

CARRARO S.p.A.

Registered office in Campodarsego (PD) – Via Olmo n. 37
Share capital Euro 21,840,000 fully paid in
Fiscal Code/VAT registration and registration with the Companies' Register in
Padua No. 00202040283
R.E.A. Padua No. 84.033

ANNUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002

DIRECTORS' REPORT

Dear Sirs,

The holding company Carraro S.p.A. made sales of Euro 273.093m in 2002, up 2.8% on Euro 265.752m of 2001. The increase is attributable, in particular, to the growth of sales in the material handling and agriculture segments.

Exports accounted for 77.8% of total sales, versus 78.5% in 2001. The main markets are the USA with 25.8% (28.7% in 2001) and the European Union (excluding Italy) with 41.1% (42.7% in 2001).

As a result of growing sales volumes and cost cutting policies, EBIT of 2002 was equal to Euro 15.227m (5.58% of sales), having risen by 18.8% on Euro 12.817m (4.82% of sales) of 2001.

Net financial charges after exchange differences and hedging costs amounted to Euro 4.310m (1.58% of sales), versus Euro 3.755m (1.41% of sales) of the previous year.

In order to adjust the carrying values of equity interests in certain subsidiaries to corresponding net equity values after the losses incurred in 2002 and prior years, the following impairment write-downs were recorded:

Legal name	Euro/000
Carraro Deutschland GmbH	12,148
Carraro India Ltd.	1,680
Carraro International S.A.	2,132
F.O.N. S.A.	512

This necessarily affected the result of operations. After extraordinary income of Euro 0.836m (vs. extraordinary losses of Euro 3.191m in 2001) mainly referred to the gain on disposal of the business of the manufacturing facility at Frassinoro (formerly Trenton S.r.l.) and after net current and deferred taxes of Euro 5.360m, Carraro S.p.A. closed the year 2002 with a loss of Euro 8.972m, versus a loss of Euro 17.147m reported in 2001.

Depreciation/amortisation, equal to Euro 10.603m, was substantially in line with Euro 11.796m of 2001.

This resulted in a net cash inflow of Euro 1.631m, versus a net cash outflow of Euro 5.351m in 2001.

Gross capital expenditure in 2002 totalled Euro 11.073m, versus Euro 8.487m in 2001, and related to the purchase of assets necessary to start new productions.

The net financial position as at 31 December 2002, debt of Euro 79.122m, improved on debt of Euro 83.360m as at 30 June 2002 (Euro 78.680m as at 31 December 2001).

The headcount as at 31 December 2002, including temporary workers, was 853 (863 as at 30 June 2002), versus a figure of 959 as at 31 December 2001 that included the 55 employees of the former Trenton S.r.l. business sold off in 2002.

SEGMENT ANALYSIS

Sales

If we analyse sales by product line, sales of traditional axles in the off-highway segment rose by 5.6%.

As a matter of fact, the favourable trend of the agriculture market counterbalanced the crisis of the construction equipment market, in particular in the backhoe loader segment. Also sales of power shuttle transmissions, mainly destined for that segment, were affected by poor demand and fell by 10.7%.

Forklift axles sales rose by 33.1% thanks to larger penetration of the material handling segment.

The schedules below detail sales by segment and by product line:

Breakdown by product line (in millions of Euro)

<i>Product line</i>	<i>Year ended 31 Dec. 2002</i>	<i>Year ended 31 Dec. 2001</i>	<i>% difference 2002/2001</i>
Traditional axles (AG + CE)	176.504	167.195	+5.6%
Axles for light commercial vehicles and forklifts	22.276	16.740	+33.1%
AG transaxles	1.440	1.158	+24.4%
CE transmissions	19.598	21.942	-10.7%
Gears	0.635	1.724	-63.2%
Cam phaser devices	5.285	5.665	-6.7%
Clutches	1.613	1.551	+4.0%
Spare parts	18.897	17.438	+8.4%
Other	26.843	32.340	-17.0%
TOTAL	273.093	265.753	+2.8%

Breakdown by product line (%)

<i>Product line</i>	<i>31 Dec. 2002</i> %	<i>31 Dec. 2001</i> %
Traditional axles (AG + CE)	64.6%	62.9%
Axles for light commercial vehicles and forklifts	8.2%	6.3%
AG transaxles	0.5%	0.4%
CE transmissions	7.2%	8.3%
Gears	0.2%	0.6%
Cam phaser devices	1.9%	2.1%
Clutches	0.6%	0.6%
Spare parts	6.9%	6.6%
Other	9.9%	12.2%

Personnel

Personnel employed as at 31 December 2002 (including temporary workers) numbered 853 (divided between the various sites: Campodarsego 683; Gorizia 170), comprising 26 executives, 234 clerks and 593 workers, versus 959 employees (Campodarsego 718, Gorizia 186, Frassinoro 55) as at 31 December 2001.

Also in the course of 2002 measures aimed at limiting costs and balancing overheads continued, compatibly with the company's business plans and commitments.

Research and innovation

Research and innovation activities continued in the implementation of the Market and Product Development Plan. In particular, in the course of 2002, with the aim of strengthening market share in the traditional business segments, activities continued for the development of new ranges of non-driving and driving axels, for AG tractors, backhoe loaders, compact and small wheel loaders, counterbalanced forklifts with IC engine. Moreover, development is under way regarding transmissions with advanced functionality for tractors of up to 90 Hp and for backhoe loaders. Finally, in co-design with a leading OEM, development of a new range of suspended axles with high vehicle integration has started, for high-range AG tractors. All these projects foresee that serial manufacture of the products will start in 2003, supporting the supply agreements entered into or being finalised with the largest OEMs.

For the purpose of acquiring market share in segments “adjacent” to the traditional ones, activities have started and are under way at the Development Platform at Campodarsego for the development of the front dual drive (FDD), the range of drive axles with AC technology for E counterbalanced forklifts, and the wheel drive for aerial platforms. All these projects underpin a plan for the penetration of and consolidation in diversified segments: Aerial Platforms, Material Handling and Passenger Cars.

Moreover, development continued, with extremely favourable field validation in co-operation with a leading OEM, of the CVT hydrostatic transmission with “Zero motor” technology. These activities, because of their character of innovation and of the significant impact they will have on design structures in terms of resource and funding requirements, received facilitated loans granted against funds borrowed from the Technical Innovation Fund, pursuant to art. 14 of Law No. 46 of 17 February 1982.

The costs incurred for this project to the end of 2002, less overheads, are detailed as follows:

Project number	Accumulated costs end 2002	Estimated total cost
E01/0011	598,604	2,746,700

Particularly significant in the course of the year were the launches of new axles for AG tractors, compact and small wheel loaders, soil compactors and off-highway forklifts, of the new range of material handling drivers in the “warehousing” segment, of the new TC transmission for backhoe loaders.

SPECIAL EVENTS IN 2002

On 10 February 2002 the judgment handed down by the Regional Court of Brno related to the definition of the bankruptcy proceedings of Zetor a.s., a historical customer of Carraro's, became final. As a result of the proceedings, Carraro was able to recover an amount of Euro 429,534.21, equal to about 30% of the balance owed by Zetor. The remaining 70% did not have any impact on the income statement of the period under consideration because accruals to the bad debt provision had already been made for the account in the past.

On 28 March 2002 Carraro signed an agreement with Meccanica Fananese S.r.l. for the sale of the business relating to the manufacturing facility at Frassinoro, Modena (formerly Trenton S.r.l.), specialising in the manufacture of components for automotive systems (differential housings, wheel shafts and drive shafts). The operation was worth a total of Euro 2.51m, comprising tangible assets, contracts and amounts payable to and receivable from employees, with a net effect on the result for the period of the holding company equal to Euro 0.537m. The operation, effective as from 1 May 2002, also involved a supply agreement and an agreement with Meccanica Fananese S.r.l. for the sale of know-how.

SHARE PRICE TREND

In the course of 2002 Carraro shares traded at an average official price of Euro 1.3432. In the first few months of the year the share price initially reverted the downward trend of last year, reaching a high of Euro 1.816 on 25 March, falling then again until 13 August, when it recorded the lowest price of the period: Euro 1.100. In the latter part of the year the share price rose again to a high of Euro 1.512 on 5 December 2002.

During the first quarter of 2003 the share price was stable but declined slightly; the lowest quotation in the period was Euro 1.287 on 17 March 2003.

TREND AND FORECAST FOR 2003

In these final considerations, where we usually give some highlights on the operations of the current year, we cannot but place emphasis on the war recently started in Iraq, the outcome of which is certain but on whose duration it would be inappropriate to make a forecast. We obviously hope that the war will be short, first of all in light of the humanitarian consequences of the conflict, but also in the hope of seeing the establishment of easier international relations, necessary to the continuation of an era of growth that has found its distinctive motives in the globalisation processes and where the role of the USA remains fundamental.

This is not the place to assess the economic consequences of the event, whose effects depend, in turn, on its duration. At any rate, we do not fear important consequences, particularly in segments, such as those where we operate, that have already been heavily affected by the market downturn. There is rather more room for improvement than the other way round.

Forecasts for 2003, in spite of some volatility, remain of sales slightly above the level of 2002, while we are confident of a better result of operations. Our expectations and our efforts, however, aim for decidedly higher levels. Hence the emphasis placed on industrial reorganisation processes, with a general commitment to working, effectively and through concrete actions, to solve the critical issues identified, to ensure more adequate results and ratios.

This is what we aim for, beyond a hoped for return to a more serene economic environment capable of leading to a new cycle of recovery from which, with a stronger structure, it will be easier for us to seize new opportunities for growth.

SUBSEQUENT EVENTS

No significant events have occurred subsequent to the balance sheet date.

ADDITIONAL DISCLOSURES

Carraro S.p.A. does not hold own shares, or shares in the parent company Finaid S.r.l., not even through finance companies or intermediaries, and did not trade in those shares in the course of the period.

We state that intercompany transactions relate to trading, financing or

consulting and were carried out on an arm's length basis in the economic interests of each of the parties involved.

As required by Legislative Decree No. 58/98 we attach to this report a list of shares held in Carraro S.p.A. and its subsidiaries by the directors, statutory auditors and general managers, as well as their spouses and dependent children, either directly or through subsidiaries, fiduciary companies or intermediaries, as reported on the shareholder's register based on communications received and other information obtained from the directors, statutory auditors and general managers themselves.

Independent directors of Carraro S.p.A. are:

Prof. Giorgio Brunetti, Director

Dott. Antonio Ceola, Director

For an exhaustive analysis of the income statement and balance sheet values reported as at 31 December 2002 we make reference to the Notes to the annual financial statements, drawn up in compliance with the laws in force.

Dear Sirs,

The financial statements as at 31 December 2002, which we invite you to approve as submitted, close with a loss of Euro 8,971,680 which we propose to cover in its entire amount as follows:

- for an amount of Euro 2,951,387 through the utilisation of part of the extraordinary reserve;
- for an amount of Euro 513,741 through the utilisation of the entire Reserve from extraordinary income as per art. 55/597;
- for an amount of Euro 5,506,552 through the utilisation of the entire Reserve from accelerated depreciation, to be replenished from the share premium reserve.

The Chairman of the Board of directors
(Mario Carraro)

CARRARO S.p.A.

Year ended 31 December 2002

ATTACHMENT (A) TO THE DIRECTORS' REPORT

SHARES HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS
Legislative decree 24/2/98 No. 58 - Art. 79 Consob Resolution No. 12475 of 6/4/2000 – Appendix 3C

Last and first name	Equity interests in: Carraro S.p.A.	No. of shares held as at 31 Dec. 2001	Shares sold	Shares purchased	No. of shares held as at 31 Dec. 2002
Carraro Mario	directly owned	1,887,755	0	0	1,887,755
	through Finaid S.r.l.	19,111,900		0	19,111,900
Carraro Francesco	directly owned	1,182,395	0	0	1,182,395
Alessandri Chiara	directly owned	20,000	0	0	20,000
Ceola Antonio	directly owned	5,000	0	0	5,000
Tonin Onofrio	directly owned	5,000	0	0	5,000

ATTACHMENT (B) TO THE DIRECTORS' REPORT

Transactions of the holding company CARRARO S.p.A. with related parties during the year ended 31 December 2002
(as per CONSOB Communication DAC/98015375 dated 27 February 98)

(Euro/000)

Financing**Trading**

FINANCING RECEIVABLES	FINANCING PAYABLES	SALES OF COMPONENTS, GOODS AND SPARE PARTS	INDUSTRIAL SERVICES RENDERED	SALES OF OTHER SERVICES AND SUNDRY OTHER CHARGES	COMMISSIONS AND ROYALTIES RECEIVABLE	INTEREST INCOME	PURCHASES OF PLANT, MACHINERY AND EQUIPMENT	PURCHASES OF COMPONENTS, GOODS AND SPARE PARTS	PURCHASES OF INDUSTRIAL SERVICES	PURCHASES OF OTHER SERVICES AND SUNDRY CHARGES	COMMISSIONS AND ROYALTIES PAYABLE	INTEREST EXPENSE
17,898		206		183		954	3	28,246	83	18		
		1,304		38	365			61		336		
		10,638		95		126		5,130		248		
	55,000											2,550
2,025		84		27		74	1	934		5		
		76		69				160		135		
		1,735		77				174		69	1,688	
830		4		37		5						
		8,790	28	450	227			1,262	55	16	25	
				30				191				
103				58		3				38		
				107		44	1,367	19,830	2	7		
1,033				44			194	34	155	4		
		228		20				1,744		10		
				9								

Subsidiaries

Siap S.p.A.
Carraro Deutschland GmbH
Carraro India Ltd.
Carraro Argentina S.A.
Carraro International S.A.
F.O.N. S.A.
O&K Antriebstechnik GmbH
Carraro North America Inc.
Carraro Korea Ltd.

Associated companies

Agritalia S.p.A.
Stm S.r.l.
Elcon S.r.l.

Other related parties

Fonderie del Montello S.p.A.
Maus S.p.A.
Meccanica del Piave S.p.A.
Diffusione Europea S.p.A.
E.P.S. S.r.l.

Notes:**1. Financing**

Financing transactions relate to short- and long-term loans. The debt of Euro 55m relate to the debenture loan issued by Carraro International S.A. and entirely subscribed by Carraro S.p.A..

2. Trading

The major trading accounts relate to purchases and sales of raw materials, semi-finished goods and components for the manufacture of drive systems for self propelling vehicles. Purchases of services are mainly referred to manufacturing processes. Purchases from Maus S.p.A. relate to the supply of specific machine tools with the related spare parts and accessories.

Major sales of services relate to charges for the use of the central information systems and for organisational support provided by the holding company in the various operating areas.

Commissions and royalties relate to specific agency agreements and transfer of rights for the use of industrial know-how.

Interest income is generated from loans currently in place. Interest expense originates from the debenture loan mentioned above.

CARRARO SPA
 VIA OLMO, 37
 35011 CAMPODARSEGO (PD)
 SHARE CAPITAL EURO 21,840,000 FULLY PAID IN
 Fiscal Code/VAT registration and registration with the Companies' Register in Padua No.
 00202040283 - R.E.A. No. 84.033

ANNUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002 – CARRARO S.p.A.

Dear Sirs,

We submit for your approval the annual financial statements of Carraro S.p.A. as at 31 December 2002, comprising the balance sheet, the income statement and the notes to the financial statements, drawn up in compliance with statutory legislation.

BALANCE SHEET

	31 December 2002	31 December 2001
A) SHARE CAPITAL ISSUED AND NOT YET PAID		
B) FIXED ASSETS:		
<u>I. INTANGIBLE ASSETS</u>		
1) START-UP AND EXPANSION COSTS		
2) RESEARCH, DEVELOPMENT AND ADVERTISING EXPENSES	242,279	320,597
3) INDUSTRIAL AND OTHER PATENT RIGHTS	227,672	224,176
4) CONCESSIONS, LICENSES, TRADEMARKS AND SIMILAR RIGHTS AND ASSETS	1,278,749	1,603,825
5) CONSOLIDATION DIFFERENCE		
6) ASSETS UNDER CONSTRUCTION AND ADVANCES	1,238,538	241,511
7) OTHER INTANGIBLE ASSETS	1,802,434	2,152,748
TOTAL INTANGIBLE ASSETS	<u>4,789,672</u>	<u>4,542,857</u>
<u>II. TANGIBLE ASSETS</u>		
1) LAND AND BUILDINGS	17,246,701	16,482,980
LESS: ACCUMULATED ORDINARY DEPRECIATION	<u>-5,465,108</u>	<u>-5,228,482</u>
TOT. LAND AND BUILDINGS	11,781,593	11,254,498
2) PLANT AND MACHINERY	55,015,904	57,924,353
LESS: ACCUMULATED ORDINARY DEPRECIATION	<u>-42,987,494</u>	<u>-43,640,536</u>
TOT. PLANT AND MACHINERY	12,028,410	14,283,817
3) INDUSTRIAL AND COMMERCIAL EQUIPMENT	43,957,781	43,059,783
LESS: ACCUMULATED ORDINARY DEPRECIATION	<u>-37,226,076</u>	<u>-36,129,118</u>
TOT. INDUSTRIAL AND COMMERCIAL EQUIPMENT	6,731,705	6,930,665
4) OTHER ASSETS	13,100,420	13,084,789
LESS: ACCUMULATED ORDINARY DEPRECIATION	<u>-10,919,247</u>	<u>-10,359,375</u>
TOT. OTHER ASSETS	2,181,173	2,725,414
5) ASSETS UNDER CONSTRUCTION AND ADVANCES	1,507,257	621,829
TOTAL TANGIBLE ASSETS	<u>34,230,138</u>	<u>35,816,223</u>
<u>III. FINANCIAL ASSETS</u>		
1) EQUITY INTERESTS:		
A) IN SUBSIDIARIES	51,683,091	47,749,453
B) IN ASSOCIATED COMPANIES	2,830,980	1,877,269
C) IN PARENT COMPANIES		
D) IN OTHER COMPANIES	85,841	48,814
E) ADVANCES ON EQUITY INTERESTS		
TOTAL 1)	<u>54,599,912</u>	<u>49,675,536</u>

