CARRARO S.p.A.
Registered office at 37, Via Olmo, Campodarsego, Padua (Italy)
Share Capital of Euro 23,914,696 fully paid-up
Tax Code, VAT and Registration Number
In the Padua Companies Register 00202040283
R.E.A. no. 84033

FINANCIAL STATEMENTS AT DECEMBER 31, 2009
DIRECTORS' REPORT ON OPERATIONS

Dear Shareholders,
Please not that the data refer to six months of operations, in relation to the manufacture and marketing of axles and transmissions, conferred with effect from July 1, 2008 to Carraro Drive Tech SpA, and to 12 months of operations of the Agritalia Division in the manufacture and marketing of agricultural tractors, not subject to the above conferment.
Following the conferment Carraro, as the parent company, has maintained its functions of strategic guidance, control and coordination of the individual business units of the Carraro Group, managing the finances and risks of the individual Carraro Group companies and the planning and production of agricultural machines of the business unit known as "Divisione Agritalia" (Agritalia Division).
For the above reasons the year-end data are not comparable.

Summary figures at 31.12.2009 (amounts in €/000)

	31.12.2009	% of turnover	31.12.2008	% of turnover	Diff.%
Turnover	66,384		323,484		-79.48
EBITDA	-8,311	-12.52	12,300	3.80	-167.57
EBIT	-11,201	-16.87	6,907	2.14	-262.17
Net Profit/(Loss)	-8,557	-12.89	8,587	2.65	-199.65
Amortiz., depreciation and impairment	2,890	4.35	5,393	1.67	-46.41
Investments	2,802		9,244		
Net financial position	62,471		51,563		
Shareholders' equity	79,377		84,480		
Gearing	0.79		0.61		

The Parent Company achieved sales revenue, mainly made by the Agritalia Division, of 66.384 million euro, compared with 323.484 million euro at December 31, 2008.

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) was a negative 8.311 million Euro, -12.52% of turnover, compared with 12.300 million euro, 3.80% of turnover, at December 31, 2008. EBIT (understood as the operating profit in the income statement) was a negative 11.201 million euro, -16.87% of turnover; it was 6.907 million euro, 2.14% of turnover, at December 31, 2008.

Net of the effects of non-recurring restructuring expenses in 2009 the figures would have been: EBITDA a negative 4.131 million euro, -6.22% of turnover, EBIT a negative 7.021 million euro, -10.58% of turnover.

Net financial expenses amounted to 2.213 million euro, or 3.33% of turnover, compared with 4.813 million euro, 1.49% of turnover, at 31 December 2008, and net exchange differences and hedging expenses were a negative 191 thousand euro (a negative 263 thousand euro at December 31, 2008).

Revenues from equity investments amounted to 3.010 million euro and refer to dividends received in the year from the subsidiaries Elettronica Santerno SpA (2.010 million euro) and Carraro International (1 million euro).

With tax assets of 2.038 million euro (liabilities of 817 thousand euro in 2008), financial year 2009 closed with a net loss of 8.557 million euro (net profit of 8.587 million euro, 2.65% of turnover, at December 31, 2008).

In 2009 depreciation and amortization amounted to 2.890 million euro (5.393 million euro at December 31, 2008).
Gross investments in 2009 totalled 2.802 million euro (9,244 million euro at December 31, 2008) and related to the maintenance of the Divisione Agritalia plant and to the capitalisation of orders for research and development.

The net financial position (the sum of bank borrowing, bonds and short-term and medium/long-term loans, net of cash and cash equivalents, marketable securities and financial receivables) was negative by 62.471 million euro. The figure for 30 June 2009 was a negative 44.079 million euro (a negative 51.563 million euro at December 31, 2008). The worsening was due to the waiver of a receivable of the subsidiary Carraro Drive Tech SpA of 4.1 million euro and to the payment of 5.0 million euro, partly in cash, relating to the purchase of the Agritalia business unit.

As at December 31, 2009 the company had 291 employees (of whom 66 at Campodarsego and 225 at the Divisione Agritalia facility in Rovigo).

SIGNIFICANT EVENTS IN 2009

During the first half of the year, on 23 April 2009, the Shareholders' Meeting voted to renew the Board of Directors and the Board of Statutory Auditors, which were both due for renewal. The following people were elected directors: Mario Carraro – Chairman, Francesco Carraro, Enrico Carraro, Tomaso Carraro, Carlo Borsari, Antonio Cortellazzo, Arnaldo Camuffo, Marco Milani, Pietro Guindani, Anna Maria Artoni, Alexander Josef Bossard, while the following were elected members of the Board of Statutory Auditors: Luigi Basso – Chairman, Roberto Saccomani – Regular Auditor, Saverio Bozzolan – Regular Auditor, Silvano Corbella – Alternate Auditor, Marina Manna – Alternate Auditor.
The Meeting also approved a treasury share purchase and disposal plan involving no more than 5% of the share capital, for a term of 18 months, which provides for: a purchase price per ordinary share no less than 30% lower, and no more than 20% higher than the reference price for the share recorded in the stock exchange session on the day prior to each individual transaction, and a sale price per ordinary share no less than 20% lower, and no more than 20% higher than the reference price for the share recorded in the stock exchange session on the day prior to each individual transaction.
The Meeting decided to allocate the profit for the year, of Euro 8,587,035 entirely to the extraordinary reserve, without therefore proceeding to the distribution of dividends.
On 1 March 2009 a new company was incorporated by A.E. S.r.l., and given the name "AE Assemblaggi Emiliani S.r.l.". A.E. S.r.l. conferred to it the business unit involved in the work of assembling axles and mechanical components in general. As part of this operation, the company CPS Italia Scarl, which held a 10% stake in A.E. S.r.l. sold its holding to the company Carraro Drive Tech S.p.A., while A.E. Srl sold to CPS Italia Scarl its entire equity interest, representing

100% of the share capital of AE Assemblaggi Emiliani S.r.l..
Elettronica Santerno España S.A., which was incorporated in February of this year with registered office in Valencia, acquired, on 1st April 2009, the business unit involved in the distribution, marketing and post-sale servicing of inverters for the industrial, wind power and photovoltaic sectors of the company Servicios de Cogeneracion s.l., a company with twenty years' experience in the industry.
During the second half of financial year 2009, the Managing Director, Mr Carlo Borsari, resigned with effect from July 31, 2009. On August 4, 2009 the Board of Directors of Carraro S.p.A. resolved not to co-opt a new member of the board and referred all decisions on the matter to the Shareholders' Meeting, assigning, in the meantime, the post of managing director to the director Alexander Josef Bossard. Subsequently, the Shareholders' Meeting of Carraro S.p.A., on December 23, 2009, resolved not to make up the number of members of the Board of Directors and thus to reduce the number of the same to 10. On September 4, 2009 the company Elettronica Santerno S.p.A. incorporated a company in the United States, named Santerno Inc., with registered office in San Francisco, California.
Again in the second half of the past year, the company Carraro Drive Tech S.p.A. and the company AE S.r.l. merged by incorporation of the latter into the former with a deed dated December 23, 2009 and with effect from January 1, 2010. This merger operation did not involve an increase in the share capital of Carraro Drive Tech S.p.A. because the latter already held 100% of the capital of the incorporated company AE S.r.l..
On December 23, 2009, the business of the company Agritalia S.p.A. was also conferred on Carraro S.p.A.. This deed of conferment involved an increase in the share capital of Carraro S.p.A. of 2,074,696.00 euro carried out through the issue of 3,989,800 shares of a par value of 0.52 euro each. With effect from December 31, 2009, the share capital of Carraro S.p.A. is therefore 23,914,696.00 euro.
Finally, with effect from January 1, 2010, the business owned by the company Siap S.p.A. relating to the facility of Poggiofiorito (CH), devoted to the work of production of gears, was conferred on the company MG Mini Gears S.p.A. of Padua.

Renegotiation of terms and expiries of debt

In view of negative financial results such as those indicated, it cannot be a surprise that the draft financial statements present figures which make clear that the Company and some of its subsidiaries did not respect certain financial covenants, set to protect the positions of the financing banks in some of the numerous medium- and long-term loan agreements that the Company itself and its subsidiaries are parties to.

A consequence of the failure to observe these covenants would, in normal practice, be the so-called acceleration of the loans (that is a demand for immediate repayment).

At the end of financial year 2009, taking into account the possible violation of the said covenants and in order to stop the lending banks from activating, when they were effectively entitled to do so, their rights of acceleration, the Company, which had always fulfilled correctly its obligations of payment to the banks, began negotiations with its lending banks (and therefore not only with institutions whose financing provides for the aforesaid covenants) to redefine its commitments to these banks reformulating the expiries of the loans and the covenants themselves on the basis of the Three-Year Plan.

This negotiating process – which was always characterized by a climate of full confidence of the lending banks on the recovery prospects of the Company – was, in practice, divided into two stages:

(i) A first stage, now concluded, of discussions on a bilateral plan between the company and each bank, in the context of which the Company informed its interlocutors of the considerations that had emerged also with its own strategic advisors on the market conditions, on its situation, on the actions already taken, on the results of these actions and on the consequent prospects; and

(ii) a second stage, which began only in the early months of 2010 and is now close to completion, which involves the banks collectively, with the aim of agreeing a rescheduling of the maturities of the repayment instalments of existing loans and the redefinition of the covenants currently provided as part of a multilateral agreement between the Company and the Banks (the so-called Framework Agreement).

At the date of the present report, the Company and the banks, assisted by their respective legal consultants, have already defined almost all the main terms and conditions of the Framework Agreement which, at the moment, presents only residual and, in the judgement of the Management of the Company, insignificant open issues. A final agreement with the banks seems to be imminent, and in fact the legal consultants of the banks have informed us that they will shortly be sending the Company a letter in which they confirm that – although negotiations are still in progress for the definition of the Framework Agreement and although they cannot in any way guarantee the position that the governing bodies will in the end decide upon – the technical bodies of the banks will present to their respective governing bodies with their favourable opinion the proposal formulated by the Company to the banks (and substantially reflected in the current draft of the Framework Agreement).

The opinion – considered reasonable by the directors – of the Management of the Company charged with the negotiations, supported in this by the Company's legal and financial consultants is, in particular, that this issue can be resolved a few days after the date of this report (note: Framework Agreement signed on 13 April, 2010)

KEY RISKS AND UNCERTAINTIES TO WHICH CARRARO SPA IS EXPOSED

Risks associated with the general economic conditions

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

During 2009 the financial markets experienced a high level of uncertainty and reduced turnover and transactions with a significant effect on access to credit for both consumers and businesses.

This increasing constraint began to bring about a shortage of liquidity with recessive effects on consumption and investment and fallout in the various industrial sectors including the one in which Carraro SpA operates.

If this particularly recessive and uncertain situation continues for a long time, despite the signs of improvement, the business and prospects of the company could be adversely affected with an impact on its earnings, equity and financial position.

Risks having an effect on the Group's results

Significant macro-economic events, such as a generalised and significant increase in the prices of raw materials, significant fall in demand in one of the prime markets, 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 Carraro SpA is exposed are all negative factors for the company's operations and future, as well as its financial results and its borrowing position. Moreover, the profitability of the company's operations is affected by the risk of insolvency of counterparties, as well as the general economic conditions of the country in which the company holds its equity interests.

Risks associated with funding requirements

The Company's liquidity risk is mainly linked to the procurement and maintenance of sufficient funding to support industrial and financial operations.

The procurement of funding, in line with Carraro SpA's short- and medium-term plans, is achieved by tapping into banking finance having a term coherent with the company's liquidity cycle.

As well as the dynamics of the floating capital, the anticipated cash flows for the 2010 period reflect the effects of the current liabilities falling due and the shorter term portions of non-current liabilities. Carraro SpA envisages meeting the needs deriving from the financing obligations falling due and the anticipated investments with the flows deriving from operations, available liquidity and the renewal and refinancing of banking loans.
Lastly, regardless of the fact that the Company 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 of borrowing costs.

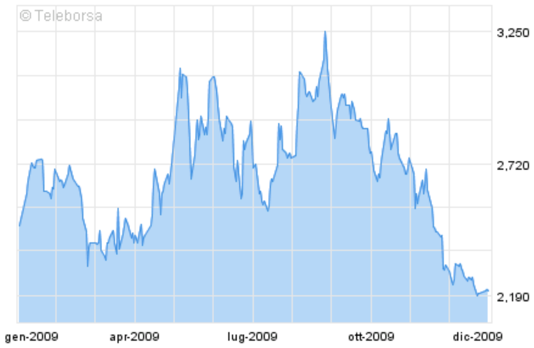
Risks associated with the instability of exchange rates and interest rates
Carraro SpA is exposed to interest rate risks in relation to the financial liabilities taken on to fund either normal operations or, as applicable, the Group's expansion by acquisitions. Changes in interest rates have a positive or negative effect 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.

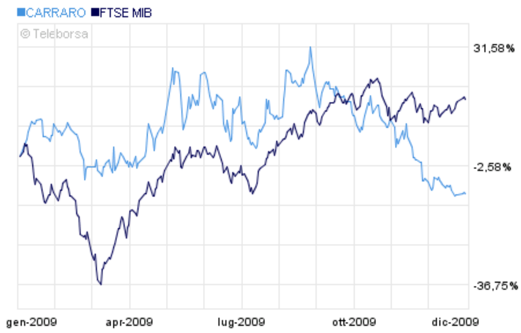
Credit risk
Carraro SpA includes among its customers leading manufacturers of agricultural machinery. The concentration of the risk is associated with the size of these customers, which in global terms is quite high. This is however balanced by the fact that the credit exposure is distributed across counterparties operating in different geographical areas.
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 the credit.
Receivables are recognized in the accounts net of any writedowns determined by assessing the counterparty's risk of insolvency based on the information available.

Environmental risks
The Group operates across 18 manufacturing sites in seven different nations.
The manufacturing processes carried out in the Group's industrial sites are essentially mechanical processing of iron and steel and assembling 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 to zero.
Each site operates in compliance with local environmental regulations. Moreover the management pays continual attention to environmental issues adopting all the applications that current technology has made available to reduce the risks of pollution.
In specific terms, all activities are being carried out to obtain Environmental Certification in accordance with the criteria of ISO 14001 in all of the Group's facilities.
Particular attention has been paid to increasing the efficiency of processes in order to maximise energy savings.
In the choices for the allocation of production and in making make/buy decisions the variable of the optimisation of transport has also been considered from a viewpoint of eco-sustainability and the reduction of CO2 emissions in line with the Group's mission.

SHARE PERFORMANCE

In 2009 the Carraro stock recorded an uneven trend but one in any case in line with the main stock exchange indicators. The first few months of the year reflected the trend of the FTSE MIB, holding up, indeed, better at the beginning of March compared with the general trend. The official average price in 2009 was 2.669 euro with a maximum quotation of 3.211 euro on August 27, and a minimum of 2.199 euro on December 18.
The beginning of 2010, with the exception of a trough recorded on January 26 owing mainly to incorrect rumours published on a number of financial websites, shows a performance in line with the stock exchange trend, with no particular differences. The maximum price in the period of 2.626 euro was recorded on January 20. The average price up to March 15 was 2.423 euro.





BUSINESS OUTLOOK AND PROJECTIONS FOR 2010

The results of the first few months and the first projections confirm the budget forecasts in terms of growth of turnover and EBITDA, while the book orders indicate further room for improvement.
The net financial position and the working capital will be kept under strict control.

ADOPTION OF THE SELF-DISCIPLINARY CODE

Information on the adoption of the Self-disciplinary Code, prescribed by Consob in Article 89-*bis* of the Regulations for Issuers, is provided in the Annual Report on Corporate Governance, compiled in accordance with the instructions of the new Self-Disciplinary Code issued by Borsa Italiana (Italian stock exchange). The Report is appended to this director's report.

STANDARDS USED IN PREPARING THE FINANCIAL STATEMENTS

The accounting standards and measurement criteria used in preparing the present financial statements were applied in a manner consistent with the financial statements at 31.12.2008 and on an ongoing concern basis in view of the following considerations.

As described in other sections of the present Report, in consideration:
(i) of the significant decrease in turnover and the gradual deterioration of the net income of the Group during the entire year;

(ii) of the ongoing situation of difficulty of the global economy, which was reflected and is still reflected also in a significant contraction of the consumption of durable goods;
(iii) of the eventuality that the Group will continue to have to operate in this context and, consequently, of expectations of uncertainty over the possibility of reversing the negative trend in the short term;

the Management of the Company, also with the collaboration of strategic consultants, began a process of targeted and profound reorganization.

The main objectives of this process, which has been accurately planned and detailed (the "Three Year Plan"), are essentially attributable to the reduction of overheads, the improvement of industrial efficiency and the rationalization of various manufacturing facilities in Italy and abroad. At the same time as the launch of the Three Year Plan, stringent mechanisms of operational cash management were immediately adopted.

The Three Year Plan, the implementation of which already had an impact in the second half of 2009 and that will be more extensively put into practice in financial year 2010 and in subsequent years, has the aim of rendering the structure of the Group more flexible and appropriate to the new dimensions of demand.

