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

FINANCIAL STATEMENTS 31 DECEMBER 2013

BOARD OF DIRECTORS	**ENRICO CARRARO** (2)	Chairman
In office until approval of the 2014 financial statements (Appointments, Shareholders' Meeting of 20.04.2012)	**TOMASO CARRARO**	Deputy Chairman
	ALEXANDER JOSEF BOSSARD	Chief Executive Officer
	ARNALDO CAMUFFO (1) (2)	Director *
	FRANCESCO CARRARO	Director
	ANTONIO CORTELLAZZO (1) (2)	Director *
	GABRIELE DEL TORCHIO	Director *
	MARINA PITTINI (2) (1)	Director *
	MARCO REBOA (1)	Director *
	(1) Members of the Auditing and Risk Committee	
	(2) Members of the Nominations, Human Resources and Remuneration Committee * Independent directors	
BOARD OF STATUTORY AUDITORS	**ROBERTO SACCOMANI**	Chairman
In office until approval of the 2014 financial statements (Appointments, Shareholders' Meeting of 20.04.2012)	**SAVERIO BOZZOLAN**	Regular Auditor
	MARINA MANNA	Regular Auditor
	BARBARA CANTONI	Alternate Auditor
	STEFANIA CENTORBI	Alternate Auditor
INDEPENDENT AUDITORS from 2007 to 2015	**PricewaterhouseCoopers S.p.A.**	
PARENT COMPANY	**FinaidS.p.A.**	

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

The Chairman Mr Enrico Carraro and Chief Executive Officer Mr Alexander Bossard have separate powers to legally represent and sign for the company in relations with third parties and in legal actions; they carry out their work within the limits of the powers conferred on them by the Board of Directors in the meeting of 20 April 2012, in accordance with applicable legal constraints, in terms of matters which cannot be delegated by the Board of Directors and of responsibilities reserved for the Board itself, as well as the principles and limits provided for in the Company's Code of Conduct.

INCOME STATEMENT

(amounts in Euro)	NOTES	31.12.2013	*of which non-recurring*	31.12.2012	*of which non-recurring*
A) REVENUES FROM SALES					
1) Products		97,011,429		87,713,422	
2) Services		15,808,837		14,119,699	
3) Other revenues		611,061		279,003	
TOTAL REVENUES FROM SALES	**1**	**113,431,327**		**102,112,124**	
A bis) of which with related parties		*14,061,811*		*14,623,732*	
B) OPERATING COSTS					
1) Purchases of goods and materials		71,767,472		68,596,128	
2) Services		18,574,939		19,388,964	
3) Use of third-party goods and services		29,883		142,846	
4) Personnel costs		20,083,533		18,672,836	
5) Amortisation, depreciation and impairment of assets		3,265,635		3,292,159	
5.a) depreciation of property, plant and equipment		2,105,857		*2,028,680*	
5.b) amortisation of intangible assets		*1,143,843*		*1,256,168*	
5.c) impairment of fixed assets		-		-	
5.d) impairment of receivables		*15,935*		*7,311*	
6) Changes in inventories		3,748,017		-301,021	
7) Provision for risks and other liabilities		1,639,974		2,274,412	*1,000,000*
8) Other income and expenses		-3,146,506		-3,130,443	
9) Internal construction		-		-464,261	
TOTAL OPERATING COSTS	**2**	**115,962,947**		**108,471,620**	*1,000,000*
B-bis) of which with related parties		*13,863,821*		*11,408,853*	
OPERATING PROFIT/(LOSS)		**-2,531,620**		**-6,359,496**	*-1,000,000*
C) GAINS/(LOSSES) ON FINANCIAL ASSETS					
10) Income from equity investments		2,150,000		5,500,000	
11) Other financial income		254,975		276,686	
12) Financial costs and expenses		-4,279,285		-3,304,158	
13) Net gains/(losses) on foreign exchange		68,068		1,775	
14) Value adjustments of financial assets		-		-	
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3**	**-1,806,242**		**2,474,303**	
C-bis) of which with related parties		*-138,879*		*3,555,295*	
PROFIT/(LOSS) BEFORE TAXES		**-4,337,862**		**-3,885,193**	*-1,000,000*
15) Current and deferred income taxes	4	-1,124,205		248,990	*275,000*
NET PROFIT/(LOSS)		**-3,213,657**		**-4,134,183**	*-725,000*
EARNINGS (LOSSES) PER SHARE	**5**				
- basic, for the profit for the period attributable to ordinary shareholders of the parent company		*-0. 074*		*-0.100*	
-diluted, for the profit for the period attributable to ordinary shareholders of the parent company		*-0.074*		*-0.100*	

STATEMENT OF COMPREHENSIVE INCOME

(amounts in Euro)	SECTION NOTES	2013 December	2012 December
NET PROFIT/(LOSS) FOR THE PERIOD		**- 3,213,657**	**-4,134,183**
Other income components that could be recognised in the income statement in subsequent periods:			
Change in cash flow hedge reserve	**7.2**	-	-
Taxes on other comprehensive income components		-	-
Total other income components that could be recognised in the income statement in subsequent periods:		**-**	**-**
Other income components that will not be recognised in the income statement in subsequent periods:			
Change in the provision for discounting employee benefits	**19**	9,392	-261,123
Taxes on other comprehensive income components		-2,583	71,809
Total other income components that will not be recognised in the income statement in subsequent periods:		**6,809**	**- 189,314**
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS		**6,809**	**- 189,314**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-3,206,848**	**-4,323,497**

STATEMENT OF FINANCIAL POSITION

(amounts in Euro)	**NOTES**	**31.12.2013**	**31.12.2012**
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	**6**	40,002,252	39,550,902
2) Intangible fixed assets	**7**	10,139,674	7,342,170
3) Real estate investments	**8**	539,703	539,703
4) Holdings in subsidiaries and associates	**9**	93,669,674	93,669,674
4.1) Holdings in subsidiaries and associates		*93,669,674*	*93,669,674*
5) Financial assets	**10**	3,450,841	3,083,088
5.1) Loans and receivables		*3,365,000*	*2,941,934*
5.2) Other financial assets		*85,841*	*141,154*
5 Bis) of which with related parties		*3,365,000*	*2,941,934*
6) Deferred tax assets	**11**	5,375,172	4,301,378
7) Trade receivables and other receivables	**12**	53,499	31,278
7.1) Trade receivables		-	-
7.2) Other receivables		*53,499*	*31,278*
TOTAL NON-CURRENT ASSETS		**153,230,815**	**148,518,193**
B) CURRENT ASSETS			
1) Closing inventory	**13**	9,456,459	13,204,476
2) Trade receivables and other receivables	**12**	22,194,879	19,795,930
2.1) Trade receivables		*17,762,972*	*14,822,804*
2.2) Other receivables		*4,431,907*	*4,973,126*
2 Bis) of which with related parties		*16,490,785*	*13,747,654*
3) Financial assets	**10**	182,781	169,672
3.1) Loans and receivables		*97,297*	*45,708*
3.2) Other financial assets		*85,484*	*123,964*
3 Bis) of which with related parties		*62,297*	*10,708*
4) Cash and cash equivalents	**14**	4,738,903	3,155,607
4.1) Cash		*84,439*	*122,127*
4.2) Bank current accounts and deposits		*4,654,464*	*3,033,480*
4.3) Other cash and cash equivalents			
TOTAL CURRENT ASSETS		**36,573,022**	**36,325,685**
TOTAL ASSETS		**189,803,837**	**184,843,878**

STATEMENT OF FINANCIAL POSITION

(amounts in Euro)	NOTES	31.12.2013	31.12.2012
A) SHAREHOLDERS' EQUITY	**15**		
1) Share Capital		23,914,696	23,914,696
2) Other Reserves		54,344,652	58,583,251
3) Profits/(Losses) brought forward		83,354	83,354
4) Other IAS/IFRS reserves		-7,141,566	-7,141,566
5) Provision for discounting employee benefits		-265,859	-272,668
6) Profit/(loss) for the year		-3,213,657	-4,134,183
TOTAL SHAREHOLDERS' EQUITY		**67,721,620**	**71,032,884**
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	**16**	18,412,892	13,174,620
1.1) Bonds		-	-
1.2) Loans		18,412,892	*13,174,620*
2) Trade payables and other payables	**17**	-	-
2.1) Trade payables		-	-
2.2) Other payables		-	-
2-bis) of which with related parties		-	-
3) Deferred tax liabilities	**11**	19,900	17,318
4) Provisions for employee benefits/retirement	**19**	2,022,724	2,045,498
5) Provision for risks and liabilities	**20**	816,953	779,453
5.1) Provision for warranties		*399,000*	*399,000*
5.2) Provision for legal claims		*201,905*	*201,905*
5.3) Provision for restructuring and reconversion		-	-
5.4) Other provisions		*216,048*	*178,548*
TOTAL NON-CURRENT LIABILITIES		**21,272,469**	**16,016,889**
C) CURRENT LIABILITIES			
1) Financial liabilities	**16**	58,856,263	50,614,779
1.1) Bonds		-	-
1.2) Loans		*58,811,557*	*50,604,986*
1.3) Other financial liabilities		*44,706*	*9,793*
1-bis) of which with related parties		*44,170,459*	*40,763,009*
2) Trade payables and other payables	**17**	38,719,610	43,483,374
2.1) Trade payables		*31,849,431*	*37,445,277*
2.2) Other payables		*6,870,179*	*6,038,097*
2-bis) of which with related parties		*5,633,953*	*7,746,778*
3) Current taxes payables	**18**	166,250	40,344
4) Provision for risks and liabilities	**20**	3,067,625	3,655,608
4.1) Provision for warranties		*1,728,147*	*1,888,235*
4.2) Provision for legal claims		-	*142,000*
4.3) Provision for restructuring and reconversion		*600,000*	*1,027,000*
4.4) Other provisions		*739,478*	*598,373*
TOTAL CURRENT LIABILITIES		**100,809,748**	**97,794,105**
TOTAL LIABILITIES		**122,082,217**	**113,810,994**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**189,803,837**	**184,843,878**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(amounts in Euro)	Share Capital	Capital reserves	Others Reserves (1)	Treasury stock acquired	Provision for discounting employee benefits (1)	Reserve cash flow hedge	Profit/(loss) for the period	Total
Balance as at 1.1.2012(1)	**23,914,696**	**27,129,689**	**24,807,510**	**-5,410,549**	**-83,354**	**-**	**6,022,597**	**76,380,589**
Total profit/(loss) for the year					**-189,314**	**-**	**-4,134,183**	**-4,323,497**
Transactions with shareholders:								
Allocation of 2011 results			6,022,597				-6,022,597	-
Treasury share purchase			-	-1,024,208				**-1,024,208**
Total transactions of the period	**-**	**-**	**6,022,597**	**-1,024,208**	**-**	**-**	**-6,022,597**	**-1,024,208**
Balance as at 31.12.2012	**23,914,696**	**27,129,689**	**30,830,107**	**-6,434,757**	**-272,668**	**-**	**-4,134,183**	**71,032,884**

(amounts in Euro)	Share Capital	Capital reserves	Others Reserves	Treasury stock acquired	Provision for discounting employee benefits	Reserve cash flow hedge	Profit/(loss) for the period	Total
Balance as at 1.1.2013	**23,914,696**	**27,129,689**	**30,830,107**	**-6,434,757**	**-272,668**	**-**	**-4,134,183**	**71,032,884**
Total profit/(loss) for the year					**6,809**	-	-3,213,657	**-3,206,848**
Transactions with shareholders:								
Allocation of 2012 results			-4,134,183				4,134,183	**-**
Treasury share purchase				-104,416				**-104,416**
Total transactions of the period	**-**	**-**	**-4,134,183**	**-104,416**	**-**	**-**	**4,134,183**	**-104,416**
Balance as at 31.12.2013	**23,914,696**	**27,129,689**	**26,695,924**	**-6,539,173**	**-265,859**	**-**	**-3,213,657**	**67,721,620**

(1) The values have been redetermined following the application of IAS 19 revised, which changes, among others, the principle of the recognition of actuarial gains and losses relative to termination and post-employment benefits. For further details see section 2.2 Accounting standards, amendments and interpretations adopted since 1 January 2012 in the "Notes".