	31 December 2002	31 December 2001
2) RECEIVABLES:		
A) FROM SUBSIDIARIES		
B) FROM ASSOCIATED COMPANIES		
C) FROM PARENT COMPANIES		
D) FROM OTHERS	1,032,914	1,032,913
FALLING DUE AFTER MORE THAN ONE YEAR	651,363	837,477
TOTAL 2)	1,684,277	1,870,390
3) OTHER SECURITIES		
4) OWN SHARES		
TOTAL FINANCIAL ASSETS	56,284,189	51,545,926
TOTAL FIXED ASSETS B	95,303,999	91,905,006
C) CURRENT ASSETS		
<u>I. INVENTORY</u>		
1) RAW MATERIALS AND CONSUMABLES	18,238,033	16,747,725
2) WORK IN PROGRESS	8,727,188	7,048,069
3) CONTRACTED WORK IN PROGRESS		
4) FINISHED PRODUCTS AND GOODS HELD FOR RESALE	9,030,417	9,163,672
5) PAYMENTS ON ACCOUNT (ADVANCES)		
6) GOODS IN TRANSIT	152,774	62,562
TOTAL INVENTORY	36,148,412	33,022,028
<u>II. RECEIVABLES</u>		
1) TRADE DEBTORS	65,434,631	53,051,503
RELATED PARTIES	36,348	11,208
2) RECEIVABLES FROM SUBSIDIARIES	27,828,759	68,109,304
FALLING DUE AFTER MORE THAN ONE YEAR		
3) RECEIVABLES FROM ASSOCIATED COMPANIES	2,120,985	2,988,215
4) RECEIVABLES FROM PARENT COMPANIES		
5) OTHER DEBTORS FALLING DUE WITHIN ONE YEAR	10,777,722	30,598,761
FALLING DUE AFTER MORE THAN ONE YEAR	1,015,447	148,723
TOTAL RECEIVABLES	107,213,892	154,907,714
<u>III. SHORT-TERM INVESTMENTS</u>		
1) INVESTMENTS IN SUBSIDIARIES	196,550	
2) INVESTMENTS IN ASSOCIATED COMPANIES		
3) INVESTMENTS IN PARENT COMPANIES		
4) OTHER INVESTMENTS		
5) OWN SHARES		
6) OTHER SECURITIES	18,890,738	25,321,849
7) REPURCHASE AGREEMENTS ON SECURITIES		
TOTAL SHORT-TERM INVESTMENTS	19,087,288	25,321,849
<u>IV. CASH AND BANK</u>		
1) BANK AND POSTAL DEPOSITS	3,988,308	9,986,377
2) CHEQUES ON HAND		
3) CASH IN HAND	31,042	17,169
TOTAL CASH AND BANK	4,019,350	10,003,546
TOTAL CURRENT ASSETS C	166,468,942	223,255,137
D) ACCRUED INCOME AND PREPAYMENTS		
ACCRUED INCOME	307,698	131,199
PREPAYMENTS FALLING DUE WITHIN ONE YEAR	328,858	270,191
FALLING DUE AFTER MORE THAN ONE YEAR	61,107	78,179
TOTAL ACCRUED INCOME AND PREPAYMENTS D	697,663	479,569
TOTAL ASSETS	262,470,604	315,639,712

BALANCE SHEET

	31 December 2002	31 December 2001
A) SHAREHOLDERS' EQUITY		
I – SHARE CAPITAL	21,840,000	21,840,000
II – SHARE PREMIUM RESERVE	17,833,456	17,833,456
III – REVALUATION RESERVE		
IV – LEGAL RESERVE	3,120,088	3,120,088
V – RESERVE FOR OWN SHARES IN PORTFOLIO		
VI – STATUTORY RESERVES		
EXTRAORDINARY RESERVE	3,223,553	10,103,918
RESERVE FROM ACCELERATED DEPRECIATION	5,506,552	7,530,798
RESERVE FROM EXTRAORDINARY INCOME AS PER ART. 55/917	513,741	513,741
RESERVE FROM MERGER SURPLUS		8,242,425
PAYMENTS FROM SHAREHOLDERS TOWARDS SHARE CAPITAL INCREASE		
OTHER RESERVES		
VII. OTHER RESERVES	9,243,846	26,390,882
VIII. PROFITS/(LOSSES) CARRIED FORWARD		
IX. PROFIT/(LOSS) FOR THE PERIOD	-8,971,680	-17,147,036
TOTAL SHAREHOLDERS' EQUITY A	43,065,710	52,037,390
B) PROVISIONS FOR RISKS AND CHARGES		
1) PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS		
2) PROVISIONS FOR TAXES		258,228
3) OTHER PROVISIONS	4,136,096	19,910,000
TOTAL PROVISIONS FOR RISKS AND CHARGES B	4,136,096	20,168,228
C) STAFF LEAVING INDEMNITY (T.F.R.)	10,884,442	11,490,301
D) PAYABLES		
1) BONDS AND DEBENTURE LOANS	55,000,000	55,000,000
2) CONVERTIBLE BONDS AND DEBENTURE LOANS		
3) BANK AND DEBENTURE LOANS FALLING DUE WITHIN ONE YEAR	59,187,992	85,062,012
FALLING DUE AFTER MORE THAN ONE YEAR	6,583,233	9,571,364
4) OTHER FINANCING CREDITORS FALLING DUE WITHIN ONE YEAR		195,515
5) PAYMENTS ON ACCOUNT (ADVANCES)	270,422	328,045
6) TRADE CREDITORS	61,743,208	59,764,106
RELATED PARTIES	49,439	125,167
7) SECURED PAYABLES		
8) PAYABLES TO SUBSIDIARIES	10,206,378	7,947,682
9) PAYABLES TO ASSOCIATED COMPANIES	304,247	126,512
10) PAYABLES TO PARENT COMPANIES	22,272	46,147
11) TAX PAYABLES FALLING DUE WITHIN ONE YEAR	1,534,022	4,059,322
12) SOCIAL SECURITY PAYABLES FALLING DUE WITHIN ONE YEAR	1,470,184	1,531,866
13) OTHER CREDITORS FALLING DUE WITHIN ONE YEAR	3,970,589	5,018,113
FALLING DUE AFTER MORE THAN ONE YEAR	103,291	572,246
TOTAL PAYABLES D	200,445,277	229,348,097
E) ACCRUED EXPENSES AND DEFERRED INCOME		
ACCRUED EXPENSES	3,939,079	2,592,992
DEFERRED INCOME FALLING DUE WITHIN ONE YEAR		2,704
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME E	3,939,079	2,595,696
TOTAL LIABILITIES	262,470,604	315,639,712

MEMORANDUM ACCOUNTS

	31 December 2002	31 December 2001
<u>A) RISKS</u>		
GUARANTEES GIVEN ON BEHALF OF THIRD PARTIES	13,910,593	55,169,330
SECURITIES DEPOSITED AS GUARANTEE ON BEHALF OF THIRD PARTIES	<u>2,066,620</u>	<u>2,066,620</u>
TOTAL A) RISKS	15,977,213	57,235,950
<u>B) COMMITMENTS</u>		
COMMITMENTS TO REPURCHASE EQUITY INTERESTS	1,112,345	2,437,677
LEASE COMMITMENTS ON BUILDINGS UNDER CONSTRUCTION	0	301,817
OTHER COMMITMENTS	<u>103,291</u>	<u>103,291</u>
TOTAL B) COMMITMENTS	1,215,636	2,842,785
TOTAL RISKS AND COMMITMENTS	17,192,849	60,078,735
OTHER MEMORANDUM ACCOUNTS WHICH DO NOT REFLECT RISKS OR COMMITMENTS		
<u>C) GUARANTEES RECEIVED FROM THIRD PARTIES</u>		
SURETIES RECEIVED FROM THIRD PARTIES	<u>2,843,658</u>	<u>1,032,913</u>
TOTAL C) GUARANTEES RECEIVED FROM THIRD PARTIES	2,843,658	1,032,913
<u>D) GUARANTEES GIVEN ON BEHALF OF CARRARO</u>		
MORTGAGES	<u>0</u>	<u>672,738</u>
TOTAL D) GUARANTEES GIVEN ON BEHALF OF CARRARO		672,738
<u>E) GUARANTEES GIVEN BY THIRD PARTIES ON BEHALF OF CARRARO</u>		
SURETIES GIVEN BY THIRD PARTIES ON BEHALF OF CARRARO	<u>30,565,999</u>	<u>33,463,455</u>
TOTAL E) GUARANTEES GIVEN BY THIRD PARTIES ON BEHALF OF CARRARO	30,565,999	33,463,455
<u>F) HEDGES FOR EXCHANGE RATE AND INTEREST RATE RISKS</u>		
SWAPS ON ACCOUNTS RECEIVABLE	36,649,888	49,368,139
INTEREST RATE SWAPS	65,329,138	10,329,138
FOREIGN CURRENCY OPTIONS	<u>22,620,589</u>	<u>35,874,178</u>
TOTAL F) HEDGES FOR EXCHANGE RATE AND INTEREST RATE RISKS	124,599,615	95,571,455

INCOME STATEMENT

	subtotals current year	subtotals prior year	Year ended 31 December 2002	Year ended 31 December 2001
A) VALUE OF PRODUCTION				
1) REVENUE FROM SALES AND SERVICES			273,092,795	265,752,416
2) CHANGES IN STOCKS OF WORK IN PROGRESS AND FINISHED GOODS			1,926,702	-3,130,691
3) CHANGES IN CONTRACTED WORK IN PROGRESS				
4) OWN WORK CAPITALISED			333,258	36,322
5) OTHER INCOME				
A) OTHER	2,009,454	1,494,801		
B) GRANTS	2,704	87,654		
TOTAL 5)			<u>2,012,158</u>	<u>1,582,455</u>
TOTAL VALUE OF PRODUCTION A			<u>277,364,913</u>	<u>264,240,502</u>
B) COST OF PRODUCTION				
6) COST OF RAW MATERIALS, CONSUMABLES, SPARE PARTS AND OTHER GOODS			174,440,070	159,638,158
7) COST OF SERVICES			39,205,041	38,275,764
8) COST OF UTILISATION OF THIRD PARTIES' ASSETS			75,420	79,605
9) PERSONNEL COSTS				
A) SALARIES AND WAGES	24,275,147	24,635,955		
B) SOCIAL CONTRIBUTIONS	8,059,668	8,225,650		
C) STAFF LEAVING INDEMNITY (T.F.R.)	1,986,290	2,042,458		
D) PENSIONS AND SIMILAR OBLIGATIONS				
E) OTHER COSTS	1,544,846	871,634		
TOTAL 9)			<u>35,865,951</u>	<u>35,775,697</u>
10) DEPRECIATION AND WRITE-DOWNS				
A) AMORTISATION OF INTANGIBLE ASSETS	1,746,098	1,952,935		
B) DEPRECIATION OF TANGIBLE ASSETS	8,857,358	9,842,874		
C) OTHER WRITE-DOWNS OF ASSETS				
D) WRITE-DOWNS OF RECEIVABLES INCLUDED IN CURRENT ASSETS	337,078	43,046		
TOTAL 10)			<u>10,940,534</u>	<u>11,838,855</u>
11) CHANGES IN STOCKS OF RAW MATERIALS, CONSUMABLES, SPARE PARTS AND OTHER GOODS			-1,824,829	2,386,192
12) ACCRUALS FOR CONTINGENCIES				
13) OTHER ACCRUALS			2,849,263	2,750,000
14) OTHER OPERATING CHARGES			<u>586,484</u>	<u>678,170</u>
TOTAL COST OF PRODUCTION B			<u>262,137,934</u>	<u>251,422,441</u>
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)			<u>15,226,979</u>	<u>12,818,061</u>
C) FINANCIAL INCOME AND CHARGES				
15) INCOME FROM PARTICIPATING INTERESTS				
A) DIVIDENDS FROM SUBSIDIARIES				
B) DIVIDENDS FROM ASSOCIATED COMPANIES				
C) DIVIDENDS FROM PARENT COMPANIES				
D) OTHER				
TOTAL 15)				
16) OTHER FINANCIAL INCOME				
A) FROM RECEIVABLES RECORDED AS FIXED ASSETS	25,462	28,786		
B) FROM SECURITIES RECORDED AS FIXED ASSETS				
C) FROM SECURITIES RECORDED AS CURRENT ASSETS	89,997	110,013		
D) OTHER				
FROM SUBSIDIARIES	1,159,425	1,291,905		
FROM ASSOCIATED COMPANIES	3,320	4,653		
FROM PARENT COMPANIES				
FROM RELATED PARTIES				
OTHER	<u>7,408,007</u>	<u>4,936,065</u>		
TOTAL D)	8,570,752	6,232,623		
TOTAL 16)			8,686,211	6,371,422

Eliminato:

	subtotals current year	subtotals prior year	Year ended 31 December 2002	Year ended 31 December 2001
17) INTEREST AND OTHER FINANCIAL CHARGES				
A FROM SUBSIDIARIES	-3,298,365	-1,668,156		
B) FROM ASSOCIATED COMPANIES				
C) FROM PARENT COMPANIES				
D FROM RELATED PARTIES				
E) OTHER	-8,578,675	-9,531,758		
TOTAL 17)			-11,877,040	-11,199,914
TOTAL INTEREST AND OTHER FINANCIAL CHARGES C			-3,190,829	-4,828,492
<u>D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS</u>				
18)) REVALUATIONS				
A) OF EQUITY INTERESTS				
B) OF SHORT-TERM INVESTMENTS				
C) OF SECURITIES RECORDED AS CURRENT ASSETS				
TOTAL 18)				
19) WRITE-DOWNS:				
A) OF EQUITY INTERESTS	-16,484,002	-27,253,781		
B) OF SHORT-TERM INVESTMENTS				
C) OF SECURITIES RECORDED AS CURRENT ASSETS				
TOTAL 19)			-16,484,002	-27,253,781
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS D			-16,484,002	-27,253,781
<u>E) EXTRAORDINARY INCOME AND EXPENSES</u>				
20) GAINS ON DISPOSAL.				
A) OTHER EXTRAORDINARY INCOME	1,087,269	279,544		
B) GAINS ON EXTRAORDINARY ASSET DISPOSALS	737,332	2,552		
TOTAL 20)			1,824,601	282,096
21) LOSSES ON DISPOSAL				
A OTHER EXTRAORDINARY EXPENSES	-571,841	-3,246,243		
B) LOSSES ON EXTRAORDINARY ASSET DISPOSALS				
C) TAXES OF PRIOR PERIODS	-417,052	-228,047		
TOTAL 21)			-988,893	-3,474,290
TOTAL EXTRAORDINARY ITEMS <u>E</u>			835,708	-3,192,194
PROFIT/(LOSS) BEFORE TAX (A-(B+C+D+E))			-3,612,144	-22,456,406
22) TAXES ON INCOME			-5,359,536	5,309,370
26) PROFIT/(LOSS) FOR THE PERIOD			-8,971,680	-17,147,036

Eliminato:

Net financial position	<u>31 Dec.</u> 2002	<u>31 Dec.</u> 2001
Bank loans and overdrafts:		
- within 1 year	59,188	85,062
- after 1 year	6,583	9,571
Other financing payables:		
- within 1 year	-	196
- after 1 year	-	-
Financing payables:		
- to subsidiaries, associated companies, parent companies	-	-
Bonds and debenture loans:		
- within 1 year	-	-
- after 1 year	55,000	55,000
Secured payables:		
- within 1 year	-	-
- after 1 year	-	-
Accrued interest expense / deferred interest income	3,149	1,939
LESS:		
Cash and bank	-4,019	-10,004
Securities	-18,890	-25,322
Loans given	-21,889	-25,384
Receivables from factors	-	-12,680
- Net financial position	79,122	78,378
Lease payments:		
- within 1 year	-	-
- after 1 year	-	302
- Net financial position (including leases)	79,122	78,680

NOTE:

The value of Financing receivables as at 31 December 2001 does not include the loan to Carraro Argentina (Euro 35.062m) that was converted into a capital contribution in the course of 2002.

CASHFLOW STATEMENT	31 December 2002		31 December 2001		
NET FINANCIAL POSITION AT BEGINNING OF PERIOD		-78,680		-57,198	Eliminato: .
	ALLOCATIONS	SOURCES	ALLOCATIONS	SOURCES	
Profit/(Loss) for the period		-8,972		-17,147	Eliminato: .
Depreciation of tangible assets		8,857		9,843	Eliminato: .
Amortisation of intangible assets		1,746		1,953	Eliminato: .
Outflow/Inflow of funds		1,631		-5,351	Eliminato: .
CURRENT BUSINESS ACTIVITY					
Accruals to staff leaving indemnity (T.F.R.)		1,986		2,042	Eliminato: .
Utilisation of staff leaving indemnity (T.F.R.)	2,592		1,724		Eliminato: .
Accruals to provisions for risks and charges		2,849		2,750	Eliminato: .
Accruals to provision for deferred taxes					Eliminato: .
Utilisation of provision for deferred taxes	258		821		Eliminato: .
Utilisation of provisions for risks and charges	2,315		2,738		Eliminato: .
Change in inventory	3,126			5,605	Eliminato: .
Change in trade debtors	12,408			15,633	Eliminato: .
Change in receivables from subsidiaries, associated companies, parent companies		2,590		2,589	Eliminato: .
Change in other debtors		6,274	6,097		Eliminato: .
Change in trade creditors		1,904	5,371		Eliminato: .
Change in payables to subsidiaries, associated companies, parent companies		2,412	3,283		Eliminato: .
Change in other creditors	4,161		3,439		Eliminato: .
Change in lease payments					Eliminato: .
Change in other than interest prepayments, accruals and deferrals	86		113		Eliminato: .
Outflow/Inflow of funds from current business activity	6,931			5,033	Eliminato: .
Total current business activity	5,300		318		
NON-CURRENT BUSINESS ACTIVITY					
Accruals/Extraordinary expenses	468			2,920	Eliminato: .
Investing activities:					
- Additions to tangible assets	9,041		6,496		Eliminato: .
- Investment in intangible assets	2,032		1,991		Eliminato: .
- Leases					Eliminato: .
- Net change from disposal		2,111		2,782	Eliminato: .
Equity interests:					
- Purchase/revaluation of equity interests	2,553		45,751		Eliminato: .
- Sale/write-down of equity interests		16,655		27,254	Eliminato: .
Advance payment of employees' personal income tax (IRPEF) on staff leaving indemnity (T.F.R.)		186		118	Eliminato: .
Outflow/Inflow of funds from non-current business activity		4,858	21,164		Eliminato: .
EQUITY MANAGEMENT					
Reserve from accelerated depreciation					
Other reserves					
Dividend payments					
NET FINANCIAL POSITION AT END OF PERIOD		-79,122		-78,680	Eliminato: .