The industrial plan, an integral part of the Three Year Plan that the Management of the Company prepared, in the light of the results already achieved in financial year 2009 and of the further results that are expected and are likely to be obtained in subsequent years, seems efficient, reasonable and well-balanced. The essential assumptions of the Three Year Plan, in fact, seem confirmed also by the good results achieved by the Company in the early months of financial year 2010.

In the light of the above, therefore, the Management of Carraro S.p.A. – after carrying out the necessary checks, analyzed the results of the impairment tests performed at the level of business units and of the Group as a whole, also in consideration of the state of progress of the negotiations with the lending banks of the Company and of the Group with the aim of signing a framework agreement mainly in relation to rescheduling of the repayment instalments of the existing loans and of redefining of the covenants, briefly described in the previous paragraph "Renegotiation of terms and expiries of debt", and, in particular, of the expected imminent formalization of the said framework agreement (note: agreement signed on 13 April, 2010) – believes that the remaining uncertainties linked to the performance of the market are not such as to generate doubts about the company being an ongoing concern and that there is therefore the reasonable expectation that the company will have adequate resources to continue its operations in the foreseeable future. For these reasons, for the preparation of the year's financial statements the ongoing concern presumption continues to be adopted.

<u>OTHER INFORMATION</u>

With reference to the provisions of Articles 36 and 39 of Consob Order 16191 of 29.10.2007 (the so-called "Market Regulations") and of Art. 2.6.2 Section 15 of the Stock Exchange Regulations we can confirm that the parent company Carraro S.p.A. meets the conditions required by points a), b) and c) of Section 1 of the aforementioned Art. 36 on the subject of accounting situations, bylaws, corporate bodies and administrative and accounting control of its subsidiaries incorporated and regulated in countries that do not belong to the European Union.

The perimeter of the group includes 19 companies established and regulated in non-European Union countries, specifically in Argentina, Brazil, China, India, Russia and the United States; of these, five, in Argentina, China, India, and the United States, are significant under the terms of Title VI, Section II of the Issuer Regulations (Consob Order 11971/1999).

For more complete disclosure on the system of corporate governance of Carraro S.p.A. and its share holding structure, as required by Art. 123-bis of Legislative Decree 58 of 24 February 1998, (TUF – the Combined Act on Finance), see the "Report on Corporate Governance", consultable on the company's website www.carraro.com, in the investor relations/corporate governance section, prepared under the terms of Arts. 89-bis of the Consob Regulations for Issuers.

In executing the programme for the acquisition of treasury shares, which was resolved by the Shareholders' Meeting on April 23, 2008 in order to support the share price and mitigate its fluctuation over and above normal market variations, as at December 31, 2009 the company held 832,270 shares, amounting to 1.81% of the share capital, acquired at an average price of 2.98 euro.

We would like to specify that intra-group operations refer to dealings of a commercial, financing or consulting nature and were carried out at normal market conditions in the financial interest of each company involved.
For detailed information, such as that required by art. 2497-*bis* C.C., paragraph 5, regarding operations carried out with related parties, refer to the Explanatory Notes to the Financial Statements.

The information required by Article 79 of the Regulations for Issuers (information on the equity investments held in Carraro S.p.A. and its subsidiaries, by the directors, statutory auditors and ...*omitted*...) is set forth in a specific statement annexed to the Explanatory Notes to the Financial Statements to which this Report refers.

The following administrators of Carraro S.p.A. are considered to be independent:
Anna Maria Artoni, Director
Arnaldo Camuffo, Director
Antonio Cortellazzo, Director
Pietro Guindani, Director
Marco Milani, Director
For a complete analysis of the capital and financial figures for the trading period to December 31, 2009, please refer to the explanatory notes to the financial statements.

As regards the issues concerning the protection of privacy, as envisaged in appendix b) to Italian Legislative Decree 196/2003, we inform you that the company updated its *DPS* - Policy Document on Privacy in accordance with the terms of law.

Dear Shareholders,
The financial statements at December 31, 2009, which we invite you to approve as presented, show a profit of 8,557,205 euro. We propose that the shareholders resolve to cover the entire amount with partial use of the Extraordinary Reserve.

CARRARO S.p.A.
Registered office at 37, Via Olmo, Campodarsego (PD)
Share Capital Euro 23,914,696, fully paid-up
Tax Code, VAT and Registration Number
In the Padua Companies Register 00202040283
R.E.A. No. 84033

FINANCIAL STATEMENTS 31 DECEMBER 2009

BOARD OF DIRECTORS
In office until approval of the 2011 Financial Statements (Appointed, General Meeting 23.04.2009 – Powers conferred, Board resolutions 07.05.2009 and 04.08.2009)

MARIO CARRARO	Chairman
ENRICO CARRARO (2) (3)	Deputy Chairman
ALEXANDER BOSSARD (3)	Chief Executive Officer
ANNA MARIA ARTONI (1)	Director *
ARNALDO CAMUFFO (1) (2)	Director *
FRANCESCO CARRARO	Director
TOMASO CARRARO (3)	Director
ANTONIO CORTELLAZZO (1) (2)	Director *
PIETRO GUINDANI (2) (3)	Director *
MARCO MILANI(2) (3)	Director *

(1) Members of the Internal Auditing Committee
(2) Members of the Human Resources and Remuneration Committee
(3) Members of the Strategic Operational Committee
* Independent directors

BOARD OF STATUTORY AUDITORS
In office until approval of the 2011 Financial Statements (Appointed, General Meeting 23.04.2009)

LUIGI BASSO	Chairman
SAVERIO BOZZOLAN	Regular Auditor
ROBERTO SACCOMANI	Regular Auditor
SILVANO CORBELLA	Alternate Auditor
MARINA MANNA	Alternate Auditor

AUDITING COMPANY
from 2007 to 2015

PricewaterhouseCoopers S.p.A.

PARENT COMPANY

Finaid S.p.A.

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

The Chairman Mr Mario Carraro, the Deputy Chairman Mr Enrico Carraro and the Chief Executive Officer Mr Alexander Bossard have been given severally powers of legal representation and use of the corporate signature in relations with third parties and in legal actions; they carry on their work within the limits of the powers conferred on them by the Board of Directors at the meetings on 7 May 2009 and 4 August 2009, in accordance with the 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 of the principles and limits provided for in the Company's Code of Conduct.

INCOME STATEMENT

	Notes	31.12.2009	*of which non-recurring*	31.12.2008
A) REVENUES FROM SALES				
1) Products		56.919.503		312.802.143
2) Services		7.839.789		7.314.184
3) Other revenues		1.624.345		3.367.832
TOTAL REVENUES FROM SALES	**1**	66.383.637		323.484.159
A-bis) of which with related parties		*10.258.859*		*15.896.000*
B) OPERATING COSTS				
1) Purchases of goods and materials		34.014.293		234.229.709
2) Services		12.568.424	1.210.000	43.954.853
3) Leases, rents and third-party services		1.588.691		1.645.346
4) Personnel costs		17.493.342	2.560.000	37.133.163
5) Amortisation, depreciation and impairment of assets		2.985.379		5.392.516
5.a) depreciation of Property, plant and equipment		*1.659.750*		*4.221.751*
5.a) depreciation of Intangible assets		*1.229.737*		*1.170.765*
5.d) impairment of receivables		*95.892*		*-*
6) Changes in inventories		11.237.271		-7.532.554
7) Provision for risks and other liabilities		1.524.581	410.000	5.101.006
8) Other expenses and income		-3.648.102		-2.936.453
9) Internal construction		-178.863		-410.544
TOTAL OPERATING COSTS	**2**	77.585.016	4.180.000	316.577.042
B-bis) of which with related parties		*6.856.838*		*63.210.000*
OPERATING PROFIT/(LOSS)		**-11.201.379**		**6.907.117**
C) GAINS/(LOSSES) ON FINANCIAL ASSETS				
10) Income from equity interests		3.010.003		7.573.400
11) Other financial income		217.839		626.494
12) Financial costs and expenses		-2.429.980		-5.440.209
13) Net gains/(losses) on foreign exchange		-191.363		-262.650
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3**	606.499		2.497.035
C-bis) of which with related parties		*1.178.263*		*4.135.000*
PROFIT/(LOSS) BEFORE TAXES		**-10.594.880**		**9.404.152**
15) Current and deferred income taxes	**4**	2.037.675	-231.000	-817.117
NET PROFIT/(LOSS)		**-8.557.205**	**3.949.000**	**8.587.035**
EARNINGS PER SHARE	**5**			
- basic, for the profit for the period attributable to ordinary shareholders of the parent company		*-0,207*		*0,205*
-diluted, for the profit for the period attributable to ordinary shareholders of the parent company		*-0,207*		*0,205*

STATEMENT OF COMPREHENSIVE INCOME

	31.12.2009	31.12.2008
NET PROFIT/(LOSS) FOR THE PERIOD	**-8.557.205**	**8.587.035**
Other comprehensive income components:		
Net change in cash flow hedge reserve	-	-
Taxes on other comprehensive income components	-	-
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-8.557.205**	**8.587.035**

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2009	31.12.2008
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	**6**	35.723.562	27.650.673
2) Intangible fixed assets	**7**	6.674.553	6.582.127
3) Real estate investments	**8**	539.703	539.703
4) Shareholdings	**9**	93.669.674	89.518.066
4.1)Interests in subsidiary, associate and parent companies		*93.669.674*	*89.518.066*
4.2) Equity investments held for sale		-	-
5) Financial assets	**10**	1.498.671	4.514.364
5.1) Loans and receivables		*1.020.840*	*4.428.523*
5.2) Other financial assets		*85.841*	*85.841*
5.3) Financial deferrals		391.990	
6) Deferred tax assets	**11**	6.410.525	3.131.750
7) Trade receivables and other receivables	**12**	95.782	97.718
7.1) Trade receivables			
7.2) Other receivables		*95.782*	*97.718*
TOTAL NON-CURRENT ASSETS		144.612.470	132.034.401
B) CURRENT ASSETS			
1) Closing inventory	**13**	10.373.208	21.577.106
2) Trade receivables and other receivables	**12**	20.708.699	46.015.045
2.1) Trade receivables		*14.747.064*	*30.630.710*
2.2) Other receivables		*5.961.635*	*15.384.335*
2-bis) of which with related parties		*15.184.181*	*23.801.046*
3) Financial assets	**10**	121.966	229.666
3.1) Loans and receivables		*62.173*	*229.666*
3.2) Other financial assets		-	-
3.3) Financial accruals and deferrals		*59.793*	-
3-bis) of which with related parties		*27.173*	*194.666*
4) Cash and cash equivalents	**14**	1.009.533	1.292.555
4.1) Cash		*85.830*	*36.116*
4.2) Bank current accounts and deposits		*923.703*	*1.256.439*
4.3) Other cash and cash equivalents			
TOTAL CURRENT ASSETS		32.213.406	69.114.372
TOTAL ASSETS		**176.825.876**	**201.148.773**

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2009	31.12.2008
A) SHAREHOLDERS' EQUITY			
1) Share Capital		23.914.696	21.840.000
2) Other Reserves		47.186.225	30.257.958
3) Profits/(Losses) brought forward			
4) IAS/IFRS first adoption reserve		23.975.453	23.793.040
5) Other IAS/IFRS reserves		-7.141.566	
6) Profit/loss for the period		-8.557.205	8.587.035
TOTAL SHAREHOLDERS' EQUITY	**15**	79. 377.603	84.478.033
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	**16**	707.419	1.519.350
1.1) Bonds			
1.2) Loans		*707.419*	*1.519.350*
3) Deferred Tax Liabilities	**11**	69.190	
4) Provision for severance indemnity and retirement benefits	**19**	2.061.506	2.674.804
4.1) Provision for severance indemnity		*2.061.506*	*2.674.804*
4.2) Provision for retirement benefits			
5) Provision for risks and liabilities	**20**	1.705.596	1.428.680
5.1) Provision for warranties		*399.000*	*399.000*
5.2) Provision for legal claims		*1.046.596*	*81.596*
5.3) Provision for restructuring		*260.000*	
5.4) Other provisions			948.084
TOTAL NON-CURRENT LIABILITIES		4.543.711	5.622.834
C) CURRENT LIABILITIES			
1) Financial liabilities	**16**	64.309.252	55.984.345
1.1) Bonds			
1.2) Financial payables and Loans		*64.292.013*	*55.972.176*
1.3) Financial accruals and deferrals		*17.239*	*12.169*
1.4) Other			
1-bis) of which with related parties		*31.824.120*	*50.226.569*
2) Trade payables and other payables	**17**	25.842.457	51.822.725
2.1) Trade payables		*19.770.731*	*45.379.705*
2.2) Other payables		*6.071.726*	*6.443.020*
2-bis) of which with related parties		*3.096.161*	*13.741.110*
3) Current tax liabilities	**18**	502.986	851.026
4) Provision for risks and liabilities	**20**	2.249.867	2.389.810
4.1) Provision for warranties		*1.994.148*	*2.389.810*
4.3) Provision for restructuring		150.000	
4.4) Other provisions		105.719	
TOTAL CURRENT LIABILITIES		92.904.562	111.047.906
TOTAL LIABILITIES		97.448.273	116.670.740
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**176.825.876**	**201.148.773**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Other Reserves of capital	Other Reserves of profits	Reserve for IAS/IFRS 1st adoption	Reserve for own share purchase	Reserve for cash flow hedges	Profit for the period	Total
Balance at 1.1.2008	21.840.000	17.833.456	13.249.469	23.793.040	0	144.204	7.631.004	84.491.173
Allocation of 2007 profit/loss								
- to dividends	0	0	0	0		0	-6.930.000	-6.930.000
- to the legal reserve	0	0	0	0	-1.525.969	0	0	-1.525.969
- to the extraordinary reserve	0	0	701.003	0		0	-701.003	0
Profit/(Losses) financial year 2008:								
- posted in Shareholders' Equity	0	0	0	0	0	-144.204	0	-144.204
- posted in Income Statement	0	0	0	0	0	0	8.587.035	8.587.035
Balance at 01.01.2009	21.840.000	17.833.456	13.950.472	23.793.040	-1.525.969	0	8.587.035	84.478.033
Changes in share capital								
- Agritalia conferment	2.074.696	9.296.234	0	182.413	0	0	0	11.553.343
Other changes								
- own share purchase	0	0	0	0	-955.002	0	0	-955.002
- IAS reserve from Agritalia conferment	0	0	-7.141.566	0	0	0	0	-7.141.566
Allocation of 2008 profit								
- to extraordinary reserve	0	0	8.587.035	0	0	0	-8.587.035	0
Profit/(Losses) financial year 2009:								
- posted in Shareholders' Equity	0	0	0	0	0	0	0	0
- posted in Income Statement	0	0	0	0	0	0	-8.557.205	-8.557.205
Balance at 31.12.2009	23.914.696	27.129.690	15.395.941	23.975.453	-2.480.971	0	-8.557.205	79.377.603

STATEMENT OF CASH FLOWS	NOTES	31.12.2009 €/000	31.12.2008 €/000
Profit/(Loss) for the year	15	- 8.557	8.587
Tax for the year	4	- 2.038	817
Profit/(loss) before tax		**- 10.595**	**9.404**
Depreciation of property, plant and equipment	2	1.660	4.222
Amortisation of intangible assets	2	1.230	1.171
Provisions for risks	2	1.525	5.101
Provisions for employee benefits	2	3.342	1.939
Net financial income/expense	3	2.213	4.813
Net foreign exchange gains/losses	3	191	263
Income from equity investments	3	- 3.010	- 7.573
Cash flows before changes in Net Working Capital		**- 3.444**	**19.340**
Changes in inventory	13	11.204	54.864
Changes in trade and other receivables	12	25.913	33.633
Changes in trade and other payables	17	- 25.976	- 104.154
Changes in receivables/payables for deferred taxation	11	69	6.343
Changes in provisions for employee benefits	19	-3.956	- 10.737
Changes in provision for risks	20	- 1.444	- 7.933
Dividends received	3	3.010	7.573
Interest received	3	- 234	859
Interest paid	3	- 2.426	- 5.465
Tax consolidation expense and income	4	- 423	- 1.640
Tax payments	4	- 1.149	- 1.156
Cash flows from operating activities		**1.144**	**- 8.473**
Investments/divestments:			
in Property, Plant and Equipment	6	- 1.068	23.856
in Intangible assets	7	- 1.323	- 1.664
Net cash from conferment	21	- 5.000	-
Equity investments/divestments	9	- 4.152	- 9.184
Cash flows from investments/divestments		**- 11.543**	**13.008**
Changes in current financial assets	10	- 23	1.390
Changes in non-current financial assets	10	3.408	- 4.429
Changes in current financial liabilities	16	8.320	2.947
Changes in non-current financial liabilities	16	-812	- 575
Changes in share capital		-	-
Changes in reserves	15	-776	- 1.666
Dividends paid		-	- 6.930
Cash flows from financing activities		**10.117**	**- 9.263**
Total cash flows for the period		**- 282**	**- 4.728**
Opening cash and cash equivalents		**1.292**	**6.020**
Closing cash and cash equivalents		**1.010**	**1.292**

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

1. Introduction

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

Carraro S.p.A. is not subject to management and coordination activities under the terms of Art. 2497 *et seq* of the Civil Code. The controlling shareholder Finaid S.p.A. does not perform any activity of management and coordination in relation to Carraro, and in particular:
- Finaid is a purely financial holding;
- Finaid does not issue any directions to Carraro;
- the Finaid Board of Directors does not approve Carraro's strategic plans 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.