STATEMENT OF CASH FLOWS

(amounts in Euro)	NOTES	**31.12.2013**	**31.12.2012**
Profit/(loss) for the year pertaining to the Group	**15**	-3,213,657	-4,134,183
Tax for the year		-1,124,205	248,990
Profit/(loss) before taxes		***-4,337,862***	***-3,885,193***
Depreciation of property, plant and equipment	**2**	2,105,857	2,028,680
Amortisation of intangible assets	**2**	1,143,843	1,256,168
Provisions for risks	**2**	1,639,974	2,274,412
Provisions for employee benefits	**2**	950,890	894,019
Net gains/(losses) on foreign exchange	**3**	-68,068	-1,775
Income from equity investments	**3**	-2,150,000	-5,500,000
Cash flows before changes in Net Working Capital		***-715,366***	***-2,933,689***
Changes in inventory	**13**	3,748,017	-163,283
Changes in trade receivables and other receivables	**12**	-2,421,170	7,196,974
Changes in trade payables and other payables	**17**	-4,763,765	1,286,258
Changes in receivables/payables for deferred taxation	**11**	2,582	4,272
Changes in provisions for employee benefits	**19**	-973,663	-723,776
Changes in provision for risks	**20**	-2,190,457	-998,243
Dividends received		2,150,000	5,500,000
Changes of other assets and liabilities		124,618	-221,166
Tax consolidation expense and income		-	-390,735
Tax payments	**4**	176,317	454,806
Cash flows from operating activities		***-4,862,887***	***9,011,418***
Investments/divestments:			
Investments in plant, property and equipment and real estate investments	**6**	-2,608,639	-10,007,631
Disinvestments and other movements in property, plant and equipment	**6**	51,432	1,600,480
Investments in intangible assets	**7**	-3,941,347	-4,397,559
Disinvestments and other movements in intangible assets	**7**	-	36,963
Cash flows from Investing activities		***-6,498,554***	***-12,767,747***
Changes in current financial assets	**10**	20,567	-13,428
Changes in non-current financial assets	**10**	-423,066	956,592
Changes in current financial liabilities	**16**	8,206,571	2,941,673
Changes in non-current financial liabilities	**16**	5,238,272	-1,915,187
Changes in reserves	**15**	-97,607	-1,213,522
Cash flows from financing activities		***12,944,737***	***756,128***
Total cash flows for the period		***1,583,296***	***-3,000,201***
Opening cash and cash equivalents		**3,155,607**	**6,155,808**
Closing cash and cash equivalents		**4,738,903**	**3,155,607**

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2013

1. General

CarraroS.p.A. (or the "company") is a joint-stock company registered in Italy at the Padua Register of Companies and is controlled by FinaidS.p.A.

CarraroS.p.A. is not subject to management and coordination activities under the terms of Article 2497 *et seq.* of the Italian Civil Code. The controlling shareholder FinaidS.p.A. does not perform any activity of management and coordination in relation to Carraro, and in particular:
- Finaid is a purely financial holding;
- Finaid does not issue any directions to Carraro;
- theFinaid Board of Directors does not approve Carraro's strategic plans or business plans nor does it "interfere" regularly in its operations; and
- there are no relationships of a commercial or financial nature between Finaid and Carraro.

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

Authorisation for the publication of these financial statements was issued by the Board of Directors on 12 March 2014.

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

Carraro, as the parent company, is tasked with the strategic guidance, control and coordination of single business units of the Carraro Group. At the corporate facility in Rovigo, "DivisioneAgritalia", it designs and manufactures agricultural machines.

Reporting criteria and accounting principles

The financial statements are drawn up in compliance with the International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as with the measures issued implementing Article 9 of Legislative Decree no. 38/2005. The term IFRS also includes the revised International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the Standard Interpretations Committee ("SIC"). These standards are the same as those used for the financial statements as at 31 December 2011, with the exceptions described in the section "Accounting standards, amendments and interpretations adopted since 1 January 2013".

The financial statements were prepared assuming that the company is a going concern.

2. Form and content of the financial statements

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

2.1 Format of the financial statements

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

Income Statement

Items on the consolidated income statement are classified by their nature.
The income statement separately indicates the effects of non-recurrent positive and negative income components relative to events or transactions the occurrence of which is non-current, or transactions or events that are not repeated frequently in carrying out normal activities.

Statement of Comprehensive Income
The statement of comprehensive income includes items of income and costs that are not posted on the period income statement, as required or permitted by the IFRSs, such as changes to the cash flow hedge reserve, changes to the reserve for employee benefits - actual gains and losses, changes to the translation reserve and the result of financial assets available for sale.

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

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

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

Accounting statements of transactions with related parties (Consob regulation 15519)
With reference to the reporting of related-party transactions in the financial statements, provided for in Consob Resolution 15519 of 27 July 2006, balances of a significant amount are specifically indicated, to facilitate understanding of the assets and liabilities, financial position and results of the company, in the table of section 8 below concerning related party transactions.
Non-recurring costs and revenues and/or costs and revenues resulting from atypical and/or unusual operations are entered in the Income Statement; further details are provided in section 4 below.

2.2 Accounting standards and measurement criteria

Accounting standards, amendments and interpretations adopted since 1 January 2013

- IAS 19 Revised "Employee Benefits", retrospective application from 1 January 2013.

The Carraro Group opted for the early application, from the Financial Statements as at 31 December 2012, of IAS 19 Revised, according to which actuarial gains/losses are recognised in the Statement of Comprehensive Income and financial income/expenses are classified as interest costs. Moreover, net financial expenses are determined using the discount rate adopted at the beginning of the current reporting period to measure the defined benefit plan obligation.
During the first-time adoption of IAS 19, the Carraro Group had opted to recognise actuarial components in the income statement under Personnel costs; the amendment, endorsed by the European Commission in June 2012, requires the posting of actuarial gains/losses directly under Shareholders' Equity reserves, with immediate recognition in the Statement of Comprehensive Income.
The Group's advance adoption of IAS 19 Revised, considering the obligation to adopt IAS 8 with retroactive effects, led to the actuarial component (*actuarial gains/losses*) being recognised in a reserve of Shareholders' Equity, and the *interest cost* component being classified under the item "Net Financial Income/Expenses".

- IFRS 13 "Fair Value Measurement", with forward-looking application as from 1 January 2013.

The new standard clarifies how fair value must be measured for the purposes of financial statements and is applicable to all IFRS that require or allow for fair value measurement or the presentation of information based on fair value.
Moreover, IFRS 13 requires additional disclosure on fair value measurement, and in accordance with regulations on transition to the standard, the Group adopted the new criteria, with forward-looking application as from 1 January 2013.
See section 9 for details.

- Amendments to IAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income", with retroactive application as from 1 January 2013.

The amendments require all components under Other Comprehensive Income to be grouped depending on whether or not they are reclassified to the Income Statement in subsequent periods. The Group adopted these amendments, consequently restating comparative information.

Accounting standards, amendments and interpretations not relevant or not yet applicable and not adopted in advance by the company

- Amendment to IAS 12 – "Income Taxes - determination of deferred tax assets on real estate investments" (retrospective application from 1 January 2012).
- Amendments to IAS 32 "Financial instruments: presentation” (retroactive application from 1 January 2014).
- Amendment to IFRS 7 "Financial instruments: disclosures - Transfers of financial assets" (retroactive application from 1 January 2012).
- Amendment to IAS 36 “Impairment of assets” (retroactive application as from 1 January 2014).
- Amendments to IAS 39 "Financial instruments: Recognition and Measurement" (retrospective application as from 1 January 2014).
- IFRS 10 “Consolidated Financial Statements” replaces SIC 12 “Consolidation: Special Purpose Entities (special purpose vehicles) and parts of IAS 27 “Consolidated and Separate Financial Statements” (retroactive application as from 1 January 2014).
- IFRS 11 “Joint Arrangements” replaces IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities”: Non-Monetary Contributions by Venturers” (retrospective application as from 1 January 2014).
- IFRS 12 “Disclosure of Interest in Other Entities” which is a new standard on additional disclosure for all types of interest (retroactive application as from 1 January 2014).

At the date of these Financial Statements, the competent bodies of the European Union had not completed the process to endorse the adoption of the following standards and amendments:
- IFRS 9 “Financial Instruments”, published by the IASB on 12 November 2009 and subsequently amended (retroactive application as from 1 January 2015).
- Amendments to IAS 19 – "Employee Benefits" (retrospective application as from 1 July 2014).

The IASB also issued a series of changes to the IFRSs (“improvements”). Below are the changes indicated by the IASB as having an effect on the presentation, recognition and measurement of financial statement items, while changes that will only result in terminological changes or that refer to issues not present in the Company are not discussed.
- Amendment to IAS 1 “Presentation of Financial Statements": the amendment clarifies procedures for presenting information if the company changes accounting standards and if the company carries out retrospective restatement or reclassification and if it provides financial information in addition to that required by the standard.