ITEM 1: NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
PRESENTATION AND CONTENTS OF THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES, ACCOUNTING PRINCIPLES AND PRESENTATION OF THE FINANCIAL STATEMENTS

These financial statements have been drawn up in compliance with existing legislation. The accounting policies and principles adopted in the previous year's financial statements were maintained in order to ensure consistency.

The accounting principles used are those applicable to going concerns, which the directors consider to be appropriate taking into account the considerations made in the report on operations.

These financial statements are presented in Euro. Euro amounts are shown without decimals, as allowed by art. 2423 of the Civil Code as amended, effective 1 January 2002, by art. 16, item 8, letter a) of Legislative Decree No. 213/98.

The accounting policies and principles applied to the most significant financial statements items are illustrated below.

INTANGIBLE ASSETS

Intangible assets, if purchased from third parties, are stated at purchase cost inclusive of directly attributable accessory charges; if self-developed, at the purchase cost of the assets or services used including the relevant accessory charges.

Amounts are shown after amortisation allowances, computed on a straight-line basis with reference to the estimated useful life of the assets.

TANGIBLE ASSETS

Tangible assets are stated at purchase or own work cost, inclusive of directly attributable accessory charges, increased by monetary revaluations accounted for in compliance with laws No. 576 of 2 December 1975, No. 72 of 19 March 1983 and No. 413 of 30 December 1991.

Tangible assets, if purchased from third parties, are recognised when ownership is transferred; own work is capitalised on completion of construction.

The costs of improvements, revamping, transformations and extraordinary maintenance are capitalised as increases in the value of the relevant assets if they generate a significant and measurable increase in the capacity, productivity or safety, or extend the useful life, of the relevant assets but in any case for amounts not exceeding the value recoverable through use. The corresponding ordinary costs are expensed as incurred. Fully depreciated assets remain on the balance sheet until scrapped or disposed of.

Assets under construction are not depreciated.

Depreciation is accounted for at rates suitable to represent the actual depreciation of the asset, on the basis of its the estimated economic life. They correspond to the fiscally allowable rates. Half rates are applied to assets going into service during the year.

In compliance with the accounting treatment recommended by Italian Accounting principle No. 25 issued by *Consiglio Nazionale dei Dottori Commercialisti*, the representative body of the Italian accounting profession, accelerated depreciation accounted for solely to claim fiscal benefits, in addition to ordinary depreciation, is taken directly to an equity reserve, when appropriating profit for the period, without being charged to income. For details, we make reference to the comments to the schedules detailing accumulated ordinary depreciation and movements in shareholders' equity.

Amounts denominated in currencies other than the Euro are translated at the exchange rate ruling on the trade date.

No financial charges have been capitalised as tangible assets.

Tangible assets acquired through leases with redemption commitment are capitalised from the year when the right of redemption is exercised and stated net of accumulated depreciation. The purchase commitment laid down in the contract is disclosed within memorandum accounts.

FINANCIAL ASSETS

Equity interests in subsidiaries and associated companies, as well as in other unlisted companies, are valued at purchase or subscription cost, including accessory charges, less any formally resolved capital reductions.

Write-downs are recorded, based on the directors' prudent estimate, to reflect decreases in the net equity values of individual entities following impairment losses resulting from the latest approved financial statements, or when realisation of the equity interest is considered uncertain.

Receivables recorded within financial assets are carried at estimated realisable value.

INVENTORIES

Inventories are valued as follows:

- Raw materials and consumables: at the lower of average weighted cost and market;
- Work in progress: cost is determined on the basis of production costs incurred in relation to the percentage of completion of the production batch, considering:
 - a) average weighted cost of the year for materials;
 - b) the cost of direct labour and accessory charges;
 - c) general production overheads, such as indirect labour, maintenance, utilities, fixed manufacturing costs and the portion of technical depreciation reasonably attributable to output;

- Semi-finished and finished products: cost is determined, for each product code, as the yearly average of manufacturing costs, computed when the various processing stages are completed and the batch is booked into inventory, or, in the case of finished products, at estimated realisable value, if lower.

A provision for obsolescence is set up to write down inventories to estimated realisable value.

RECEIVABLES AND PAYABLES

Receivables are stated at estimated realisable value. This corresponds to nominal value adjusted by a specific bad debt provision that covers both accounts that are already known to be uncollectible and doubtful accounts included in the overall balance.

Payables are stated at nominal value.

Accounts denominated in currencies other than the Euro are adjusted to the official exchange rate at the period end and the resulting gains or losses are taken to the income statement.

SHORT-TERM INVESTMENTS

Securities held for trading purposes are carried at the lower of cost, including any premium, and market, determined as the average trading price of the last month.

Investments in unlisted companies are valued at the lower of purchase or subscription cost, less any formally resolved capital reductions, and estimated market value.

CASH AND BANK

Cash and bank are stated at nominal value.

PREPAYMENTS, ACCRUALS AND DEFERRALS

Costs and revenues are accounted for on an accrual basis, with reference to the period to which they relate.

PROVISIONS FOR RISKS AND CHARGES

Accruals for risks and charges are made to cover losses or liabilities that are certain or probable, the amounts and dates of occurrence of which cannot be determined exactly at the year end.

Provisions for taxes include the liability for probable taxes, the amounts and dates of occurrence of which cannot be determined exactly, such as liabilities for probable tax assessments or litigation pending, valued on the basis of their foreseeable outcome.

STAFF LEAVING INDEMNITY (T.F.R.)

Provision is made for the liability towards personnel on the basis of the length of service of each employee at the balance sheet date, in compliance with article 2120 of the Italian Civil Code and national and company-wide labour contracts in force at the balance sheet date.

FINANCIAL DERIVATIVES CONTRACTS

Forward exchange agreements are valued as follows:

- a) if entered into to hedge for accounts payable and receivable, consistently with the accounting policies applied to the underlying assets and liabilities;
- b) if entered into to hedge for projected exports, any exchange differences realised during the period on those transactions are recorded as adjustments to the value of sales revenue in that they are considered to be of a commercial nature; the premium or discount accruing on contracts still outstanding at the period end is taken to the income statement and recorded within financial income or charges;
- c) if entered into for trading purposes, consistently with the accounting policies applied to the receivables and payables denominated in foreign currency.

Derivative contracts hedging for interest rate risks are valued under the same accounting policies as the liabilities hedged.

DIVIDENDS

Dividends and the related tax credits are accounted for when collected.

COSTS AND REVENUE

Costs and revenue are recognised in accordance with the principle of prudence, on an accrual basis, and the relevant prepayments, accruals and deferrals are accounted for.

Revenue from sales is recognised on transfer of ownership, which generally corresponds to shipment. Revenue from services is recognised at the time the service is rendered.

INFRA-GROUP TRANSACTIONS

In compliance with CONSOB's Recommendations dated 20 February 1997 (DAC/97001574) and 27 February 1998 (DAC/98015375), we state that:

- a) transactions with Group companies and related parties during the period gave rise to trading, financing or consulting receivables/payables and were carried out, on an arm's length basis, in the economic interests of the individual entities involved;

- b) there were no unusual transactions beyond the scope of the ordinary course of business and the interest rates (receivable and payable) and terms applied in financing transactions between the various entities were at arm's length.

CURRENT INCOME TAXES

Current income taxes are provided for on the basis of an estimate of taxable income in consideration of applicable exemptions and tax credits in compliance with the existing legislation.

DEFERRED TAXES

Deferred taxes are provided for temporary differences between the result of operations as per the statutory accounts and taxable income. The contingent fiscal benefit connected with both temporary differences and losses available for carryforward is accounted for when reasonable certainty exists that sufficient taxable income will be available in future to allow their recovery.

Deferred tax liabilities are provided for on a specific line under heading B) of the liability section of the balance sheet, deferred tax assets are recorded within other debtors on line C.II.5 of the assets section.

ITEMS 2-3 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
INTANGIBLE ASSETS

	Historical cost	Beginning balance	Increases	Own work	Decreases	Other changes	Ending balance
1) TOTAL START-UP AND EXPANSION COSTS							
RESEARCH, DEVELOPMENT AND DESIGNING EXPENSES	411,592	320,597	5,000		-83,318		242,279
2) TOTAL RESEARCH, DEVELOPMENT AND ADVERTISING	411,592	320,597	5,000		-83,318		242,279
3) TOTAL INDUSTRIAL PATENT RIGHTS	402,614	224,176	110,887		-107,391		227,672
4) TOTAL CONCESSIONS, LICENCES, TRADEMARKS	3,214,326	1,603,825	406,058		-725,220	-5,914	1,278,749
5) TOTAL GOODWILL							
ASSETS UNDER CONSTRUCTION AND ADVANCES	241,511	241,511	1,417,240	-420,213			1,238,538
6) TOTAL ASSETS UNDER CONSTRUCTION AND ADVANCES	241,511	241,511	1,417,240	-420,213			1,238,538
LEASEHOLD IMPROVEMENTS	45,109	2,211			-1,425	-786	
ADJUSTMENT FOR COMPLIANCE WITH THE LAW	261,372	118,946		9,192	-59,389	-21,783	46,966
COMPONENTS, MOULDS, AND EQUIPMENT	1,578,093	981,584	92,465		-391,550	-10,254	672,245
OTHER DEFERRED CHARGES	1,478,005	1,050,007		411,021	-377,805		1,083,223
7) TOTAL OTHER INTANGIBLE ASSETS	3,362,578	2,152,748	92,465	420,213	-830,169	-32,823	1,802,434
INTANGIBLE ASSETS	7,632,622	4,542,857	2,031,650	0	-1,746,098	-38,737	4,789,672

Historical costs relates to the original cost of individual items capitalised that were not fully amortised at the beginning of the year.

Increases, comprising purchase costs and internal costs, totalled Euro 2.03m and are detailed as follows:

- Euro 0.111m for research and patent applications;
- Euro 0.406m for software licences, among which the most significant item was Euro 0.116m relating to licences and software for the new internet platform for the sales function;
- Euro 1.417m relates, for an amount of Euro 1.006m, to materials, external services and internal costs relating to the capitalisation of costs for designing new product lines developed in connection with similar projects started by customers;
- Euro 0.092m for cost sharing of construction and installation of equipment used by our suppliers. This relates mainly to new products;
- with reference to own work capitalised during the year, the amount of Euro 0.411m stated within other deferred charges relates to the cost of implementation of the internet platform for the sales function.

Eliminato: W

Amounts expensed during the year are shown as decreases, and calculated with reference to the estimated useful life.

ITEM 3 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
COMPOSITION OF THE ITEMS 'START-UP AND EXPANSION COSTS'
AND 'RESEARCH, DEVELOPMENT AND ADVERTISING EXPENSES'

RESEARCH, DEVELOPMENT AND ADVERTISING EXPENSES

'Research, development and designing costs' as at 31 December 2002 includes:

- Remote vehicle surveillance system: Euro 0.004m.
- Tyre control project: Euro 0.051m.
- PTX 200 MR3 project (construction equipment axle): Euro 0.120m.
- PTX 200 CV2 project (hydrostatic transmission): Euro 0.063 m.
- Development and designing of new products: Euro 0.004m.

Amortisation allowances totalled Euro 0.083m and are equal to a straight-line rate of 20% of historical cost.

Advertising expenses have not been capitalised.

Eliminato: .

ITEM 2 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
TANGIBLE ASSETS

Description	Beginning balance	Additions	Internal construction	Decreases	Reclassification	Ending balance
INDUSTRIAL LAND	1,013,136	1,158,909		-33,739		2,138,306
INDUSTRIAL BUILDINGS	14,301,482	70,227	82,520	-870,218		13,584,011
OTHER BUILDINGS		380,900				380,900
SITE AND YARD INSTALLATIONS	959,750	2,023	141,610	-104,522		998,861
LIGHTWEIGHT CONSTRUCTION	208,612	2,030		-66,019		144,623
1) TOT. LAND AND BUILDINGS	16,482,980	1,614,089	224,130	-1,074,498		17,246,701
GENERIC PLANT	6,636,809	168,635	83,676	-318,585		6,570,535
SPECIFIC PLANT	8,642,573	368,402	5,339	-169,813		8,846,501
LARGE SPECIFIC PLANT	5,874,564		36,297			5,910,861
KILNS	175,647	6,714		-154,522		27,839
WATER TREATMENT PLANT	311,352			-51,792		259,560
TOTAL PLANT	21,640,945	543,751	125,312	-694,712		21,615,296
AUTOMATED MACHINERY	33,435,892	1,692,474	52,570	-4,428,160		30,752,776
GENERIC MACHINERY	2,847,516	13,279		-212,963		2,647,832
TOTAL MACHINERY	36,283,408	1,705,753	52,570	-4,641,123		33,400,608
2) TOT. PLANT AND MACHINERY	57,924,353	2,249,504	177,882	-5,335,835		55,015,904
SPECIFIC TOOLS FOR MACHINES	8,247,273	239,365	75,949	-253,465		8,309,122
TOOLS	6,193,181	101,800		-1,610,336		4,684,645
LABORATORY EQUIPMENT AND TOOLS	3,634,817	209,202		-335,628		3,508,391
MISCELLANEOUS TOOLS	3,825,632	91,535		-135,616		3,781,551
CANTEEN EQUIPMENT	138,237	2,356				140,593
WAREHOUSE AND OTHER	3,031,032	95,378		-122,689		3,003,721
TRANSPORT EQUIPMENT						
MOULDS	1,884,724	190,155		-13,309		2,061,570
CAST MOULDS	16,104,887	2,369,178		-5,877		18,468,188
3) TOT. INDUSTRIAL EQUIPMENT	43,059,783	3,298,969	75,949	-2,476,920		43,957,781
OFFICE FURNITURE AND FIXTURES	1,653,828	20,629		-49,202		1,625,255
WORKSHOP FURNITURE AND FIXTURES	788,138	96,254		-82,348		802,044
TOTAL FURNITURE AND FIXTURES	2,441,966	116,883		-131,550		2,427,299
ORDINARY OFFICE MACHINES	19,865			-4,182		15,683
ELECTRONIC OFFICE MACHINES	9,522,478	322,617		-232,432		9,612,663
TOTAL OFFICE MACHINES	9,542,343	322,617		-236,614		9,628,346
PASSENGER VEHICLES	592,382	75,814		-51,113		617,083
TRANSPORT VEHICLES	20,297			-404		19,893
FORKLIFT TRUCKS	487,801			-80,002		407,799
TOTAL VEHICLES	1,100,480	75,814		-131,519		1,044,775
4) TOT. OTHER ASSETS	13,084,789	515,314		-499,683		13,100,420
INTERNAL CONSTRUCTION	120,813	782,948	-477,961			425,800
ADVANCES	501,016	580,441				1,081,457
5) ASSETS UNDER CONSTRUCTION AND ADVANCES	621,829	1,363,389	-477,961			1,507,257
TANGIBLE ASSETS	131,173,734	9,041,265	0	-9,386,936		130,828,063

Additions, comprising purchases and internal costs, totalled Euro 9.041m and relate for the most part to the expansion of production capacity through purchases of and/or modifications to automatic machinery as well as equipment and tools for new products.

Additions include purchases, for an amount of Euro 0.063m, made in the first four months of 2002 at the manufacturing facility of Frassinoro (formerly Trenton S.r.l.), later sold to Meccanica Fananese S.r.l..

Among additions, significant were:

- Euro 0.507m for the purchase of land suitable for building in Campodarsego, following termination of the agreement with Locat for construction of new corporate headquarters;
- Euro 0.652m for the purchase of a parcel of land adjacent to the Campodarsego site, plus civil property built thereon purchased for Euro 0.381m;
- Euro 0.074m for improvements to and extraordinary maintenance of existing industrial buildings, yards and lightweight construction;
- Euro 0.234m per for improvements to specific plant existing at the Campodarsego and Gorizia sites; the remaining balance relates, for an amount of Euro 0.094m to increases at the Gorizia plant for the purchase of a new welding bench (Euro 0,049m), a new washing machine (Euro 0.091m), a new test bench (Euro 0.039m), and for an amount of Euro 0.020m to additions at the Frassinoro site;
- Euro 0.981m for a new automated work centre at the Campodarsego site, Euro 0.308m for two new automated work centres at the Gorizia site. The remaining balance of Euro 0.403m relates to extraordinary maintenance of and improvements to existing automated machinery;
- Over Euro 2.369m for increases and renovation of models and moulds.

Internal construction, capitalised for an amount of Euro 0.478m, includes direct purchases of specific materials and third party services, in addition to the cost of internal transformation and coded materials.

It relates mostly to improvements and modifications to buildings, land and yards, equipment, plant and machinery e equipment. as well as the installation of new machinery.

The carrying values of assets include revaluations computed in accordance with the law, detailed in the following schedules.

Decreases relate, for an amount of Euro 7.583m to assets sold with the manufacturing facility at Frassinoro (formerly Trenton S.r.l.) and for the remaining balance, equal to Euro 1.803m, to sales of assets considered no longer appropriate to the present manufacturing processes.

We point out that in 1994 and 1995 Carraro SpA acquired through leases plant and machinery for an initial principal value of Euro 8.961m. As at 31 December 2002, after redemptions and disposals, the net book value was Euro 7.453m. At that date the tangible assets would have been fully depreciated on the basis of a theoretical depreciation plan applicable if they had been treated as other additions during the period.

The theoretical depreciation allowance on those assets for 2002 would amount to Euro 0.250m, which would reduce the depreciation charge for the period.

Consequently, and taking into account the related tax effect, profit for the period would be Euro 0.177m lower, whereas shareholders' equity as at 31 December 2002 would be in line with the book value.