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

Authorisation for the publication of these financial statements was issued by the Board of Directors on March 22, 2010.

The present financial statements are expressed in Euro and amounts are rounded to the nearest euro unit, unless otherwise indicated.

It should be noted that the figures provided for comparative purposes at 31.12.2008 refer to six months of operations in relation to the manufacture and marketing of axles and transmissions, conferred from July 1, 2008 on Carraro Drive Tech SpA, and to 12 months of operations of the Agritalia Division in relation to the manufacture and marketing of agricultural tractors and to the function of Headquarters.

Carraro, as the parent company, has functions of strategic guidance, control and coordination of the single units of the Carraro Group business. At the corporate facility in Rovigo, entitled "Agritalia Division", it designs and manufactures agricultural machines, a business rented from April 1, 2005.
On December 23, 2009, following conferment of the tractor production business unit of the Agritalia S.p.A. company to Carraro S.p.A., the share capital of Carraro S.p.A. was increased by Euro 2,074,696.00 by the issue of 3,989,800 shares with a nominal value of Euro 0.52 each. The share capital Carraro S.p.A. is therefore, with effect from December 31, 2009, Euro 23,914,696.00, corresponding to 45,989,800 shares of a nominal value of Euro 0.52 each. The company has issued a single category of ordinary shares which do not give the right to a fixed dividend. No other financial instruments which assign equity and investment rights have been issued. The operation was carried out in conditions of fiscal neutrality and at constant carrying amounts.

Reporting criteria and accounting principles

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. These financial statements also conform to the directives issued enacting Article 9 of Italian Legislative Decree no. 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 at December 31, 2008, with the exceptions described in the paragraph "Accounting standards, amendments and interpretations adopted since January 1, 2009".

The financial statements were prepared assuming that the company is a going concern, on the basis of the considerations already explained in the report on operations.

2. Form and content of the financial statements

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

2.1 Format of the financial statements

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

Statement of Financial Position

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

Income Statement

Items on the income statement are classified by nature.

Statement of Comprehensive Income

The revision of the accounting standard IAS 1 requires all the changes generated by transactions with shareholders to be presented in a statement of changes in shareholders' equity. All transactions generated with third parties must, instead, be presented in a single statement of comprehensive income or in two separate statements represented by the income statement and the statement of other income statement items). The other income statement components include items of income and expenses not recognized in the income statement of the period as required or allowed by the IFRSs, such as changes in the cash flow hedge reserve, changes in the translation reserve, net gains/losses on available-for-sale financial assets and actuarial gains/losses resulting from application of IAS 19. The standard was applied retrospectively from January 1, 2009, showing all the changes generated by transactions with third parties in two statements entitled respectively income statement and statement of comprehensive income. The Company consequently modified the presentation of the Statement of Changes in Shareholders' Equity.

Statement of Cash Flows

The statement of cash flows illustrates the changes in cash and cash equivalents (as per the statement of financial position) divided by operating area forming the cash flows in accordance with the "indirect method" as permitted by IAS 7.

Statement of Changes in Shareholders' Equity

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

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

With reference to the reporting of related-party transactions in the financial statements, provided for in Consob Resolution 15519 of July 27, 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 devoted to related party transactions.
Non-recurring revenue and expenditure and/or revenue and expenditure as a result of atypical and/or unusual operations are entered in the Income Statement, further details are provided in paragraph 4 below.

2.2 Accounting standards and measurement criteria

Accounting standards, amendments and interpretations adopted since January 1, 2009

The revised version of IAS 1 – Presentation of financial statements states that all changes generated by transactions executed with non-shareholders must be presented in a single separate statement that shows the trend in the period (statement of comprehensive income recognized) or in two separate statements (income statement and statement of comprehensive income recognized). These changes must be presented separately also in the Statement of Changes in Shareholders' Equity.

The improvement of IAS 19 – Employee Benefits clarifies the definition of expenses/income relating to past employment and sets out that in the case of the reduction of a plan, the effect to be entered immediately on the income statement must include only the reduction of the benefits relating to future periods, while the effect deriving from any reductions associated with past periods of service must be considered as an expense relating to past employment.

The improvement of IAS 38 – Intangible assets sets out the recognition of promotional and advertising costs in the income statement. Furthermore, it states that in the event the enterprise sustains charges having future financial benefits without being entered as intangible assets, they must be entered in the income statement at the time the enterprise has access to the asset, in the event of the acquisition of assets, or when the service is provided, for the acquisition of services.

The amendment to IAS 7 - Financial instruments: Supplementary Information was issued to increase the level of disclosure required in the case of measurement at fair value and to strengthen the existing standards on the subject of disclosure of the liquidity risks of financial instruments. In particular, the amendment requires disclosure of the determination of fair value of financial instruments by hierarchical levels of measurement.

Accounting standards, amendments and interpretations not relevant or not yet applicable and not adopted in advance by the company
• Amendment to IAS 32 – Financial instruments: Presentation and to IAS 1 – Presentation of Financial Statements – Financial instruments.
• Revised version of IAS 23– Borrowing Costs.
• Improvements to IAS 16 - Property, Plant and Equipment
• Improvements to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance
• Improvements to IAS 28 - Investments in Associates, and IAS 31 – Interests in Joint Ventures
• Improvements to IAS 29 - Financial Reporting in Hyperinflationary Economies.
• Improvements to IAS 36 – Impairment of Assets.
• Improvements to IAS 39 – Financial Instruments: Recognition and Measurement.
• Improvements to IAS 40 – Investment Property.
• IFRIC 13 – Customer Loyalty Programmes.
• IFRIC 15 – Agreements for the Construction of Real Estate.
• IFRIC 16 – Hedges of a Net Investment in a Foreign Operation.

The IASB also issued a series of changes to the IFRSs ("improvements"). The ones listed below are those indicated by the IASB as amendments that entail a change in the presentation, recognition and measurement of accounting items, leaving aside instead those that will determine only terminological changes or those that refer to issues not present in the company.
• IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
• IFRS 8 – Operating Segments
• IAS 1 – Presentation of Financial Statements
• IAS 7 – Statement of Cash Flows
• IAS 17 – Leases
• IAS 36 – Impairment of Assets
• IAS 38 – Intangible Assets
• IAS 39 - Financial Instruments: Recognition and Measurement
• IFRIC 9 – Reassessment of Embedded Derivatives

Property, plant and equipment
Property, plant and equipment items are recognized at their historic cost, less the related accumulated depreciation and cumulative impairment losses. This cost includes the costs for replacing equipment parts and plant at the time they are incurred where compliant with the reporting standards.
Depreciation is calculated on a straight-line basis with reference to the estimated useful life of the assets.
Tangible assets are derecognized at the time of sale or once future economic benefits are no longer expected from their use or disposal. Any losses or gains (calculated as the difference between the net income on the sale and the carrying amount) are recognized in the income statement during the year of elimination as above.
The asset's residual value, its useful life and the methods applied are reviewed annually and adjusted if necessary, at the end of each accounting period. On average the useful life, in years, is as follows:

Category	**Useful Life**
INDUSTRIAL LAND	N/A
INDUSTRIAL BUILDINGS	20-50
PLANT	20-25
MACHINERY	15-18
EQUIPMENT	4-15
DIES AND MODELS	5-8
FURNITURE AND FITTINGS	15
OFFICE MACHINES	5-8
MOTOR VEHICLES	8-15

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

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

Intangible fixed assets
Intangible assets are recognized in the accounts only if they can be identified and checked, and are expected to generate future economic benefits and their cost can be reliably determined.
Intangible fixed assets having a specific duration 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.
Intangible assets are recognized in the accounts only if they can be identified and checked, and are expected to generate future economic benefits and their cost can be reliably determined.
Intangible fixed assets having a specific duration 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, with an unlimited useful life, represents the surplus of the purchase cost over the purchaser's stakeholding at fair value (with reference to the net identifiable asset or liability values 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, goodwill is allocated to each of the cash generating units 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;
- 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 relative useful lives.

Trademarks and licences
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 defined useful life.

Software
The cost of software licences, inclusive of related charges, is capitalised and recognized 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 this 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 recognized in the income statement.
If there is no longer any reason for an impairment loss previously recognized 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 writedown had ever been made. The value written back is also recorded in the income statement.
The impairment test is carried out annually in the event of goodwill and of intangible fixed assets with an unlimited useful life.
Impairment tests are also carried out on all assets with independent flows that show evidence of impairment.

Equity investments in subsidiaries and associated companies
A subsidiary is an entity in which the Company, directly or indirectly via its own subsidiaries, holds more than half of the voting rights, unless, in exceptional cases, where it can be clearly demonstrated that this ownership does not constitute control. Control is presumed when the company has half, or even less than half, of the votes that can be exercised at meetings of shareholders, if it has:
(a) control over more than half of the voting rights under an agreement with other investors;

(b) the power to determine the financial and operating policies of the entity under a clause of the articles of association or an agreement;
(c) the power to appoint or remove the majority of the members of the board of directors or the equivalent corporate governance body, and control of the entity is held by that board or body;
(d) the power to exercise the majority of voting rights at a meeting of the board of directors or the equivalent corporate governance body, and control of the entity is held by that board or body.
An associated company is an entity in which the Company is able to exercise significant influence, but not control or joint control, by having a say in the financial and operating policies of the investee company.
In accordance with the provisions of IAS 27.37, for the purpose of the separate financial statements, investments in subsidiaries or associated companies are measured using the reduced cost method where there are impairment losses.

Equity investments in other companies and other securities
In accordance with the provisions of the standards IAS 39 and 32, equity investments in companies other than subsidiary and associated companies are classified as financial assets available for sale and are carried at fair value except in cases where it is not possible to determine the market price or the fair value: in such cases the cost method is adopted.
Gains and losses deriving from value adjustments are recognized 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, gains and losses recognized up to that moment in shareholders' equity are recognized in the income statement.

Financial assets
IAS 39 defines the following types of financial instrument: financial assets at fair value through profit or loss, loans and receivables, investments held until maturity and assets available for sale. Initially, all financial assets are recognized at fair value, increased, in the case of assets other than those at fair value through profit or loss, by any ancillary expenses. The Group establishes the classification of its financial assets after initial registration and, where appropriate and permitted, revises the classification at the end of each accounting period.

All standardised (regular way) purchases and sales of financial assets are recognized at the trade date, or at the date on which the Group 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 at fair value through profit or loss

This category comprises financial assets held for trading, that is, all assets acquired for the purpose of sale in the short term. Derivatives are classified as financial instruments held for trading unless they are designated as effective hedging instruments, in which case their accounting treatment is described in the paragraph “Derivative financial instruments and hedging transactions”, below. Gains or losses on assets held for trading are recorded in the income statement.

Investments held to maturity

Financial assets which are not derivative instruments and which are characterised by payments with fixed or determinable maturities are classified as "investments held to maturity" when the Group has the intention and the capacity to maintain them in the portfolio until maturity. Financial assets that the Group decides to keep in the portfolio for an indefinite period do not fall within this category. Other long-term financial investments which are held to maturity, such as bonds, are subsequently measured using the amortised cost method. This cost is calculated as the value initially recognized, 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 recognized 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, gains and losses are recognized in the income statement at the moment in which the investment is rerecognized or in the event of an impairment loss, as well as by means of the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted on an active market. These assets are stated on the basis of amortised cost using the effective discount rate method. The gains and losses are recognised in the income statement when the loans and receivables are derecognized or on the occurrence of impairment losses, as well as by means of the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets, excluding derivative instruments, which are designated as such or not classified in any of the other three previous categories. After initial recognition at cost, financial assets held for sale are carried at fair value and gains and losses are recorded in a separate shareholders' equity item until the assets have been derecognized or until it is ascertained that they have suffered an impairment loss. Gains and losses accumulated up to that moment in shareholders' equity are then charged to the income statement.

In the case of securities widely traded on regulated markets, the fair value is determined by making reference to the stock market price struck at the end of trading on the reporting date. In relation to investments which do not have an active market, the fair value is determined by means of valuation techniques based on prices of recent transactions between independent parties, the current market value of an essentially similar instrument, the analysis of discounted cash flows and option pricing models.

Inventories

Inventories are measured at the lower of the average purchase or production cost 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.

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 where they have greater repayment terms than the average granted extension term.
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. The impairment losses are recognized 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 the application of the amortised cost.

Cash and cash equivalents

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

Loans and bonds

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

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, if applicable, part of a financial asset or parts of a group of similar financial assets) is derecognized 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 made a contractual commitment to pay them in full and without delay to a third party;
- the Company has transferred the right to receive cash flows from the assets 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 assets, 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 recognized in the Company's financial statements to the extent of its 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 over.
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; nevertheless, 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 derecognized 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 recognized in the income statement.

Impairment losses on financial assets
The Company assesses whether a financial asset or group of financial assets has undergone an impairment loss at the end of each accounting period.

Assets measured on the basis of amortised cost
If objective evidence that a loan or receivable recognized 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 recognized in the income statement.
The Company firstly assesses the existence of objective evidence of an impairment loss at an individual level, for financial assets which are individually significant, and then at an individual or a collective level for financial assets which are not. In the absence of objective evidence of an impairment loss for financial assets valued individually, whether significant or otherwise, this asset is included in a group of financial assets with similar credit risk features and this 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 recognized, the value previously written down is reinstated. Any subsequent write-backs are recognized in the income statement, to the extent that the carrying amount of the asset does not exceed the amortised cost at the date of the reversal.

Assets recognized at cost
If objective evidence exists of impairment loss on an unlisted instrument representative of equity which is not recognized at fair value because its fair value cannot be measured reliably, or of a derivative instrument which is linked to this equity instrument and must be settled by means of delivery of this instrument, the amount of the impairment loss is given as the difference between the carrying amount of the asset and the present value of 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 recognized in the income statement, is transferred from shareholders' equity to the income statement. Writebacks relating to equity instruments classified as available for sale are not recorded in the income statement. Writebacks relating to debt instruments are recorded 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 recognized in the income statement.

Allowances and provisions
Provisions for risks and liabilities
Provisions for risks and liabilities are made when the Company must meet a current legal or implicit obligation deriving from a past event, a sacrifice of resources is likely in order to deal with this obligation and it is possible to make a reliable estimate of its extent. When the Company considers that a provision for risks and liabilities will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the indemnity is recorded separately among assets if, and only if, it is practically certain. In this case, the cost of the possible related provisions, net of the amount recognized for the indemnity, is presented in the income statement. If the effect of discounting back 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 recognized as a financial expense.

Employee and similar benefits
In accordance with IAS 19, employee benefits to be paid out subsequent to the termination of the employment relationship and other long-term benefits (in particular, Employee Severance Indemnities) are subjected to actuarial valuation which has to take into account a series of variables (such as mortality, forecasts of future salary changes, the projected rate of inflation, etc.).

Following this method, the liability recognized represents the current value of the obligation, net of any plan assets, adjusted for any actuarial losses or gains not accounted for.
The actuarial losses and gains are recognized directly in the income statement, without taking advantage of the corridor approach.

Revenue recognition
Sales of goods are recorded when the goods are shipped and the company has transferred to the purchaser the significant risks and rewards associated with ownership of the goods.
Revenues for services are recognized with reference to the stage of completion.
Interest income is recognized 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 the distribution of the dividends. Dividends distributed are recognised as payable at the time of the distribution resolution.

Public grants
Public grants are recognized 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.

Financial expenses
Financial expenses are recognized in the income statement with "effective interest" (in accordance with the accruals concept).

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

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

Deferred tax liabilities
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 recognized is subject to an annual assessment and is written down to the extent that it is no longer 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. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recognized 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.
Income taxes relating to items recognized directly in shareholders' equity are recognized directly in shareholders' equity and not in the income statement.
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
Revenue, costs and assets are recognized 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 recognized as part of the purchase cost of the asset or part of the cost item recognized in the income statement;
- it refers to trade receivables and payables recorded including the value of the tax.

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

Translation of foreign currency balances

Functional currency

The Company's functional currency is the Euro which represents the currency in which the separate financial statements are drawn up and published.

Accounting transactions and entries

Transactions carried out in a foreign currency are initially recognized 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 historic cost are translated using the exchange rate in force at the date of the transaction.
Non-monetary items recognized 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's objectives set out in the policies approved by the Board of Directors of Carraro S.p.A. In particular, it aims to minimize interest rate and exchange rate risk and optimize 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) hedging all commercial and financial transactions against the risk of fluctuation;
2) applying the "currency balancing" method to 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 the risk, to comply with the general criteria for balancing lending and borrowing rates 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, short-term and medium/long-term shares);
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 recognized 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 gains 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, the 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 have effectively shown themselves to be 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 resorts to transactions hedging the fair value against exposure to changes in the fair value of balance sheet 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 gains and losses attributable to the risk subject to the hedge, the derivative instrument is re-determined at fair value and the gains and losses of both are booked to the income statement.