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

Category	**Useful Life**
INDUSTRIAL BUILDINGS	20-50
PLANT	15-25
MACHINERY	15-18
EQUIPMENT	3-15
DIES AND MODELS	5-8
FURNITURE AND FITTINGS	15
OFFICE MACHINES	5-10
MOTOR VEHICLES	5-15

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

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

Intangible fixed assets
Intangible assets are recognised in the accounts only if they can be identified and checked, are expected to generate future economic benefits, and their cost can be reliably determined.
Intangible fixed assets with a limited life are carried at purchase or production cost net of amortisation and accumulated impairment losses.
Amortisation is calculated in relation to their anticipated useful life and starts when the asset becomes available for use.
Goodwill
Goodwill represents the surplus of the purchase cost over the acquirer's interest in the fair value (referred to the identifiable net values of the assets or liabilities of the entity acquired).
After initial recognition, goodwill is carried at cost, less any cumulative impairment losses.
Goodwill is subject, at least once a year, to an impairment test, to identify any impairment losses. In order to correctly perform fair value analysis, the goodwill is allocated to each of the units generating financial flows that will benefit from the effects deriving from the acquisition.

Research and development costs
The costs of research are charged to the income statement when incurred, in accordance with IAS 38.
Again in compliance with IAS 38, development costs relating to specific projects are recorded among the assets only if all the following conditions are fulfilled:
- the asset can be identified;
- the technical feasibility of completing the intangible asset so that it will be available for use or sale exists;
- the intention to complete the intangible asset and use or sell it exists;
- the ability to use or sell the intangible asset exists;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset exists;
- it is likely that the asset created will generate future financial benefits;
- the costs of the development of the asset can be reliably measured.

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

Software
The cost of software licences, inclusive of ancillary expenses, is capitalised and recognised net of amortisation and of any accumulated impairment losses.
Such intangible assets are amortised on a straight-line basis over their useful lives.

Impairment losses
Where there are specific signs of impairment, property, plant and equipment and intangible assets are subject to an impairment test, estimating the recoverable value of the assets and comparing it with their net carrying amount. The recoverable value is the greater of the fair value of an asset net of costs to sell and its value in use, which is determined as the present value of the cash flows that the company estimates will derive from continuous use of the asset and from its disposal at the end of its useful life.
This recoverable value is determined for each individual asset except when the asset does not generate cash flows which are fully dependent on those generated by other assets.
If the recoverable value is lower than the carrying amount, the latter is reduced accordingly. This reduction represents an impairment loss, which is recognised in the income statement.
If there is no longer any reason for an impairment loss previously recognised to be maintained, with the exception of goodwill and of intangible assets with an unlimited useful life, the carrying amount is reinstated to the new value deriving from the estimate, provided that this value does not exceed the net carrying amount which the asset would have had, if no writedown had been made. The value written back is also recorded in the income statement.
Impairment tests are carried out annually in the case of goodwill and of intangible fixed assets with an unlimited useful life.
Impairment tests are also carried out on all assets with independent flows that show evidence of impairment.

Equity investments in subsidiaries and associated companies
A subsidiary company is an entity in which the Company, directly or indirectly via its own subsidiaries, holds more than half of the voting rights, unless in exceptional cases where it can be clearly demonstrated that this ownership does not constitute control. Control is presumed also when the company has half, or even less than half, of the votes that can be exercised at meetings of shareholders, if it has:
(a) control over more than half of the voting rights under an agreement with other investors;
(b) the power to determine the financial and operating policies of the entity under a clause of the articles of association or an agreement;
(c) the power to appoint or remove the majority of the members of the board of directors or the equivalent corporate governance body, and control of the entity is held by that board or body;
(d) the power to exercise the majority of voting rights at a meeting of the board of directors or the equivalent corporate governance body, and control of the entity is held by that board or body.
An associated company is an entity over which the company is able to exercise significant influence, but does not have control or joint control, via the equity investment, over the financial and operating policies of the company.
As provided for by IAS 27.37, for the purposes of separate financial statements, equity investments in subsidiaries and associated companies are measured at reduced cost in the presence of impairment.

Equity investments in other companies and other securities
In accordance with the provisions of IAS 39 and 32, equity investments in companies other than subsidiaries and associates are classified as financial assets available for sale and are carried at fair value except in cases where it is not possible to determine the market price or the fair value: in this case the cost method is used.
Profits and losses deriving from value adjustments are recognised in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve.
In the presence of permanent impairment losses or in the event of a sale, profits and losses recognised up to that moment in shareholders' equity are recognised in the income statement.

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

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

Financial assets at fair value through profit or loss

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

Investments held to maturity

Financial assets which are not derivative instruments and which are characterised by payments with fixed or determinable maturities are classified as "investments held to maturity" when the company has the intention and the capacity to maintain them in the portfolio until maturity. Financial assets that the company decides to keep in the portfolio for an indefinite period do not fall within this category. Other long-term financial investments which are held to maturity, such as bonds, are subsequently measured using the amortised cost method. This cost is calculated as the value initially recognised, less the repayment of the principal, plus or minus the amortisation accumulated using the effective interest rate method on any difference between the value initially recognised and the amount at maturity. This calculation includes all the fees or points paid between the parties, which form an integral part of the effective interest rate, the transaction costs and other premiums or discounts. For investments measured at their amortised cost, profits and losses are recognised in the income statement when the investment is derecognised or when an impairment loss occurs, as well as by means of the amortisation process.

Loans and receivables

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

Available-for-sale financial assets

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

In the case of securities widely traded on regulated markets, the fair value is determined referring to the stock market price struck at the end of trading on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques based on prices of recent transactions between unrelated parties, the current market value of a substantially similar instrument, discounted cash flow analysis and option pricing models.

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

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

Trade receivables and other receivables
Trade receivables and other receivables are included among current assets, with the exception of those falling due more than 12 months after the reporting date, which are classified as non-current assets. These assets are valued at amortised cost on the basis of the effective interest rate method.
Receivables which mature at more than one year, that are interest-free or earn less interest than the market, are discounted using market rates. Trade receivables are discounted when they have longer payment terms than the average term of extension granted.
If there is objective evidence of elements indicating an impairment loss, the asset is reduced by an amount that returns the discounted value of the cash flows obtainable in the future. Impairment losses are recognised in the income statement. Where reasons for previous write-downs are not maintained into subsequent trading periods, the value of the asset is reinstated until it corresponds to the value that would have derived from application of the amortised cost.

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

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

Financial liabilities

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

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

Impairment losses on financial assets

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

Assets measured on the basis of amortised cost

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

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

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

Assets recognised at cost

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

Available-for-sale financial assets

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

Allowances and provisions

Provisions for risks and liabilities

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

Employee and similar benefits

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

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

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

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

Recognition of revenues and other positive income components
Sales of goods are recognised when the goods are shipped and the company has transferred to the purchaser the significant risks and rewards associated with ownership of the goods.
Revenues for services are recognised with reference to the stage of completion.
Interest income is recognised in accordance with the accruals concept, on the basis of the amount financed and the effective interest rate applicable, which represents the rate that discounts future collections estimated over the expected life of the financial asset so as to take them back to the carrying amount of the asset itself.
Revenues from dividends are recorded when the right to collection arises, which normally corresponds to the resolution of the shareholders' meeting approving distribution of the dividends. Dividends to shareholders are recognised as a payable at the time of the distribution resolution.

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

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

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

Deferred taxes
Deferred taxes are determined on the basis of the taxable temporary differences existing between the carrying amount of assets and liabilities and their value for tax purposes; they are classified under non-current assets and liabilities.
Deferred tax assets are provided for only to the extent that future tax burdens will probably exist, against which this asset balance can be used.
The value of deferred tax assets which can be recognised is subject to an annual assessment and is written down to the extent that it is not likely that sufficient income for tax purposes will be available in the future so as to permit all or part of this credit to be used. Unrecognised deferred tax assets are reviewed annually at the reporting date and are recognised to the extent that it has become likely that income for tax purposes will be sufficient to permit these deferred tax assets to be recovered.
Deferred tax assets and liabilities are determined with reference to the tax rates which are expected to be applied in the period in which these deferments will be realised, taking into account the rates in force or those which it is known will be subsequently issued.
Deferred tax assets and liabilities are offset, if a legal right exists to offset the current tax assets with current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

Value added tax

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

- the tax applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;
- it refers to trade receivables and payables recorded including the value of the tax.

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

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

Accounting transactions and entries
Transactions carried out in a foreign currency are initially recognised using the exchange rates at the transaction date.
At the reporting date, the monetary assets and liabilities denominated in a foreign currency are re-translated on the basis of the exchange rate in force at that date.
Non-monetary foreign currency items measured at historical cost are translated using the exchange rate in force at the date of the transaction.
Non-monetary items recognised at fair value are translated using the exchange rate in force at the date of determination of the value.

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

The main objectives indicated by the policy are as follows:
A) Exchange-rate risks:
1) to hedge all commercial and financial transactions against the risk of fluctuation;
2) to apply the "currency balancing" method of hedging the risk, where possible, favouring the offsetting of revenues and expenses and payables and receivables in foreign currencies in order to engage in hedging solely for the excess balance not offset;
3) not to permit the use and ownership of derivatives or similar instruments for mere trading purposes;
4) to permit only the use of instruments traded on regulated markets for hedging transactions.
B) Interest-rate risks:
1) to hedge financial assets and liabilities against the risk of changes in interest rates;
2) in hedging against risk, to comply with the general criteria for balancing lending and borrowing set at the company level by the Board of Directors of CarraroS.p.A. when it approves long-term plans and budgets (fixed and floating interest rates, proportions at short-term and medium/long-term);
3) to permit only the use of instruments traded on regulated markets for hedging transactions.

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

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

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

For hedge accounting purposes, hedges are classified as:

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

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

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

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

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

Fair value hedges

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

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

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

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

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

Cash flow hedges

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

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

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

Hedges of a net investment in a foreign operation

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

Credit risk

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

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

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

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

Liquidity risk

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

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

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

The cash flows envisaged for 2014 include, besides the trend in working capital and investments, the effects of current liabilities and the short-term portions of medium- and long-term loans reaching maturity, as well as the effects

(assuming the same rates of exchange with respect to 31.12.2013) of the closure of derivative financial instruments on currencies in existence at the reporting date.
The company envisages meeting the needs arising from all of the above with the flows deriving from operations, from available liquidity and from the availability of the above credit facilities.
Considering the positive trend of sales volumes, which should be maintained also in subsequent years, and as a result of a plan for corporate reorganization and reduction of manufacturing inefficiencies, in financial year 2014 the company expects to be able to generate financial resources through its operations such as to ensure adequate support for investments.
The management of liquidity, funding requirements and cash flows are under the direct control and management of the Group Treasury, which operates with the aim of managing the resources available as efficiently as possible.
Tensions on the Italian government bonds market and uncertainties of financial markets have had an effect on the borrowing of banks and as a consequence on credit granted to businesses. This instability could also continue in 2014, preventing the normal execution of financial transactions.
Lastly, regardless of the fact that the company has continued refinancing its debts with the support of its banking counterparties and the financial markets, the situation could arise of having to seek additional financing in less favourable market conditions, with the limited availability of such sources and an increase in financial expenses.
The maturity features of the company's liabilities and financial assets are shown in notes 10 and 16 relating respectively to non-current financial receivables and non-current financial liabilities. The maturity features of derivative financial instruments are described in section 7.2.