ITEM 2: NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
REVALUATION PURSUANT TO LAW No. 576/1975

Description	HISTORICAL COST		ACCUMULATED DEPRECIATION		NET BALANCE OF REVALUATION	
	Beginning balance	Ending balance	Beginning balance	Ending balance	Beginning balance	Ending balance
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 BUILDINGS	105,751	105,751	11,693	11,693	94,058	94,058
GENERIC PLANT	24,107	24,107	6,477	6,477	17,630	17,630
SPECIFIC PLANT	635	635	131	131	504	504
** TOTAL PLANT	24,742	24,742	6,608	6,608	18,134	18,134
AUTOMATED MACHINERY	3,099	0			3,099	0
GENERIC MACHINERY	14,826	14,826	4,394	4,394	10,432	10,432
**TOTAL MACHINERY	17,925	14,826	4,394	4,394	13,531	10,432
2) TOTAL PLANT AND MACHINERY	42,667	39,568	11,002	11,002	31,665	28,566
LABORATORY EQUIPMENT AND TOOLS	174	174	116	116	58	58
MISCELLANEOUS TOOLS	232	232	97	97	135	135
CANTEEN EQUIPMENT	202	202	61	61	141	141
WAREHOUSE AND OTHER TRANSPORT EQUIPMENT	2,016	2,016	512	512	1,504	1,504
3) TOTAL INDUSTRIAL AND COMMERCIAL EQUIPMENT	2,624	2,624	786	786	1,838	1,838
OFFICE FURNITURE AND FIXTURES	3,284	3,284	1,892	1,892	1,392	1,392
WORKSHOP FURNITURE AND FIXTURES	547	547	262	262	285	285
**TOTAL FURNITURE AND FIXTURES	3,831	3,831	2,154	2,154	1,677	1,677
ORDINARY OFFICE MACHINES	159	159	87	87	71	71
ELECTRONIC OFFICE MACHINES	2,833	2,833	1,740	1,740	1,093	1,093
**TOTAL OFFICE MACHINES	2,992	2,992	1,827	1,827	1,165	1,165
TOTAL OTHER ASSETS	6,823	6,823	3,981	3,981	2,842	2,842
TOTAL BII	157,865	154,766	27,462	27,462	130,403	127,304

ITEM 2: NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
REVALUATION PURSUANT TO LAW No. 72/1983

Description	HISTORICAL COST		ACCUMULATED DEPRECIATION		NET BALANCE OF REVALUATION	
	Beginning balance	Ending balance	Beginning balance	Ending balance	Beginning balance	Ending balance
INDUSTRIAL LAND	16,390	16,390	1,838	1,838	14,552	14,552
INDUSTRIAL BUILDINGS	447,008	447,008	87,166	87,166	359,842	359,842
1) TOTAL LAND AND BUILDINGS	463,398	463,398	89,004	89,004	374,394	374,394
GENERIC PLANT	105,362	105,362	58,946	58,946	46,416	46,416
SPECIFIC PLANT	23,269	23,269	6,117	6,117	17,152	17,152
KILNS	773	773	167	167	606	606
WATER TREATMENT PLANT	7	7	1	1	6	6
** TOTAL PLANT	129,411	129,411	65,231	65,231	64,180	64,180
AUTOMATED MACHINERY	97,244	97,244	31,516	31,516	65,728	65,728
GENERIC MACHINERY	68,940	65,634	32,476	31,897	36,464	33,737
**TOTAL MACHINERY	166,184	162,878	63,992	63,413	102,192	99,465
2) TOTAL PLANT AND MACHINERY	295,595	292,289	129,223	128,644	166,372	163,645
SPECIFIC TOOLS FOR MACHINES	185,891	185,891	127,144	127,144	58,747	58,747
TOOLS	119,081	119,081	56,528	56,528	62,553	62,553
LABORATORY EQUIPMENT AND TOOLS	13,751	13,751	5,684	5,684	8,067	8,067
MISCELLANEOUS TOOLS	26,113	26,113	12,639	12,639	13,474	13,474
CANTEEN EQUIPMENT	3,204	3,204	1,483	1,483	1,721	1,721
WAREHOUSE AND OTHER TRANSPORT EQUIPMENT	57,049	57,079	28,997	28,997	28,052	28,082
MOULDS	21,333	21,333	9,809	9,809	11,524	11,524
CAST MOULDS	119,566	119,566	59,164	59,164	60,402	60,402
3) TOT. INDUSTRIAL EQUIPMENT	545,988	546,018	301,448	301,448	244,540	244,570
OFFICE FURNITURE AND FIXTURES	19,391	19,391	11,283	11,283	8,108	8,108
WORKSHOP FURNITURE AND FIXTURES	5,290	5,290	2,315	2,315	2,975	2,975
**TOTAL FURNITURE AND FIXTURES	24,681	24,681	13,598	13,598	11,083	11,083
ORDINARY OFFICE MACHINES	867	867	560	560	307	307
ELECTRONIC OFFICE MACHINES	31,157	31,157	14,434	14,434	16,723	16,723
**TOTAL OFFICE MACHINES	32,024	32,024	14,994	14,994	17,030	17,030
TRANSPORT VEHICLES	0	0	0	0	0	0
FORKLIFT TRUCKS	6,515	6,515	2,686	2,686	3,829	3,829
**TOTAL VEHICLES	6,515	6,515	2,686	2,686	3,829	3,829
TOTAL OTHER ASSETS	63,220	63,220	31,278	31,278	31,942	31,942
TOTAL BII	1,368,201	1,364,925	550,953	550,374	817,248	814,551

ITEM 2: NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
 REVALUATION PURSUANT TO LAW No. 413/1991

Description	HISTORICAL COST		ACCUMULATED DEPRECIATION		NET BALANCE OF REVALUATION	
	Beginning balance	Ending balance	Beginning balance	Ending balance	Beginning balance	Ending balance
INDUSTRIAL LAND	537,164	537,164			537,164	537,164
INDUSTRIAL BUILDINGS	1,826,924	1,826,924			1,826,924	1,826,924
SITE AND YARD INSTALLATIONS	25,237	25,237			25,237	25,237
LIGHTWEIGHT CONSTRUCTION	3,616	3,616			3,616	3,616
1) TOTAL LAND AND BUILDINGS	2,392,941	2,392,941			2,392,941	2,392,941
TOTAL BII	2,392,941	2,392,941			2,392,941	2,392,941

We point out that in 1976 a monetary revaluation was performed pursuant to Law No. 576/75 that gave a credit balance of Euro 230,122 in Carraro S.p.A. and of Euro 129,114 in the merged company Carraro PNH S.p.A.. During 1983 assets were revalued pursuant to Law No. 72/83 and this gave a credit balance of Euro 2,386,070 in Carraro S.p.A.. The revaluation balances relating to these laws were used in Carraro S.p.A. during 1984 for a free capital increase.

During 1991 Carraro S.p.A. revalued property pursuant to Law No. 413/91 and this gave a credit balance of Euro 1,084,804 before substitute tax of Euro 173,569. By a resolution taken on 31 May 1995 it was used for a free capital increase. During 1991 the merged company Carraro PNH S.p.A. revalued property pursuant to Law No. 413/91 and this gave a credit balance of Euro 1,312,399.

In compliance with the provisions of art. 10 Law No. 72/93, the schedules set out above indicate the categories of assets on the balance sheet as at 31 December 2002 that were subject to revaluation in the past and the related amounts.

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ITEM 2 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
ACCUMULATED ORDINARY DEPRECIATION OF TANGIBLE ASSETS

	<u>beginning balance</u>	<u>depreciation</u>	<u>decreases</u>	<u>reclassifications</u>	<u>Reversal of accelerated depreciation</u>	<u>ending balance</u>	<u>Eliminato: absorption</u>
INDUSTRIAL LAND	8,302					8,302	
INDUSTRIAL BUILDINGS	4,716,744	414,322	-224,117			4,906,949	
SITE AND YARD INSTALLATIONS	436,476	80,946	-30,361			487,061	
LIGHTWEIGHT CONSTRUCTION	66,960	15,162	-19,326			62,796	
1) TOTAL LAND AND BUILDINGS	5,228,482	510,430	-273,804			5,465,108	
GENERIC PLANT	4,735,303	391,612	-219,734		1	4,907,182	
SPECIFIC PLANT	5,310,602	631,302	-84,734		7	5,857,177	
LARGE SPECIFIC PLANT	4,611,985	357,546			110,897	5,080,428	
KILNS	157,638	2,479	-142,476		122	17,763	
WATER TREATMENT PLANT	272,940	7,688	-39,076		965	242,517	
TOTAL PLANT	15,088,468	1,390,627	-486,020		111,992	16,105,067	
AUTOMATED MACHINERY	26,256,570	1,879,418	-3,955,398		420,170	24,600,760	
GENERIC MACHINERY	2,295,498	142,782	-156,613			2,281,667	
TOTAL MACHINERY	28,552,068	2,022,200	-4,112,011		420,170	26,882,427	
2) TOT PLANT AND MACHINERY	43,640,536	3,412,827	-4,598,031		532,162	42,987,494	
SPECIFIC TOOLS FOR MACHINES	7,508,246	246,222	-228,519		145,232	7,671,181	
TOOLS	5,949,118	97,953	-1,572,793		51,344	4,525,622	
LABORATORY EQUIPMENT AND TOOLS	3,388,538	116,426	-296,303		56,208	3,264,869	
MISCELLANEOUS TOOLS	3,610,590	69,488	-122,451		56,315	3,613,942	
CANTEEN EQUIPMENT	132,832	4,143			167	137,142	
WAREHOUSE AND OTHER	2,879,086	88,279	-103,459		23,707	2,887,613	
TRANSPORT EQUIPMENT							
MOULDS	1,496,903	126,410	-13,309		67,273	1,677,277	
CAST MOULDS	11,163,805	1,707,215	-1,948		579,358	13,448,430	
3) TOTAL INDUSTRIAL EQUIPMENT	36,129,118	2,456,136	-2,338,782		979,604	37,226,076	
OFFICE FURNITURE AND FIXTURES	1,310,192	85,262	-35,093		164	1,360,525	
WORKSHOP FURNITURE AND FIXTURES	571,494	77,722	-59,546		94	589,764	
TOTAL FURNITURE AND FIXTURES	1,881,686	162,984	-94,639		258	1,950,289	
ORDINARY OFFICE MACHINES	19,058	314	-4,003		5	15,374	
ELECTRONIC OFFICE MACHINES	7,514,866	541,949	-188,144		197,985	8,066,656	
TOTAL OFFICE MACHINES	7,533,924	542,263	-192,147		197,990	8,082,030	
PASSENGER CARS	471,385	41,073	-51,113		9,896	471,241	
TRANSPORT VEHICLES	20,297		-404			19,893	
FORKLIFT TRUCKS	452,083	6,458	-68,024		5,277	395,794	
TOTAL VEHICLES	943,765	47,531	-119,541		15,173	886,928	
4) TOTAL OTHER ASSETS	10,359,375	752,778	-406,327		213,421	10,919,247	
ACCUMULATED DEPRECIATION	95,357,511	7,132,171	-7,616,944		1,725,187	96,597,925	

Accumulated ordinary depreciation increased by the depreciation charge for the period of Euro 8.857m, which reflects the real degree of depreciation of assets and corresponds to the amount computed applying the maximum fiscally allowable rates (Gruppo VII, specie 2a, DM 31/12/88). Of the above amount, Euro 7.132m is fiscally deductible ordinary depreciation and Euro 1.725m is not fiscally deductible, because already deducted for tax purposes in previous years due to the application of accelerated depreciation.

Decreases relate to disposals of assets and amounted to Euro 7.617m, whereof Euro 5.888m relates to assets sold with the manufacturing facility at Frassinoro (formerly Trenton S.r.l.).

Assets purchased in 2002 with unit value lower than Euro 516 have been fully depreciated.

In 2002 Carraro S.p.A. did not deduct accelerated depreciation in computing income tax.

ITEM 2 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
FINANCIAL ASSETS

	<u>beginning balance</u>	<u>increases</u>	<u>write-downs/revaluations</u>	<u>decreases</u>	<u>ending balance</u>
BIIL.1 EQUITY INTERESTS					
SIAP SPA	11,747,161				11,747,161
CARRARO DEUTSCHLAND GMBH	21,041,025		-12,147,935		8,893,090
CARRARO INDIA PRIVATE LTD.	3,180,796	1,331,907	-1,679,703		2,833,000
CARRARO ARGENTINA S.A.		35,061,840	-15,840,000		19,221,840
CARRARO INTERNATIONAL S.A.	9,850,000		-2,132,000		7,718,000
F.O.N. S.A.	1,930,471	21,101	-511,504	-170,068	1,270,000
A) SUBSIDIARIES	<u>47,749,453</u>	<u>36,414,848</u>	<u>-32,311,142</u>	<u>-170,068</u>	<u>51,683,091</u>
AGRITALIA SPA	1,864,409	966,570			2,830,979
ELCON SRL	12,860		-12,859		1
B) ASSOCIATED COMPANIES	<u>1,877,269</u>	<u>966,570</u>	<u>-12,859</u>		<u>2,830,980</u>
C) PARENT COMPANIES					
D) OTHER EQUITY INTERESTS					
	48,814	37,027			85,841
E) COMMITMENTS TO PURCHASE EQUITY INTERESTS					
TOTAL BIIL.1 EQUITY INTERESTS	<u>49,675,536</u>	<u>37,418,445</u>	<u>-32,324,001</u>	<u>-170,068</u>	<u>54,599,912</u>
BIIL.2.D. RECEIVABLES FROM OTHERS					
LOAN TO FOND. MONTELLO	1,032,914				1,032,914
ADVANCE PAYMENT OF EMPLOYEES' PERSONAL INCOME TAX (IRPEF) ON STAFF LEAVING INDEMNITY (T.F.R.)	837,476		25,462	-211,575	651,363
TOTAL BIIL.2.D RECEIVABLES FROM OTHERS	<u>1,870,390</u>		<u>25,462</u>	<u>-211,575</u>	<u>1,684,277</u>

The equity interest in Carraro India Ltd. increased by Euro 1.33m as a result of the purchase of the 15% interest held by Simest S.p.A. on 30 December 2002; following that purchase Carraro S.p.A. currently owns 51% of the equity and voting rights of the subsidiary; the remaining 49% is owned by Escorts Ltd..

The increase of the equity interest in Carraro Argentina S.A., equal to Euro 35.06m, was recorded on 26 February 2002 by the conversion of an existing Dollar-denominated loan from Carraro S.p.A.. The payment was appropriate to recapitalise the entity after its equity had been reduced to nil by the effect of losses from operations and of large exchange losses incurred after the peg of the Argentine Peso to the US Dollar was abandoned.

The decrease, equal to Euro 15.84m, corresponds to the utilisation of the specific provision set up as at 31 December 2001 for the part of impairment exceeding the net equity value that was generated in the previous year following the depreciation of the Peso against the Dollar; the exchange rate used already considered the loss coverage, recapitalisation and capital increase occurred in February 2002.

As at 31 December 2002, 93.9% of Carraro Argentina S.A. was owned by Carraro S.p.A., 6% by Simest S.p.A. and 0.1% by minority shareholders.

As at 31 December 2002, moreover, Carraro recorded write-downs for a total of Euro 16.47m of the following equity interests:

- Carraro Deutschland GmbH, for an amount of Euro 12.15m, to reflect the corresponding write-down recorded by the latter of the purchase cost of the subsidiary O&K Antriebstechnik GmbH & Co. KG, following the assessment of impairment losses. Those losses are attributable to the economic and financial conditions of the subsidiary, taking into account the restructuring and reorganisation under way, and an assessment of the forecast results of its operations for the next five years based on updated business plans;
- Carraro India Ltd., for an amount of Euro 1.68m, to reflect Carraro's share in the losses accumulated by the entity; in spite of the positive outlook for operating results, based on the business plans, it is not possible to forecast that the reasons therefor will be eliminated in a short timeframe;
- Carraro International S.A., for an amount of Euro 2.13m, as a result, in addition to the accumulated losses, of the decrease in equity due to the write-down of its equity interest in Carraro Korea Ltd.;

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- F.O.N., Fabryka Osi Napędowych S.A., for an amount of Euro 0.51m, to reduce the carrying value of the investment to its lower equity value, due to the loss reported for 2002, which we do not expect can be recovered in the medium term. We note that following the agreement on the adjustment to the original price paid for the investment reached with the seller Pekao Fundusz Kapitałowy Sp. Zoo. on 29 May 2002, the carrying value of the equity interest was written down to Euro 0.17m. In the course of the year, moreover, Carraro purchased from third parties an additional 7,292 shares, for a total of Euro 0.02m, equal to 1.033% of share capital, thus raising the interest held to 84.788% as at 31 December 2002;
- Elcon S.r.l., for an amount of Euro 0.013m, because the entity's equity was reduced to nil by the losses accumulated to 31 December 2001.

As for changes in equity interests in associated companies, we note that:

- the equity interest in Agritalia S.p.A. increased by Euro 0.967m in relation to a capital contribution towards capital increase made on 1 October 2002;
- the equity interest in Elcon S.r.l. was written off after the entity's equity was reduced to nil by the losses accumulated to 31 December 2001.

Receivables from others relate to a loan to the former subsidiary Fonderie del Montello S.p.A. for an original amount of Euro 3.615m. The balance receivable as at 31 December 2002 was Euro 1.033m.

The advance payment of employees' personal income tax (IRPEF) on staff leaving indemnity (T.F.R.), required by the Budget Law for 1997, was computed in accordance with the provisions of the law.

ITEM 5 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
LIST OF EQUITY INTERESTS

For the list of directly or indirectly held equity interests required by art. 2427 of the Civil Code, we make reference to the attached schedule pursuant to art. 126 of CONSOB Resolution No. 11971/99 and subsequent amendments.

EQUITY INTERESTS IN OTHER COMPANIES

Legal name	Registered office	Currency	Carrying value
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
Conorzio 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

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ITEM 4 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
CHANGES IN ASSETS AND LIABILITIES

	<u>beginning balance</u>	<u>change</u>	<u>ending balance</u>
<u>C.I INVENTORY</u>			
1) RAW MATERIALS AND CONSUMABLES	16,747,725	1,490,308	18,238,033
2) WORK IN PROGRESS AND SEMI-FINISHED PRODUCTS	7,048,069	1,679,119	8,727,188
3) CONTRACTED WORK IN PROGRESS	0	0	0
4) FINISHED PRODUCTS AND GOODS	9,163,672	-133,255	9,030,417
5) ADVANCES	0	0	0
6) GOODS IN TRANSIT	62,562	90,212	152,774
INVENTORY	<u>33,022,028</u>	<u>3,126,384</u>	<u>36,148,412</u>

The balance of inventory as at 31 December 2002 was Euro 36.148m, versus Euro 33.022m as at 31 December 2001.

The provision for obsolescence, recorded to adjust the value of obsolete and slow-moving inventory to net realisable value, was equal to Euro 2.60m as at 31 December 2002 and is detailed as follows:

- for raw materials and consumables: Euro 0.90m;
- for work in progress: Euro 0.10m;
- for finished products: Euro 1.60m.

The overall accrual for the period to the provision was equal to Euro 0.757m.