With regard to fair value hedges referring to elements recognized 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 unrecognized irrevocable commitment is designated as a hedged element, subsequent cumulative changes in its fair value attributable to the hedged risk are recognized as assets or liabilities and the corresponding gains and losses are recognized 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 recognized 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 recognized asset or liability or with a highly likely future transaction which could influence the financial outcome. Gains or losses deriving from the hedging instrument are recognized in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve for the efficient part, while the remaining (inefficient) portion is recognized in the income statement.

The gain 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 recognized 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 recognized 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 recognized 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 recognized as part of a net investment, are recognized on a similar basis to cash flow hedges. Gains or losses deriving from the hedging instrument are recognized 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 recognized in the income statement. On disposal of the foreign operation, the cumulative value of these gains 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, industrial vehicles and light tools. The concentration of risk is associated with the size of these customers, which in a global context is, on average, high, yet balanced by the fact that the credit exposure is distributed across a complex network of counterparties who operate in different geographical areas.

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 the credit.

Receivables are recognized 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 the industrial activity.

The raising of funds, consistent with short and medium-term development plans, is intended to finance both the working capital, with particular regard to the supplies held in stock which supply the manufacturing process, and investments in fixed assets necessary to ensure sufficient production capacity in support of growth. This requirement is directly proportional to the trend in customer orders and the consequent increase in business volumes.

The Company's funding strategy is normally designed to increase medium-term provision, including for the benefit of the working capital requirements, thereby reducing short-term debt.

Funding is obtained by drawing on bank loans of a term consistent with the company's liquidity cycle. The cycle of payments and receipts reflects an average term for trade payables of around 120 days and an average term for receivables of around 60 days.

The cash flows envisaged for the 2010 trading period reflect not only the aforementioned working capital trend, but also the effects of the maturity of current liabilities and current portions of non-current liabilities, and the effects (assuming the same exchange rates with respect to 31.12.2009) of the closure of any derivative financial instruments on currencies in existence at the reporting date. These effects (amounts and maturities) are set out more clearly in the detailed statements of the items in question.

The Company's operations for expansion through acquisitions of new entities are carried out using funding from *ad hoc* loans or through the collection of funds directly on the market.

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.

With reference to this risk, at the end of the 2009 financial year, taking into account the violation of certain financial parameters (the so-called covenants) and in order to stop the lending banks from activating, when they were effectively entitled to do so, their rights of acceleration, the Company began negotiations with the credit institutions that finance it (and therefore not only with institutions whose financing provides for the aforesaid covenants) to redefine its commitments to these institutions reformulating the expiries of the loans and the covenants themselves on the basis of the Three-Year Plan.

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 financial risk management, appropriate initiatives to hedge or reduce the risks identified, using instruments available on the market.

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

The work of control and management of interest rate risks carried out by the Group Treasury also conforms to the guidelines laid down by the aforementioned company policy. 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.

Transactions with related parties

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

a) intragroup transactions and transactions with related parties which have taken place during the period, have given rise to trade, financial or consultancy-related dealings, and were carried out under market terms, in the financial interest of the individual companies involved in the transactions;

b) no atypical or unusual operations were carried out with respect to normal management of a business with the exception of conferment of the company division by Agritalia S.p.A. to Carraro S.p.A. as described in paragraph 8;

c) the interest rates and terms applied (paid and received) in financial relationships between the various companies are in line with market terms.

Discretional assessments and significant accounting estimates

Estimates and assumptions

In applying the accounting policies, the directors did not take decisions based on discretional assessments (excluding those that entail estimates) having a significant effect on the amounts recognized in the financial statements apart from those indicated in this section "Accounting standards and measurement criteria" with reference to the acquisition of equity interests after gaining control.
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.

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 its discounting based on an appropriate discount rate.

Deferred tax assets

Deferred tax assets are recognized in compliance with IAS 12 and they include retained tax losses, to the extent that it is likely there will be future tax gains to offset these losses with the returns of the temporary differences absorbed. A significant discretional assessment 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 (see Note 7).

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 accounting entries.

3. Information on business segments and geographical areas

The operations of Carraro S.p.A. up to June 30, 2008 were organised into two industrial divisions ("business units") that followed combination criteria according to the main product types.

The Business Units were divided as follows:

1) *Drives and Drivelines*, which as of July 1, 2008 comprised the industrial sub-holding Carraro Drive Tech S.p.A., combining the industrial units in Campodarsego (PD), Gorizia and Rovigo dedicated to the manufacture and marketing of drive systems (axles and transmissions).

2) *Vehicles*, made up of the Rovigo site, which is leased to Carraro S.p.A. by Agritalia S.p.A. and is devoted to the production of agricultural tractors.

Following the company restructuring at December 31, 2008 Carraro S.p.A. is divided into the Vehicles Business Unit (the Agritalia Division which produces and markets tractors) and Headquarters operations, henceforth HQ, (the central level services provided by Carraro S.p.A. to the various companies of the Group given its function of strategic guidance, control and coordination of the individual business units).

3.1 Business segments

The most significant information by business segment is presented in the tables below, with comparisons between financial years 2008 and 2009.

a) income data (euro/000)

2009	VEHICLES	HQ	TOTAL CARRARO SPA
Sales	**58,790**	**7,594**	**66,384**
Sales to third parties	*56,067*	*121*	*56,188*
Sales between divisions	*2,723*	*7,473*	*10,196*
Operating costs	**60,227**	**17,358**	**77,585**
Direct and indirect materials	**44,382**	**(3)**	***44,379***
Leases and rents	*4,951*	***10,852***	***15,803***
Personnel	*9,409*	***5,216***	***14,625***
Depreciation and Amortization	*314*	***2,575***	***2,889***
Provisions for risks	*1,009*	***96***	***1,105***
Other income and expenses	*162*	***(1,378)***	***(1,216)***
Operating profit/(loss)	**(1,437)**	**(9,764)**	**(11,201)**

2008	DRIVES & DRIVELINES 1. 2008 interim	VEHICLES	HQ	TOTAL CARRARO SPA
Sales	**212,793**	**105,877**	**4,814**	**323,484**
Sales to third parties	*202,966*	*104,687*	*-*	*307,653*
Sales between divisions	*9,827*	*1,190*	*4,814*	*15,831*
Operating costs	**214,891**	**97,280**	**4,406**	**316,577**
Direct and indirect materials	**151,168**	**76,616**	**-**	***227,784***
Services, leases and rents	*32,866*	*7,112*	***1,573***	***41,551***
Personnel	*24,145*	*10,284*	***3,445***	***37,874***
Depreciation and Amortization	*3,901*	*234*	***1,258***	***5,393***
Provisions for risks	*1,993*	*3,027*	***0***	***5,020***
Other income and expenses	*818*	*7*	***(1,870)***	***(1,045)***
Operating profit/(loss)	**-2,098**	**8,597**	**408**	**6,907**

b) equity data (euro/000)

2009	HQ	VEHICLES	TOTAL CARRARO SPA
NON-CURRENT ASSETS	128,165	16,447	144,612
CURRENT ASSETS	17,824	14,390	32,214
NON-CURRENT LIABILITIES	2,518	2,026	4,544
CURRENT LIABILITIES	74,411	18,493	92,904

2008	HQ	VEHICLES	TOTAL CARRARO SPA
NON-CURRENT ASSETS	125,724	6,310	132,034
CURRENT ASSETS	31,654	37,460	69,114
NON-CURRENT LIABILITIES	2,583	3,040	5,623
CURRENT LIABILITIES	78,121	32,927	111,048

c) other information

2009	**HQ**	**VEHICLES**	**TOTAL CARRARO SPA**
INVESTMENTS *(euro/000)*	1,413	1,390	2,803
EMPLOYEES	66	225	291

2008	**HQ**	**VEHICLES**	**TOTAL CARRARO SPA**
INVESTMENTS *(euro/000)*	6,897	2,347	9,244
EMPLOYEES	71	249	320

3.2 Geographic areas

Carraro S.p.A.'s industrial business, with reference to the Agritalia Division, is located in Italy.
Sales, with reference to the Vehicles B.U. are made mainly to European customers. Investments are made in Italy.

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

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

CARRARO S.P.A. TURNOVER	**31.12.2009 (euro/000)**	**31.12.2008 (euro/000)**
Italy	11,777	65,982
Other E.U. countries	23,570	175,074
North America	1,518	29,205
South America	464	6,209
Asia (*)	1,440	8,924
Other countries	27,615	38,090
TOTAL	**66,384**	**323,484**

(*): Japan, China, Korea, India, Singapore and Taiwan

4. Non-recurring operations

(In thousands of euro)

Services	1.210
Personnel expenses	2.560
Provisions for risks	410
EBIT	**4.180**
Taxation	-1.196
Provisions for taxes	965
Net balance	**3.949**

Expenses for services of Carraro S.p.A. relate to advice from a leading studio which assisted the Group in the development of the strategic plan for the three years 2010-2012. In 2009 cuts began in the workforce. For Carraro S.p.A. the cost of the work already done was Euro 2.56 Ml. and Euro 0.41 Ml. as the estimate of the costs expected following the agreement signed at the end of December 2009, for a total of Euro 2.97 Ml.. Finally, following a tax inspection by the Tax Authority, Carraro S.p.A. set aside provisions for taxes of Euro 0.96 Ml., commented in more detail in Note 20

5. Detailed explanatory notes

Revenues from sales (note 1)

	31.12.2009	31.12.2008
1) PRODUCTS		
PRODUCT SALES	56.939.329	314.729.393
SALES RETURNS	-19.826	-1.927.250
	56.919.503	**312.802.143**
2) SERVICES		
WORK ON CONTRACT	11.508	90.628
OTHER SERVICES	7.586.953	7.084.388
REVENUES FROM ADVANCES ON ORDERS	241.328	139.168
	7.839.789	**7.314.184**
3) OTHER REVENUES		
OTHER GOODS	1.591.080	2.584.624
OTHER REVENUES	33.403	786.157
CUSTOMER DISCOUNTS	-138	-2.949
	1.624.345	**3.367.832**
TOTAL REVENUES FROM SALES	**66.383.637**	**323.484.159**

Operating costs (note 2)

	31.12.2009	31.12.2008
1) PURCHASES OF GOODS AND MATERIALS		
PURCHASES OF RAW MATERIALS	32.832.963	232.296.638
RETURNS OF RAW MATERIALS	-273.414	-1.410.438
A) PURCHASES	32.559.549	230.886.200
MISCELLANEOUS CONSUMABLES	71.280	290.992
CONSUMABLE TOOLS	11.597	558.038
MAINTENANCE MATERIAL	80.880	673.115
MATERIALS AND SERVICES FOR RESALE	1.298.875	2.023.996
REBATES AND DISCOUNTS - SUPPLIERS	-7.888	-202.632
B) OTHER PRODUCTION COSTS	1.454.744	3.343.509
1) PURCHASES OF GOODS AND MATERIALS	**34.014.293**	**234.229.709**
2) SERVICES		
A) EXTERNAL SERVICES FOR PRODUCTION	2.147.053	25.491.164
B) SUNDRY SUPPLIES	598.686	2.047.732
C) GENERAL OVERHEADS	9.513.307	12.490.800
D) COMMERCIAL COSTS	114.813	929.001
E) SALES EXPENSES	194.565	2.996.156
2) SERVICES	**12.568.424**	**43.954.853**
3) SERVICES, LEASES AND RENTS		
RENTAL EXPENSE	1.588.691	1.645.346
INDUSTRIAL LEASING		
3) SERVICES, LEASES AND RENTS	**1.588.691**	**1.645.346**
4) TOTAL PERSONNEL COSTS		
A) WAGES AND SALARIES	10.353.612	25.919.056
B) SOCIAL SECURITY CONTRIBUTIONS	3.428.930	8.190.417
D) EMPLOYEE SEVERANCE INDEMNITY AND PENSIONS	3.342.389	1.938.918
E) OTHER COSTS	368.411	1.084.772
4) TOTAL PERSONNEL COSTS	**17.493.342**	**37.133.163**
5) TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS		

	31.12.2009	31.12.2008
A) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	1.659.750	4.221.751
B) AMORTISATION OF INTANGIBLE ASSETS	1.229.737	1.170.765
D) IMPAIRMENT OF RECEIVABLES	95.892	
5) TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	**2.985.379**	**5.392.516**
6) CHANGES IN INVENTORIES		
CHANGES IN INVENTORIES OF RAW MATERIALS	23.018	-385.190
CHANGES IN INVENTORIES OF FINISHED PRODUCTS	6.149.926	-816.684
CHANGES IN INVENTORIES OF ANCILLARY MATERIALS	59.309	-40.625
CHANGES IN PROVISIONS FOR DEPRECIATION OF INVENTORY	47.355	1.723.586
A) CHANGES IN INVENTORIES OF RAW & ANCILLARY MATERIALS & GOODS	**6.279.608**	**481.087**
CHANGES IN INVENTORIES OF SEMI-FINISHED PRODUCTS	29.003	-1.095.695
CHANGES IN INVENTORIES OF WORK IN PROGRESS	2.571.959	-3131.893
CHANGES IN INVENTORIES OF FINISHED PRODUCTS	2.729.938	-1.666.238
CHANGES IN INVENTORIES OF REPLACEMENT PARTS		-3.311.087
CHANGES IN INVENTORIES OF ORDERS FOR SALE		883.614
CHANGES IN INVENTORIES OF PURCHASES FOR RESALE		2.325
CHANGES IN PROVISIONS FOR DEPRECIATION OF INVENTORY	-373.237	305.333
B) CHANGES IN INVENTORIES OF WK IN PROGRESS, SEMI-FINISHED & FINISHED PRODS	**4.957.663**	**-8.013.641**
6) CHANGES IN INVENTORIES	**11.237.271**	**-7.532.554**

7) TOTAL PROVISIONS FOR RISKS AND SUNDRY		
A) WARRANTY	1.008.862	4.071.560
B) EXPENSES FOR DISPUTES		81.362
C) RENOVATION AND CONV.	410.000	
D) OTHER PROVISIONS	105.719	948.084
7) TOTAL PROVISIONS FOR RISKS AND SUNDRY	**1.524.581**	**5.101.006**
8) TOTAL OTHER EXPENSE AND INCOME		
A) SUNDRY INCOME	-3.087.997	-2.812.570
C) OTHER OPERATING EXPENSES	429.432	1.446.260
NON-ORDINARY OPERATING EXPENSES	175.030	696.705
NON-ORDINARY OPERATING INCOME	-1.164.567	-2.266.848
D) OTHER NON-ORDINARY OPERATING INCOME/EXPENSES	-989.537	-1.570.143
8) TOTAL OTHER EXPENSES AND INCOME	**-3.648.102**	**-2.936.453**
9) INTERNAL CONSTRUCTION	**-178.863**	**-410.544**

It should be recalled that financial year 2008 includes in the first half the industrial business relating to the former Drivelines B.U. conferred to Carraro Drive Tech S.p.A. on 1.07.2008. Both financial years include, besides Headquarters, the industrial business of Divisione Agritalia

The turnover at 31.12.2009 reached 66.384 ml. Euro compared with 323.484 ml. Euro at 31.12.2008. Sales of tractors fell by more than 45% compared with the previous year. The significant decrease in volume was determined by a drop of 50%, on a European level, in the market for special and light tractors (between 50 and 100 horsepower), with a consequent proportional reduction in inventories. Work was also carried out on optimizing direct and indirect purchases and controlling general expenses.

The item “wages and salaries” includes Euro 2.060 Ml. of expenses paid for voluntary redundancy, to which must be added Euro 0.41 Ml. set aside as provisions for restructuring expenses following the trade union agreement signed on December 15, 2009.

“Other income and expenses” is made up in particular of royalties of 0.92 Ml and rental income of 1.60 Ml.

Further analysis is provided in the Directors’ Report.

Net income from financial assets (note 3)

	31.12.2009	31.12.2008
10) INCOME FROM EQUITY INVESTMENTS	3.010.003	7.573.400
11) OTHER FINANCIAL INCOME		

	31.12.2009	31.12.2008
A) FROM FINANCIAL ASSETS		136.066
B) FROM BANK CURRENT AND DEPOSIT ACCOUNTS	6.663	88.078
D) INCOME OTHER THAN THE ABOVE	211.176	402.350
TOTAL OTHER FINANCIAL INCOME	**217.839**	**626.494**
12) FINANCIAL COSTS AND EXPENSES		
A) FROM FINANCIAL LIABILITIES	-1.718.690	-3.952.798
B) FROM BANK CURRENT AND DEPOSIT ACCOUNTS	-101.999	-890.584
C) EXPENSES OTHER THAN THE ABOVE	-609.291	-596.827
TOTAL FINANCIAL COSTS AND EXPENSES	**-2.429.980**	**-5.440.209**
13) FOREIGN EXCHANGE INCOME/EXPENSES		
FROM CHANGES IN FAIR VALUE OF DERIVATIVE TRANSACTIONS ON EXCHANGE RATES		10.606
OTHER AMOUNTS REALISED	-53.169	-282.345
OTHER AMOUNTS FROM ADJUSTMENT	-157.834	-616.788
	-211.003	-888.527
EXCHANGE GAINS:		
FROM DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	-	-
FROM CHANGES IN FAIR VALUE OF DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	-	-
OTHER AMOUNTS REALISED	8.186	612.065
OTHER AMOUNTS FROM ADJUSTMENT	11.454	13.812
	19.640	625.877
NET FOREIGN EXCHANGE INCOME/EXPENSES	**-191.363**	**-262.650**

Income from equity investments refers to the distribution of dividends from Carraro International (1 mln euro), Elettronica Santerno (2.010 mln euro)
Gains and losses on net foreign exchange, a loss of 0.26 mln euro in 2008, improved slightly in financial 2009 (a loss of 0.19 mln euro).