Exchange-rate risk and interest rate risk
The company is exposed to exchange rate risks by virtue of the fact that a significant portion of sales and some of the purchases are made in currencies other than the functional currency, with trade transactions carried out by companies in the Euro area with counterparties that do not belong to the Euro area and vice versa.
Exposure to exchange rate risk with reference to each entity is regularly monitored by the Group Treasury according to a strategy which focuses, in particular, on the balance between purchases and sales in foreign currency and activating, for the remaining non-balanced portion and according to the criteria set by the company policy in terms of the management of financial risks, appropriate initiatives to hedge or reduce the risks identified, using the instruments available on the market.
The company is also exposed to interest rate risks in relation to the financial liabilities assumed to fund either normal operations or, where applicable, the company's expansion via acquisitions. Changes in interest rates may have positive or negative effects on both the financial outcome and on cash flows.
The strategy adopted pursues the basic objective of achieving a balance between floating-rate and fixed-rate debt; the interest rate risk on the floating portion is then reduced via specific hedging operations.

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

a) intra-group transactions and transactions with related parties which took place during the period, gave rise to trade, financial or consultancy-related relationships, and were carried out under market terms, in the financial interest of the individual companies involved in the transactions;
b) no atypical or unusual operations were implemented as compared with normal business management, apart from the acquisition by CarraroS.p.A of land owned by FinaidS.p.A. for an amount equal to 6.5 million Euros;
c) the interest rates and terms applied (paid and received) in financial relationships between the various companies are in line with market terms.

Discretionary assessments and significant accounting estimates

Estimates and assumptions
In the application of the accounting standards, the directors have not made decisions based on discretionary evaluations (excluding those which involve estimates) having a significant effect on the values in the financial statements.
We present below the key assumptions on the future and other significant sources of uncertainty in the estimates at the reporting date, which could bring about significant changes in the carrying amounts of assets and liabilities within the next financial year.

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

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

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

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

3. Information by business segment and geographic segment

CarraroS.p.A. is divided into the "Vehicles Business Area" (with reference to the Divisione Agritalia which produces and markets tractors) and "Headquarters operations", henceforth HQ, relative to central level services provided by CarraroS.p.A. to the various companies of the Group given its function of strategic guidance, control and coordination of the individual business units.

3.1 Business segments

The most significant information by business segment is presented in the tables below, with comparisons between financial years 2012 and 2013.

a) economic data

31.12.2013 *(amounts in Euro thousands)*	**Vehicles**	**HQ**	**Total**
Revenues from sales	**102,987**	**10,444**	**113,431**
Sales to third parties	99,369	-	99,369
Sales to other Business Areas	3,618	10,444	14,062
Operating costs	**98,788**	**17,176**	**115,964**
Purchases of goods and materials	71,770	-2	71,768
Services	8,001	10,574	18,575
Use of third-party goods and services	8	22	30
Personnel costs	12,539	7,545	20,084
Amortisation, depreciation and impairment of assets	1,264	2,002	3,266
Changes in inventories	3,748	-	3,748
Provisions for risks	1,420	220	1,640
Other income and expenses	38	-3,185	-3,147
Internal construction	-	-	-
Operating profit/(loss)	**4,199**	**-6,732**	**-2,533**
Gains/(losses) on financial assets	-104	-1,703	-1,807
Current and deferred income taxes	372	-1,496	-1,124
Net profit/(loss)	**3,723**	**-6,939**	**-3,214**

31.12.2012 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Total**
Revenues from sales	**10,335**	**91,777**	**102,112**
Sales to third parties	2	87,486	87,488
Sales to other Business Units	10,333	4,291	14,624
Operating costs	**19,363**	**89,108**	**108,471**
Purchases of goods and materials	7	68,589	68,596
Services	11,851	7,538	19,389
Use of third-party goods and services	30	113	143
Personnel costs	7,663	11,010	18,673
Amortisation, depreciation and impairment of assets	2,209	1,083	3,292
Changes in inventories	-	-301	-301
Provisions for risks	1,000	1,274	2,274
Other income and expenses	-2,933	-198	-3,131
Internal construction	-464	-	-464
Operating profit/(loss)	**-9,028**	**2,669**	**-6,359**
Gains/(losses) on financial assets	2,550	-76	2,474
Current and deferred income taxes	190	59	249
Net profit/(loss)	**-6,668**	**2,534**	**-4,134**

b) equity data (Euro/000)

31.12.2013 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Total**
Non-current assets	139,820	13,411	153,231
Current assets	23,269	13,304	36,573
Shareholders' equity	55,663	12,059	67,722
Non-current liabilities	19,453	1,819	21,272
Current liabilities	87,973	12,837	100,810

31.12.2012 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Total**
Non-current assets	135,675	12,843	148,518
Current assets	20,230	16,096	36,326
Shareholders' equity	61,592	9,441	71,033
Non-current liabilities	14,200	1,817	16,017
Current liabilities	80,113	17,681	97,794

c) other information

31.12.2013 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Total**
Investments	4,806	1,744	6,550
Workforce as at 31.12	79	255	334

31.12.2012 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Total**
Investments	13,161	1,244	14,405
Workforce as at 31.12	85	240	325

3.2 Geographic areas

CarraroS.p.A.'s industrial business, with reference to the DivisioneAgritalia, is located in Italy.
Sales, referred to the Vehicles business area, are mainly to European customers. Investments are made in Italy.

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

a) Sales

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

(amounts in Euro thousands)	***31.12.2013***	***31.12.2012***
Switzerland	38,176	42,670
France	29,884	22,903
Germany	5,149	6,897
India	2,677	1,993
China	1,176	1,225
Poland	1,164	932
South America	808	828
North America	63	45
Turkey	4,907	918
United Kingdom	537	638
Other E.U. areas	8,004	6,510
Other non-E.U. areas	1,247	162
Total Abroad	**93,792**	**85,721**
Italy	19,639	16,391
Total	**113,431**	**102,112**
of which: Total E.U. area	**64,377**	**54,271**
Total non-E.U. area	**49,054**	**47,841**

4. Non-recurring operations

In 2013, no non-recurrent costs or income were recognised in the income statement.

5. Detailed explanatory notes

Revenues from sales (note 1)

(amounts in Euro)	**31.12.2013**	**31.12.2012**
SALES OF PRODUCTS	97,104,283	87,737,363
SALES RETURNS	-92,854	-23,941
1) PRODUCTS	97,011,429	87,713,422
WORK ON CONTRACT	18,620	28,232
OTHER SERVICES	10,979,558	11,114,140
REVENUES FROM ADVANCES ON ORDERS	4,810,659	2,977,327
2) SERVICES	15,808,837	14,119,699
OTHER GOODS	609,888	240,751
OTHER REVENUES	1,173	38,231
CUSTOMER DISCOUNTS	-	21
3) OTHER REVENUES	611,061	279,003
TOTAL REVENUES FROM SALES	**113,431,327**	**102,112,124**

Operating costs (note 2)

(amounts in Euro)	**31.12.2013**	**31.12.2012**
PURCHASES OF RAW MATERIALS	69,775,668	66,874,841
RETURNS OF RAW MATERIALS	-291,815	-239,182
A) PURCHASES	69,483,853	66,635,659
MISCELLANEOUS CONSUMABLES	270,712	104,111
CONSUMABLE TOOLS	78,011	77,980
MAINTENANCE MATERIAL	433,873	250,420
MAT. AND SERV. FOR RESALE	1,645,481	1,569,839
REBATES AND DISCOUNTS – SUPPLIERS	-144,458	-41,881
B) OTHER PRODUCTION COSTS	2,283,619	1,960,469
1) PURCHASES OF GOODS AND MATERIALS	**71,767,472**	**68,596,128**
A) EXTERNAL SERVICES FOR PRODUCTION	4,420,778	4,566,133
B) SUNDRY SUPPLIES	682,104	698,665
C) GENERAL OVERHEADS	12,125,340	12,943,289
D) COMMERCIAL COSTS	361,244	302,053
E) SALES EXPENSES	985,473	878,824
2) SERVICES	**18,574,939**	**19,388,964**
RENTAL EXPENSES	29,883	142,846
3) USE OF THIRD-PARTY GOODS AND SERVICES	**29,883**	**142,846**
A) WAGES AND SALARIES	14,362,798	13,229,432
B) SOCIAL SECURITY CONTRIBUTIONS	4,190,868	3,903,123
D) EMPLOYEE SEVERANCE INDEMNITY AND PENSIONS	950,890	894,019
E) OTHER COSTS	578,977	646,262
4) PERSONNEL COSTS	**20,083,533**	**18,672,836**
A) DEPREC. PROP., PLANT & EQUIPMENT	2,105,857	2,028,680
B) AMORT. INTANGIBLE ASSETS	1,143,843	1,256,168
C) IMPAIRMENT OF FIXED ASSETS	-	-
D) IMPAIRMENT OF RECEIVABLES	15,935	7,311
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	**3,265,635**	**3,292,159**
A) CHANGES IN INVENTORIES OF RAW AND ANCILLARY MATERIALS AND GOODS	2,631,586	-1,469,168
B) CHANGES IN INVENTORIES OF WORK IN PROG. SEMI-FIN. & FIN. PRODS	1,116,431	1,168,147
6) CHANGES IN INVENTORIES	**3,748,017**	**-301,021**
A) WARRANTY	1,260,433	1,095,864
B) COSTS OF LEGAL CLAIMS	-	-
C) RENOVATION AND CONV.	219,541	1,000,000
D) OTHER PROVISIONS	160,000	178,548
7) PROVISION FOR RISKS AND OTHER LIABILITIES	**1,639,974**	**2,274,412**
A) SUNDRY INCOME	-4,000,765	-3,679,169
B) GRANTS	-	-82,690
C) OTHER OPERATING EXPENSES	858,909	554,500
D) OTHER NON-ORDINARY OPERATING INCOME/EXPENSES	-4,650	76,916
8) OTHER INCOME AND EXPENSES	**-3,146,506**	**-3,130,443**
9) INTERNAL CONSTRUCTION	**-**	**-464,261**

Turnover as at 31.12.2013 was equal to 113.431 million Euros, compared to 102.112 million Euros as at 31.12.2012 and was mainly generated by DivisioneAgritalia. The increase is widely due to the higher number of tractors sold (3,683 units in 2013 compared to 3,501 in 2012), particularly for Claas and John Deere customers, while volumes for Agco were affected by the downturn on the Turkish market in the second half of the year. The new powertrain line going on sale in April 2013, and the increase in engineering activities, thanks to requests from European and non-European markets, also contributed to the higher turnover. The lowered version of the Carraro brand “trecavallini” tractor was successfully launched on the market in Italy during the year, and was also commissioned by Claas and John Deere for their tractors coming off the production lines as from January 2014.
In the year, costs for “wages and salaries” amounted to 14.363 million Euros compared to 13.229 million Euros in 2012; the increase compared to the previous year is due to the higher number of employees.
“Other income and expenses” are made up in particular of royalties amounting to 2.364 million Euros and rental income of 1.850 million Euros.