ITEM 4 - 6 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
CHANGES IN VALUES AND DUE DATES OF ASSETS AND LIABILITIES

<u>C II. RECEIVABLES</u>	<u>beginning balance</u>	<u>change</u>	<u>ending balance</u>	<u>falling due after more than one year</u>
1) TRADE DEBTORS				
DOMESTIC	11,142,673	11,404,754	22,547,427	
FOREIGN	42,438,824	3,691,837	46,130,661	
IN LITIGATION	5,827	163,305	169,132	
TOTAL TRADE DEBTORS	53,587,324	15,259,896	68,847,220	
<u>CASH ORDERS PRESENTED AT BANKS</u>	<u>325,580</u>	<u>-72,056</u>	<u>253,524</u>	
BILLS ON HAND	220,752	-43,690	177,062	
DEBIT NOTES TO BE ISSUED TO DOMESTIC DEBTORS	-5	44,122	44,117	
DEBIT NOTES TO BE ISSUED TO FOREIGN DEBTORS	1,170,412	-872,685	297,727	
CREDIT NOTES TO BE ISSUED TO DOMESTIC DEBTORS	-4,176	-7,782	-11,958	
CREDIT NOTES TO BE ISSUED TO FOREIGN DEBTORS	-92,729	-918,200	-1,010,929	
EXCHANGE RATE ADJUSTMENTS TO FOREIGN DEBTORS	325,271	-1,500,389	-1,175,118	
TOTAL OTHER	1,398,773	-3,254,934	-1,856,161	
STM SRL	9,362	19,211	28,573	
DEBIT NOTES TO BE ISSUED TO STM SRL	7	23	30	
TKM SRL	1,840	5,905	7,745	
RECEIVABLES FROM RELATED PARTIES	11,208	25,140	36,348	
LESS: BAD DEBT PROVISION	-2,480,926	493,912	-1,987,014	
TOTAL 1) TRADE DEBTORS	53,062,711	12,408,268	65,470,979	
2) RECEIVABLES FROM SUBSIDIARIES:				
CARRARO INDIA LTD.	1,178,804	1,505,819	2,684,623	
SIAP SPA	440,433	35,407	475,840	
CARRARO N.A. INC.	1,863,761	-1,394,168	469,593	
CARRARO ARGENTINA S.A.	4,717,667	-1,706,834	3,010,833	
CARRARO INTERNATIONAL S.A.	77,469	-77,162	307	
CARRARO KOREA Inc,	24,469	30,581	55,050	
O&K Antriebstechnik GmbH	118,216	507,213	625,429	
F.O.N. S.A.	32,792	105,027	137,819	
TOTAL TRADING RECEIVABLES	8,453,611	-994,117	7,459,494	
LOANS TO SIAP SPA	22,558,000	-4,659,760	17,898,240	
LOANS TO F.O.N.	1,690,000	335,000	2,025,000	
LOANS TO CARRARO ARGENTINA	35,061,840	-35,061,840		
LOAN TO CARRARO KOREA		830,000	830,000	
TOTAL FINANCING RECEIVABLES	59,309,840	-38,556,600	20,753,240	
DEBIT NOTES TO BE ISSUED TO SIAP SPA	1,643	-8	1,635	
DEBIT NOTES TO BE ISSUED TO CARRARO N.A. INC.		4,647	4,647	
DEBIT NOTES TO BE ISSUED TO F.O.N.		491	491	
DEBIT NOTES TO BE ISSUED TO O&K		21,425	21,425	
DEBIT NOTES TO BE ISSUED TO CARRARO INDIA	52,820	-52,820		
DEBIT NOTES TO BE ISSUED TO CARRARO ARGENTINA	220,572	-201,975	18,597	
DEBIT NOTES TO BE ISSUED TO CARRARO KOREA	0	3,114	3,114	
EXCHANGE RATE ADJUSTMENTS TO CARRARO N.A. INC. ACCOUNTS	30,964	-53,663	-22,699	
EXCHANGE RATE ADJUSTMENTS TO CARRARO INDIA ACCOUNTS	25,878	-257,658	-231,780	
EXCHANGE RATE ADJUSTMENTS TO CARRARO ARGENTINA ACCOUNTS	15,163	-194,429	-179,266	
CREDIT NOTES TO BE ISSUED TO SIAP SPA	-1,187	1,187		
CREDIT NOTES TO BE ISSUED TO CARRARO ARGENTINA		-139	-139	
TOTAL OTHER	345,853	-729,828	-383,975	
TOTAL 2) RECEIVABLES FROM SUBSIDIARIES	68,109,304	-40,280,545	27,828,759	

Eliminato: BILLS

Eliminato: BY CUSTOMERS

<u>3) RECEIVABLES FROM ASSOCIATED COMPANIES:</u>	<u>beginning balance</u>	<u>change</u>	<u>ending balance</u>	<u>falling due after more than one year</u>
AGRITALIA SPA	2,878,908	-949,822	1,929,086	
ELCON SRL	6,016	73,407	79,423	
LOANS TO ELCON	103,291	0	103,291	
DEBIT NOTES TO BE ISSUED TO AGRITALIA SPA		9,185	9,185	
TOTAL 3) RECEIVABLES FROM ASSOCIATED COMPANIES	2,988,215	-867,230	2,120,985	
4) RECEIVABLES FROM PARENT COMPANIES:				
5) OTHER DEBTORS				
VAT FOR MONTHLY CREDIT SETTLEMENT	2,545,265	-1,762,204	783,061	
VAT CLAIMED FOR REFUND	2,991,499	-1,511,499	1,480,000	
IRPEG-IRAP CREDITS	3,154,424	-1,347,986	1,806,438	
IRPEG TAX WITHHELD	61,087	-32,434	28,653	
TAX CLAIMED FOR REFUND	45,045	-8,779	36,266	
EXPORT SUBSIDIES	464,662	26,050	490,712	
TAX PAID ABROAD	179,174	-179,174		
EXCISE DUTIES	151,909	-25,800	126,109	
DEFERRED TAX ASSETS	7,254,168	-2,863,373	4,390,795	
TOTAL RECEIVABLES FROM THE TREASURY	16,847,233	-7,705,199	9,142,034	
IFITALIA	12,680,285	-12,680,285		
FACTORED RECEIVABLES	12,680,285	-12,680,285		
VAT CLAIMED FOR REFUND ON FOREIGN SALES	58,423	12,178	70,601	
GUARANTEE DEPOSITS	48,364	716	49,080	49,080
OTHER MEDIUM-/LONG-TERM RECEIVABLES	100,359	0	100,359	100,359
EMPLOYEES	4,345	1,784	6,129	
SOCIAL SECURITY	94,556	120	94,676	
INSURERS	3,389	-198	3,191	
OTHER CURRENT RECEIVABLES	910,530	1,416,569	2,327,099	866,008
TOTAL OTHER	1,219,966	1,431,169	2,651,135	1,015,447
TOTAL 5) OTHER DEBTORS	30,747,484	-18,954,315	11,793,169	1,015,447
RECEIVABLES	154,907,714	-47,693,822	107,213,892	1,015,447

Trade debtors totalled Euro 65.470m, after a bad debt provision of Euro 1.987m.

The change during the period (Euro 12.41m) is almost entirely attributable to the fact that no receivables were factored as at 31 December 2002.

Receivables from subsidiaries amounted to Euro 27.835m, a decrease of Euro 40.280m mostly due to the conversion, on 26 February 2002 of the loan to Carraro Argentina S.A., equal to Euro 35.06m (USD 30.9m) into a loss coverage capital contribution. Apart from this, the change is attributable, in addition to the partial repayment to the loan to Siap S.p.A., to the granting of a loan to Carraro Korea Ltd. (Euro 0.83m) and to an increase in the loan to F.O.N. (Euro 0.335m).

With reference to 'Other debtors', we point out the reduction of the monthly VAT credit as a result of refunds received in the course of the year and of offsetting.

As at 31 December 2002 Carraro had not yet collected the following VAT refunds: 2nd quarter 2002 (Euro 0.930m) and 3rd quarter 2002 (Euro 0.550m).

Other significant decreases relate to the utilisation of receivable from the Treasury against lower tax advances paid in 2002 and the offsetting of tax liabilities. If tax payables and receivables had been thus offset also as at 31 December 2001, movements in IRPEG (corporation tax) and IRAP (trade income tax) credits would be detailed as follows:

	<u>beginning balance</u>	<u>change</u>	<u>ending balance</u>
IRPEG-IRAP credits	431,700	1,374,738	1,806,438

The item Other current receivables includes the balance due from Meccanica Fananese S.r.l. for the sale of the former Trenton business for an amount of Euro 1.811m, whereof Euro 0.866m falling due after more than one year.

Other debtors falling due after more than one year include guarantee deposits and an amount of Euro 0.1m due from the Treasury for registration tax claimed for refund.

Among changes during the period we note that receivables from Ifitalia S.p.A., previously booked against factored receivables, were nil as at 31 December 2002.

The amount of Euro 4.391m in deferred tax assets relates to advance tax paid on items of cost that will become tax deductible in fiscal 2003. Deferred tax assets are accounted for on the assumption that they will be recovered against future taxable income, which the company will be able to report based on the existing business plans.

ITEM 4 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
CHANGES IN ASSETS AND LIABILITIES

	<u>beginning balance</u>	<u>change</u>	<u>ending balance</u>
C III. SHORT-TERM INVESTMENTS			
1) INVESTMENTS IN SUBSIDIARIES		196,550	196,550
2) INVESTMENTS IN ASSOCIATED COMPANIES			
3) OTHER INVESTMENTS			
4) OWN SHARES			
5) OTHER SECURITIES	25,321,849	-6,431,111	18,890,738
TOTAL CIII. SHORT-TERM INVESTMENTS	25,321,849	-6,234,561	19,087,288
C IV. CASH AND BANK			
BANK DEPOSITS (SEE DETAILS)	9,985,410	-5,998,309	3,987,101
POSTAL DEPOSITS	967	240	1,207
1) BANK AND POSTAL DEPOSITS	9,986,377	-5,998,069	3,988,308
2) CHEQUES			
3) CASH ON HAND	17,169	13,873	31,042
TOTAL CIV. CASH AND BANK	10,003,546	-5,984,196	4,019,350

The balance of Euro 0.197m of investments in subsidiaries relates to the subscription, in the first half of 2002, of capital stock of Carraro PNH Components India Ltd. through the conversion of existing receivables from that company. The investment is stated within current assets because it is destined for sale.

The decrease in cash on bank deposits is related to the similar change in borrowings from banks. Overall, as detailed in the schedule on the net financial position accompanying the financial statements schedules, net bank debts decreased from Euro 94.6m as at 31 December 2001 to Euro 65.8m as at 31 December 2002 as a result of both a reduction in securities holdings and loans given, and of an increase in working capital surplus also following collection of VAT refunds.

The balance of 'Other securities' is detailed as follows:

SECURITIES HOLDINGS
AS AT 31 DECEMBER 2002

Certificates of Credit of the Treasury 3.30% Cod. 36729 expiration 1 January 2003 Withholding tax rate 12.50% Face value Euro 62,000 Price paid 101.10	62,009
Certificates of Credit of the Treasury 3.30% Cod. 36729 expiration 1 January 2003 Withholding tax rate 12.50% Face value Euro 1,075,000 Price paid 101.15	1,075,150
Certificates of Credit of the Treasury 3.30% Cod. 36729 expiration 1 January 2003 Withholding tax rate 12.50% Face value Euro 95,545 Price paid 100.3319	95,558
Treasury bonds (BTP) 4.75% Cod. 1224283 expiration 1 May 2003 Withholding tax rate 12.50% Face value Euro 929,621 Price paid 99.64	929,399
Certificates of Credit of the Treasury Cod. 367638 expiration 1 January 2007 Face value Euro 73,000	73,000

Eliminato:

Eliminato: ¶

Commercial credit policies	
Face value Euro 16,700,000	16,655,622
<hr/>	
TOTAL OTHER SECURITIES AS AT 31 December 2002	18,890,738

Most Treasury securities are pledged as guarantee in favour of banks that gave sureties against facilitated loans accorded by Special Credit Institutions to Carraro S.p.A. and its subsidiaries.
Certificates of Credit of the Treasury of Euro 73,000 relate to a tax refund received by the merged entity Carraro PNH S.p.A. and are valued at cost.

Receivables from banks and the postal service for deposits or current accounts are stated at estimated realisable value. Cash is stated at nominal value.

The balance of Euro 16,656m relates to an investment in commercial credit policies secured by guarantees.

ITEM 4-7 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
CHANGES IN ASSETS AND LIABILITIES AND COMPOSITION OF BALANCES

A) SHAREHOLDERS' EQUITY

	<u>beginning</u> <u>balance</u>	<u>reclassifications</u>	<u>increases</u>	<u>decreases</u>	<u>dividends</u>	<u>ending</u> <u>balance</u>
I. SHARE CAPITAL	21,840,000					21,840,000
II. SHARE PREMIUM RESERVE	17,833,456					17,833,456
III REVALUATION RESERVE						
IV. LEGAL RESERVE	3,120,088					3,120,088
V. RESERVE FOR OWN SHARES IN PORTFOLIO						
VI. STATUTORY RESERVES						
EXTRAORDINARY RESERVE	10,103,918	-8,904,611	2,024,246			3,223,553
RESERVE FROM ACCELERATED DEPRECIATION	7,530,798			-2,024,246		5,506,552
RESERVE FROM EXTRAORDINARY INCOME AS PER ART. 55/597	513,741					513,741
RESERVE FROM MERGER SURPLUS	8,242,425	-8,242,425				
PAYMENTS FROM SHAREHOLDERS TOWARDS SHARE CAPITAL INCREASE						
VII. OTHER RESERVES	26,390,882	-17,147,036	2,024,246	-2,024,246		9,243,846
VIII. PROFITS/(LOSSES) CARRIED FORWARD	-17,147,036	17,147,036				
IX. PROFIT/LOSS FOR THE PERIOD			-8,971,680			-8,971,680
SHAREHOLDERS' EQUITY	52,037,390		-6,947,434	-2,024,246		43,065,710

Share capital is made up of 42,000,000 ordinary shares of nominal Euro 0.52 each.

At the Annual General Meeting held on 14 May 2002, the shareholders resolved to cover the loss for the year 2001 as follows:

- Euro 8,242,425 through the utilisation of the entire merger surplus reserve;
- Euro 8,904,611 through the utilisation of part of the extraordinary reserve.

The fiscal position, as represented in the tax return for fiscal 2001, shows:

- Full tax credit (basket A) of Euro 6,077,179;
- Limited tax credit (basket B) of Euro 9,961,921.

The reserve from accelerated depreciation has been reclassified as extraordinary reserve for an amount of Euro 2.024m, whereof Euro 1.725m relating to depreciation charged to the income statement for statutory purposes in excess of the fiscally deductible allowance and Euro 0.299m relating to disposals of depreciable assets that were subjected to accelerated depreciation in the past.

No deferred tax assets have been provided for the undistributed reserves because for the time being they are not planned to be distributed.

ITEM 4-7 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
CHANGES IN ASSETS AND LIABILITIES

	<u>beginning</u> <u>balance</u>	<u>increases</u>	<u>transfers</u>	<u>decreases</u>	<u>0.5% INPS</u> <u>charge</u> <u>and pension</u> <u>fund</u>	<u>ending</u> <u>balance</u>
B. PROVISIONS FOR RISKS AND CHARGES						
1) PROVISION FOR PENSIONS						
PROVISION FOR TAXES	258,228			-258,228		
PROVISION FOR DEFERRED TAXES						
2) PROVISIONS FOR TAXES	258,228			-258,228		
PRODUCT WARRANTY PROVISION	2,750,000	2,849,263		-2,315,263		3,284,000
PROVISION FOR RESTRUCTURING	1,320,000			-467,904		852,096
PROVISION FOR LOSSES FROM PARTICIPATING INTERESTS	15,840,000			-15,840,000		
3) OTHER PROVISIONS	19,910,000	2,849,263		-18,623,167		4,136,096
TOTAL B	20,168,228	2,849,263		-18,881,395		4,136,096
C. STAFF LEAVING INDEMNITY (T.F.R.)						
WORKERS	7,146,591	1,123,452	-452,968	-685,830	-291,761	6,839,484
CLERKS AND EXECUTIVES	4,343,710	862,838	-98,442	-867,368	-195,780	4,044,958
TOTAL C	11,490,301	1,986,290	-551,410	-1,553,198	-487,541	10,884,442

On 25 June 1998 the regional tax police (*Nucleo Regionale della Polizia Tributaria*) of Venice completed a general audit at Carraro S.p.A. relating to income and indirect taxes in respect of the years 1995, 1996 and 1997.

By accepting proposals for a court settlement (*Proposte di Conciliazione Giudiziale*) dated 30 September 2002, Carraro settled the fiscal years 1995 and 1996. On 10 October 2002 the company paid:

- Euro 0.421m in income tax of fiscal 1995;
- Euro 0.002m in VAT of fiscal 1996;
- Euro 0.141m in penalties;
- Euro 0.111m in interest.

Income tax of fiscal 1996 and 1997 and indirect taxes of fiscal 1997 were settled in the course of 2001.

As at 31 December 2002 there was no litigation pending with the tax authorities.

Following an injunction for payment received on 1 March 1996 from the Padua office of INPS, the national social security, for an amount of Euro 0.682m, for alleged omission to pay social charges, including related penalties, Carraro filed an appeal. The Magistrate's Court (Pretore) of Padua nullified the injunction, stating that the sums claimed by INPS were not due. Against this ruling INPS filed an appeal with the Appeals Court on 5 October 1999. The proceeding is now before the Court of Cassation for a final judgment. On the basis of the information currently available, our assessment that the claims by the national social security are groundless is unchanged and we do not believe, based on our consultants' opinion, that the risk profile of the litigation has changed.

We point out, with reference to the merged company Carraro PNH S.p.A., that the case brought against a leading audit firm was successfully concluded with a favourable ruling handed down by the Court of Cassation on 21 January 2002, and registered on 18 July 2002.

The product warranty provision was utilised for an amount of Euro 2.315m and later replenished for an amount of Euro 2.849m in view of the estimated costs to be incurred for its contractual warranty obligations on sales. The year-end balance was Euro 3.284m.

With reference to the staff leaving indemnity (T.F.R.), increases relate to amounts accrued in 2002 and decreases relate to advances and indemnities paid out. Separate columns show the INPS charge withheld from employees, equal to 0.50% of income subject to social charges, and amounts transferred to the Cometa supplementary pension fund.