Current and deferred income taxes (Note 4)

	31.12.2009	31.12.2008
IRES [corporate income tax]	-	-
SUBSTITUTE TAXES	-	525.315
INCOME AND EXPENSES FROM TAX CONSOLIDATION	164.928	1.640.195
IRAP [regional business tax]	93.692	962.235
DEFERRED TAX LIABILITIES	(3.261.295)	(2.310.628)
PROVISIONS FOR RISKS	965.000	
15) CURRENT AND DEFERRED TAXATION	**-2.037.675**	**817.117**

Current taxes – IRAP
Current income taxes are calculated at rates of 27.5% for IRES and 3.9% for IRAP.

Current taxes - Income and charges from tax consolidation
Carraro S.p.A. is part of the national tax consolidation of the parent company Finaid S.p.A. The expenses/income deriving from the transfer of the IRES taxable base are accounted for under current taxes.
On the basis of the agreements between the companies involved in the tax consolidation, Carraro S.p.A. has the right to receive "relief" from Finaid Srl of 3% of the tax losses of the consolidation offset with the taxable base transferred by Carraro S.p.A.

Deferred tax liabilities
These are set aside on the timing differences between the carrying amount of the assets/liabilities and the corresponding tax value.
The rates used are 27.5% for IRES and 3.9% for IRAP.
With reference to financial year 2009, the company had a tax loss of 11.7 Mln Euro. On the basis of the estimates of taxable income in the next five years in the scope of the Tax Consolidation, this loss is expected to be recoverable, therefore the relevant deferred tax assets of 3.2 Mln Euro were recognized.
It was not considered prudent, instead, to recognize deferred tax assets with reference to temporarily non-deductible

financial expenses under the terms of the *Thin Cap Rule*, as the period of recovery is at the moment unforeseeable; the amount of unrecognized deferred tax assets was 0.8 Mln Euro.
Further information is provided in Note 11.

Provisions for risks
For the provisions for tax risks of 0.96 Mln Euro see the statement of provisions for risks and liabilities.

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

	31.12.2009		**31.12.2008**	
	Euro/1,000	%	Euro/1,000	%
Income before tax	**-10.595**		**9.404**	
Theoretical tax rate 3.9%	**-3,327**	**31.40%**	**2,953**	**31.40%**
Tax realignment	-	-	-667	-7.09%
Effect of non-deductible costs	160	-1.51%	88	0.94%
Untaxable income	-786	7.42%	-843	-8.97%
Unrecognized tax losses	0	0.00%	0	0.00%
Other unrecognized deferred taxes	755	-7.12%	0	0.00%
Income/expenses not relevant for IRAP	483	-4.56%	-	-
Taxes for previous periods	1,086	-10.25%	-714	-7.59%
Adjustment of 2008 deferred taxes	-407	3.85%	-	-
Taxation at effective rate	**-2,037**	**19.23%**	**817**	**8.68%**

Research and development costs (non-capitalizable)
During 2009, technical and industrial studies and research were carried out which did not give rise to capitalisation (in accordance with the provisions of IAS 38) for a total of 2.661 mln euro.

Earnings or losses 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 equity holders by the weighted average number of outstanding ordinary shares during the year.

	31.12.2009	31.12.2008
Earnings/(Losses)		
Earnings (losses) for the purposes of calculation of basic earnings per share	-8.557.205	8.587.035
Diluting effect deriving from potential ordinary shares	0	0
Earnings (losses) for the purposes of calculation of diluted earnings per share	-8.557.205	8.587.035

	31.12.2009	31.12.2008
Number of shares		
Weighted average number of ordinary shares for the calculation		
of basic earnings (losses) per share:	41.270.631	41.872.595
of diluted earnings (losses) per share:	41.270.631	41.872.595
Basic earnings (losses) per share:	-0,207	0,205
Diluted earnings (losses) per share:	-0,207	0,205

Dividends

No dividends were distributed in 2009.
On December 23, 2009, the company increased its share capital by a nominal Euro 2,074,696, by issuing 3,989,800 ordinary shares of a nominal value of 0.52 euro each at a price of Euro 2.85 of which a share premium of Euro 2.33, regular entitlement, destined exclusively and irrevocably for subscription of the company Agritalia S.p.A., to be settled by conferment in kind by Agritalia S.p.A. of its business, including tangible and intangible assets, other assets, bonds, contractual relationships and associated rights relating to the exercise of the business of developing, assembling or

distributing agricultural tractors, and distribution of commercial replacement parts for such tractors.
In financial year 2008 the dividends paid (in relation to distribution of the 2007 profit) amounted to a total of 6.93 mln euro, or 0.165 euro per ordinary share.

Property, plant and equipment (Note 6)

	31.12.2007	Increases	Internal Orders	Decreases	Conferment/Other reclassifications	31.12.2008
REVALUED COST OR VALUE:						
INDUSTRIAL LAND	9,279,000					9,279,000
INDUSTRIAL BUILDINGS	13,290,688	229,876				13,520,564
1) LAND AND BUILDINGS	**22,569,688**	**229,876**				**22,799,564**
PLANT	15,397,488	325,775	57,980	-38,915	-10,741,488	5,000,840
MACHINERY	18,439,302			-19,050	-18,391,312	28,940
2) PLANT AND MACHINERY	**33,836,790**	**325,775**	**57,980**	**-57,965**	**-29,132,800**	**5,029,780**
EQUIPMENT	12,657,091	759,603		-105,120	-12,594,643	716,931
DIES AND MODELS	16,309,093	2,676,065		-1,017,839	-15,694,805	2,272,514
3) INDUSTRIAL EQUIPMENT	**28,966,184**	**3,435,668**		**-1,122,959**	**-28,289,448**	**2,989,445**
FURNITURE AND FITTINGS	1,309,815	72,701		-3,556	-1,340,925	38,035
OFFICE MACHINES	3,683,063	990,885		-43,036	-584,537	4,046,375
MOTOR VEHICLES	542,915	166,392		-121,321	-209,560	378,426
4) OTHER GOODS	**5,535,793**	**1,229,978**		**-167,913**	**-2,135,022**	**4,462,836**
5) INV. IN PROG. & ADVANCES	**288,637**	**522,305**	**-57,980**		**-312,241**	**440,721**
PROPERTY, PLANT AND EQUIPMENT	**91,197,092**	**5,743,602**	**0**	**-1,348,837**	**-59,869,511**	**35,722,346**
PROVISIONS FOR DEPRECIATION/IMPAIRMENT:						
INDUSTRIAL LAND						
INDUSTRIAL BUILDINGS	-2,813,182	-733,278				-3,546,460
1) LAND AND BUILDINGS	**-2,813,182**	**-733,278**				**-3,546,460**
PLANT	-5,034,031	-784,224		5,026	3,864,872	-1,948,357
MACHINERY	-9,609,265	-663,846		9,102	10,258,798	-5,211
IMPAIRMENT OF MACHINERY	-114,032			114,032		
2) PLANT AND MACHINERY	**-14,757,328**	**-1,448,070**		**128,160**	**14,123,670**	**-1,953,568**
EQUIPMENT	-6,419,470	-620,578		59,354	6,860,430	-120,264
DIES AND MODELS	-8,503,802	-785,603		685,306	8,479,624	-124,475
3) INDUSTRIAL EQUIPMENT	**-14,923,272**	**-1,406,181**		**744,660**	**15,340,054**	**-244,739**
TOTAL FURNITURE AND FURNISHINGS	-623,834	-56,962		2,139	674,924	-3,733
TOTAL OFFICE MACHINES	-2,061,647	-525,713		14.512	368.217	-2.204.631
TOTAL MOTOR VEHICLES	-288,859	-51,547		92.371	129.493	-118.542
4) TOTAL OTHER GOODS	**-2,974,340**	**-634,222**		**109,022**	**1,172,634**	**-2,326,906**
ORDINARY PROVISIONS FOR DEPRECIATION	**-35,468,122**	**-4,221,751**	**0**	**981,842**	**30,636,358**	**-8,071,673**
CARRYING AMOUNT:						
INDUSTRIAL LAND	9,279,000					9,279,000
INDUSTRIAL BUILDINGS	10,477,506					9,974,104
1) LAND AND BUILDINGS	**19,756,506**					**19,253,104**
PLANT	10,363,457					3,052,483

MACHINERY	8,716,005					23,729
2) PLANT AND MACHINERY	**19,079,462**					**3,076,212**
EQUIPMENT	6,237,621					596,667
DIES AND MODELS	7,805,291					2.148,039
3) INDUSTRIAL EQUIPMENT	**14,042,912**					**2,744,706**
FURNITURE AND FITTINGS	685,981					34,302
OFFICE MACHINES	1,621,416					1,841,744
MOTOR VEHICLES	254,056					259,884
4) OTHER GOODS	**2,561,453**					**2,135,930**
5) INV. IN PROG. & ADVANCES	**288,637**					**440,721**
TOTAL CARRYING AMOUNT	**55,728,970**	**0**	**0**	**0**	**0**	**27,650,673**

	31.12.2008	Increases	Internal orders	Decreases	Conferment	Reclassif.	31.12.2009
REVALUED COST OR VALUE:							
INDUSTRIAL LAND	9,279,000						9,279,000
INDUSTRIAL BUILDINGS	13,520,564	28,174	251,610		10,748,149		24,548,497
1) LAND AND BUILDINGS	**22,799,564**	**28,174**	**251,610**		**10,748,149**		**33,827,497**
PLANT	5,000,840	6,000	42,953	-55,000	7,476,216		12,471,009
MACHINERY	28,940				327,269		356,209
2) PLANT AND MACHINERY	**5,029,780**	**6,000**	**42,953**	**-55,000**	**7,803,485**		**12,827,218**
EQUIPMENT	716,931	92,399			2.389,741		3,199,071
DIES AND MODELS	2,272,514	1,040,247		-138,150	4.926,972		8,101,583
3) INDUSTRIAL EQUIPMENT	**2,989,445**	**1,132,646**		**-138,150**	**7.316,713**		**11,300,654**
FURNITURE AND FITTINGS	38,035	694			341,320		380,049
OFFICE MACHINES	4,046,375	57,798		-1,002	739,732	33	4,842,936
MOTOR VEHICLES	378,426				136,965		515,391
4) OTHER GOODS	**4,462,836**	**58,492**		**-1,002**	**1.218,017**	**33**	**5,738,376**
5) INV. IN PROG. & ADVANCES	**440,721**	**216,103**	**-294,563**	**-63,000**		**-120.062**	**179,199**
PROPERTY, PLANT AND EQUIPMENT	**35,722,346**	**1,441,415**	**0**	**-257,152**	**27.086,364**	**-120,029**	**63,872,944**
PROVISIONS FOR DEPRECIATION/IMPAIRMENT:							
INDUSTRIAL LAND							
INDUSTRIAL BUILDINGS	-3,546,460	-546,814			-3.830,370		-7,923,644
1) LAND AND BUILDINGS	**-3,546,460**	**-546,814**			**-3.830,370**		**-7,923,644**
PLANT	-1,948,357	-373,398		2,750	-6.331,423		-8,650,428
MACHINERY	-5,211	-1,608			-229,841		-236,660
IMPAIRMENT OF MACHINERY							
2) PLANT AND MACHINERY	**-1,953,568**	**-375,006**		**2,750**	**-6.561,264**		**-8,887,088**
EQUIPMENT	-120,264	-57,765			-2.326,226		-2,504,255
DIES AND MODELS	-124,475	-93,951			-4.550,149	122	-4,768,453
3) INDUSTRIAL EQUIPMENT	**-244,739**	**-151,716**			**-6.876,375**	**122**	**-7,272,708**
TOTAL FURNITURE AND FURNISHINGS	-3,733	-2,562			-307,176		-313,471
TOTAL OFFICE MACHINES	-2,204,631	-537,755		1,002	-730,672		-3,472,056

TOTAL MOTOR VEHICLES	-118,542	-45,897			-115,976		-280,415
4) **TOTAL OTHER GOODS**	**-2,326,906**	**-586,214**		**1,002**	**-1.153,824**		**-4,065,942**
ORDINARY PROVISIONS FOR DEPRECIATION	**-8,071,673**	**-1,659,750**	**0**	**3,752**	**- 18,421,833**	**122**	**28,149,382**
CARRYING AMOUNT:							
INDUSTRIAL LAND	9,279,000						9,279,000
INDUSTRIAL BUILDINGS	9,974,104						16,624,853
1) **LAND AND BUILDINGS**	**19,253,104**						**25,903,853**
PLANT	3,052,483						3,820,581
MACHINERY	23,729						119,549
2) **PLANT AND MACHINERY**	**3,076,212**						**3,940,130**
EQUIPMENT	596,667						694,816
DIES AND MODELS	2,148,039						3,333,130
3) **INDUSTRIAL EQUIPMENT**	**2,744,706**						**4,027,946**
FURNITURE AND FITTINGS	34,302						66,578
OFFICE MACHINES	1,841,744						1,370,880
MOTOR VEHICLES	259,884						234,976
4) **OTHER GOODS**	**2,135,930**						**1,672,434**
5) **INV. IN PROG. & ADVANCES**	**440,721**						**179,199**
TOTAL CARRYING AMOUNT	**27,650,673**	**0**	**0**	**0**	**0**	**0**	**35,723,562**

The increases, which include capitalised internal costs and purchases, amount to 1.44 mln euro and relate mainly to the purchase of equipment for the production of tractors in Divisione Agritalia. It is worth noting the conferment of assets by Agritalia S.p.A., assets recognized at constant amounts, for a net amount of Euro 8.66 Mln.

Intangible assets (Note 7)

Description	Historical cost	Net value - start of year	Increases during the year	Internal Orders during the year	Decreases during the year	Conferment / other changes	Total 31.12.2008
2) DEVELOPMENT COSTS	407,188	1,579,662		407,188	-400,607	-1,219,774	366,469
3) COPYRIGHTS AND PATENTS	0	145,209	254,509		-48,732	-350,986	
4) CONCESSIONS, LICENCES AND TRADEMARKS	5,350,993	1,768,768	896,789	2,258,400	-721,427		4,202,530
5) INVEST. IN PROG. & ADVANCES	0	2,595,193	2,348,239	-2,665,588		-264,716	2,013,128
INTANGIBLE ASSETS		**6,088,832**	**3,499,537**	**0**	**-1,170,766**	**-1,835,476**	**6,582,127**

Description	Historical cost	Net value - start of year	Increases during the year	Internal Orders during the year	Decreases during the year	Reclassificatio n	Total 31.12.2009
2) DEVELOPMENT COSTS	407,188	366,469			-81,438		285,031
3) COPYRIGHTS AND PATENTS							
4) CONCESSIONS, LICENCES AND TRADEMARKS	6,817,453	4,202,530	337,199	301,260	-1,148,299		3,692,690
5) INVEST. IN PROG. & ADVANCES		2,013,128	1,024,365	-301,260		-39,401	2,696,832

INTANGIBLE ASSETS	**6,582,127**	**1,361,564**	**0**	**-1,229,737**	**-39,401**	**6,674,553**

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

The increases mainly relate to licences and commissioning of software and expenses for the development of new products; work in progress is recognized among investments in progress, while internal expenses are capitalized at cost. Development costs in amortisation were Euro 0.285 (Euro 0.366 al 31.12.08), while those in progress were Euro 2.327 (Euro 1.549 at 31.12.08). The Carraro S.p.A. Engineering Centre develops and designs for the different BUs; subsequently the user companies will grant it royalties.

Real estate investments (Note 8)

REVALUED COST OR VALUE:	Start of year	Increases	Decreases	Reclassification	Total
LAND	-	-	-	-	-
BUILDINGS	539,703	-	-	-	539,703
TOTAL	**539,703**	**-**	**-**	**-**	**539,703**

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

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

Changes in equity investments in 2009:

	Initial situation	Increases	Conferment	Decreases	Final situation
ELETTRONICA SANTERNO	2,014,691				2,014,691
CARRARO DRIVE TECH	25,886,040	4,151,608			30,037,648
ELETTRONICA SANTERNO BRASIL	3,110				3,110
CARRARO DEUTSCHLAND GMBH	8,893,090				8,893,090
CARRARO TECHNOLOGIES	3,035				3,035
CARRARO INTERNATIONAL S.A.	36,579,100				36,579,100
GEAR WORLD SPA	16,139,000				16,139,000
1) SUBSIDIARY COMPANIES	89,518,066	4,151,608			93,669,674
TOTAL B.4.1 EQUITY INVESTMENTS	**89,518,066**	**4,151,608**			**93,669,674**

Following the operation of conferment of the company division involving the drivelines business unit which was completed in 2008, a new company, Carraro Drive Tech S.p.A. was created. From the checks carried out under the terms of the third paragraph of Article 2343 of the Civil Code, the BoD of the company Carraro Drive Tech S.p.A. recognized the existence of a debt to Carraro SpA of Euro 4,151,608 in relation to the operation of conferment mentioned above and fully described in the comments of 2008. Carraro SpA waived the return of the receivable transforming it into a contribution for future share capital increases of the company Carraro Drive Tech S.p.A..