Gains/(losses) on financial assets(note 3)

(amounts in Euro)	**31.12.2013**	**31.12.2012**
10) INCOME FROM EQUITY INVESTMENTS	**2,150,000**	**5,500,000**
A) FROM FINANCIAL ASSETS	-	-
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	1,523	7,030
C) FROM OTHER CASH EQUIVALENTS	-	-
D) INCOME OTHER THAN THE ABOVE	253,452	269,656
E) FROM FAIR VALUE CHANGES, INTEREST RATE DERIVATIVES	-	-
11) OTHER FINANCIAL INCOME	**254,975**	**276,686**
A) FROM FINANCIAL LIABILITIES	-3,030,389	-2,158,566
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	-603,013	-299,467
C) EXPENSES OTHER THAN THE ABOVE	-645,883	-846,125
12) FINANCIAL COSTS AND EXPENSES	**-4,279,285**	**-3,304,158**
FROM CHANGES IN FAIR VALUE OF DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	-95,033	-28,938
OTHER	-219,815	-57,882
NEGATIVE EXCHANGE DIFFERENCES:	***-314,848***	***-86,820***
FROM CHANGES IN FAIR VALUE OF DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	272,665	50,668
OTHER	110,251	37,927
POSITIVE EXCHANGE DIFFERENCES:	***382,916***	***88,595***
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	**68,068**	**1,775**
14) ADJUSTMENTS OF FINANCIAL ASSETS	**-**	**-**

Income from equity investments, equal to 2.15 million Euros, refers to the distribution of dividends from the subsidiary Carraro International S.A.. As at 31 December 2012, this item amounted to 5.5 million Euros and referred to dividends from the subsidiary Carraro International S.A. Financial expenses, equal to 4.28 million Euros, increased compared to the figure of 3.30 million Euros in 2012. This item includes financial expenses from the discounting of employee benefits relative to the interest cost component, amounting to 0.06 million Euros.
Net gains and losses on foreign exchange recorded a positive balance of 0.068 million Euros, compared to a positive figure of 0.002 million Euros for the previous year.
For further details and analysis, see section 9.1 "General summary of the effects on the Income Statement deriving from financial instruments".

Current and deferred income taxes (note 4)

(amounts in Euro)	31.12.2013	31.12.2012
TAX CONSOLIDATION EXPENSE AND INCOME	-	390,735
CURRENT TAXES	301,952	478,055
DEFERRED TAXES	-1,073,794	303,001
TAXES FROM PREVIOUS YEARS	-352,363	-892,517
PROVISIONS FOR RISKS	-	-30,284
15) CURRENT AND DEFERRED INCOME TAXES	**-1,124,205**	**248,990**

Current taxes

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

Current taxes - Tax consolidation expense and income

The company adheres to the tax consolidation area of the parent company FinaidS.p.A. The charges/income deriving from the transfer of the IRES taxable base are booked under current taxes. According to the regulations of the Tax Consolidation Agreement, companies of the Carraro Group have the right to “relief” for use of the tax losses of companies controlled by Finaid, other than those belonging to the Carraro Group. This “relief” amounts to 3% of the tax losses of the other companies of the Finaid Consolidation area possibly offset with the taxable amounts of Carraro Group companies.

The regulations also provide for a mechanism of priority offsetting of the positive and negative taxable amounts between Carraro Group companies with respect to offsetting with the other companies of the Finaid Consolidation area. The same mechanism is provided for with reference to the non-deductible expenses as an effect of the Thin Cap Rule.

Deferred taxes

These are set aside on the timing differences between the carrying amount of the assets/liabilities and the corresponding tax value.
The rates used are 27.5% for IRES and 3.9% for IRAP.
The company had tax losses to be carried forward of 31.8 million Euros. On the basis of the taxable income forecasts for the next five years in the scope of Tax Consolidation, deferred tax assets of 1.1 million Euros were recognised, calculated on tax losses of 3.9 million Euros.
It was not considered prudent, moreover, to recognise deferred tax assets with reference to temporarily non-deductible financial expenses under the terms of the Thin Cap Rule (1.3 million Euros), as the period of recovery is at the moment unforeseeable; the amount of unrecognised deferred tax assets is equal to 0.4 million Euros.

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

(amounts in Euro/000)	31.12.2013	%	31.12.2012	%
Earnings before tax	**-4,338**		**-3,885**	
Theoretical tax rate 31.4%	**-1,362**	**31.40%**	**-1,220**	**31.40%**
Effect of non-deductible costs	-212	4.89%	-98	2.52%
Untaxable income	-	0.00%	-	0.00%
Unrecognised tax losses	1,563	-36.03%	1,234	-31.76%
Other unrecognised deferred taxes	-	0.00%	-	
Income/expenses not relevant for IRAP	641	-14.78%	497	-12.79%
Taxes from previous years	-352	8.11%	-893	22.98%
Adjustment of deferred taxes of previous year	-1,402	-32.33%	759	-19.54%
Provisions for tax risks	-	0.00%	-30	0.77%
Taxation at effective rate	**-1,124**	**25.91%**	**249**	**-6.42%**

Research and development costs (non-capitalisable)
During 2013, technical and industrial studies and researches were carried out which did not give rise to capitalisation (in accordance with the provisions of IAS 38) for a total of 3.863 million Euros (this figure amounted to 3.255 million Euros in 2012).

Earning (loss) per share (note 5)
Basic earnings (losses) per share are calculated by dividing the net earnings (net losses) for the year attributable to the company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year.

Results	**31.12.2013**	**31.12.2012**
Earnings (losses) for the purposes of calculating basic earnings per share	-3,213,657	-4,134,183
Diluting effect deriving from potential ordinary shares:		
Earnings (losses) for the purposes of calculating diluted earnings per share	-3,213,657	-4,134,183

Number of shares	**31.12.2013**	**31.12.2012**
Weighted average number of ordinary shares for calculating		
basic earnings (losses) per share:	43,295,198	41,150,210
diluted earnings (losses) per share:	43,295,198	41,150,210
Basic earnings (losses) per share (Euro):	-0.074	-0.100
Diluted earnings (losses) per share (Euro):	-0.074	-0.100

Dividends

No dividends were paid in financial year 2013 or in the previous year.

Property, plant and equipment (Note 6)

Items *(amounts in Euro)*	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Fixed assets in progress and deposits	Total
Historical cost	34,167,967	13,203,573	11,838,478	6,193,390	426,133	65,829,541
Provisions for amortisation and depreciations	-9,462,926	-9,969,677	-8,212,506	-5,012,001	-	-32,657,110
Net as at 31.12.2011	**24,705,041**	**3,233,896**	**3,625,972**	**1,181,389**	**426,133**	**33,172,431**
Movements in 2012:						
Increases	6,633,482	212,305	738,084	230,833	2,192,927	10,007,631
Decreases	-	-4,962	-1,594,734	-784	-	-1,600,480
Capitalisation	102,760	550,721	-	24,173	-677,654	-
Depreciation and amortisation	-754,290	-409,391	-378,872	-486,127	-	-2,028,680
Net as at 31.12.2012	**30,686,993**	**3,582,569**	**2,390,450**	**949,484**	**1,941,406**	**39,550,902**
Made up of:						
Historical cost	40,904,209	13,960,982	10,443,273	6,416,621	1,941,406	73,666,491
Provisions for amortisation and depreciations	-10,217,216	-10,378,413	-8,052,823	-5,467,137	-	-34,115,589

Items *(amounts in Euro)*	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Fixed assets in progress and deposits	Total
Historical cost	40,904,209	13,960,982	10,443,273	6,416,621	1,941,406	73,666,491
Provisions for amortisation and depreciations	-10,217,216	-10,378,413	-8,052,823	-5,467,137	-	-34,115,589
Net as at 31.12.2012	**30,686,993**	**3,582,569**	**2,390,450**	**949,484**	**1,941,406**	**39,550,902**
Movements in 2013:						
Increases	169,557	821,879	809,625	343,398	464,183	2,608,642
Decreases	-24,186	-2,854	-	-24,395	-	-51,435
Capitalisation	1,897,433	6,148	-	-	-1,903,581	-
Depreciation and amortisation	-758,848	-433,654	-541,223	-372,132	-	-2,105,857
Net as at 31.12.2013	**31,970,949**	**3,974,088**	**2,658,852**	**896,355**	**502,008**	**40,002,252**
Made up of:						
Historical cost	42,929,385	14,504,019	11,213,444	6,470,981	502,008	75,619,837
Provisions for amortisation and depreciations	-10,958,436	-10,529,931	-8,554,592	-5,574,626	-	-35,617,585

Increases in plants mainly refer to the refurbishment of the tractor painting plant, amounting to 0.39 million Euros.

Increases in equipment mainly refer to purchases of new moulds for 0.54 million Euros.

Increases in capitalised internal costs mainly refer to renovation of the property in Via Olmo, for 0.28 million Euros.

Decrease values are highlighted by the net value of the historical cost and accumulated depreciation.