The column 'Transfers' shows indemnities accruing to employees transferred to/from Group companies and changes in grade.

The provision for restructuring was utilised in the course of 2002 for an amount of Euro 0.468m and as at 31 December 2002 was equal to Euro 0.852m.

The provision for losses from participating interests, equal to Euro 15.840m, was entirely utilised against the write-down of the equity interest in Carraro Argentina S.A. as illustrated further above.

Changes in the staff leaving indemnity provision (T.F.R.) are recoded in compliance with the law and cover indemnities accruing as at 31 December 2002 to 829 employees, comprising 569 workers, 234 clerks and 26 executives.

ITEM 4-6 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
CHANGES IN VALUES AND DUE DATES OF ASSETS AND LIABILITIES

	<u>beginning balance</u>	<u>reclassifi- cation</u>	<u>change</u>	<u>ending balance</u>	<u>falling due after more than one year</u>
D) PAYABLES					
1) BONDS AND DEBENTURE LOANS	55,000,000			55,000,000	
2) CONVERTIBLE BONDS AND DEBENTURE LOANS					
3) BANK LOANS AND OVERDRAFTS					
CURRENT DEBTS (SEE DETAILS)	80,355,227		-22,912,368	57,442,859	
EXCHANGE RATE ADJUSTMENTS	1,074,614		-2,317,613	-1,242,999	
LOAN FROM MEDIOCREDITO	12,559,495		-2,988,130	9,571,365	6,583,233
LOAN FROM CASSA RISPARMIO	644,040		-644,040		
3) BANK LOANS AND OVERDRAFTS	94,633,376		-28,862,151	65,771,225	6,583,233
4) OTHER FINANCING PAYABLES					
NON REPAYABLE LOAN FROM ECIP	195,856		-195,856	0	
EXCHANGE RATE ADJUSTMENTS TO OTHER FINANCING PAYABLES	-341		341	0	
4) OTHER FINANCING PAYABLES	195,515		-195,515	0	
5) PAYMENTS ON ACCOUNT (ADVANCES)	328,045		-57,623	270,422	
6) TRADE CREDITORS					
DOMESTIC CREDITORS	50,758,891		-109,555	50,649,336	
FOREIGN CREDITORS	8,375,023		926,692	9,301,715	
ADVANCES TO DOMESTIC CREDITORS	-443		-337	-780	
INVOICES TO BE RECEIVED FROM DOMESTIC CREDITORS	883,330		469,073	1,352,403	
INVOICES TO BE RECEIVED FROM FOREIGN CREDITORS	97,371		495,773	593,144	
CREDIT NOTES TO BE RECEIVED FROM DOMESTIC CREDITORS	-305,320		231,483	-73,837	
CREDIT NOTES TO BE RECEIVED FROM FOREIGN CREDITORS	-59,140		22,276	-36,864	
EXCHANGE RATE ADJUSTMENTS TO FOREIGN CREDITORS	14,394		-56,303	-41,909	
TOTAL OTHER TRADE CREDITORS	630,192		1,161,965	1,792,157	
STM SRL	43,567		5,872	49,439	
ELCON SRL	81,600	-81,600			
PAYABLES TO RELATED PARTIES	125,167	-81,600	5,872	49,439	
6) TRADE CREDITORS	59,889,273	-81,600	1,984,974	61,792,647	
7) SECURED PAYABLES					
8) PAYABLES TO SUBSIDIARIES					
SIAP SPA	6,115,865		1,597,873	7,713,738	
CARRARO N.A. Inc.	1,346,617		-1,052,816	293,801	
CARRARO ARGENTINA S.A.	337,936		1,684,310	2,022,246	
CARRARO INDIA Ltd.	94,330		-87,786	6,544	
F.O.N. S.A.	5,248		131,471	136,719	
CARRARO KOREA Inc.	0		761	761	
O&K Antriebstechnik GmbH	0		138,500	138,500	
TOTAL TRADING PAYABLES	7,899,996		2,412,313	10,312,309	
CREDIT NOTES TO BE RECEIVED FROM CARRARO ARGENTINA	0		-1,954	-1,954	
CREDIT NOTES TO BE RECEIVED FROM O&K	0		-17,122	-17,122	
INVOICES TO BE RECEIVED FROM O&K	0		33,311	33,311	
EXCHANGE RATE ADJUSTMENTS TO CARRARO N.A. INC. ACCOUNTS	43,202		-51,427	-8,225	
EXCHANGE RATE ADJUSTMENTS TO CARRARO ARGENTINA. ACCOUNTS	4,583		-116,137	-111,554	
EXCHANGE RATE ADJUSTMENTS TO CARRARO INDIA ACCOUNTS	-99		-288	-387	
TOTAL OTHER	47,686		-153,617	-105,931	
8) PAYABLES TO SUBSIDIARIES	7,947,682		2,258,696	10,206,378	

	<u>beginning</u> <u>balance</u>	<u>reclassifi-</u> <u>cation</u>	<u>change</u>	<u>ending</u> <u>balance</u>	<u>falling due</u> <u>after more</u> <u>than one year</u>
9) PAYABLES TO ASSOCIATED COMPANIES:					
AGRITALIA SPA	126,512		111,835	238,347	
ELCON SRL	0	81,600	-43,250	38,350	
CREDIT NOTES TO BE RECEIVED FROM ELCON	0		-450	-450	
INVOICES TO BE RECEIVED FROM ELCON	0		28,000	28,000	
9) PAYABLES TO ASSOCIATED COMPANIES	126,512	81,600	96,135	304,247	
10) PAYABLES TO PARENT COMPANIES					
FINAID SRL	31,289		-9,017	22,272	
INVOICES TO BE RECEIVED FROM FINAID SRL	14,858		-14,858	0	
10) PAYABLES TO PARENT COMPANIES	46,147		-23,875	22,272	
11) TAX PAYABLES					
SUNDRY TAXES	24,956		102,149	127,105	
TAX LIABILITIES AS PER TAX RETURN	2,766,009		-2,692,987	73,022	
PERSONAL INCOME TAX (IRPEF) WITHHELD FROM EMPLOYEES	1,177,274		6,612	1,183,886	
PERSONAL INCOME TAX (IRPEF) WITHHELD FROM SELF-EMPLOYED WORKERS	1,830		11,390	13,220	
PERSONAL INCOME TAX (IRPEF) WITHHELD FROM FREELANCES (WHO RENDER SERVICES ON A CO-ORDINATED AND CONTINUOUS BASIS)	89,253		47,536	136,789	
11) TAX PAYABLES	4,059,322		-2,525,300	1,534,022	
12) SOCIAL SECURITY PAYABLES					
INPS (NATIONAL SOCIAL SECURITY)	1,195,234		-52,275	1,142,959	
INAIL (NATIONAL INDUSTRIAL ACCIDENT INSURANCE)	-18,880		-14,649	-33,529	
INPDAI (SOCIAL SECURITY FUND FOR INDUSTRIAL EXECUTIVES)	116,955		-1,796	115,159	
SOCIAL SECURITY FUND OF EXECUTIVES	20,453		14,460	34,913	
FASI (HEALTH INSURANCE FOR EXECUTIVES)	1,883		0	1,883	
EMPLOYEES' SUPPLEMENTARY PENSION FUNDS	40,287		-7,695	32,592	
INPS ADDITIONAL CONTRIBUTIONS FOR C.I.G. TEMPORARY LAY-OFF FUNDS	1,987		-1,987	0	
INPS 10% SOCIAL SECURITY CONTRIBUTION	2,038		6,784	8,822	
SUPPLEMENTARY PENSION FUND	171,909		-4,524	167,385	
12) SOCIAL SECURITY PAYABLES	1,531,866		-61,682	1,470,184	
13) OTHER CREDITORS					
CURRENT DEBTS	1,712,565		-1,536,427	176,138	
DIVIDENDS TO SHAREHOLDERS	301		0	301	
DIRECTORS	0		41,299	41,299	
THIRD PARTIES' ASSIGNMENT OF SALARIES	1,574		-217	1,357	
TRADE UNIONS	11,812		6,075	17,887	
EMPLOYEES	3,291,861		441,746	3,733,607	
PURCHASES OF EQUITY INTERESTS	572,246		-572,246		
OTHER MEDIUM-/LONG-TERM PAYABLES			103,291	103,291	103,291
13) OTHER CREDITORS	5,590,359		-1,516,479	4,073,880	103,291
PAYABLES	229,348,097		-28,902,820	200,445,277	6.686.524

Eliminato: FOR

The balance of 'Bonds and debenture loans', equal to Euro 55.0m, relates to a variable-rate debenture loan issued by Carraro S.p.A. on 31 July 2001 and reserved for Carraro International S.A., expiring in May 2006, against which an Interest Rate Swap has been entered into to hedge for exchange rate risk.

Bank loans and overdrafts, net of credit balances on current accounts of Euro 3.987m, totalled Euro 61.784m, versus Euro 84.648m as at 31 December 2001. For comments on the change, see the comments to cash and bank above.

The Mediocredito loan relates to two disbursements at a facilitated interest rate pursuant to Law No. 100/90 against an investment programme in Argentina and India. The loan agreements are dated July 1999 for Argentina and October 1997 for India. Capital repayment starts after 18 months, after which the loans are redeemable over the next 5 years.

The loan received by the merged company Carraro PNH S.p.A. from Cassa di Risparmio di Gorizia has been fully repaid. Mortgages written on property in Gorizia to secure the loan are being cancelled.

The EU/ECIP loan, fully repaid in the course of 2002, relates to a disbursement from Istituto Bancario San Paolo di Torino against funds borrowed from the EU for a feasibility study carried out for the purpose of establishing a joint venture with Escorts Ltd in India.

The increase in trade creditors is related to the growing volumes of purchases of goods and services.

The trend of payables to subsidiaries reflects that of trade creditors.

The change in tax payables, which fell from Euro 4.059m to Euro 1.534m, was due to lower accrual for taxes of the year 2002. The change also includes the effect of the offsetting with IRPEG and IRAP debts of a similar nature and expiration as at 31 December 2002. If tax payables and receivables had been thus offset also as at 31 December 2001, movements in IRPEG and IRAP would be detailed as follows:

	<u>beginning balance</u>	<u>change</u>	<u>ending balance</u>
IRPEG – IRAP	43,285	29,737	73,022

'Sundry taxes' includes Euro 0.100m for the tax amnesty introduced by the Budget law for 2003 (Law No. 289 of 27 December 2002).

Eliminato: , as amended by Law decree No. 289 of 24 December 2002)

Other current debts decreased following the closing of the account payable to Locat after the final decision to forgo the project to build new corporate headquarters.

Other payables to employees include Euro 1.047m relating to salaries and wages of December, Euro 1.788m for holidays earned but not taken as at 31 December 2002 and Euro 0.899m for bonuses.

Payables for purchases of equity interests decreased following the definition of the purchase price of shares in F.O.N. S.A., in accordance with the purchase agreement.

Other medium-/long-term payables, equal to Euro 0.103m, relate to amounts withheld as guarantee from the price of property, which will be paid on expiry of the free loans accorded to the sellers on 30 December 2004.

As at 31 December 2002 there were no payables falling due after more than 5 years.

ITEM 4-6 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
 COLLECTIBILITY OF RECEIVABLES AND PAYABLES
 DETAILS OF BANK BALANCES

<u>NAME OF BANK</u>	<u>CREDIT BALANCES ON CURRENT ACCOUNTS</u>	<u>DEBIT BALANCES ON CURRENT ACCOUNTS</u>	<u>BALANCES ON ADVANCE ACCOUNTS</u>	<u>BALANCES ON LOAN ACCOUNTS</u>	<u>PAYMENT ORDERS FROM CUSTOMERS</u>	<u>PAYMENT ORDERS TO SUPPLIERS</u>	<u>NET BALANCE</u>	
BANCA ANTOVENETA		-506,627	-4,156,290	-1,527,269	250	-2,932	-6,192,868	
BANCO AMBROSIANO VENETO	108						108	
BANCA DI ROMA		-648					-648	Eliminato: E
BANCO DI SICILIA		-49					-49	
CASSA DI RISPARMIO PD-RO	8,387		-7,683,413				-7,675,026	
CASSA RUR. AND ARTIGIANA	150,305						150,305	
BANCA COMMERCIALE	221,098			-35,000,000			-34,778,902	
BANCA POPOLARE DI NOVARA	380						380	
CREDITO ITALIANO	44,680						44,680	
BNL	66,240		-604,176			-5,226	-543,162	
BANCA POP. ASOLO MONTEB.	2,036,416						2,036,416	
ISTITUTO S. PAOLO DI TO	21,405		-4,509,655			164	-4,488,086	
CASSA RISPARMIO DI FERRARA	147						147	
BANCA POP. VICENTINA	3,483						3,483	
BANCA POPOLARE DI VERONA	14,908		-1,490,477				-1,475,569	
BANCA POPOLARE DI MILANO	287		-1,956,099				-1,955,812	
CREDITO ROMAGNOLO	47						47	
MONTE PASCHI DI SIENA	18,919						18,919	
ABN-AMRO BANK	988						988	
S.PAOLO BANK N.Y.	1,398,890						1,398,890	
	<u>3,986,688</u>	<u>-507,324</u>	<u>-20,400,110</u>	<u>-36,527,269</u>	<u>250</u>	<u>-7,994</u>	<u>-53,455,759</u>	

The schedule analyses credit positions (C.IV.1), totalling Euro 3.987m, and debit positions (D.3), totalling Euro 57.443m, which give a net credit balance of Euro 53.456m.

ITEM 4-7 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
 CHANGES IN ASSETS AND LIABILITIES AND COMPOSITION OF BALANCES

	<u>beginning balance</u>	<u>change</u>	<u>ending balance</u>	<u>short-term portion</u>	<u>medium-/long-term portion</u>
<u>D. ACCRUED INCOME AND PREPAYMENTS</u>					
<u>ACCRUED INCOME</u>					
ACCRUED INTEREST INCOME	111,199	176,499	287,698	287,698	
OTHER ACCRUED INCOME	20,000	0	20,000	20,000	
TOTAL ACCRUED INCOME	131,199	176,499	307,698	307,698	
<u>PREPAYMENTS</u>					
INTEREST PREPAYMENTS	21,056	-5,193	15,863	5,193	10,670
CHARGES ON GUARANTEES	92,452	-11,720	80,732	32,898	47,834
INDUSTRIAL RENTALS	103	3,000	3,103	3,103	
TECHNICAL SERVICE RENTALS	99,874	46,427	146,301	143,698	2,603
STATIONERY	54,814	2,896	57,710	57,710	
VEHICLES COSTS	2,400	123	2,523	2,523	
INSURANCE	58	0	58	58	
SUBSCRIPTIONS	12,191	-960	11,231	11,231	
OTHER PREPAYMENTS	65,422	7,022	72,444	72,444	
TOTAL PREPAYMENTS	348,370	41,595	389,965	328,858	61,107
TOTAL ACCRUED INCOME AND PREPAYMENTS	479,569	218,094	697,663	636,556	61,107
<u>E. ACCRUALS AND DEFERRED INCOME</u>					
<u>ACCRUED EXPENSES</u>					
ACCRUED INTEREST EXPENSE	2,070,794	1,381,850	3,452,644	3,452,644	
ACCRUED PERSONNEL EXPENSES	522,198	-35,849	486,349	486,349	
OTHER ACCRUED EXPENSES	0	86	86	86	
TOTAL ACCRUED EXPENSES	2,592,992	1,346,087	3,939,079	3,939,079	
<u>DEFERRED INCOME</u>					
GOVERNMENT AND EU GRANTS	2,704	-2,704			
TOTAL DEFERRED INCOME	2,704	-2,704			
TOTAL ACCRUALS AND DEFERRED INCOME	2,595,696	1,343,383	3,939,079	3,939,079	

Accrued interest income relates mostly to interest accruing on Carraro's securities holdings. Among prepayments, we point out rentals for technical service relating to future periods, insurance premiums, charges relating to guarantees given to the VAT Office and purchases of stationery in stock as at 31 December 2002.

Accrued interest expense relates to interest accruing on loans up to 31 December 2002. The total includes Euro 2.550m relating to interest owed on the debenture loan.

Accrued personnel expenses relate to 14th month payments earned by workers and clerks. Grants, which related to the Eureka EU668 research project, against which IMI disbursed a non-repayable loan against funds from the 'Applied Research Fund' (Law No. 1089 of 25 October 1968), were fully used in 2002.

ITEM 9: NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
MEMORANDUM ACCOUNTS

Eliminato:

A) RISKS**Guarantees given on behalf of others**

DATE ISSUED	IN FAVOUR OF	ON BEHALF OF	EXPIRY	ORIGINAL AMOUNT	NET BOOK VALUE as at 31 December 2002
08/06/1993	BANCA ANT. POP. VENETA	SIAP S.p.A.	01/01/2003	3,527,721	185,669
08/06/1993	BANCA ANT. POP. VENETA	STM S.r.l.	01/01/2003	1,914,189	100,747
11/03/1999	SAN PAOLO IMI BANK - NY	CARRARO N. A.	31/01/2004	11,618,898	4,767,808
01/02/2001	BNL – BUENOS AIRES	CARRARO ARGENTINA	31/12/2003	1,132,246	953,561
04/02/2002	BNL – BUENOS AIRES	CARRARO ARGENTINA	31/12/2003	27,051,811	4,767,808
13/03/2002	BANK PEKAO	FON	14/03/2003	250,000	250,000
10/07/2002	BANK PEKAO	FON	10/07/2003	1,100,000	1,100,000
24/09/2002	SPARKASSE HATTINGEN	O&K A.	30/09/2004	1,300,000	1,300,000
27/09/2002	BNP PARIBAS	CARRARO INTERNATIONAL	29/11/2004	485,000	485,000
TOTAL					13,910,595

These guarantees were given by Carraro S.p.A. in favour of banks on behalf of subsidiaries against loans received by them.

Securities deposited as guarantee on behalf of third parties

TYPE OF SECURITY	IN FAVOUR OF	ON BEHALF OF	EXPIRY	FACE VALUE
C.C.T. 36729	BANCA ANT. POP.VENETA	STM - SIAP S.r.l.	01/01/2003	1,075,000
C.C.T. 36729	BANCA ANT. POP.VENETA	STM - SIAP S.r.l.	01/01/2003	62,000
B.T.P. 1224283	BANCA ANT. POP.VENETA	STM - SIAP S.r.l.	01/05/2003	929,620
TOTAL				2,066,620

Eliminato: I

This item relates to pledges on government securities in favour of banks against loans given to our subsidiaries or against bank sureties given for facilitated loans obtained by our subsidiaries.