On 1 March 2009 a new company was incorporated by A.E. S.r.l., 100% controlled by Carraro Drive Tech S.p.A., given the name “AE Assemblaggi Emiliani S.r.l.”. A.E. Srl conferred to it the business unit involved in the work of assembling axles and mechanical components in general. As part of this operation, the company CPS Italia Scarl, which held a 10% stake in A.E. S.r.l. sold its holding to the company Carraro Drive Tech S.p.A., while A.E. Srl sold to CPS Italia Scarl its entire equity interest, representing 100% of the share capital of AE Assemblaggi Emiliani S.r.l.. Finally, with a deed dated December 23, 2009, and effects anticipated to begin from January 1, 2009, the company Carraro Drive Tech S.p.A. carried out a merger by incorporation of the company AE S.r.l.

Financial assets (Note 10)

	31.12.2009	31.12.2008
NON-CURRENT FINANCIAL ASSETS		
LOANS AND RECEIVABLES		
with subsidiaries	1.020.840	4.428.523
	1.020.840	4.428.523
OTHER FINANCIAL ASSETS		

	31.12.2009	31.12.2008
available for sale	85.841	85.841
cash flow hedge derivatives	-	-
	85.841	85.841
FINANCIAL ACCRUALS AND DEFERRALS		
with third parties	391.990	
	391.990	
CURRENT FINANCIAL ASSETS		
LOANS AND RECEIVABLES		
with subsidiaries	27.173	194.666
with associates		
with third parties	35.000	35.000
	62.173	229.666
OTHER FINANCIAL ASSETS		
cash flow hedge derivatives	-	-
	-	-
FINANCIAL ACCRUALS AND DEFERRALS		
with third parties	59.793	-
	59.793	-

Non-current loans and receivables:
- these include receivables with the company Carraro Argentina S.A. past due by more than one year of 1.02 Mln.

Current loans and receivables:
– with Subsidiaries (0.03 mln euro) are loans granted to Carraro International;

Other non-current financial assets
– Available for sale (0.09 mln euro): since these include minority equity interests, they do not have a fixed redemption date and can be broken down as follows:

Name	Based in	Currency	Value of the equity interest
ASSOCIAZIONE NORD EST	PADUA	EURO	1,033
GRUPPO SPORTIVO PETRARCA RUGBY	PADUA	EURO	10,329
SAPI IMMOBILIARE	PADUA	EURO	25,823
CO.NA.I. Consorzio Nazionale Imballaggi	ROME	EURO	784
Consorzio Padova Ricerche	PADUA	EURO	44.774
Isontina Energia – Consorzio per l'acquisto di risorse energetiche	GORIZIA	EURO	516
FONDAZIONE TEATRO LA FENICE	VENICE	EURO	2,582
TOTAL			**85,841**

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 taxation on net equity and income.

Description of differences	Deferred Taxes 31.12.2007	Conferment to Carraro Drive Tech S.p.A.	Effect on net equity	Effect on Income Statement	Deferred Taxes 31.12.2008
Impairment of equity investments	-51.965			51.965	
Provisions for risks	4.815.420	-3.754.024		773.342	1.834.738
Impairment of receivables	0				
Adjustment of severance indemnities	-397.718	385.648		-27.247	-39.317

Valuation of financial assets/liabilities	-54.698		54.698		
Depreciation of property, plant and equipment	2.523.383	-3.008.634		1.090.251	605.000
Others	329.254	-20.243		192.190	501.203
Thin Cap Rule				230.130	230.130
TOTAL	**7.163.676**	**-6.397.253**	**54.698**	**2.310.631**	**3.131.754**

Description of differences	Deferred Taxes 31.12.2008	Conferment by Agritalia S.p.A.	Effect on net equity	Effect on Income Statement	Deferred Taxes 31.12.2009
Provisions for risks	1.834.738	17.479		-154.491	1.697.726
Impairment of receivables	0	0		37.613	37.613
Discounting of employee severance indemnity	-39.317	0	-69.160	27.247	-81.230
Thin Cap Rule	230.130	0		-230.130	0
Depreciation and amortization of tangible and intangible assets	904.384	0		72.369	976.753
Others	201.815	0		284.502	486.317
Tax losses	-	-	-	3.224.186	3.224.186
TOTAL	**3.131.750**	**17.479**	**-69.160**	**3.261.296**	**6.341.365**

Trade and other receivables (Note 12)

	31.12.2009	31.12.2008
NON-CURRENT TRADE & OTHER RECEIVABLES		
TRADE RECEIVABLES		
OTHER RECEIVABLES		
with third parties	95.782	97.718
	95.782	97.718
CURRENT TRADE & OTHER RECEIVABLES		
TRADE RECEIVABLES		
with subsidiaries	12.406.481	12.248.086
with related parties	32.973	252.827
with third parties	2.307.610	18.129.797
	14.747.064	30.630.710
OTHER RECEIVABLES		
with parent companies	584.887	-
with subsidiaries	2.159.840	11.300.133
with third parties	3.216.908	4.084.202
	5.961.635	15.384.335

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

	31.12.2009	31.12.2008
VAT credits	751.989	2.125.419
VAT credits due for rebate	178.375	235.154
Other tax credits	521.179	195.983
Receivables for current taxes	822.819	623.299
Receivables from employees	310	420
Receivables from welfare agencies	112.337	62.163
Accrued income and prepayments	255.248	285.938

Other receivables	574.651	555.826
	3.216.908	4.084.202

Other non-current receivables (0.1 mln euro) are made up of guarantee deposits (0.03 mln euro) and medium/long-term prepayments (0.07 mln euro).
Trade receivables bear no interest and mature on average at 60 days.
Other receivables due from third parties include VAT credits of 0.9 mln euro, paid with interest at a rate of 2.75%.

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

	31.12.2009	31.12.2008
Trade receivables due from third parties	2.444.385	18.266.572
Provisions for impairment of receivables	-136.775	-136.775
Net balance	2.307.610	18.129.797
Receivables from subsidiaries	12.502.373	11.300.133
Provisions for impairment of receivables	-95.892	-
	12.406.481	11.300.133

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

	31.12.2009					*31.12.2008*				
	FALLEN DUE		FALLING DUE			FALLEN DUE		FALLING DUE		
	Less than 1 Year	More than 1 Year	Less than 1 Year	More than 1 Year	***TOTAL***	Less than 1 Year	More than 1 Year	Less than 1 Year	More than 1 Year	***TOTAL***
Trade receivables	4.442.964	3.674.841	6.861.927	0	**14.979.731**	3.533.734	2.098.509	25.135.242		**30.767.485**
Other receivables	0	0	5.961.635	95.782	**6.057.417**	0	0	15.384.335	97.717	**15.482.052**
TOTAL	4.442.964	3.674.841	**12.823.562**	**95.782**	**21.037.149**	3.533.734	2.098.509	**40.519.577**	**97.717**	**46.249.537**

Provisions for impairment of receivables

	31.12.2008	increases	decreases	31.12.2009
Provisions for impairment of trade receivables	136.775			136.775
Provisions for impairment of intra-group receivables		95.892		95.892
TOTAL	**136.775**	**95.892**		**232.667**

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

Closing inventory (Note 13)

	31.12.2009	31.12.2008
1) raw, subsidiary and consumable materials	5,860,829	11,698,843
2) work in progress and semi-finished products	1,916,234	4,525,960
4) finished products and goods	2,496,422	5,285,953
6) goods in transit	99,723	66,350
INVENTORIES	10,373,208	21,577,106

Inventories present a balance of 10.37 mln euro compared with 21.58 mln euro in 2008. The significant reduction in the value of stocks is linked to the extraordinary cost cutting actions related also to the decrease in turnover. Provisions for impairment of inventories, recognized to align the value of obsolete or slow-moving stocks to the estimated realisable value, amount to 2.65 mln euro and can be divided as follows:

- raw, subsidiary and consumable materials for 2.22 mln euro;
- semi-finished products for 0.03 mln euro;
- finished products for 0.4 mln euro.

PROVISIONS 31.12.2008	2,981
UTILISATION	-855
PROVISIONS SET ASIDE	529
PROVISIONS 31.12.2009	2,655

(Figures in euro thousands)

Total provisions set aside during the year amounted to 0.52 mln euro. During the year 0.85 mln euro was used for the disposal and breaking-up of assets no longer usable.

Cash and cash equivalents (Note 14)

	31.12.2009		31.12.2008
1) Cash	85,830		36,116
2) Bank current accounts and deposits	923,703		1,256,439
Total	1,009,533		1,292,555

Shareholders' equity (Note 15)

	31.12.2009		31.12.2008
1) Share Capital	23,914,696		21,840,000
2) Other Reserves	47,186,225		30,257,958
3) Profits/(Losses) brought forward			
4) IAS/IFRS first adoption reserve	23,975,453		23,793,040
5) Other IAS/IFRS reserves	-7,141,566		
6) Profit/loss for the period	-8,557,205		8,587,035
Total	79,377,603		84,478,033

The Shareholders' Meeting of April 23, 2009 approved a treasury share purchase and disposal plan involving no more than 5% of the share capital, for a term of 18 months, which provides for: a purchase price per ordinary share no less than 30% lower, and no more than 20% higher than the reference price for the share recorded in the stock exchange session on the day prior to each individual transaction, and a sale price per ordinary share no less than 20% lower, and no more than 20% higher than the reference price for the share recorded in the stock exchange session on the day prior to each individual transaction.

The same Meeting allocated the profit for financial year 2008 of Euro 8,587,035.00 to the Extraordinary Reserve, and made no resolution for the distribution of dividends.
On December 23, 2009, following conferment of the business of the Agritalia S.p.A. company to Carraro S.p.A., the share capital of Carraro S.p.A. was increased by Euro 2,074,696.00 by the issue of 3,989,800 shares with a nominal value of Euro 0.52 each at a price of Euro 2.85 of which Euro 2.33 as a share premium destined exclusively for the subscription of Agritalia S.p.A..
With effect from December 31, 2009, the share capital of Carraro S.p.A. is therefore Euro 23,914,696.00, corresponding to 45,989,800 shares of a nominal value of Euro 0.52 each.

The company has issued a single category of ordinary shares which do not give the right to a fixed dividend.
No other financial instruments which assign equity and investment rights have been issued.

At 31 December 2009, 832,270 shares had been purchased for a total investment of Euro 2.481 mln.

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

Nature/description	31.12.2008	Movem. 2009	31.12.2009	Utilisation possibility	Notes	Portion available
Share capital:	21.840.000	2.074.696	23.914.696	---		0
Capital reserves:						
Share premium reserve	17.833.456	9.296.234	27.129.690	A, B, C	(1)	27.129.690
Reserve for IAS/IFRS - First Time Adoption:						
Reinstatement value of non-ammortisable assets	5.210	0	5.210	A, B, C	(2)	5.210
Adjustment of value of property, plant and equipment	22.195.182	0	22.195.182	A, B	(3)	22.195.182
Adjustment of employee severance indemnity	451.264	182.413	633.677	A, B	(4)	375.217
Valuation of financial instruments	1.141.384	0	1.141.384	A, B	(5)	1.141.384
Profit reserves:						
Legal reserve	4.458.341		4.458.341	B		0
Extraordinary reserve and Retained profits	9.492.130	8.587.035	18.079.165	A, B, C		18.079.165
Treasury share reserve	-1.525.969	-955.002	-2.480.971	---	(6)	-2.480.971
Ias negative reserve	0	-7.141.566	-7.141.566	---	(7)	-7.141.566
Profit/loss for the period:	8.587.035	-17.144.240	-8.557.205	---		-8.557.205
Total	**84.478.033**	**-5.100.430**	**79.377.603**			**50.746.106**
Non-distributable reserves						-23.711.783
Capitalized development costs					(8)	-285.031
Distributable portion						**26.749.292**

Legend:

A: for capital increases

B: to cover losses

C: for distribution to shareholders

(1) limitations Art. 2431 C.C.

(2) governed by Article 7, para. 4 of Leg. Dec. 38 of 28.12.2005

(3) governed by Article 7, para. 6 of Leg. Dec. 38 of 28.12.2005

(4) governed by Article 7, para. 7 of Leg. Dec. 38 of 28.12.2005

(5) governed by Article 7, para. 3 of Leg. Dec. 38 of 28.12.2005

(6) separate indication in accordance with Ias 1

(7) adjustment for alignment to IAS following conferment of Agritalia division (as operation under common control)

(8) limitations Art. 2426 C.C. n° 5

Financial liabilities (note 16)

At the end of the 2009 financial year, taking into account the violation of certain financial parameters (the so-called covenants) and in order to stop the lending banks from activating, when they were effectively entitled to do so, their rights of acceleration, the Company began negotiations with the credit institutions that finance it (and therefore not only with institutions whose financing provides for the aforesaid covenants) to redefine its commitments to these institutions reformulating the expiries of the loans and the covenants themselves on the basis of the Three-Year Plan.

The main terms and conditions of the Agreement are listed below:
- Waiver of the covenants measured at December 31, 2009 and their revision for the period 2010-2012 in line with the new data of the plan;
- Rescheduling of the instalments of principal due in 2010 and 2011 which provides for the repayment of these portions of principal at the end of the original amortization schedules;
- certain M/L-term loans for smaller amounts are excluded from the rescheduling manoeuvre;
- Maintenance of the revolving line (tranche B) in relation to the pooled loan taken out by Carraro International up to the original amount of 50 mln euro, for which repayments and utilization are foreseen on the basis of the cash generation of the Carraro Group;
- Definition of an amount of short-term loans according to the correct development of the plan prepared and pro-rata reduction of the loans (only for banks involved in the agreement) for a total of approximately 47 mln euro;
- The option of distributing dividends for the 2010 and 2011 financial years will depend on certain financial parameters and on the return of debts.

The classification of financial liabilities is shown below. The amounts take account of the reclassification of Euro 12.9 mln from medium/long- to short-term as envisaged in IAS 1, paragraph 74.

	31.12.2009	31.12.2008
NON-CURRENT FINANCIAL LIABILITIES		
LOANS		
with subsidiaries		95.900
with third parties	707.419	1.423.450
	707.419	1.519.350
CURRENT FINANCIAL LIABILITIES		
AMOUNTS PAYABLE THROUGH FINANCING		
with subsidiaries	31.824.120	50.226.569
with third parties	32.467.893	5.745.607
	64.292.013	55.972.176
FINANCIAL ACCRUALS AND DEFERRALS		
with third parties	17.239	12.169
	17.239	12.169

Medium- and long-term loans are presented below, divided into short-term portion, medium-term portion and portion at more than 5 years, considering the effects deriving from the reclassification described above.

(Figures in euro/000)

31.12.2009				**31.12.2008**			
up to one year	from two to five years	more than five years	**TOTAL**	up to one year	from two to five years	more than five years	**TOTAL**
15,333	707		16,040	690	1,519		2,209

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 can be found in paragraph 2.2.

(Figures in euro/000)

LENDER	**BALANCE Ctv in Euro**	**EXPIRY**	**RATE**	**RATE TYPE**	**CURRENCY**
San Paolo IMI (F.I.T.)	276	Jun-11	1,01%	fixed	Euro

MPS Leasing	431	Feb-11	3,934%	variable	Euro
Total	**707**				

Non-current loans (0.707 mln euro) are made up of the following:
- Euro 0.28 mln for a loan obtained for a technological innovation project relating to a new type of product (Law 46/82). Granted in Jun. 2002 under the Decree of the Ministry of Productive Activities, it was subsequently disbursed in 2004 and 2005 by San Paolo IMI. It has a five-year term and a subsidised fixed rate of 1.01%.
- Euro 0.43 mln related to payables to leasing companies for the purchase of the property in Via Grandi in Rovigo.

Current loans (64.29 mln euro) are made up of the following:
31.50 mln euro for funding received from Carraro International involving a credit line totalling 50 mln euro, maturing on 31.12.2009 already renewed to 31.12.2010, final rate 2.339%, a non-utilisation fee and an origination fee are envisaged;
– 0.33 mln euro financial debts to Carraro International relating to invoices for interest on the loan.
- current-account advances and overdrafts for 17.13 mln euro against revocable credit lines for 22.85 mln euro that can be utilised for current account overdrafts and short-term financing, on a 12 month revolving basis;
– payables to leasing companies of Euro 0.56 mln;
– Loan under Law 46/82 Ministry of Industry of Euro 0.27 mln;
- payables to **Banca Antonveneta** for a mortgage loan of 14.50 mln on a credit facility of 17.58 mln; variable rate, maturity 10 years, reclassified to short-term (Consob Note N° 4 of 3/3/2010)
Financial accruals and deferrals relate for 0.04 mln euro to interest accrued on other loans outstanding.

The net financial position is broken down below.