Intangible fixed assets (note 7)

Items *(amounts in Euro)*	**Development costs**	**Licences and Trademarks**	**Royalties and patents**	**Invest. inprog. and deposits**	**Total**
Historical cost	3,930,164	10,289,068	17,560	138,717	14,375,509
Provisions for amortisation and depreciations	-3,715,418	-6,404,789	-17,560	-	-10,137,767
Net as at 31.12.2011	**214,746**	**3,884,279**	**-**	**138,717**	**4,237,742**
Movements in 2012:					
Increases	-	561,935	-	3,835,624	4,397,559
Decreases	-	-36,963	-	-	-36,963
Capitalisation of internal costs	-	230,512	-	-230,512	-
Depreciation and amortisation	-52,591	-1,203,577	-	-	- 1,256,168
Net as at 31.12.2012	**162,155**	**3,436,186**	**-**	**3,743,829**	**7,342,170**
Made up of:					
Historical cost	3,930,164	11,044,552	17,560	3,743,829	18,736,105
Provisions for amortisation and depreciations	-3,768,009	-7,608,366	-17,560	-	-11,393,935

Items *(amounts in Euro)*	**Development costs**	**Licences and Trademarks**	**Royalties and patents**	**Invest. inprog. and deposits**	**Total**
Historical cost	3,930,164	11,044,552	17,560	3,743,829	18,736,105
Provisions for amortisation and depreciations	-3,768,009	-7,608,366	-17,560	-	-11,393,935
Net as at 31.12.2012	**162,155**	**3,436,186**	**-**	**3,743,829**	**7,342,170**
Movements in 2013:					
Increases	-	753,739	-	3,187,608	3,941,347
Decreases	-	-	-	-	-
Capitalisation of internal costs	-	7,666	-	-7,666	-
Depreciation and amortisation	-52,591	-1,091,252	-	-	- 1,143,843
Net as at 31.12.2013	**109,564**	**3,106,339**	**-**	**6,923,771**	**10,139,674**
Made up of:					
Historical cost	3,930,164	11,805,957	17,560	6,923,771	22,677,452
Provisions for amortisation and depreciations	-3,820,600	-8,699,618	-17,560	-	-12,537,778

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

Increases in investments in progress mainly refer to the development of the new management system SAP.

Decrease values are highlighted by the net value of the historical cost and accumulated depreciation.

Real estate investments (Note 8)

(amounts in Euro)	**Buildings**	**Total**
Balance as at 31.12.2012	**539,703**	**539,703**
Change in currency conversion	-	-
Balance as at 31.12.2013	**539,703**	**539,703**

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

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

Movements in equity investments during financial year 2013:

Name *(amounts in Euro)*	**31.12.2012**	**Increases**	**Decreases**	**31.12.2013**
ELETTRONICA SANTERNO S.p.A.	2,014,691	-	-	2,014,691
CARRARO DRIVE TECH S.p.A.	30,037,648	16,139,000	-	46,176,648
ELETTRONICA SANTERNO Ind. E Com. Ltd	3,110	-	-	3,110
CARRARO DEUTSCHLAND GMBH	8,893,090	-	-	8,893,090
CARRARO TECHNOLOGIES Ltd	3,035	-	-	3,035
CARRARO INTERNATIONAL S.A.	36,579,100	-	-	36,579,100
GEAR WORLD S.p.A.	16,139,000	-	-16,139,000	-
TOTAL EQUITY INVESTMENTS	**93,669,674**	**16,139,000**	**-16,139,000**	**93,669,674**

In 2013, the investment in the subsidiary Carraro Drive Tech S.p.A. increased due to the merger of the company Gear World S.p.A. with the company Carraro Drive Tech S.p.A. (deed of merger of 29 April, index no. 22.583). The total amount of investments did not change.

Financial assets (Note 10)

(amounts in Euro)	**31.12.2013**	**31.12.2012**
LOANS TO SUBSIDIARIES	3,365,000	2,941,934
LOANS AND RECEIVABLES	***3,365,000***	***2,941,934***
AVAILABLE FOR SALE	85,841	85,841
OTHER NON-CURRENT FINANCIAL ASSETS	-	*55,313*
OTHER FINANCIAL ASSETS	***85,841***	***141,154***
NON-CURRENT FINANCIAL ASSETS	**3,450,841**	**3,083,088**
FROM SUBSIDIARIES	62,297	10,708
FROM THIRD PARTIES	35,000	35,000
LOANS AND RECEIVABLES	***97,297***	***45,708***
CASH FLOW HEDGING DERIVATIVES (exchange rate derivatives)	23,533	27,621
OTHER CURRENT FINANCIAL ASSETS	61,951	96,343
OTHER FINANCIAL ASSETS	***85,484***	***123,964***
CURRENT FINANCIAL ASSETS	**182,781**	**169,672**

Non-current loans and receivables:
- these include receivables past due by more than a year from the company Carraro Argentina S.A. for 3.36 million Euros. The value of these receivables approximates their fair value.

Current loans and receivables:
- these mainly refer to financial receivables from the subsidiary Carraro International S.A. for 0.06 million Euros;

Other non-current financial assets:
- available-for-sale (0.09 million Euros): this item refers to non-controlling equity investments, which therefore have no set redemption date:

Name *(amounts in Euro)*	**Based in**	**Currency**	**Value of the equity investment**
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
ConsorzioPadovaRicerche	PADUA	EURO	44,774
Isontina Energia – Consorzio per l'acquisto di risorse energetiche	GORIZIA	EURO	516
FONDAZIONE TEATRO LA FENICE	VENICE	EURO	2,582
TOTAL			**85,841**

Deferred tax assets and liabilities (Note 11)
The table below shows the composition of deferred taxation by the nature of temporary differences that determine it. The change corresponds to the effect of deferred taxes on net equity and income.

Description of differences *(amounts in Euro)*	**Deferred taxes 31.12.2011**	**Reclassification**	**Effect on net equity**	**Effect on IS**	**Deferred taxes 31.12.2012**
Depreciation and amortisation	1,049,422	-	-	-195,344	854,078
Measurement of receivables	22,816	-	-	-	22,816
Discounting of employee severance indemnity	-69,190	-	71,809	8,813	11,432
Provisions for risks	1,025,067	-	-	500,447	1,525,514
Tax losses	2,054,038	-76,080	-	-773,920	1,204,038
Others	327,801	-	-	173,830	501,630
Personnel bonuses	181,379	-	-	-16,827	164,552
Measurement of financial assets/liabilities	-	-	-	-	-
TOTAL	**4,591,333**	**-76,080**	**71,809**	**-303,001**	**4,284,060**

Description of differences *(amounts in Euro)*	**Deferred taxes 31.12.2012**	**Reclassification**	**Effect on net equity**	**Effect on IS**	**Deferred taxes 31.12.2013**
Depreciation and amortisation	854,078	-	-	1,007,622	1,861,700
Measurement of receivables	22,816	-	-		22,816
Discounting of employee severance indemnity	11,432	-	-2,583	13,156	22,005
Provisions for risks	1,525,514	-	-	-12,747	1,512,767
Tax losses	1,204,038	-	-	-140,000	1,064,038
Others	501,630	-	-	166,959	668,589
Personnel bonuses	164,552	-	-	38,804	203,356
Measurement of financial assets/liabilities	-	-	-	-	-
TOTAL	**4,284,060**	**-**	**-2,583**	**1,073,794**	**5,355,271**

Trade receivables and other receivables (note 12)

(amounts in Euro)	**31.12.2013**	**31.12.2012**
NON CURRENT TRADE RECEIVABLES		
FROM THIRD PARTIES	53,499	31,278
OTHER NON-CURRENT RECEIVABLES	***53,499***	***31,278***
NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**53,499**	**31,278**
FROM RELATED PARTIES	15,253,707	12,878,280
FROM THIRD PARTIES	2,509,265	1,944,524
CURRENT TRADE RECEIVABLES	***17,762,972***	***14,822,804***
FROM RELATED PARTIES	1,237,078	869,375
FROM THIRD PARTIES	3,194,829	4,103,751
OTHER CURRENT RECEIVABLES	***4,431,907***	***4,973,126***
CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**22,194,879**	**19,795,930**

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

(amounts in Euro)	**31.12.2013**	**31.12.2012**
VAT credits	221,268	906,982
VAT credits due for rebate	-	150,672
Other tax credits	131,402	285,751
Receivables for current taxes	1,925,328	1,578,669
Receivables from employees	2,558	3,648
Receivables from pensions agencies	72,910	62,663
Other receivables	841,363	1,115,366
OTHER CURRENT RECEIVABLES FROM THIRD PARTIES	**3,194,829**	**4,103,751**

Other non-current receivables (0.05 million Euros) mainly refer to guarantee deposits.
Trade receivables bear no interest and mature on average at 60 days.
Other current receivables from third parties include VAT receivables of 0.22 million Euros.
Current tax receivables also include the receivable for withheld taxes paid abroad (India and China).

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

(amounts in Euro)	**31.12.2013**	**31.12.2012**
Trade receivables from related parties	15,253,707	12,878,280
NET CURRENT TRADE RECEIVABLES FROM RELATED PARTIES	***15,253,707***	***12,878,280***
Trade receivables from third parties	2,632,585	2,051,908
Provisions for impairment of receivables	-123,320	-107,384
NET CURRENT TRADE RECEIVABLES FROM THIRD PARTIES	***2,509,265***	***1,944,524***
Other receivables from related parties	1,237,078	869,375
NET CURRENT OTHER RECEIVABLES FROM RELATED PARTIES	***1,237,078***	***869,375***
Other receivables from third parties	3,194,829	4,103,751
NET OTHER CURRENT RECEIVABLES FROM THIRD PARTIES	***3,194,829***	***4,103,751***

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

(amounts in Euro)	**31.12.2013** PAST DUE Less than 1 year	More than 1 year	NOT YET DUE Less than 1 year	More than 1 year	***TOTAL***	**31.12.2012** PAST DUE Less than 1 year	More than 1 year	NOT YET DUE Less than 1 year	More than 1 year	***TOTAL***
Trade receivables	1,964,787	3,827,982	12,093,523	-	**17,886,292**	970,300	3,459,845	10,500,043	-	**14,930,188**
Other receivables	-	-	4,431,907	53,499	**4,485,406**	-	-	4,973,126	31,278	**5,004,404**
TOTAL	**1,964,787**	**3,827,982**	**16,525,430**	**53,499**	**22,371,698**	**970,300**	**3,459,845**	**15,473,169**	**31,278**	**19,934,592**

Provisions for impairment of receivables

Movements in provisions for impairment of receivables:

(amounts in Euro)	**31.12.2012**	**increases**	**31.12.2013**
Provisions for impairment of trade receivables	107,384	15,936	123,320
TOTAL	**107,384**	**15,936**	**123,320**

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

Closing inventory (Note 13)

Items *(amounts in Euro)*	**31.12.2013**	**31.12.2012**
Raw materials	7,354,918	9,497,780
Work in progress and semi-finished products	109,905	2,310,823
Finished products	3,940,604	2,888,970
Goods in transit	-	-
Total inventories	***11,405,427***	***14,697,573***
Provisions for depreciation of inventories	-1,948,968	-1,493,097
TOTAL	**9,456,459**	**13,204,476**

Inventories amounted to 9.456 million Euros compared to 13.204 million Euros as at 31 December 2012. Provisions for impairment of inventories, recognised to align the value of obsolete or slow-moving stocks to the estimated realisable value, amount to 1.95 million Euros referred to raw, subsidiary and consumable materials totalling 1.95 million Euros.

