets	
3) Real estate investments	
4) Investments	
5) Financial assets	40,067,182
6) Deferred tax assets	-
7) Trade receivables and other receivables	13,600
TOTAL NON-CURRENT ASSETS	**40,132,890**
1) Closing inventory	-
2) Trade receivables and other receivables	15,479
3) Financial assets	216,013
4) Cash and cash equivalents	293,743,472
TOTAL CURRENT ASSETS	**293,974,964**
TOTAL ASSETS	**334,107,854**
1) Financial liabilities	324,555,239
1.1) Bonds	*324,531,887*
1.2) Loans	-
1.3) Other financial liabilities	*23,352*
2) Trade payables and other payables	-
3) Deferred tax liabilities	-
4) Provision for employee benefits/retirement	-
5) Provisions for risks and liabilities	-
TOTAL NON-CURRENT LIABILITIES	**324,555,239**

1) Financial liabilities	2,267,739
1.1) Bonds	-
1.2) Loans	*59,347*
1.3) Other financial liabilities	*2,208,392*
2) Trade payables and other payables	65,792
3) Current taxes payables	-
4) Provisions for risks and liabilities	-
TOTAL CURRENT LIABILITIES	**2,333,531**
TOTAL LIABILITIES	**326,888,770**

TOTAL OF BUSINESS UNIT TRANSFERRED	**7,219,085**
of which:	
Share Capital	***3,000,000***
Share premium reserve	***4,219,085***

5. Detailed explanatory notes

Revenues and costs

A) Revenues from sales (note 1)

(amounts in Euro)	**Until 31.10.2021**
1) PRODUCTS	-
2) SERVICES	381,611
3) OTHER REVENUES	-
TOTAL REVENUES FROM SALES	**381,611**

The Company's turnover from the date of incorporation to 31 October 2021 amounted to EUR 381,611 thousand euros. Carraro Finance provides financial consulting services to Carraro Group companies and it is the only operating segment of the Company.

B) Operating costs (note 2)

OPERATING COSTS

(amounts in Euro	**Until 31.10.2021**
1) PURCHASES OF GOODS AND MATERIALS	**697**
A) EXTERNAL SERVICES FOR PRODUCTION	3,977
B) SUNDRY SUPPLIES	4,141
C) GENERAL OVERHEADS	489,292
D) COMMERCIAL COSTS	638
E) SALES EXPENSES	-
2) SERVICES	**498,048**
RENTAL EXPENSES	-
3) USE OF THIRD-PARTY GOODS AND SERVICES	**10,259**
A) WAGES AND SALARIES	236,480
B) SOCIAL SECURITY CONTRIBUTIONS	26,117
D) EMPLOYEE SEVERANCE INDEMNITY AND PENSIONS	-
E) OTHER COSTS	23,132
4) PERSONNEL COSTS	**285,729**
A) DEPREC. PROP., PLANT & EQUIPMENT	84,352
B) AMORT. INTANGIBLE ASSETS	3,883
C) IMPAIRMENT OF FIXED ASSETS	-
D) IMPAIRMENT OF RECEIVABLES	-
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	**88,235**

6) CHANGES IN INVENTORIES	-
7) PROVISION FOR RISKS AND OTHER LIABILITIES	-
C) OTHER OPERATING EXPENSES	35,373
D) OTHER NON-ORDINARY OPERATING INCOME/EXPENSES	10,153
8) OTHER INCOME AND EXPENSES	45,526

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

GAINS/(LOSSES) ON FINANCIAL ASSETS *(amounts in Euro)*	Until 31.10.2021
10) INCOME/EXPENSES FROM EQUITY INVESTMENTS	-
A) FROM FINANCIAL ASSETS	3,892,239
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	1,990
D) INCOME OTHER THAN THE ABOVE	2,138,643
11) OTHER FINANCIAL INCOME	6,032,872
A) FROM FINANCIAL LIABILITIES	-8,932,191
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	-2,455
C) EXPENSES OTHER THAN THE ABOVE	-837,898
12) FINANCIAL COSTS AND EXPENSES	-9,772,544
FROM NET DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	-
OTHER NET EXCHANGE RATE DIFFERENCES	-106
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	-106
14) VALUE ADJUSTMENTS OF FINANCIAL ASSETS	-
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	-3,739,778

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

Current and deferred income taxes (note 4)

<u>Current taxes</u>

- Impôt sur le Revenu des Collectivités (IRC) is a special proportional tax levied on gains made by corporations.
- Impôt Commercial Communal (ICC) is a municipal tax levied on gains made by corporations.
- Impôt sur la fortune is calculated on the net assets of the company according to the balance sheet, on the basis of 5 thousandths (i.e. 0.5%) of this net assets (shareholders' equity, reserves and results carried forward).
- Other taxes primarily include the outstanding balances in respect of Net Wealth Tax (NWT) and Value Added Tax (VAT).