NET FINANCIAL POSITION	31.12.2009	31.12.2008
	Euro/000	Euro/000
Financial debts and Loans:		
Other non-current financial payables	707	1,519
Other current financial payables	64,292	55,983
Of which with related parties	*31,824*	*50,322*
Non-current financial accruals and deferrals	-392	
Current financial accruals and deferrals	-43	12
Net of:		
Cash and cash equivalents:		
Cash	-86	-36
Bank current accounts and deposits	-924	-1,256
Loans and receivables	-1,083	-4,659
NET FINANCIAL POSITION	**62,471**	**51,563**
Of which payables / (receivables):		
Not current	315	1.519
Current	62,156	50,044
NET FINANCIAL POSITION	**62,471**	**51,563**

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.

Management of capital
The company's main management objective is to ensure that a sound credit rating is maintained, together with adequate levels of the capital indicators so as to support its activities and maximise value for the shareholders.

The company manages and modifies the capital structure in line with changes in economic conditions. To maintain or alter the capital structure, the company can adjust the dividends paid to the shareholders, redeem the capital or issue new shares.
Particular attention is paid to the level of debt in relation to net equity and to EBITDA, thereby pursuing the objectives of profitability and cash generation for the company business.

Trade payables and other payables (Note 17)

	31.12.2009	31.12.2008
TRADE AND OTHER PAYABLES		
TRADE PAYABLES		
with parent companies	161	
with subsidiaries	3,057,065	13,194,408
with related parties		22,000
with third parties	16,713,505	32,163,297
	19,770,731	45,379,705
OTHER PAYABLES		
with parent companies	38,935	524,702
with third parties	6,032,791	5,918,318
	6,071,726	6,443,020

Trade payables on average are settled at 120 days. During 2009 interest-free payment extension plans were agreed and implemented with suppliers.

Other payables due to Parent companies are represented by payables due to Finaid Srl for tax consolidation charges.

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

	31.12.2009					*31.12.2008*				
	FALLEN DUE		FALLING DUE			FALLEN DUE		FALLING DUE		
	Less than 1 Year	More than 1 Year	Less than 1 Year	More than 1 Year	***TOTAL***	Less than 1 Year	More than 1 Year	Less than 1 Year	More than 1 Year	***TOTAL***
Trade payables	2.630.882	123.607	17.016.242	0	**19.770.731**	12.696.972	141.717	32.541.016	0	**45.379.705**
Other payables	0	0	6.071.726	0	**6.071.726**	0	0	6.443.020	0	**6.443.020**
TOTAL	2.630.882	123.607	23.087.968	0	**25.842.457**	12.696.972	141.717	38.984.036	0	**51.822.725**

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

(Figures in euro)	31.12.2009	31.12.2008
Amounts due to social security & welfare institutions	836.702	894.258
Amounts due to employees	2.130.031	2.709.706
Accrued amounts due to employees	270.545	269.686
Irpef (personal income tax) employees & professionals	850.542	884.552
Board of Directors	1.365.672	591.813
Other payables	579.299	568.303
	6.032.791	5.918.318

Liabilities for current taxes (Note 18)

	31.12.2009	31.12.2008
Current taxes payable	502.986	851.026

Employee severance indemnities and retirement benefits (employee benefits) (Note 19)

	31.12.2009	31.12.2008
Factory workers	976,450	1,079,261

Clerical staff and executives	1,766,672	2,028,398
Sub-Total	2,743,122	3,107,659
Severance indemnity - Social Security	-681,616	-432,855
TOTAL EMPLOYEE SEVERANCE INDEMNITIES	2,061,506	2,674,804

Changes in the severance indemnity/pension fund

START	INCREASE	TRANSF.	DECR.	ADJUST. PENSION FUND	DISCOUNTED SEV. INDEM.	DISCOUNTED FROM CONFERRED	END
3,107,659	3,250,476	48,918	-2,958,063	-492,345	38,080	-251,603	2,743,122

SEVERANCE INDEMNITIES ACCORDING TO IAS 19 AT 31.12.2008	2,674,761
UTILISATION OF SEVERANCE INDEMNITIES	-503,968
SEVERANCE INDEMNITIES TRANSFERRED TO OTHER COMPANIES	-95,799
SEVERANCE INDEMNITIES TRANSFERRED FROM OTHER COMPANIES	147,838
INTEREST COST	96,251
ACTUARIAL GAINS / LOSSES	-5,974
Discounting of dep. Div. Agritalia	-251,603
SEVERANCE INDEMNITIES ACCORDING TO IAS 19 AT 31.12.2009	**2,061,506**

It should be noted that the fund relating to personnel of Divisione Agritalia was discounted to 31.12.2009 following the conferment mentioned several times above.
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 severance indemnity refers to employee benefits governed by current Italian laws.
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: annual rate of interest: 5%, annual rate of effective increase in remuneration: 3%, annual inflation index: 2%
The accounting treatment of employee benefits recorded in the financial statements complies with IAS 19 for defined benefit plans; the change in liability noted between the end of the period and the previous one is booked in full to the income statement and classified under personnel costs.

Number of employees

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

Employees	**31 December 2008**			**Changes**	**31 December 2009**
	HQ	VEHICLES	TOTAL		
Executives	14	5	19	-2	17
Clerical staff	55	72	127	-1	126
Factory workers	2	146	148	0	148
Temporary workers	0	26	26	-26	0
Total	**71**	**249**	**320**	**-29**	**291**

Provisions for risks and liabilities (Note 20)

The item can be broken down as follows:

	opening balance	increases	decreases	reclassification	closing balance
Provisions NON-CURRENT PORTION					
1) Warranty	399,000				399,000
2) Litigation expenses	81,596	965,000			1,046,596
3) Restructuring		260,000			260,000
4) Other provisions	948,084			-948,084	
TOTAL	1,428,680	1,225,000		-948,084	1,705,596
Provisions CURRENT PORTION					
1) Warranty	2,389,810	1,008,862	-1,460,194	55,670	1,994,148
3) Restructuring		150,000			150,000
4) Other provisions		1,053,719	-948,084	948,084	105,719
TOTAL	2,389,810	1,264,581	-2,408,278	1,003754	2,249,867

Euro 1.46 mln of the product warranty reserve was used for customer claims accepted and the reserve was increased by 1.01 mln euro on the basis of expected warranty costs which will be incurred in relation to the sales made.
With reference to provisions for the risks of disputes, it should be noted that during the year the company was the subject of a tax inspection by the Tax Authority, covering the year 2006, which ended in November with notification of the Formal Notice of Assessment. As yet the Authority has not issued a Notice of Assessment. To cover the risk associated with the objections raised in the Formal Notice of Assessment a provision of Euro 0.96 mln was set aside.

To cover the losses forecasted on orders in progress, the initial provision of Euro 0.95mln which was wholly used in 2009, was adjusted by another Euro 0.10mln (IAS 11 par.36).

6. Commitments and risks

	31.12.2009	31.12.2008
Risks:		
- guarantees given	43.834.290	21.358.107
Commitments:		
- commitments for operating leases	0	1.778.000

The guarantees given on behalf of subsidiary companies are illustrated below:

IN FAVOUR OF	*ON BEHALF OF*	EXPIRY	ORIGINAL AMOUNT	CLOSING AMOUNT
BANCA POP DI VERONA	ASSALI EMILIANI SRL	ON DEMAND	3.000.000	3.000.000
CASSA RISPARMIO PD E RO	CARRARO ARGENTINA SA	ON DEMAND	8.000.000	150.000
BNP PARIBAS	TURBO GEARS LTD	ON DEMAND	8.000.000	8.000.000
MCC SPA	TURBO GEARS LTD	31/12/2014	8.150.000	3.678.572
MCC SPA	CARRARO INDIA	7/4/2011	2.276.429	1.046.214
BANCA POP DI VERONA	ELETTONICA SANTERNO SPA	ON DEMAND	3.000.000	3.000.000
CAPITALIA LUXEMBOURG	CARRARO INTERNATIONAL	12/9/2011	7.700.000	1.897.000
BNP PARIBAS	FON	ON DEMAND	400.000	400.000
UNICREDIT FACTORING	CARRARO DRIVE TECH SPA	ON DEMAND	30.000.000	15.429.953
UNICREDIT FACTORING	SIAP SPA	ON DEMAND	3.500.000	1.262.330
UNICREDIT FACTORING	MG MINI GEARS	ON DEMAND	3.500.000	1.854.742
UNICREDIT FACTORING	ELETTRONICA SANTERNO	ON DEMAND	10.000.000	1.688.381
UNICREDIT FACTORING	ASSALI EMILIANI	ON DEMAND	7.000.000	2.427.098
TOTAL				43.834.290

The operating lease was the rental contract of the Agritalia business unit signed on Marche 24, 2005 concluded in 2009.

7. FINANCIAL INSTRUMENTS

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

31.12.2008		INCOME	EXPENSES	POSITIVE EXCHANGE DIFF.	NEGATIVE EXCHANGE DIFF.	REVENUE
FINANCIAL ASSETS						
Financial instruments at fair value						
Assets held until maturity						
Loans and receivables	Bank accounts, positive balance	454.206				
	Loans to third parties	136.066				
	Trade Receivables	4.017		91.867	519.730	
Assets available for sale						
Cash Flow Hedge Derivatives on currencies	Transfer from net equity reserve			10.606		
	gain/loss					
FINANCIAL LIABILITIES						
Loans	Bank accounts, negative balance		5.342.444			
	Bank loans		9.498	240.268	135.791	
	Other loans		66.333			
Other Liabilities	Trade Payables			293.742	243.611	
TOTAL		**594.289**	**5.418.275**	**636.483**	**899.132**	-

31.12.2009		INCOME	EXPENSES	POSITIVE EXCHANGE DIFF.	NEGATIVE EXCHANGE DIFF.	REVENUE
FINANCIAL ASSETS						
Financial instruments at fair value						
Assets held to maturity						
Loans and receivables	Bank accounts, positive balance	6.663				
	Loans to third parties	211.176		1.235		
	Trade Receivables			-4.165	2.999	
Assets available for sale						
Cash Flow Hedge Derivatives on currencies	Transfer from net equity reserve					
	gain/loss					
FINANCIAL LIABILITIES						
Loans	Bank accounts, negative balance		802.083			
	Bank loans		86.275		196.175	
	Other loans		1.541.622			
Other Liabilities	Trade Payables			22.570	11.829	
TOTAL		**217.839**	**2.429.980**	**19.640**	**211.003**	-

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

7.2 Derivative financial instruments on currencies

There are no derivative contracts on currencies outstanding at Dec. 31, 2009.

7.3 Derivative financial instruments on interest rates

There are no derivative contracts on interest rates outstanding at Dec. 31, 2009.

Sensitivity analysis

The table below shows the economic and equity effects generated by the balance sheet assets and liabilities (at Dec. 31, 2009 and Dec. 31, 2008 respectively), in the event of sudden changes in the following market variables:

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

	EXCHANGE RATE RISK at 31.12.2009				**EXCHANGE RATE RISK at 31.12.2008**			
(figures in euro/000)	+10%		-10%		+10%		-10%	
	EFFECT on Income Statement	EFFECT on Statement of Fin. Position	EFFECT on Income Statement	EFFECT on Statement of Fin. Position	EFFECT on Income Statement	EFFECT on Statement of Fin. Position	EFFECT on Income Statement	EFFECT on Statement of Fin. Position
ASSETS								
Trade receivables	-64.149		78.404		-61.014		74.573	
Cash and cash equivalents					16.331		-19.960	
Total gross effect	***-64.149***		***78.404***		***-44.683***		***54.613***	
Taxes (27.5%)	17.641		-21.561		12.288		-15.019	
Total net effect	**-46.508**		**56.843**		**-32.395**		**39.594**	
LIABILITIES								
Trade payables	-19.543		23.886		-23.554		28.788	
Loans								
Total gross effect	**-19.543**		**23.886**		**-23.554**		**28.788**	
Taxes (27.5%)	5.374		-6.569		6.477		-7.917	
Total net effect	**-14.169**		**17.317**		**-17.077**		**20.871**	
TOTAL	**-60.677**		**74.160**		**-49.472**		**60.465**	

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

	INTEREST RATE RISK at 31.12.2009				**INTEREST RATE RISK at 31.12.2008**			
(figures in euro/000)	+1%		-0,3%		+1%		-1%	
	EFFECT on Income Statement	EFFECT on Statement of Fin. Position	EFFECT on Income Statement	EFFECT on Statement of Fin. Position	EFFECT on Income Statement	EFFECT on Statement of Fin. Position	EFFECT on Income Statement	EFFECT on Statement of Fin. Position
Loans	597		-179		500		-500	
Gross effect	**597**		**-179**		**500**		**-500**	
Taxes (27.50%)	-164		49		-138		138	
Net effect	**433**		**-130**		**362**		**-362**	

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

8. Transactions with related parties (Note 21)

Carraro S.p.A. is directly controlled by Finaid S.p.A., which at Dec. 31, 2009 held 64.9301% of the outstanding shares.

As already noted above, with effect from 31.12.2009, Agritalia S.p.A. conferred the Tractors business unit (previously rented as a business) on Carraro S.p.A., with the effects explained below.

Effects on Carraro S.p.A. of Conferment of Agritalia	Euro/000
Share capital increase	2.075
Share premium reserve	9.296
Economic value of unit conferred, expert's valuation	11.371
Recognition of IAS negative reserve	-7.141
Total change in shareholders' equity	4.230
Agritalia Contribution	
Plant, property and equipment	8.665
Trade receivables	218
Provisions for warranties	-56
Deferred tax assets	17
Receivable Art. 2343 C.C. check	386
Assumption of debt	-5.000
	4.230

During the 2005 accounting period, Carraro S.p.A. exercised the option to comply with the tax consolidation system of the Parent Company Finaid SpA. The charges/income deriving from the transfer of the IRES taxable base are booked under current taxes. According to the current regulations of the Tax Consolidation Agreement, Carraro SpA has the right to "relief" for the use of the tax losses of the subsidiary companies by Finaid. This "relief" amounts to 3% of the tax loss offset with the taxable income of Carraro Spa.

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

REMUNERATION PAID TO THE ADMINISTRATION, MANAGEMENT AND AUDITING BODIES.
(IAS 24, Consob communication DEM/2064231 of September 30, 2002)

Individual	Company	Office held	Term of office	Euro/000
Mario Carraro	Carraro S.p.A.	Chairman	Three-year period 2009-2011 (from AGM 23.04.2009)	900,00
	Siap S.p.A.	Chairman	Three-year period 2009-2011 (from AGM 22.04.2009)	30,00
	STM S.r.l.	Chairman	Three-year period 2007-2009 (from AGM 24.04.2007)	30,00
Enrico Carraro	Carraro S.p.A.	Deputy Chairman	Three-year period 2009-2011 (from AGM 23.04.2009)	310,00
	Elettronica Santerno S.p.A.	Chairman	Three-year period 2009-2011 (from AGM 21.04.2009)	240,00
	Gear World S.p.A.	Director	Three-year period 2007-2009 (from AGM 19.07.2007)	20,00
Tomaso Carraro	Carraro S.p.A.	Director	Three-year period 2009-2011 (from AGM 23.04.2009)	220,00
	Siap S.p.A.	Managing Director	Three-year period 2009-2011 (from AGM 22.04.2009)	130,00
	Gear World S.p.A.	Chairman	Three-year period 2007-2009 (from AGM 30.07.2007)	220,00
Francesco Carraro	Carraro S.p.A.	Director	Three-year period 2009-2011 (from AGM 23.04.2009)	50,00
Alexander J. Bossard	Carraro S.p.A.	Director	Three-year period 2009-2011 (from AGM 23.04.2009)	683,00
	Gear World S.p.A.	Director	Three-year period 2007-2009 (from AGM 19.07.2007)	20,00
Carlo Borsari	Carraro S.p.A.	Managing Director	Three-year period 2009-2011 (from AGM 23.04.2009)	1.848,00
	Gear World S.p.A.	Director	Three-year period 2007-2009 (from AGM 19.07.2007)	11,70
	Carraro Drive Tech S.p.A.	Managing Director	Financial year 2009 (from AGM 21.4.2009)	29,00
Anna Maria Artoni	Carraro S.p.A.	Director	Three-year period 2009-2011 (from AGM 23.04.2009)	66,60
Giorgio Brunetti	Carraro S.p.A.	Director	Three-year period 2006-2008 (from AGM 11.05.2006)	31,60
Arnaldo Camuffo	Carraro S.p.A.	Director	Three-year period 2009-2011 (from AGM 23.04.2009)	73,00
Antonio Cortellazzo	Carraro S.p.A.	Director	Three-year period 2009-2011 (from AGM 23.04.2009)	130,00
Sergio Erede	Carraro S.p.A.	Director	Three-year period 2006-2008 (from AGM 11.05.2006)	20,00
Pietro Guindani	Carraro S.p.A.	Director	Three-year period 2009-2011 (from AGM 23.04.2009)	80,00
Marco Milani	Carraro S.p.A.	Director	Three-year period 2009-2011 (from AGM 23.04.2009)	73,00
Onofrio Tonin	Carraro S.p.A.	Director	Three-year period 2006-2008 (from AGM 11.05.2006)	35,00
Luigi Basso	Carraro S.p.A.	Chairman Board of Statutory Auditors	Three-year period 2009-2011 (from AGM 23.04.2009)	20,40
Saverio Bozzolan	Carraro S.p.A.	Statutory Auditor	Three-year period 2009-2011 (from AGM 23.04.2009)	13,33
Federico Meo	Carraro S.p.A.	Statutory Auditor	Three-year period 2006-2008 (from AGM 11.05.2006)	5,20
Roberto Saccomani	Carraro S.p.A.	Chairman Board of Statutory Auditors	Three-year period 2006-2008 (from AGM 11.05.2006)	8,30
		Statutory Auditor	Three-year period 2009-2011 (from AGM 23.04.2009)	13,90
Francesco Secchieri	Carraro S.p.A.	Statutory Auditor	Three-year period 2006-2008 (from AGM 11.05.2006)	5,20
	Siap S.p.A.	Statutory Auditor	Three-year period 2009-2011 (from AGM 22.04.2009)	14,90
	STM S.r.l.	Statutory Auditor	Three-year period 2008-2010 (from AGM 22.04.2007)	5,40
	Elettronica Santerno S.p.A.	Statutory Auditor	Three-year period 2006-2008 (from AGM 21.04.2009)	11,60
	Assali Emiliani	Statutory Auditor	Three-year period 2006-2008 (from AGM 27.04.2006)	5,10
	Mini Gears Spa	Statutory Auditor	Three-year period 2007-2009 (from AGM 30.07.2007)	7,90

	Gear World Spa	Statutory Auditor	Three-year period 2007-2009 (from AGM 19.07.2007)	11,40

Other information on related parties: (CONSOB Resolution 10310 of Nov. 12, 1996, encl. 3C Issuer Regulations)
During the 2009 accounting period, fees were paid for professional services to the following subjects, associated with members of the corporate bodies: Studio Bonelli-Erede-Pappalardo, Euro 0.098 Ml., Studio Mocellini Euro 0.062 Ml.