Movements in provisions for impairment of inventories:

(amounts in Euro)	
Balance as at 31 December 2012	**1,493,097**
Provisions set aside	653,586
Utilisation	-197,715
Balance as at 31 December 2013	**1,948,968**

Total provisions set aside during the year amounted to 0.653 million Euros. During the year, 0.198 million Euros was used to dispose of obsolete goods by DivisioneAgritalia.

Cash and cash equivalents (Note 14)

Items *(amounts in Euro)*	31.12.2013	31.12.2012
CASH	84,439	122,127
BANK CURRENT ACCOUNTS AND DEPOSITS	4,654,464	3,033,480
TOTAL	**4,738,903**	**3,155,607**

Shareholders' equity (Note 15)

Items *(amounts in Euro)*	31.12.2013	31.12.2012
1) Share Capital	23,914,696	23,914,696
2) Other Reserves	54,344,652	58,583,251
3) Profits/(Losses) brought forward	83,354	83,354
4) Other IAS/IFRS reserves	-7,141,566	-7,141,566
5) Provision for discounting employee benefits	-265,859	-272,668
6) Profit/(Loss) for the period	-3,213,657	-4,134,183
SHAREHOLDERS' EQUITY:	**67,721,620**	**71,032,884**

The Shareholders' Meeting of CarraroS.p.A. held on 19 April 2013 approved a treasury share purchase and disposal plan involving no more than 10% of the share capital, for a term of 18 months, which provides for: a price for the purchase of each common share not less than, at the minimum, 30% and, at the maximum, 20% below the reference price of the share on the stock market on the day preceding each individual transaction; a price for the sale of each common share not less than, at the minimum, 20% below and, at the maximum, not more than 20% above the reference price of the share on the stock market on the day preceding each individual transaction.

The Shareholders' Meeting also resolved to cover the loss for the financial year of 4,134,183 Euros by taking the same amount from the Extraordinary Reserve.

With effect from 31 December 2009, the share capital of CarraroS.p.A. is 23,914,696 Euro, corresponding to 45,989,800 shares with a face value of 0.52 Euro each.

The company has issued a single category of ordinary shares which do not give the right to a fixed dividend.
No other financial instruments which assign equity and investment rights have been issued.
As at 31 December 2013, 2,586,537 shares had been purchased for a total investment of 6.539 million Euros.

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

Nature/description	31.12.2012	Movements in 2013	31.12.2013	Possible use	Notes	Portion available
Share capital:	23,914,696	-	23,914,696	---		-
Capital reserves:						
Share premium reserve	27,129,690	-	27,129,690	A, B, C	(1)	27,129,690
Reserve for IAS/IFRS - First Time Adoption:						
Reinstatement of value of non-amortisable assets	5,210	-	5,210	A, B, C	(2)	5,210
Adjustment of value of property, plant and equipment	22,195,182	-	22,195,182	A, B	(3)	22,195,182
Adjustment of employee severance indemnity	633,677	-	633,677	A, B	(4)	264,371
Measurement of financial instruments	1,141,384	-	1,141,384	A, B	(5)	1,141,384
Profit reserves:						
Legal reserve	4,761,049	-	4,761,049	B		-
Extraordinary reserve and Retained profits	9,235,169	- 4,134,183	5,100,986	A, B, C		5,100,986
Treasury share reserve	- 6,434,756	- 104,417	- 6,539,173	---	(6)	- 6,539,173
IAS negative reserve	- 7,141,566		- 7,141,566	---	(7)	- 7,141,566
Provision for discounting employee benefits (re statement)	- 83,354		- 83,354	A, B, C		- 83,354
Shareholders' Equity Reserves:						
Provision for discounting employee benefits	- 189,314	6,809	- 182,505	B		- 182,505
Profit/(Loss) for the period	- 4,134,183	920,527	- 3,213,657	---		- 3,213,657
Total	**71,032,884**	**-3,311,264**	**67,721,620**			**38,676,569**
Non-distributable reserves						- 23,418,433
Legal reserve of operating profit						-
Capitalised development costs					(9)	- 109,564
Distributable portion						**15,148,572**

Key:
A: for capital increases
B: for covering losses
C: for distribution to shareholders

(1) limitations Article 2431 of the Italian Civil Code
(2) governed by Article 7, paragraph 4 of Legislative Decree 38 of 28 February 2005
(3) governed by Article 7, paragraph 6 of Legislative Decree 38 of 28 February 2005
(4) governed by Article 7, paragraph 7 of Legislative Decree 38 of 28 February 2005
(5) governed by Article 7, paragraph 3 of Legislative Decree 38 of 28 February 2005
(6) separate indication in accordance with IAS 1
(7) adjustment for alignment to IAS following contribution of Agritalia division (as it was a transaction under common control)
(8) governed by Article 6, paragraph 4 of Legislative Decree 38 of 28 February 2005
(9) limitations Article 2426 of the Italian Civil Code no. 5

Financial liabilities (Note 16)

On 14 May 2013, the Carraro Group signed a Debt Rearrangement Agreement with leading banks for the rearrangement of medium/long-term debt and renewal of credit lines for short-term debt for 24 months and the redefinition of covenants. As at 31 December 2013 financial parameters (covenants) contractually specified relative to this date, had been met.

In particular:
- gearing (defined as the ratio of net financial position to owners' equity) came out at 4.52 as at 31 December 2013 (the Framework Agreement defines for that date a minimum value of the parameter of 4.75);

- the Net Financial Position/EBITDA ratio stood at 4.03 as at 31 December 2013 (the limit established for this financial parameter covenant for the above date is equal to 4.95).
The classification of financial liabilities is shown below:

Items *(amounts in Euro)*	**31.12.2013**	**31.12.2012**
MEDIUM/LONG-TERM LOANS	*18,412,892*	*13,174,620*
NON-CURRENT FINANCIAL LIABILITIES	**18,412,892**	**13,174,620**
MEDIUM/LONG-TERM LOANS (SHORT-TERM PORTION)	*2,431,098*	*1,791,797*
LOANS FROM SUBSIDIARIES	*44,170,459*	*40,763,009*
SHORT-TERM LOANS	*12,210,000*	*8,050,180*
FINANCIAL LIABILITIES	**58,811,557**	**50,604,986**
FAIR VALUE OF EXCHANGE RATE DERIVATIVES		
OTHER CURRENT FINANCIAL LIABILITIES	*44,706*	*9,793*
OTHER FINANCIAL LIABILITIES	**44,706**	**9,793**
CURRENT FINANCIAL LIABILITIES	**58,856,263**	**50,614,779**

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

(amounts in Euro)

up to one year		**from 1 to 5 years**		**more than 5 years**		
nominal value	*amortised cost effect and exchange delta*	*nominal value*	*amortised cost effect and exchange delta*	*nominal value*	*amortised cost effect and exchange delta*	**Total 31.12.2013**
2,595,547	-164,449	12,241,952	-474,147	6,737,500	-92,413	20,843,989

The following table provides further detailed information on the financial liabilities illustrated above. For an analysis of the maturities of trade payables see note 17, while a description of how the company manages liquidity risk can be found in section 2.2.

LENDER *(amounts in Euro)*	**Short-term portion as at 31.12.2013**	**Md/lg-term portion as at 31.12.2013**	**EXPIRY**	**RATE**	**RATE TYPE**	**CURRENCY**
BancaAntonveneta	962,500	14,612,500	Dec-20	3.84%	variable	EURO
BancaPopolare di Ravenna	1,633,047	4,366,952	Jun-17	3.83%	variable	EURO
	2,595,547	**18,979,452**				

Non-current loans (18.41 million Euros) refer to: an amortising mortgage loan (valued at amortised cost) obtained from BancaAntonveneta (14.07 million Euros), with a nominal remaining balance as at 31 December 2013 equal to 15.58 million Euros, a variable interest rate and maturity as at 31 December 2020; the loan (valued at amortised cost) obtained from BancaPopolare di Ravenna (4.34 million Euros), with a nominal remaining balance as at 31 December 2013 equal to 6.00 million Euros, a variable rate and maturity as at 30 June 2017.
Current loans (58.81 million Euros) are made up of the following:
- 43.48 million Euros for funding received from Carraro International for a credit facility totalling 55 million Euros, with a final rate of 4.721%; a non-utilisation fee and an origination fee are envisaged;
- 0.69 million Euros of financial debts to Carraro International relating to invoices for interest on the loan;
- current-account advances and overdrafts of 12.21 million Euros against revocable credit facilities of 21.5 million Euros

usable for current account overdrafts and short-term financing, on a 12-month revolving basis;
- 0.82 million Euros short-term portion of an Antonveneta mortgage;
- 1.62 million Euros short-term loan from BancaPopolare di Ravenna.

The net financial position is broken down below:

Net financial position *(amounts in Euro)*	**31.12.2013**	**31.12.2012**
Non-current loans payable	18,412,892	13,174,620
Current loans payable	58,811,557	50,604,986
Other current financial liabilities	44,706	9,793
Financial liabilities:	**77,269,155**	**63,789,399**
Non-current loans and receivables	-3,365,000	- 2,941,934
Current loans and receivables	-97,297	-45,708
Other non-current financial assets	-	- 55,313
Other current financial assets	-61,951	-96,343
Financial assets:	**-3,524,248**	**-3,139,298**
Cash	-84,439	-122,127
Bank current accounts and deposits and other cash and cash equivalents	-4,654,464	-3,033,480
Cash and cash equivalents:	**-4,738,903**	**-3,155,607**
Net financial position	**69,006,004**	**57,494,494**
of which payables / (receivables):		
- non-current	15,047,892	10,177,373
- current	53,958,112	47,317,121

Fair Value

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

Trade payables and other payables (Note 17)

Items *(amounts in Euro)*	**31.12.2013**	**31.12.2012**
NON-CURRENT TRADE PAYABLES	**-**	**-**
FROM RELATED PARTIES	-	-
OTHER NON-CURRENT PAYABLES	**-**	**-**
TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES	**-**	**-**
FROM RELATED PARTIES	5,345,544	7,324,750
FROM THIRD PARTIES	26,503,887	30,120,527
CURRENT TRADE PAYABLES	***31,849,431***	***37,445,277***
FROM RELATED PARTIES	288,409	422,028
FROM THIRD PARTIES	6,581,770	5,616,069
OTHER CURRENT PAYABLES	***6,870,179***	***6,038,097***
TRADE PAYABLES AND OTHER CURRENT PAYABLES	**38,719,610**	**43,483,374**

Trade payables on average are settled at 120 days.