<u>Deferred taxes</u>

These are allocated on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax value, to the extent that it is probable that there will be adequate future taxable profits against which such losses can be used in a reasonably short period of time. For further details see note 11.

Property, plant and equipment (note 6)

These present a net balance of 413,149 thousand euros. The breakdown is as follows:

Items *(amounts inEuro)*	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Total
Net as at 31.12.2020	-	-	-	-	-
Movements in 2021					
Increases	445,640	-	-	29,210	474,850
Decreases	-22,527	-	-	-6,930	-29,457
Capitalisation	-	-	-	-	-
Business unit transfer	38,180	-	-	13,928	52,108
Depreciation and amortisation	-79,344	-	-	-5,008	-84,352
Net as at 31.10.2021	**381,949**	-	-	**31,200**	**413,149**
Made up of:					
Historical cost	445,432	-	-	34,075	479,476
Provisions for amortisation and depreciations	-63,452	-	-	-2,875	-66,237
BS closure rounded	381,949	-	-	31,200	413,149

At 31.10.2021, property, plant and equipment mainly consisted of leased assets recognised for 445.6 thousand euros, distributed by category as follows:

- Land and buildings: 445.6 thousand euros for rights of use (IFRS 16);
- Other assets: 29.10 thousand euros

Intangible fixed assets (note 7)

Items *(amounts in Euro Thousand)*	Goodwill	Development cost	Royalties and patents	Licences and Trademarks	Invest.in prog. and deposits	Other intangible assets	Total
Historical cost	-	-	-	-	-	-	-
Provisions for amortisation and depreciations	-	-	-	-	-	-	-
Net as at 31.10.2021	-	-	-	-	-	-	-
Changes in 2021							
Increase	-	-	-	158.949	-	-	158.949
Decrease	-	-	-	-	-	-	-
Capitalisation	-	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	-3.883	-	-	-3.883
Translation exchange differences	-	-	-	-	-	-	-
Altri movimenti	-	-	-	-	-	-	-
Net as at 31.10.2021	-	-	-	155.066	-	-	155.066
Made up of:							
Historical cost	-	-	-	220.969	-	-	220.969
Provisions for amortisation and depreciations	-	-	-	-65.903	-	-	-65.903

At 31.10.2021, the intangible assets mainly related to the implementation for SAP software occurred on July 2021.

Real estate investments (note 8)

The company has no real estate investments.

Equity investments in subsidiaries, associates and other investments (note 9)

The company has no investments in subsidiaries, associates, joint ventures or other investments.

Financial assets (note 10)

(amounts in Euro)	**31.10.2021**
Loans to related parties	85,000,000
Loans to third parties	-
LOANS AND RECEIVABLES	**85,000,000**
Other financial assets	12,773
OTHER FINANCIAL ASSETS	**12,773**
NON-CURRENT FINANCIAL ASSETS	**85,012,773**
With related parties	54,345,659
With third parties	-
LOANS AND RECEIVABLES	**54,345,659**
Other financial assets	19,510
OTHER FINANCIAL ASSETS	**19,510**
CURRENT FINANCIAL ASSETS	**54,365,169**

Non-current loans and receivables

Non-current related-party loans and receivables refer to the medium/long-term portion of receivables due from Carraro S.p.A. and Carraro Drive Tech Italia S.p.A.

The values of these receivables approximate their amortised cost.

AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

	Credit Lines	**CCY**	**Commitment as of 31/10/21**	**Drawdown as of 31.10.2021**	**Final Maturity Date**
Carraro SpA	MTL	EUR	54,000,000	54,000,000	31.12.2025
Carraro Drive Tech SpA	MTL	EUR	31,000,000	31,000,000	31.12.2025
		EUR	**85,000,000**	**85,000,000**	

Current loans and receivables

Current related party loans and receivables mainly refer to the short-term portion of receivables held vis à vis the companies Carraro S.p.A., Carraro International S.E.. and Driveservice S.r.l.