B) COMMITMENTS**Commitments to repurchase equity interests**

Legal name of entity	Seller	percentage	expiration	31 December 2002
CARRARO ARGENTINA S.A.	SIMEST S.P.A.	6%	2004	1,112,345
TOTAL				1,112,345

This is a commitment to purchase equity interests within the established date based on agreements with third parties.

Other commitments

BENEFICIARY	DESCRIPTION	AMOUNT
PROVINCE OF PADOVA	Contribution to revamping and enlargement of road No. SP 34	103,291

Eliminato: UA

C) GUARANTEES RECEIVED FROM THIRD PARTIES**Sureties received from third parties**

DATE ISSUED	IN FAVOUR OF	RECEIVED FROM	ON BEHALF OF	EXPIRY	AMOUNT
03/07/1995	CARRARO S.p.A.	FINAID S.r.l.	FONDERIE DEL MONTELLO S.p.A.	31/12/2004	1,032,913
22/04/2002	CARRARO S.p.A.	BANCA POP. EMILIA ROMAGNA	MECCANICA FANANESE SRL	30/11/2004	1,810,744
<i>Total</i>					2,843,658

This item relates to a surety received from Finaid S.r.l. securing repayment of a loan to Fonderie del Montello S.p.A. for an original amount of ITL 7 billion.

E) GUARANTEES GIVEN BY THIRD PARTIES ON OUR BEHALF**Sureties given by third parties on our behalf**

IN FAVOUR OF	RECEIVED FROM	NET BOOK VALUE as at 31 December 2002
MUNICIPALITY OF CAMPODARSEGO	CREDITO ITALIANO	139,862
MEDIOCREDITO CENTRALE	FINAID	9,571,365
SIMEST SPA	FINAID	1,148,290
VAT OFFICE OF PADUA	ASSICURATRICE EDILE	5,615,430
VAT OFFICE OF PADUA	RAS	2,830,662
CUSTOMS OFFICE – COMPARTMENT E II.II VENICE	ASSICURATRICE EDILE	6,456
VAT OFFICE OF PADOVA	ZURICH INTERNATIONAL	3,927,426
VAT OFFICE OF GORIZIA	ASSICURATRICE EDILE	565,588
VAT OFFICE OF GORIZIA	RAS	6,610,734
EDISON ENERGIA	RAS	30,471
REGIONAL COUNCIL OF VENETO	BANCA ANTONVENETA	16,423
BONETTO VALTER and CONTESSO ANGELA	BANCA POP. DI VERONA	54,367
BONETTO MARIO	BANCA POP. DI VERONA	27,184
BONETTO MASSIMO	BANCA POP. DI VERONA	21,740
<i>Total</i>		30,565,999

Eliminato: U

Eliminato: AND

These are sureties given by banks, insurers and by the parent company Finaid in favour of various institutions, mainly for VAT refunds, building permits, loans or credit facilities.

F) HEDGES FOR EXCHANGE RATE AND INTEREST RATE RISKS**Swaps/Forward agreements on accounts receivable**

CURRENCY	AMOUNT HEDGED	EQUIVALENT IN EURO
USD	32,900,000	EURO 36,649,888
<i>Total</i>		36,649,888

This item relates to operations hedging for exchange rate risk of exports denominated in foreign currency forecast for 2003, based on plans provided by customers. The hedges are entered into with banks and finance companies.

The accrued interest expense on outstanding positions has been charged to the income statement within financial charges.

Interest Rate Swaps

CURRENCY	AMOUNT HEDGED	COUNTERPARTY	EQUIVALENT IN EURO
EURO	5,164,569	ABN AMRO	EURO 5,164,569
EURO	5,164,569	B.N.P. PARIBAS	EURO 5,164,569
EURO	55,000,000	B.N.P. PARIBAS	EURO 55,000,000
<i>Total</i>			65,329,138

This item relates to contracts entered into with banks to hedge for interest rate risk on outstanding loans as well as on the debenture loan issued by Carraro S.p.A. and reserved for Carraro International S.A..

Currency options

CURRENCY	AMOUNT HEDGED	COUNTERPARTY	EQUIVALENT IN EURO
USD	20,150,000	B.N.P. PARIBAS	EURO 22,620,589
<i>Total</i>			22,620,589

This item relates to call and put currency options hedging exchange rate risk on exports forecast for 2003.

WE SET OUT BELOW AN EXHAUSTIVE ANALYSIS OF THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002 THAT COMPLIES WITH THE REQUIREMENTS OF ITEMS 10-11-12-13-14-15-16 OF ART. 2427 OF THE CIVIL CODE. INCOME STATEMENT ITEMS ARE ANALYSED IN DETAIL. COMMENTS ARE PROVIDED ONLY FOR SIGNIFICANT CHANGES.

ANALYSIS OF THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002
HEADING A - VALUE OF PRODUCTION

	subtotals current year	subtotals prior year	Year ended 31 December 2002	Year ended 31 December 2001
1) REVENUE FROM SALES AND SERVICES				
SALES OF PRODUCTS	262,635,735	253,127,517		
SALES RETURNS	-2,846,702	-3,414,684		
OTHER GOODS	10,456,519	11,343,063		
OUTSOURCED WORK	103,114	188,502		
OTHER REVENUE	2,746,420	4,507,985		
VOLUME REBATES TO CUSTOMERS	-2,291	33		
1) REVENUE FROM SALES AND SERVICES	273,092,795	265,752,416	273,092,795	265,752,416
2) CHANGES IN STOCKS OF WORK IN PROGRESS AND FINISHED GOODS				
CHANGE IN STOCKS OF SEMI-FINISHED PRODUCTS	1,092,636	-209,294		
CHANGE IN STOCKS OF WORK IN PROGRESS	721,269	-58,898		
CHANGE IN STOCKS OF FINISHED PRODUCTS	161,996	-3,040,581		
CHANGE IN STOCKS OF SPARE PARTS	341,305	93,904		
CHANGE IN STOCKS OF GOODS FOR RESALE	0	-12,450		
CHANGE IN PROVISION FOR OBSOLESCENCE	-390,504	96,628		
2) CHANGES IN STOCKS OF WORK IN PROGRESS AND FINISHED GOODS	1,926,702	-3,130,691	1,926,702	-3,130,691
3) CHANGE IN CONTRACTED WORK IN PROGRESS				
			0	0
4) OWN WORK CAPITALISED				
			333,258	36,322
5) OTHER INCOME				
ROYALTIES	612,465	588,473		
EXPORT PREMIUMS	180,353	175,088		
WARRANTY, INSURANCE REFUNDS	232,406	0		
ORDINARY GAINS ON ASSETS	390,108	146,723		
OTHER	594,122	584,517		
A) OTHER	2,009,454	1,494,801		
OTHER GRANTS	2,704	87,654		
B) GRANTS	2,704	87,654		
5) OTHER INCOME			2,012,158	1,582,455
VALUE OF PRODUCTION			277,364,913	264,240,502

Eliminato: -RELATED

ANALYSIS OF THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002
REVENUE FROM SALES AND SERVICES (LINE 1)

Sales may be broken down by type of product as follows:

PRODUCT LINE	Year ended	Year ended
	31 December 2002	31 December 2001
	Euro/000	Euro/000
CONSTRUCTION EQUIPMENT AXLES	78,057	85,227
AGRICULTURAL AXLES	94,225	75,506
FORKLIFT AXLES	16,074	10,485
AXLES FOR LIGHT COMMERCIAL VEHICLES	6,202	6,255
GEAR BOXES	3,112	2,929
DIFFERENTIAL HOUSINGS	290	735
OTHER AXLES	4,222	6,462
WHEEL SHAFTS	298	321
GEARS	635	1,724
IDLE AXLES	4,462	5,273
CLUTCHES	1,613	1,551
CAM PHASER DEVICES	5,285	5,665
TIE RODS	68	65
BALL JOINTS	228	204
AGRICULTURAL TRANSAXLES	1,412	1,115
POWER SHUTTLE TRANSMISSIONS	19,598	21,942
OTHER AGRICULTURAL TRANSAXLES	28	43
SPARE PARTS	18,897	17,438
OTHER SERVICES	2,256	2,221
SEMI-FINISHED PRODUCTS	5,101	6,466
OTHER	11,030	14,125
TOTAL SALES	273,093	265,752

Formattato

Sales may be broken down by geographical area as follows:

GEOGRAPHICAL AREA	Year ended	Year ended
	31 December 2002	31 December 2001
	Euro/000	Euro/000
ITALY	60,696	57,132
EU	112,279	113,541
NORTH AMERICA	70,406	76,406
OTHER FOREIGN COUNTRIES	29,712	18,673
	273,093	265,752

ITEM 10 NOTES TO THE FINANCIAL STATEMENTS:

Sales, equal to Euro 273.092m, grew by 2.76% on 2001.

This growth was due to larger sales volumes achieved by traditional axles for the agriculture market and by axles for light commercial vehicles and forklifts.

The value of sales includes exchange gains of Euro 3.285m (exchange gains of Euro 0.592m in 2001) realised during the year on hedging operations.

Foreign sales totalled Euro 212.4m, versus Euro 208.6m in 2001, a 1.8% increase on the prior year, and accounted for 77.8% of the total.

The change in sales of power shuttle transmissions reflects the downturn in the outlet market (excavators).

Additional details and comments on sales are provided in the directors' report.

ANALYSIS OF THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002
HEADING B - COST OF PRODUCTION

	subtotals current year	subtotals prior year	Year ended 31 December 2002	Year ended 31 December 2001
6) COST OF RAW MATERIALS, CONSUMABLES, SPARE PARTS AND OTHER GOODS				
RAW MATERIAL PURCHASES	174,069,533	158,857,845		
RAW MATERIAL RETURNS	-1,506,672	-1,804,528		
NET PURCHASES	<u>172,562,861</u>	<u>157,053,317</u>		
SUNDRY CONSUMABLES	317,928	390,784		
CONSUMABLE TOOLS	1,167,386	1,387,959		
MAINTENANCE MATERIAL	848,514	966,219		
MATERIALS AND SERVICES FOR RESALE	164,225	246,177		
DISCOUNTS AND VOLUME REBATES FROM SUPPLIERS	-620,844	-406,298		
OTHER COST OF PRODUCTION	<u>1,877,209</u>	<u>2,584,841</u>		
6) COST OF RAW MATERIALS, CONSUMABLES, SPARE PARTS AND OTHER GOODS			174,440,070	159,638,158
7) COST OF SERVICES				
OUTSOURCED WORK	13,954,927	12,788,414		
MAINTENANCE SERVICES	2,042,814	1,993,554		
SUNDRY INDUSTRIAL SERVICES	3,074,411	2,774,600		
TEMPORARY WORKSHOP WORKERS	630,977	272,222		
TRANSPORTATION AND FREIGHT	1,654,876	1,487,932		
CUSTOMS DUTIES ON IMPORTS	286,588	389,626		
- EXTERNAL SERVICES FOR PRODUCTION	<u>21,644,593</u>	<u>19,706,348</u>		
WATER	34,744	34,780		
ELECTRICAL POWER	600,407	802,688		
GAS - METHANE	840,544	947,618		
FUEL	110,171	105,972		
- SUNDRY SUPPLIES	<u>1,585,866</u>	<u>1,891,058</u>		
REFUNDS OF TRAVEL EXPENSES	1,191,162	1,346,836		
STATIONERY	227,111	231,112		
TELEPHONE AND POSTAGE	378,820	380,592		
SUNDRY EXTERNAL SERVICES	2,319,203	2,428,697		
LONG-TERM CAR RENTALS	228,697	221,539		
TEMPORARY OFFICE WORKERS	28,658	11,994		
CONSULTING	2,573,942	2,588,750		
DIRECTOR'S EMOLUMENTS	1,085,593	903,800		
STATUTORY AUDITORS' EMOLUMENTS	44,778	71,827		
CORPORATE INSURANCE POLICIES	862,718	810,413		
TECHNICAL SERVICE FEES	1,686,429	1,462,428		
OTHER CORPORATE EXPENSES	47,156	33,032		
- GENERAL OVERHEADS	<u>10,674,267</u>	<u>10,491,020</u>		
PRESS, TV AND BILLBOARD ADVERTISEMENTS	45,370	50,190		
ADVERTISING EXPENSES	30,047	24,838		
TRADE FAIRS	33,654	159,164		
PROMOTIONAL EXPENSES	41,634	54,468		
ENTERTAINING EXPENSES	103,292	102,953		
OTHER MARKETING EXPENSES	24,656	34,236		
- MARKETING COSTS	<u>278,653</u>	<u>425,849</u>		
POST-SALES SERVICES	2,315,263	2,875,139		
UTILISATION OF WARRANTY PROVISION	-2,315,263	-2,737,222		
CUSTOMS DUTIES ON EXPORTS	137,138	200,422		
TRANSPORTATION AND FREIGHT	2,859,513	3,210,279		
COMMISSION	1,749,641	1,847,381		
PACKAGING MATERIALS	117,476	64,821		
OTHER SELLING EXPENSES	157,894	300,669		
- SELLING EXPENSES	<u>5,021,662</u>	<u>5,761,489</u>		
7) COST OF SERVICES			39,205,041	38,275,764

8) COST OF UTILISATION OF THIRD PARTIES' ASSETS				
RENTS	46,020	46,788		
ROYALTIES	29,400	32,817		
8) COST OF UTILISATION OF THIRD PARTIES' ASSETS			75,420	79,605
9) PERSONNEL COSTS				
WAGES	11,691,604	12,181,064		
ADDITIONAL MONTHLY PAYMENTS OF WORKERS	1,457,842	1,525,148		
ACCRUAL TO PROVISION FOR STAFF LEAVING INDEMNITY OF WORKERS	792	-206		
SALARIES	10,147,417	9,893,856		
ADDITIONAL MONTHLY PAYMENTS OF CLERKS AND EXECUTIVES	978,339	1,034,964		
ACCRUAL TO PROVISION FOR STAFF LEAVING INDEMNITY OF CLERKS AND EXECUTIVES	-847	1,129		
A) SALARIES AND WAGES	24,275,147	24,635,955		
SOCIAL CONTRIBUTIONS ON WAGES	4,697,695	4,905,154		
SOCIAL CONTRIBUTIONS ON SALARIES	3,552,015	3,509,350		
STATE SUBSIDIES FOR SOCIAL CONTRIBUTIONS ON WAGES	-105,421	-107,816		
STATE SUBSIDIES FOR SOCIAL CONTRIBUTIONS ON SALARIES	-84,621	-81,038		
B) SOCIAL CONTRIBUTIONS	8,059,668	8,225,650		
LEAVING INDEMNITY OF WORKERS	1,123,452	1,162,651		
LEAVING INDEMNITY OF CLERKS AND EXECUTIVES	862,838	879,807		
C) STAFF LEAVING INDEMNITY (T.F.R.)	1,986,290	2,042,458		
D) PENSIONS AND SIMILAR OBLIGATIONS	0	0		
PERSONNEL COSTS	1,073,779	391,105		
INSURANCE POLICIES OF EMPLOYEES	80,678	83,743		
COMPANY CANTEEN	390,389	396,786		
E) OTHER COSTS	1,544,846	871,634		
9) PERSONNEL COSTS			35,865,951	35,775,697
10) DEPRECIATION AND WRITE-DOWNS				
A) AMORTISATION OF INTANGIBLE ASSETS	1,746,098	1,952,935		
ORDINARY DEPRECIATION OF BUILDINGS	510,430	531,922		
ORDINARY DEPRECIATION OF PLANT	1,502,619	1,874,571		
ORDINARY DEPRECIATION OF MACHINERY	2,442,370	3,091,841		
ORDINARY DEPRECIATION OF TRANSPORT VEHICLES	62,704	89,867		
ORDINARY DEPRECIATION OF FURNITURE AND FIXTURES	163,242	162,009		
ORDINARY DEPRECIATION OF OFFICE MACHINES	740,253	812,084		
ORDINARY DEPRECIATION OF EQUIPMENT AND TOOLS	3,435,740	3,280,580		
B) DEPRECIATION OF TANGIBLE ASSETS	8,857,358	9,842,874		
C) OTHER WRITE-DOWNS OF ASSETS	0	0		
D) WRITE-DOWNS OF RECEIVABLES INCLUDED IN CURRENT ASSETS	337,078	43,046		
10) DEPRECIATION AND WRITE-DOWNS			10,940,534	11,838,855
11) CHANGES IN STOCKS OF RAW MATERIALS, CONSUMABLES, SPARE PARTS AND OTHER GOODS				
CHANGES IN STOCKS OF RAW MATERIALS	-383,659	680,150		
CHANGES IN STOCKS OF FINISHED GOODS	-2,106,019	1,642,506		
CHANGES IN STOCKS OF CONSUMABLES	349,786	7,768		
CHANGE IN ACCRUAL TO PROVISION FOR OBSOLESCENCE	315,063	55,768		
11) CHANGES IN STOCKS OF RAW MATERIALS, CONSUMABLES, SPARE PARTS AND OTHER GOODS			-1,824,829	2,386,192
12) ACCRUALS FOR CONTINGENCIES				
13) OTHER ACCRUALS				
ACCRUAL TO WARRANTY PROVISION	2,849,263	2,750,000		
13) OTHER ACCRUALS			2,849,263	2,750,000

<u>14) OTHER OPERATING CHARGES</u>			
NON-DEDUCTIBLE COSTS	2,947	42,904	
ASSOCIATION DUES	131,971	115,766	
SUBSCRIPTIONS	40,022	38,300	
COST OF INSTITUTIONAL REPORTING OF LISTED COMPANIES	148,392	178,130	
INDIRECT TAXES AND DUTIES	21,871	20,177	
DEDUCTIBLE TAXES	9,569	13,639	
NON DEDUCTIBLE TAXES	108,234	123,244	
ORDINARY LOSSES ON TANGIBLE ASSETS	22,732	22,667	
ROAD TAX	18,897	21,820	
DISCOUNTS GIVEN AND ROUNDING OFF	11,241	404	
<u>DONATIONS</u>	19,586	18,523	
OTHER CHARGES	51,022	82,596	
14) OTHER OPERATING CHARGES			586,484
			678,170
COST OF PRODUCTION			262,137,934
			251,422,441

Eliminato: SOCIAL UTILITY CHARGES

Purchases of raw materials, consumables and goods rose from Euro 157.05m to Euro 172.56m. If we consider also changes in stocks, total consumption went from Euro 162.6m to Euro 168.8m, equal to 61.8% of sales versus 61.2% of 2001, a modest increase due to stocking up to process orders on hand for the year 2003.