EQUITY INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS AND THEIR IMMEDIATE FAMILIES

Name and surname	Investee company: Carraro S.p.A.	N° shares held 31.12.2008	N° shares purchased	N° shares acquired through conferment	N° shares sold	N° shares held 31.12.2009
Mario Carraro	Directly held	1.903.250				1.903.250
	via Finaid S.p.A.	21.803.627	982.137	3.989.800		26.775.564
Francesco Carraro	Directly held	1.182.395				1.182.395
Chiara Allessandri	Directly held	20.000				20.000
Alexander Josef Bossard	Directly held		2.000			2.000

CARRARO S.P.A. TRANSACTIONS WITH RELATED PARTIES at 31.12.2009

(Euro/000)	Financial and equity transactions				Economic transactions										
	FINANCIAL RECEIVABLES	FINANCIAL PAYABLES	TRADE AND OTHER RECEIVABLES	TRADE AND OTHER PAYABLES	SALES OF PRODUCT S	SALES OF SERVICES	OTHER REVENUES	PURCHASES OF GOODS AND MATERIALS	PURCHASE OF SERVICES	LEASES AND RENTS	OTHER INCOME AND EXPENSES	PURCHASE OF ASSETS	TAX CONSOLIDATION INCOME	OTHER FINANCIAL INCOME	FINANCIAL COSTS AND EXPENSES
Parent Companies															
Finaid SpA			585	39						1.422			423		
Subsidiary Companies															
Carraro Drive Tech			4.313	856	2.621	2.708	61	2.868	100		2.271			63	13
Siap S.p.A.			426	100		843	4	385	7		(1)			2	
Carraro India Ltd			1.802	1.247		545	36	3.829			136	29		12	
Turbo Gears India Ltd.			682	-23		270		77						93	
Carraro Technologies			465	58		30		116	11						
Carraro Argentina S.A.	1.021		390	19		358					107			4	
South America Gears			195			105		4			4				
Carraro International S.A.	27	31.824		89		10		196	38			63		1.013	2.030
F.O.N. S.A.			105	5		213					9			3	
O&K Antriebstechnik GmbH			196	290		487			290						
Carraro North America Inc.			110	4											
Carraro China			814	53		441		50			11				
Carraro Qingdao Trading				5											
Elettronica Santerno			2.286	353		577			2					2.028	
Elettronica Santerno Du Brasil			1												
Stm S.r.l.			87			97									
MG Mini Gears			-18	1		462					1			3	
MG Mini Gears USA			85			74									
MG Mini Gears Suzhou			220			117									
Gear World			2.409			136									
TOTAL	1.048	31.824	14.568	3.057	2.621	7.473	101	7.525	448		2.538	92		3.221	2.043
Other related parties															
Maus S.p.A.			28			55									
European Power System Srl			4			8									
MGT S.r.l.						1									
TOTAL			32			64									
TOTAL	1.048	31.824	15.185	3.096	2.621	7.537	101	7.525	448	1.422	2.538	92	423	3.221	2.043

Notes:

1. Financial transactions

Financial transactions relate to short and long-term loans.

2. Economic transactions

The most significant economic transactions represent trade transactions for the purchase and sale of raw materials, semi-finished products, transactions of purchase and sale of raw materials, semi-finished products and component technology for the production of drive systems; purchases of services refer mainly to services for industrial processing. Purchases from Maus S.p.A. relate to the supply of specific machine tools and the related spare parts and accessories.

The main sales of services include amounts charged for the utilisation of central information systems and the organisational support provided by the Parent Company in the various operating areas. Fees and royalties refer to specific commercial agency agreements and the sale of rights to use industrial know-how.

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

The income and expenses from tax consolidation refer to the remuneration paid for taxable income and losses transferred in the context of the tax consolidation under Finaid SpA.

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

The following statement, drawn up in accordance with Article 149-*duodecies* of the Consob Issuer Regulations, shows the fees payable for the 2009 accounting period for auditing services and for other services provided by the same auditing firm. The other services rendered by entities belonging to its network amounted for 2009 to Euro 59 thousand.

	Fees applicable to the 2009 accounting period - (figures in euro/000)
Accounting audit	146
Total	**146**

These fees refer to PricewaterhouseCoopers.

9. Events subsequent to the reporting date.

The Company and the banks have already defined almost completely the main terms of a Framework Agreement for the renegotiation of the terms and maturities of the debt, as commented on in depth in the Report on Operations and in Note 16 to which you are referred for further details.

10. STATEMENT OF EQUITY INVESTMENTS EXCEEDING 10% AT DECEMBER 31, 2009 (Article 126 of Consob Draghi Regulation 11971/'99)

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

1) INVESTEE COMPANIES DIRECTLY HELD

Name	Registered office	Parent Company	Share capital		Number of shares/ units	Profit (loss) 31.12. 2009	Equity 31.12.2009	Direct portion
			Currency	Amount	Total	(ctv. euro)	(ctv. euro)	
Carraro International S.A.	Luxembourg	Carraro SpA	EUR	39.318.000	39.318	5.191.666	44.754.243	100,00%
Carraro Deutschland Gmbh	Hattingen (Germany)	Carraro SpA	EUR	10.507.048	1	575.852	9.768.981	100,00%
Carraro Technologies India Pvt. Ltd.	Pune (India)	Carraro SpA	INR	18.000.000	1.800.000	34.983	257.177	1,00%
Carraro Drive Tech S.p.A.	Campodarsego (PD)	Carraro SpA	EUR	50.758.291	50.758.291	-25.789.561	28.201.443	51,00%
Elettronica Santerno S.p.A.	Campodarsego (PD)	Carraro SpA	EUR	2.500.000	2.500	17.067	11.091.587	67,00%
Eletronica Santerno Industria and Comercio LTDA	Minas Gerais (Brazil)	Carraro SpA	REAL	2.443.827	2.443.827	-170.945	554.041	0,34%
Gear World S.p.A.	Padua	Carraro SpA	EUR	35.084.397	35.084.397	-618.879	49.729.822	45,60%

2) INVESTEE COMPANIES INDIRECTLY HELD

Name	Registered office	Holding company (indirect parent)	Share capital		Number of shares/ units	Profit (loss) 31.12. 2009	Equity 31.12.2009	Portion Holding company	Portion available	Carrying amount part. 31.12.09
			Currency	Amount	Total	(ctv. euro)	(ctv. euro)			(euro)
Carraro Finance Ltd.	Dublin (Ireland)	Carraro International S.A.	EUR	100.000	100.000	-18.402	9.049.280	100,00%	100,00%	9.176.686
Carraro Technologies India Pvt. Ltd.	Pune (India)	Carraro International S.A.	INR	18.000.000	1.800.000	34.983	257.177	99,00%	99,00%	319.236
Carraro Drive Tech S.p.A.	Campodarsego (PD)	Carraro International S.A.	EUR	50.758.291	50.758.291	-25.789.561	28.201.443	49,00%	49,00%	24.872.251
Gear World S.p.A.	Padua	Carraro International S.A.	EUR	35.084.397	35.084.397	-618.879	49.729.822	28,22%	28,22%	9.922.951
O&K Antriebstechnik & Co. Gmbh Kg	Hattingen (Germany)	Carraro Deutschland Gmbh	EUR	2.045.168	0	3.017.122	13.151.071	100,00%	100,00%	8.040.315
Carraro Argentina S.A.	Haedo (Argentina)	Carraro Drive Tech S.p.A.	ARS	77.327.617	77.327.617	248.491	18.963.698	99,94%	99,94%	16.292.996
Carraro China Drive System	Qingdao (China)	Carraro Drive Tech S.p.A.	USD	16.570.168	0	-2.287.347	6.622.084	100,00%	100,00%	11.573.073
Carraro India Ltd	Pune (India)	Carraro Drive Tech S.p.A.	INR	568.260.000	56.826.000	-158.123	12.662.293	100,00%	100,00%	30.538.834
Carraro North America Inc.	Norfolk (USA)	Carraro Drive Tech S.p.A.	USD	1.000	1.000	-753.786	-790.524	100,00%	100,00%	0
Carraro Qingdao Trading Co Ltd.	Qingdao (China)	Carraro Drive Tech S.p.A.	EUR	170.000	0	-185.235	-195.221	100,00%	100,00%	0
Fon S.A.	Radomsko (Poland)	Carraro Drive Tech S.p.A.	PLN	35.918.220	3.591.822	-4.732.122	2.850.310	98,17%	98,17%	0
Carraro Drive Tech Do Brasil	Santo Andrè (Sao Paulo - Brazil)	Carraro Argentina S.A.	REAL	25.569	25.569	-2.617	7.298	99,90%	99,84%	7.200
Carraro PNH Components India Ltd	Bombay (India)	Carraro India Ltd	INR	10.000.200	1.000.020	-4.000	119.080	99,99%	99,99%	149.165
Eletronica Santerno Ind. E Com. Ltda	Minas Gerais (Brazil)	Elettronica Santerno S.p.A.	REAL	2.443.827	2.443.827	-170.945	554.041	99,66%	66,77%	404.057
Elettronica Santerno Espana S.L.	Valencia (Spain)	Elettronica Santerno S.p.A.	EURO	1.003.006	1.003.006	-25.615	977.391	100,00%	67,00%	1.020.424
Santerno Inc.	San Francisco (USA)	Elettronica Santerno S.p.A.	USD	10	10	0	7	100,00%	67,00%	7
Zao Santerno	Moscow (Russia)	Elettronica Santerno S.p.A.	RUBLES	100.000	100	-150.028	-151.007	100,00%	67,00%	0
Turbo Gears India Ltd.	Pune (India)	Gear World S.p.A.	INR	550.000.000	55.000.000	-2.010.661	10.363.497	99,9998%	73,82%	15.829.331
Turbo Gears India Ltd.	Pune (India)	Siap SpA	INR	550.000.000	55.000.000	-2.010.661	10.363.497	0,0002%	0,00%	18
M.G. Mini Gears S.p.A.	Padua	Gear World S.p.A.	EUR	15.000.000	15.000.000	-7.402.627	11.263.780	33,00%	24,36%	26.279.930
M.G. Mini Gears S.p.A.	Padua	Siap SpA	EUR	15.000.000	15.000.000	-7.402.627	11.263.780	67,00%	49,46%	10.000.000
Siap SpA	Maniago (PN)	Gear World S.p.A.	EUR	10.122.616	10.122.616	-9.955.742	16.917.623	100,00%	73,82%	11.747.181
South America Gears	Haedo (Argentina)	Gear World S.p.A.	ARS	27.768.888	27.768.888	-379.422	5.620.083	99,96%	73,79%	5.615.333
Stm S.R.L.	Maniago (PN)	Siap SpA	EUR	1.549.080	1.549.080	-1.945.789	7.747.540	50,0002%	36,91%	769.763
Mini Gears Inc	Virginia Beach (USA)	MiniGears S.p.A.	USD	8.910.000	0	-1.552.206	6.422.699	100,00%	73,82%	9.300.353
Gear World North America Inc.	Virginia Beach (USA)	Mini Gears Inc	USD	20.000	-	0	0	100,00%	73,82%	14.285
Mini Gears Property	Virginia Beach (USA)	Mini Gears Inc	USD	20.000	-	0	0	100,00%	73,82%	14.285
Mini Gears Shangai Trading Ltd	Shanghai (China)	MiniGears S.p.A.	USD	200.000	-	-5.775	327.835	100,00%	73,82%	196.059
MiniGears Suzhou Co. Ltd.	Suzhou (China)	MiniGears S.p.A.	USD	4.300.000	-	-263.111	6.610.764	100,00%	73,82%	3.533.658

Annex to the explanatory notes to the Financial Statements at 31.12.2009 – Carraro S.p.A.

Information on the corporate assets subject to fiscal revaluation.

In accordance with the provisions of article 10 of Law no 72/1993, the following tables show the categories of the assets at Dec. 31, 2006 which, in the past, have been revalued, with the corresponding amount.

REVALUATION LAW 576/1975

	REVALUATION HISTORICAL COST		REVALUATION PROVISIONS FOR DEPRECIATION		NET BALANCE REVALUATION	
Description	Opening Balance	Closing Balance	Opening Balance	Closing Balance	Opening remainder	Closing remainder
INDUSTRIAL LAND	2.479	2.479			2.479	2.479
INDUSTRIAL BUILDINGS	103.272	103.272	11.693	11.693	91.579	91.579
1) TOTAL LAND AND BLDGS	105.751	105.751	11.693	11.693	94.058	94.058
GENERAL PLANT	24.107	24.107	6.477	6.477	17.630	17.630
2) TOTAL PLANT AND MACHINERY	24.107	24.107	6.477	6.477	17.630	17.630
3) TOTAL INDUSTRIAL & COMMERCIAL EQUIP.	0	0	0	0	0	0
4) TOTAL OTHER GOODS	0	0	0	0	0	0
TOTAL BII	129.858	129.858	18.170	18.170	111.688	111.688

REVALUATION LAW 72/1983

	REVALUATION HISTORICAL COST		REVALUATION PROVISIONS FOR DEPRECIATION		NET BALANCE REVALUATION	
Description	Opening Balance	Closing Balance	Opening Balance	Closing Balance	Opening remainder	Closing remainder
INDUSTRIAL LAND	16.390	16.390	1.838	1.838	14.552	14.552
INDUSTRIAL BUILDINGS	431.167	431.167	85.857	85.857	345.310	345.310
LAND AND YARD EQUIP.	15.841	15.841	1.309	1.309	14.531	14.531
1) TOTAL LAND AND BLDGS	463.398	463.398	89.004	89.004	374.393	374.393
GENERAL PLANT	104.042	104.042	58.689	58.689	45.353	45.353
2) TOTAL PLANT AND MACHINERY	104.042	104.042	58.689	58.689	45.353	45.353
3) TOTAL INDUSTRIAL & COMMERCIAL EQUIP.	0	0	0	0	0	0
4) TOTAL OTHER GOODS	0	0	0	0	0	0
TOTAL BII	567.440	567.440	147.693	147.693	419.746	419.746

REVALUATION LAW 413/1991

	REVALUATION HISTORICAL COST		REVALUATION PROVISIONS FOR DEPRECIATION		NET BALANCE REVALUATION	
Description	Opening Balance	Closing Balance	Opening Balance	Closing Balance	Opening remainder	Closing remainder
INDUSTRIAL LAND	537.164	537.164			537.164	537.164
INDUSTRIAL BUILDINGS	1.783.182	1.783.182			1.783.182	1.783.182
LAND AND YARD EQUIPMENT	66.113	66.113			66.113	66.113
LIGHT BUILDINGS	5.738	5.738			5.738	5.738
1) TOTAL LAND AND BUILDINGS	2.392.197	2.392.197			2.392.197	2.392.197
TOTAL BII	2.392.197	2.392.197			2.392.197	2.392.197

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

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

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

1. The undersigned Alexander Bossard, Managing Director, and Enrico Gomiero, Manager Responsible for Corporate Financial Reporting of Carraro S.p.A., taking into account also the provisions of Art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of Feb. 24, 1998, certify:

- the adequacy in relation to the characteristics of the enterprise and

- the effective application of the administrative and accounting procedures used to prepare the financial statements during financial year 2009.

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

3. We can also certify that:

3.1 the financial statements:

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

b) correspond to the figures in the accounting documents and books;

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

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

Date: 22 March 2010