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AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

	Credit Lines	CCY	Commitment as of 31.10.2021	Drawdown as of 31.10.2021	Final Maturity Date
Carraro SpA	Revolving	EUR	145,000,000	42,500,000	31.12.2021
Carraro Drive Tech SpA	Revolving	EUR	66,000,000	0,00	31.12.2021
Carraro Drive Service	Revolving	EUR	500,000	150,000	31.12.2021
Siap Spa	Revolving	EUR	4,500,000	0,00	31.12.2021
Carraro International SE	Revolving	EUR	7,500,000	5,538,000	31.12.2021
		EUR	**223,500,000**	**48,188,000**	

Deferred tax assets and liabilities (note 11)

The company has no deferred tax assets or liabilities.

Trade receivables and other receivables (note 12)

(amounts in Euro)	31.10.2021
NON CURRENT TRADE RECEIVABLES	-
With third parties	93,619
OTHER NON-CURRENT RECEIVABLES	93,619
NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	93,619
CURRENT TRADE RECEIVABLES	-
With related parties	-
With third parties	62,636
OTHER CURRENT RECEIVABLES	62,636
CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	62,636

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

(amounts in Euro)	31.10.2021
VAT credits	47,948
Receivables for current taxes	-6,156
Receivables from employees	317
Other receivables	20,527
OTHER CURRENT RECEIVABLES FROM THIRD PARTIES	62,636

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

(amounts in Euro)	31.10.2021
NET CURRENT TRADE RECEIVABLES FROM THIRD PARTIES	-
NET CURRENT TRADE RECEIVABLES FROM RELATED PARTIES	-
Other current receivables from third parties	62,636
Provisions for Depreciation of other Receivables	-
NET CURRENT OTHER RECEIVABLES FROM THIRD PARTIES	62,636
NET CURRENT OTHER RECEIVABLES FROM RELATED PARTIES	-

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

	31.10.2021				
	PAST DUE		NET YET DUE		
(amounts in euros)	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	*TOTAL*
Trade receivables	-	-	182,207	-	182,207
Other receivables	-	-	172,533	-	172,533
TOTAL	-	-	354,740	-	354,740

No loss allowance and ECL for trade receivables and other receivables have been estimated for the period.

Closing inventory (note 13)

The company had no closing inventory.

Cash and cash equivalents (note 14)

(amounts in Euro)	31.10.2021
BANK CURRENT ACCOUNTS AND DEPOSITS	193,551,949
TOTAL	193,551,949

No Expected Credit Loss on Cash and cash equivalents has been estimated since deemed as not material, these being held with reputable credit institutions.

Shareholders' equity (note 15)

(amounts in Euro)	31.10.2021
1) Share Capital	4,280,000
2) Other Reserves	5,469,084
3) Profits/(Losses) brought forward	-
4) Other IAS/IFRS reserves	-
5) Provision for discounting employee benefits	-
7) Profit/(Loss) for the period	-4,286,661
SHAREHOLDERS' EQUITY	5,462,423

On 30 October 2020, Carraro International S.E., with memorandum of association no. 17154 of 30 October 2020, incorporated the company Carraro Finance S.A., through a share capital increase of 30,000 euros.
Subsequently on 31 January 2021 (midnight) Carraro International S.E. transferred a business unit relating to the finance and treasury functions (as fully described in paragraph 4 above) to Carraro Finance, through which the share capital was increased by 3,000,000 euros.
Moreover, on 25 February 2021, a further capital increase of 1,250.00 euros was carried out by Carraro SpA.
The share capital is therefore 4,280,000 euros fully paid up, consisting of 42,800 ordinary shares with a nominal value of 100 euros each.
No other financial instruments which assign equity and investment rights have been issued.

Other reserves

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

Nature/description *(amounts in Euro)*		**31.10.2021**
Share capital:	4,280,000	4,280,000
Capital reserves:		
Share premium reserve	*5,469,084*	*5,469,084*
Other reserves	-	-
Retained earnings (accumulated losses)	-	-
Profit/(Loss) for the period:	-4,286,661	-4,286,661
Total	5,462,423	5,462,423

Financial liabilities (note 16)

The classification of financial liabilities as at 31.10.2021 is shown below.