As for cost of services, we point out an increase in external industrial services, due to larger use of outsourced processing and temporary workers. Consulting costs remained stable while technical services fees rose in connection with larger use of software purchased from third parties.

The decline in electrical power costs was the consequence of larger use of combined cycle plants.

The cost of post-sales services under warranty incurred in 2002 totalled Euro 2.315m and was entirely covered through the utilisation of the corresponding provision. For potential warranty risks on products sold up to 31 December 2002 a warranty provision was set up of Euro 2.849m.

Freight costs on sales decreased (Euro 2.86m versus Euro 3.21m of 2001) as part was passed on to customers, in particular on sales to Group companies.

Personnel costs increased by Euro 0.090m on 2001. In detail, the decrease in salaries and wages and the related social charges, the consequence of the restructuring plan implemented with a headcount reduction from 958 to 829, was offset by an increase in training costs, compared with 2001, for an amount of about Euro 0.68m.

Depreciation of tangible assets went from Euro 9.843m of 2001 to Euro 8.857m of 2002, a decline resulting from the change in capital investment in the last five years.

ITEM 15 NOTES TO THE FINANCIAL STATEMENTS

The headcount as at 31 December 2002 is detailed by category as follows:

	31 December 2002	31 December 2001
Executives	26	26
Clerks	234	278
Workers	569	654
	-----	-----
Total employees	829	958
Temporary workers	24	1
Total	853	959

The decrease is due to failure to replace resigning employees.

ITEM 16 NOTES TO THE FINANCIAL STATEMENTS

Line B 7) shows emoluments paid to directors and statutory auditors, as required by item 16) of art. 2427 of the Civil Code.

In detail:

Directors' emoluments	Euro	1,085,593
Statutory auditors' emoluments:	Euro	44,778

Pursuant to art. 78 of the implementing regulations of Legislative Decree No. 58 of 24 February 1998 (adopted by CONSOB Resolution No. 12475 of 6 April 2000), we append hereto the list of compensation, of any type and in any form, paid also by subsidiaries, to the directors, statutory auditors and general managers.

Eliminato:

Eliminato: , also by subsidiaries.¶

ANALYSIS OF THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002
HEADING C – FINANCIAL INCOME AND CHARGES

	subtotals current year	subtotals prior year	Year ended 31 December 2002	Year ended 31 December 2001
15) INCOME FROM PARTICIPATING INTERESTS				
16) OTHER FINANCIAL INCOME				
A) FROM RECEIVABLES RECORDED AS FIXED ASSETS	25,462	28,786		
B) FROM SECURITIES RECORDED AS FIXED ASSETS	0	0		
BEGINNING BALANCE	-2,240,846	-2,242,224		
PURCHASES	0	0		
SALES	0	0		
ENDING BALANCE	2,235,117	2,240,845		
COUPONS	95,726	111,392		
C) FROM SECURITIES RECORDED AS CURRENT ASSETS	89,997	110,013		
INTEREST INCOME FROM LOANS TO SUBSIDIARIES	1,159,425	1,291,905		
- INTEREST INCOME FROM SUBSIDIARIES	1,159,425	1,291,905		
INTEREST INCOME FROM LOANS TO ASSOCIATED COMPANIES	3,320	4,653		
- INTEREST INCOME FROM ASSOCIATED COMPANIES	3,320	4,653		
INTEREST INCOME FROM BANKS	118,508	279,592		
INTEREST INCOME FROM LOANS	43,531	54,924		
INTEREST INCOME FROM FINANCING OPERATIONS	298,744	110,618		
INTEREST INCOME FROM TRADE DEBTORS	34,086	7,907		
INTEREST INCOME FROM THE TREASURY	61,178	21,091		
OTHER INTEREST INCOME	669	390		
DIFFERENCE ON HEDGING OPERATIONS	320,265	37,114		
EXCHANGE GAINS	6,531,026	4,424,429		
- OTHER	7,408,007	4,936,065		
D) OTHER	8,570,752	6,232,623		
16) OTHER FINANCIAL INCOME			8,686,211	6,371,422
17) INTEREST AND OTHER FINANCIAL CHARGES				
OTHER INTEREST CHARGES FROM SUBSIDIARIES	-3,298,365	-1,668,156		
- INTEREST CHARGES FROM SUBSIDIARIES	-3,298,365	-1,668,156		
INTEREST CHARGES FROM BANKS	-2,308,181	-1,955,160		
INTEREST CHARGES FROM OTHERS	-455,541	-1,957,525		
BANK COMMISSIONS AND CHARGES	-83,049	-84,486		
DIFFERENCE ON HEDGING OPERATIONS	-17,171	-512,140		
EXCHANGE LOSSES	-5,714,733	-5,022,447		
- OTHER INTEREST CHARGES	-8,578,675	-9,531,758		
17) INTEREST AND OTHER FINANCIAL CHARGES			-11,877,040	-11,199,914
FINANCIAL INCOME AND CHARGES			-3,190,829	-4,828,492

ITEM 12 NOTES TO THE FINANCIAL STATEMENTS

Overall, net financial charges totalled Euro 3.191m, versus Euro 4.828m for 2001. If we exclude exchange gains and losses (which in 2002 gave a net gain of Euro 0.816m, versus a net loss of Euro 0.598m in 2001) and income from participating interests, net financial charges were equal to Euro 4.007m, versus Euro 4.230m of 2001.

They were equal to 1.47% of sales, versus 1.59% for 2001.

The line 'Difference on hedging operations' shows the total of differences between the spot and forward values recorded on both swaps closed as at 31 December 2002 and contracts outstanding at that date, for the portion accruing to that date.

ANALYSIS OF THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002
LETTER D – ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS

	subtotals current year	subtotals prior year	Year ended 31 December 2002	Year ended 31 December 2001
18) REVALUATIONS				
A) OF EQUITY INTERESTS				
B) OF SHORT-TERM INVESTMENTS				
C) OF SECURITIES RECORDED AS CURRENT ASSETS				
18 REVALUATIONS			0	0
19) WRITE-DOWNS				
A) OF EQUITY INTERESTS	-16,484,002	-27,253,781		
B) OF SHORT-TERM INVESTMENTS				
C) OF SECURITIES RECORDED AS CURRENT ASSETS				
19) WRITE-DOWNS			-16,484,002	-27,253,781
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			-16,484,002	-27,253,781

Write-downs of equity interests, totalling Euro 16.484m, as illustrated further above, relate to the following entities:

- Carraro Deutschland GmbH for an amount of Euro 12.148m;
- Carraro India Private Ltd. for an amount of Euro 1.680m;
- Carraro International S.A. for an amount of Euro 2.132m;
- Fabryka Osi Napędowych S.A. for an amount of Euro 0.511m;
- Elcon S.r.l. for an amount of Euro 0.013m.

The equity interest in Carraro Argentina S.A. was written down through the utilisation of the corresponding provision for risks of Euro 15.840m set up in 2001.

The 2001 value (Euro 27.254m) was entirely referred to Carraro Argentina S.A.. The equity interest was reduced to nil and the provision for risks utilised in 2002 was set up.

ANALYSIS OF THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002
LETTER E – EXTRAORDINARY INCOME AND EXPENSES

	subtotals current year	subtotals prior year	Year ended 31 December 2002	Year ended 31 December 2001
<u>20) GAINS ON DISPOSAL</u>				
EXTRAORDINARY INCOME	1,030,240	186,422		
OTHER EXTRAORDINARY INCOME	57,029	93,122		
- OTHER	1,087,269	279,544		
- GAINS ON EXTRAORDINARY ASSET DISPOSALS	737,332	2,552		
20) GAINS ON DISPOSAL			1,824,601	282,096
<u>21) LOSSES ON DISPOSAL</u>				
EXTRAORDINARY LOSSES	-335,002	-1,831,552		
OTHER EXPENSES	-236,839	-1,414,691		
- OTHER EXPENSES	-571,841	-3,246,243		
- TAXES OF PRIOR PERIODS	-417,052	-228,047		
21) LOSSES ON DISPOSAL			-988,893	-3,474,290
EXTRAORDINARY INCOME AND EXPENSES			835,708	-3,192,194

ITEM 13 NOTES TO THE FINANCIAL STATEMENTS

The balance of extraordinary income and expenses gave net extraordinary income of Euro 0.836m.

'Extraordinary income' includes Euro 0.312m relating to the decrease in the liability to Locat accounted for as at 31 December 2001 after the final decision to forgo the project to build new corporate headquarters, and Euro 0.279m relating to lower IRPEG and IRAP taxes owed in respect of 2001.

'Gains on extraordinary asset disposals' includes the gain realised on the sale of the business of the manufacturing facility at Frassinoro (formerly Trenton S.r.l.), equal to Euro 0.730m.

We also point out that 'Taxes of prior periods' relates to the amount paid following the settlement made with the Revenue Office of Padova to close the assessment for fiscal 1995, after utilisation of the provision for risks of Euro 0.258m accounted for as at 31 December 2001.

Eliminato: u

ITEM 14 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2002
INCOME TAX FOR THE PERIOD

	subtotals current year	subtotals prior year	Year ended 31 December 2002	Year ended 31 December 2001
IRPEG	193,620	664,260		
IRAP	2,302,543	2,101,750		
DEFERRED TAXES	2,863,373	-8,075,380		
22) INCOME TAX FOR THE PERIOD			5,359,536	-5,309,370

ITEM 14 NOTES TO THE FINANCIAL STATEMENTS

Income tax for the period has been computed at the rates provided for by fiscal legislation.

Moreover, net deferred tax liabilities have been provided, for an amount of Euro 2.86m, for temporary differences between the pre-tax result of operations as per the statutory financial statements and taxable income.

The main temporary differences that involved accounting for deferred tax liabilities (and assets) are:

- the tax loss realised in 2002;
- write-downs of equity interests deductible in future periods;
- adjustments to taxed provisions accounted for (provision for restructuring, provision for obsolescence, provision for bad debts, product warranty provision)
- release from the reserve from accelerated depreciation of the portion for the period.

We point out that the income statement does not include value adjustments or accruals posted solely for fiscal purposes.

These financial statements, comprising the balance sheet, the income statement and the notes thereto, present fairly the financial position and result of operations for the year ended 31 December 2002 and correspond to the accounting records.

THE CHAIRMAN

(Mario Carraro)

CARRARO S.p.A.**LIST OF EQUITY INTERESTS EXCEEDING 10% AS AT 31 DECEMBER 2002** (as per art.126 Reg. Draghi CONSOB Resolution No. 11971/99)**1) DIRECTLY OWNED**

Legal name	Registered office	Capital stock		Total number of shares/quotas	Number of shares/quotas owned	Total number of voting rights	Number of voting rights held	Net equity as at 31 Dec. 2002 (Euro equivalent) as per Law decree No. 127/91	Profit/(Loss) for 2002 (Euro equivalent) as per Law decree No. 127/91	% held as at 31 Dec. 02	Carrying value of equity interest (Euro)	Eliminato:
		currency	amount									
SIAP SPA	MANIAGO (PN - Italy)	EUR	10,122,616	10,122,616	10,122,616	10,122,616	10,122,161	23,185,080	828,711	100.00%	11,747,161	Eliminato: N
CARRARO DEUTSCHLAND GmbH	HATTINGEN (GERMANY)	EUR	10,507,048	1	1	1	1	8,893,096	(13,233,638)	100.00%	8,893,090	
CARRARO INDIA Ltd.	PUNE (INDIA)	INR	400,000,000	40,000,000	20,400,000	40,000,000	20,400,000	2,114,099	(1,419,007)	51.00%	2,833,000	
CARRARO PNH COMPONENTS INDIA Ltd.	MUMBAI (INDIA)	INR	10,000,200	1,000,020	1,000,000	1,000,020	1,000,000	195,812		99.99%	196,550	
CARRARO ARGENTINA S.A.	HAEDO (ARGENTINA)	ARS	25,809,288	25,809,288	24,234,922	25,809,288	24,234,922	16,296,380	2,846,898	93.90%	19,221,840	
CARRARO INTERNATIONAL S.A.	LUXEMBOURG	EUR	9,850,000	9,850	9,849	9,850	9,849	7,702,616	(1,389,079)	99.99%	7,718,000	Eliminato: S
FON S.A.	RADOMSKO (POLAND)	PLN	7,058,220	705,822	598,452	901,214	793,844	1,497,634	(345,178)	84.79%	1,270,000	
AGRITALIA SPA	ROVINO (Italy)	EUR	5,631,600	10,830,000	3,610,000	10,830,000	3,610,000	6,681,098	(480,952)	33.33%	2,830,979	Eliminato: ROVIGO
ELCON S.r.l. (*)	TRIESTE (Italy)	EUR	52,000	100,000	24,900	100,000	24,900	(6,768)	(72,128)	24.90%	1	

(*) values as at 31 December 2001

2) INDIRECTLY OWNED

Legal name	Registered office	Owned through (direct parent)	Capital stock		Total number of shares/ quotas	Number of shares/ quotas owned	Total number of voting rights	Number of voting rights held	Net equity as at 31 Dec. 2002 (Euro equivalent)	Profit/(Loss) for 2002 (Euro equivalent)	% held as at 31 Dec. 02	Carrying value of equity interest (Euro)	Eliminato:
			currency	amount									
STM S.r.l. (**)	MANIAGO (PN - Italy)	SIAP S.p.A.	EUR	1,549,080	1,549,080	774,540	1,549,080	774,540	5,155,003	165,506	50.00%	769,263	
O&K Antriebstechnik & Co. GmbH KG	HATTINGEN (D)	CARRARO DEUTSCHLAND GmbH	EUR	2,045,168	1	1	1	1	3,040,315	(3,013,097)	100.00%	8,040,315	
CARRARO KOREA Ltd.	ULSAN (COREA)	CARRARO INTERNATIONAL S.A.	KW	3,000,000,000	600,000	600,000	600,000	600,000	1,837,703	(419,372)	100.00%	2,060,600	
CARRARO NORTH AMERICA Inc.	CALHOUN (GA - U.S.A.)	CARRARO INTERNATIONAL S.A.	USD	100	100	100	100	100	6,810,182	(552,495)	100.00%	6,936,649	
SIAP GEARS INDIA Ltd.	MUMBAY (INDIA)	SIAP S.p.A.	INR	20,000,200	2,000,020	2,000,000	2,000,020	2,000,000	394,162		99.99%	393,096	

(**) Values referred to 31 December 2002 following the merger of TKM Srl.

NOTE: The net equity and result o operations of foreign entities shown above have been translated, respectively, at the exchange rate of 31 December 2002 and at the average exchange rate of the year 2002.

APPENDIX TO THE NOTES TO THE FINANCIAL STATEMENTS AS AT 31 December 2002

EMOLUMENTS PAID TO DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS
as per Legislative Decree No. 598 of 24 February 1998 - art. 78 CONSOB Resolution No. 12475 of 6 April 2000
Appendix 3C Form 1

Eliminato: o

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Last and first name	DESCRIPTION OF OFFICE			EMOLUMENTS
	Società	Job title	Term in office	Euro/000 Year 2002
Carraro Mario	Carraro S.p.A.	Chairman and Managing Director	AGM 14 June 2000 Approval of F/S for 2000/2001/2002	697.2
	Siap S.p.A.	Chairman and Managing Director	AGM 5 May 2000 Approval of F/S for 2000/2001/2002	20.7
Carraro Francesco	Carraro S.p.A.	Member of the Board	AGM 14 June 2000 Approval of F/S for 2000/2001/2002	25.8
Carraro Enrico	Carraro S.p.A.	Member of the Board	AGM 14 June 2000 Approval of F/S for 2000/2001/2002	51.6
Carraro Tomaso	Carraro S.p.A.	Member of the Board	AGM 14 June 2000 Approval of F/S for 2000/2001/2002	154.9
	Carraro North America	Sole Manager		42.4
Tonin Onofrio	Carraro S.p.A.	Member of the Board	AGM 14 June 2000 Approval of F/S for 2000/2001/2002	51.6
Ceola Antonio	Carraro S.p.A.	Member of the Board	AGM 14 June 2000 Approval of F/S for 2000/2001/2002	25.8
Brunetti Giorgio	Carraro S.p.A.	Member of the Board	AGM 14 June 2000 Approval of F/S for 2000/2001/2002	25.8
Erede Sergio	Carraro S.p.A.	Member of the Board	AGM 14 June 2000 Approval of F/S for 2000/2001/2002	25.8
Mocellini Angelo	Carraro S.p.A.	Member of the Board	AGM 14 June 2000 Approval of F/S for 2000/2001/2002	25.8
Cortellazzo Antonio	Carraro S.p.A.	President of Board of statutory auditors	AGM 14 June 2000 Approval of F/S for 2000/2001/2002	18.1
Fontana Aldo	Carraro S.p.A.	Statutory auditor	AGM 14 June 2000 Approval of F/S for 2000/2001/2002	12.9
Secchieri Francesco	Carraro S.p.A.	Statutory auditor	AGM 14 June 2000 Approval of F/S for 2000/2001/2002	12.9
	Siap S.p.A.	Statutory auditor	AGM 5 May 2000 Approval of F/S for 2000/2001/2002	6.2
Votta Tiziana	Carraro S.p.A.	General Manager	since 27 January 1997	244.4

DISCLOSURE CONCERNING RELATED PARTIES (pursuant to CONSOB communication DEM/2064231 of 30 September 2002)

During 2002 the following amounts were paid to parties related to the members of the Company's boards:
(Euro/000)

Studio Bonelli, Erede, Pappalardo 102.8
Studio Mocellini 85.0

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF
LAW DECREE N° 58 DATED 24 FEBRUARY 1998**

To the Shareholders of
Carraro SpA

- 1 We have audited the financial statements of Carraro SpA as of December 31, 2002. These financial statements are the responsibility of the directors of Carraro SpA. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB (the Italian Regulatory Commission for Companies and the Stock Exchange). Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated April 19, 2002.

- 3 In our opinion, the financial statements of Carraro SpA as of December 31, 2002 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the company.

Padua, April 22, 2003

PricewaterhouseCoopers SpA

Signed by Nicola Piovan
(Partner)

This report has been translated from the original which was issued in accordance with the Italian legislation.