(amounts in Euro)	31.10.2021
NON-CURRENT BONDS	**325,310,608**
MEDIUM/LONG-TERM LOANS	-
MEDIUM/LONG-TERM LEASE PAYABLES - IFRS16	235,162
NON-CURRENT FINANCIAL LIABILITIES	**325,545,770**
OTHER NON-CURRENT FINANCIAL LIABILITIES	-
NON-CURRENT FINANCIAL LIABILITIES	**325,545,770**
LOANS TO OTHERS	8,473
LEASE PAYABLES FROM RIGHTS OF USE - IFRS16	149,689
CURRENT FINANCIAL LIABILITIES	**158,162**
OTHER CURRENT FINANCIAL LIABILITIES	2,133,266
OTHER CURRENT FINANCIAL LIABILITIES	**2,133,266**
CURRENT FINANCIAL LIABILITIES	**2,291,428**

Non-current financial liabilities

Following the transfer of the business unit (for further details see paragraph 4 above), on the same date, the replacement of Carraro Finance in place of Carraro International S.E. as the issuer of the two Bonds originally issued by Carraro International was completed, as described below: (i) 180,000,000 euros 3.50 percent. Senior Unsecured Notes due 31 January 2025 and guaranteed by Carraro S.p.A. (ISIN XS1747134564) (the "Bond 2018"); and (ii) 150,000,000 euros 3.75 percent. Senior Unsecured Notes due 25 September 2026 and guaranteed by Carraro S.p.A. (ISIN XS2215041513) (the "Bond 2020" and, together with Bond 2018, the "Bonds"). Consequently, the new name of the 2018 Bond will be "Carraro Fin Tf Ge25 Call Eur" and the new name of the 2020 Bond will be "Carraro Fin Tf 3,75% St26 Call Eur".

The bonds are valued using the amortised cost method.

As at 31 October 2021, the effect of the amortised cost on these Bonds was as follows:

- ISIN XS1747134564 180 M euros: EUR 2.187 million
- ISIN XS2215041513 150 M euros: EUR 2.502 million

As at 31 October 2021 the covenants contractually set on the consolidated financial information of the Group were respected.

The Financial Liabilities are presented below, divided into short-term portion, medium-term portion and portion at more than 5 years.

(amounts in Euro)

up to one year	from 1 to 5 years	more than 5 years	Total 31.10.2021
2,291,428	325,545,770	-	**327,837,198**

The Company has revolving credit facilities for a total of 10 million euros, of which none had been used as at 31 October 2021.

CARRARO Finance

Current financial liabilities

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

Financial liabilities *(amounts in Euro)*	31.12.2020	Other changes	IFRS16 effect	Assignment and transfer as at 01.02.2021	31.10.2021
Gross non-current loans payable	-	-	235,162	330,000,000	330,235,162
Gross current loans payable	-	-2,542	101,357	59,347	158,162
Total loans payable	-	**-2,542**	**336,519**	**330,059,347**	**330,393,324**
Amortised cost	-	778,721	-	-5,468,113	-4,689,392
Other non-current financial liabilities	-	-23,352	-	23,352	-
Other current financial liabilities	-	-75,126	-	2,208,392	2,133,266
Financial liabilities:	-	**677,701**	**336,519**	**326,822,978**	**327,837,198**

The net financial position is broken down below:

Net financial position *(amounts in Euro)*	31.10.2021
Non-current bonds	-325,310,608
Bonds:	**-325,310,608**
Non-current loans payable	-235,162
Current loans payable	-158,162
Other non-current financial liabilities	-
Other current financial liabilities	-2,133,266
Trade payables and other non-current payables	-
Financial liabilities:	**-2,526,590**
Current loans and receivables	54,345,659
Other current financial assets	19,510
Financial assets:	**54,365,169**
Cash	-
Bank current accounts and deposits	193,551,949
Cash and cash equivalents:	**193,551,949**
Net financial position*	**-79,920,080**
Non-current loans and receivables	85,000,000
Other non-current financial assets	12,773
Non-current leases - IFRS 16	235,162
Current leases - IFRS 16	149,689
Trade payables and other non-current payables	-
Net financial position of operations	**5,477,544**
of which payables/(receivables):	
- non-current	-240,297,835
- current	245,775,379

Fair Value

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

Trade payables and other payables (note 17)

(amounts in Euro)	31.10.2021
NON-CURRENT TRADE PAYABLES	-
OTHER NON-CURRENT PAYABLES	-
TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES	-
FROM RELATED PARTIES	-
FROM THIRD PARTIES	182,207
CURRENT TRADE PAYABLES	**182,207**
FROM THIRD PARTIES	172,533
OTHER CURRENT PAYABLES	**172,533**
TRADE PAYABLES AND OTHER CURRENT PAYABLES	**354,740**

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

(amounts in Euro)	31.10.2021
VAT payables	-
Amounts due to pensions agencies	6,082
Amounts due to employees	58,142
Board of Directors	103,850
OTHER CURRENT PAYABLES	**172,533**

Current taxes payables (note 18)

As at 31 October 2021, the company had no current tax payables.

Employee severance indemnities and retirement benefits (note 19)

The company had no employee severance indemnities or retirement benefits.

Number of employees

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

Employees	Business unit transfer	Changes	31.10.2021
Executives	1	-	1
Clerical staff	1	-	1
Total	**2**	**0**	**2**

Provision for risks and liabilities (note 20)

The Company has no provisions for risks and charges.

6. Commitments and risks

The commitments uncalled given to the other Group entities as at 31.10.2021 are only those reported in the note 10.

7. Financial derivatives

On 31.10.2021 the Company did not hold any financial derivatives.

8. Transactions with related parties

As at October 31, 2021 Carraro Finance S.A. was 70.79% owned by Carraro International S.E. and 29.21% owned by Carraro S.p.A.. Carraro S.p.A. is the ultimate controlling entity.

The following tables present information relating to transactions with related parties in accordance with the IAS 24 standard.

FEES PAID TO THE ADMINISTRATION, MANAGEMENT AND CONTROL BODIES

Person	Office held	Term of office	Euros/000
Gomiero Enrico	Chairman	3-year mandate 2021-2023	50
Marusso Sergio	Chief Executive Officer	3-year mandate 2021-2023	40
Fabio Morvilli	Director	3-year mandate 2021-2023	40

TRANSACTIONS OF CARRARO FINANCE S.A. WITH RELATED PARTIES UP TO 31.10.2021

Detail of transactions with related parties

	Financial and equity transactions				Economic transactions							
(amounts in Euro)	Financial receivables	Financial payables	Trade receivables and other receivables	Trade payables and other payables	Sales of services	Purchase of services	Other income and expenses	Income from equity investments	Other financial income	Financial costs and expenses	Value adjustments of financial assets	Current and deferred income taxes
Other related parties:												
Carraro SpA	100,054,006	8,473	-	-	91,203	18,217	5,569	-	3,599,419	-	-	-
Carraro Drive tech Italia S.p.A.	33,216,517	-	-	-	172,888	-	10,779	-	2,157,208	-	-	-
Driveservice S.r.l.	160,510	-	-	-	710	-	-	-	10,265	-	-	-
Carraro India Ltd.	47,199	-	-	-	47,199	-	3,649	-	-	-	-	-
Carraro International	5,763,435	-	-	-	19,114	-	-	-	206,320	-	-	-
Carraro China Drive System Co. Ltd.	18,827	-	-	-	18,827	-	1,117	-	-	-	-	-
SIAP	84,440	-	-	-	30,944	-	1,971	-	57,671	-	-	-
TOTALE	139,345,659	8,473	-	-	381,610	18,217	23,085	-	6,030,883	-	-	-

9. Events subsequent to the reporting date

There are no significant events to report following the reporting date of these Financial Statements.

The Chairman

Enrico Gomiero

CARRARO Finance

Directors' statement of responsibilities

1. The Directors of Carraro Finance S.A. hereby certify that the administrative and accounting procedures used to prepare the 2021 financial statements are adequate, considering the profile of the company, and that those procedures have been effectively applied.

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

3. We can also certify that:

3.1 The financial statements:

a) were prepared in conformity with the applicable international accounting standards endorsed by the European Community under the terms of Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;

b) correspond to the accounting records;

c) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Issuer;

Date: January 31, 2022

Enrico Gomiero

(Chairman of the Board of Directors)

Deloitte.

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To the Board of Directors of
Carraro Finance S.A.
11, rue Beaumont
L-1219 Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of Carraro Finance S.A. (the "Company"), which comprise the statement of financial position as at 31 October 2021, and the income statement, the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the for the period from 30 October 2020 (date of incorporation) to 31 October 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 October 2021, and of its financial performance and its cash flows for the for the period from 30 October 2020 (date of incorporation) to 31 October 2021 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the *"réviseur d'entreprises agréé"* for the Audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Société à responsabilité limitée au capital de 360.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement 10022179

Deloitte.

E-MARKET SDIR CERTIFIED

Key Audit Matters

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

We have not identified any key audit matters for communication in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the *"réviseur d'entreprises agréé"* for the Audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the *"réviseur d'entreprises agréé"* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the *"réviseur d'entreprises agréé"* to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the *"réviseur d'entreprises agréé"*. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as *"réviseur d'entreprises agréé"* by body as per the legal set-up of the company on 30 October 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is one year.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

For Deloitte Audit, *Cabinet de révision agréé*

Marco Crosetto, *Réviseur d'entreprises agréé*
Partner

1 February 2022

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