Trade payables and other payables

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

(amounts in Euro)	*31.12.2013*					*31.12.2012*				
	PAST DUE		NOT YET DUE			PAST DUE		NOT YET DUE		
	Less than 1 year	More than 1 year	Within 1 year	More than 1 year	***TOTAL***	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	***TOTAL***
Trade payables	6,651,999	49,968	25,147,464	-	**31,849,431**	6,770,350	63,895	30,611,032	-	**37,445,277**
Other payables	-	-	6,870,179	-	**6,870,179**	-	-	6,038,097	-	**6,038,097**
TOTAL	**6,651,999**	**49,968**	**32,017,643**	-	**38,719,610**	**6,770,350**	**63,895**	**36,649,129**	-	**43,483,374**

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

Items *(amounts in Euro)*	**31.12.2013**	**31.12.2012**
Amounts due to pensions agencies	1,004,545	967,334
Amounts due to employees	2,120,566	1,736,297
IRPEF (personal income tax) employees & professionals	1,223,661	982,688
Board of Directors	2,134,281	1,864,723
Other payables	98,717	65,027
OTHER CURRENT PAYABLES	**6,581,770**	**5,616,069**

Current taxes payables (Note 18)

As at 31 December 2013, current taxes payable amounted to 0.17 million Euros.

Employee severance indemnities and retirement benefits (note 19)

(amounts in Euro)	**31.12.2013**	**31.12.2012**
Factory workers	1,112,534	1,093,772
Clerical staff and executives	2,542,217	2,347,553
Sub Total	**3,654,750**	**3,441,325**
Severance indemnity - Pensions Agency	-1,632,027	-1,395,827
TOTAL PROVISIONS FOR EMPLOYEE BENEFITS	**2,022,724**	**2,045,498**

(amounts in Euro)	**31.12.2013**	**31.12.2012**
Opening severance indemnities in accordance with IAS 19	**2,045,498**	**1,875,255**
Utilisation of employee severance indemnities	-122,913	-265,547
Employee severance indemnities transferred to other companies	-68,696	-
Employee severance indemnities transferred from other companies	115,625	80,904
Current Service Cost	-	-
Interest Cost	62,601	93,763
Actuarial Exchange Gains/Losses	-9,391	261,123
Closing severance indemnities in accordance with IAS 19	**2,022,724**	**2,045,498**

The severance indemnity, calculated according to current Italian laws, is treated for accounting purposes as a defined-benefit fund and as such is recalculated at the end of each accounting period according to a statistical-actuarial criterion which also takes account of the effects of financial discounting.
The actuarial valuation of this obligation is carried out according to the actuarial criterion of the “projected unit credit method” with the support of the data issued by ISTAT, INPS and ANIA. The parameters used are as follows: 1) annual discount rate: 3.2%, 2) personnel turnover rate 5%, 3) annual rate of inflation 2%, 4) advances rate 2%, 5) remuneration increase rate 3%.
As from the 2012 Financial Statements, the accounting treatment of employee benefits recognised in the financial statements complies with IAS 19 Revised for defined benefit plans. For further details, see section 3.3.
Termination benefits are benefits to employees regulated by the laws in force in Italy and recognised in the financial statements of Italian companies.
On the basis of the changes introduced in Law 296/06, with effect from 30 June 2007, termination benefits maturing after 1 January 2007 must be paid into a specific treasury reserve established at the pensions agency INPS, or, if the employee so chooses, into a special complementary pension fund. There are no more provisions for termination benefits with these contributions.

Sensitivity analysis IAS 19 revised

The table below indicates the values of the Employee benefits provision as at 31.12.2013 calculated in the case of changes in actuarial assumptions reasonably possible at that date with the following variables:

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

	turnover frequency	*discount rate*		*inflation rate*	
(amounts in Euro)	**+1 %**	**+ 0.25%**	**- 0.25%**	**+ 0.25%**	**- 0.25%**
Provision for employee benefits as at 31.12.2013	2,028,974	1,983,337	2,063,588	2,050,136	1,995,890

Number of employees

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

Employees	**31.12.2012**	**Changes**	**31.12.2013**
Executives	17	-3	14
Clerical staff	146	0	146
Factory workers	142	3	145
Temporary workers	20	9	29
Total as at 31.12	**325**	**9**	**334**

Provision for risks and liabilities (Note 20)

The item can be broken down as follows:

(amounts in Euro)	**Opening situation**	**Increases**	**Decreases**	**Reclassification**	**Closing situation**
Provisions - non-current portion					
1) WARRANTY	399,000	-	-	-	399,000
2) COSTS OF LEGAL CLAIMS	201,905	-	-	-	201,905
3) RENOVATION AND CONV.	-	-	-	-	-
4) OTHER PROVISIONS	178,548	160,000	-122,500	-	216,048
TOTAL	**779,453**	**160,000**	**-122,500**	**-**	**816,953**
Provisions - current portion					
1) WARRANTY	1,888,235	1,305,842	-1,465,930	-	1,728,147
2) COSTS OF LEGAL CLAIMS	142,000		-142,000	-	-
3) RENOVATION AND CONV.	1,027,000	219,541	- 646,541	-	600,000
4) OTHER PROVISIONS	598,373	867,141	-726,036	-	739,478
TOTAL	**3,655,608**	**2,392,524**	**-2,980,507**	**-**	**3,067,625**

Of the product warranty reserve, 1.47 million Euros was used for customer claims accepted and the reserve was increased by 1.31 million Euros on the basis of the expected warranty costs which will be incurred in relation to the sales made.
The provision for costs of legal claims, made in relation to a tax assessment during 2012 referring to the 2007 tax year, was used entirely during the year.

The item Other provisions for risks and liabilities, amounting to 0.74 million Euros, comprises the MBO (management by objectives) provision.

6. Commitments and risks

(amounts in Euro)

Items	**31.12.2013**	**31.12.2012**
- guarantees given	48,391,396	39,501,095
Commitments:		
- commitments for operating leases	-	-

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

(amounts in Euro)

IN FAVOUR OF	***ON BEHALF OF***	**Expiry**	**opening amount**	**closing amount**
BNP PARIBAS	TURBO GEARS LTD	ON DEMAND	8,000,000	919,570
MCC SPA	TURBO GEARS LTD	31/12/2014	8,150,000	2,207,143
BANCA POP. DI VERONA	ELETTRONICA SANTERNO SPA	ON DEMAND	3,000,000	1,200,000
UNICREDIT FACTORING	CARRARO DRIVE TECH S.P.A.	ON DEMAND	30,000,000	9,025,172
UNICREDIT FACTORING	DRIVE TECH SPA – SPARE PARTS DIVISION	ON DEMAND	30,000,000	178,518
UNICREDIT FACTORING	SIAP SPA	ON DEMAND	3,500,000	2,541,944
UNICREDIT FACTORING	MG MINI GEARS	ON DEMAND	3,500,000	2,621,309
UNICREDIT FACTORING	MG MINI GEARS – POGGIOFIOR.	ON DEMAND	3,500,000	1,620,544
UNICREDIT FACTORING	ELETTRONICA SANTERNO SPA	ON DEMAND	15,000,000	158,499
PVR	ELETTRONICA SANTERNO SPA	ON DEMAND	15,000,000	4,279,987
BANCA ANTONVENETA	TURBO GEARS LTD	21/07/2014	5,000,000	5,000,000
UNICREDIT SPA	SIAP SPA	ON DEMAND	300,000	300,000
CASSA DI RISPARMIO DEL VENETO	ELETTRONICA SANTERNO SPA	ON DEMAND	2,500,000	1,275,510
UNICREDIT FACTORING	O&K	ON DEMAND	11,000,000	2,607,240
BANCA POP DELL'EMILIA	CARRARO DRIVE TECH S.P.A.	30/09/2013	5,000,000	4,000,000
BNP PARIBAS	CARRARO INTERNATIONAL	18 MONTHS	2,500,000	2,500,000
BNP PARIBAS	O&K	18 MONTHS	150,000	150,000
BNP PARIBAS	ELETTRONICA SANTERNO SPA	ON DEMAND	6,000,000	803,787
SACE FCT SPA	ELETTRONICA SANTERNO SPA	ON DEMAND	3,500,000	632,000
SACE FCT SPA	ELETTRONICA SANTERNO INC	ON DEMAND	8,000,000	6,370,173
TOTAL				**48,391,396**

7. FINANCIAL INSTRUMENTS

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

31.12.2013	*(amounts in Euro)*	**FINANCIAL INCOME**	**FINANCIAL EXPENSES**	**POSITIVE EXCHANGE DIFF.**	**NEGATIVE EXCHANGE DIFF.**	**COSTS /REVENUES**
A) FINANCIAL ASSETS:						
A.1) Cash and Cash Equivalents:						
	Bank accounts, positive balance	1,523	-	-	-	-
A.2) Non-derivative Financial Instruments:						
A.2.1) Financial instruments at fair value (FVTPL)						
A.2.2) Financial instruments held to maturity (HTM):						
A.2.3) Loans and receivables (L&R):						
A.2.3.1) Loans:						
	Loans receivable	-	-	-	-	-
A.2.3.2) Other assets:						
	Trade receivables			-4,908	-201,187	
	Other financial assets	253,451	-	-	-	-
A.2.4) Financial instruments available for sale (AVS):						
A.3) Derivative Financial Instruments:						
A.3.1) Hedging derivatives:						
A.3.1.1) Cash Flow Hedging Derivatives on currencies:						
	Fair value through profit or loss			-4,088		
	cross-chge from sh. eq. reserve	-	-		-	-
	profit realised			276,753		
B) FINANCIAL LIABILITIES						
B.1) Non-derivative Financial Instruments:						
B.1.1) Financial Instruments at fair value:						
B.1.2) Other Financial Instruments:						
	Bank accounts, negative balance		-603,013			
	Trade payables			115,159	-7,135	
	Loans payable		-3,030,389			
	Other financial liabilities		-645,883		-11,493	
B.2) Derivative Financial Instruments:						
B.2.1) Hedging derivatives:						
B.2.1.1) Cash Flow Hedging Derivatives on currencies:						
	Fair value through profit or loss	-	-	-	-	-
	cross-chge from sh. eq. reserve	-	-	-	-	-
	loss realised				-95,033	
TOTAL		**254,974**	**-4,279,285**	**382,916**	**-314,848**	**-**

31.12.2012	*(amounts in Euro)*	**FINANCIAL INCOME**	**FINANCIAL EXPENSES**	**POSITIVE EXCHANGE DIFF.**	**NEGATIVE EXCHANGE DIFF.**	**COSTS/ REVENUES**
A) FINANCIAL ASSETS:						
A.1) Cash and Cash Equivalents:						
	Bank accounts, positive balance	7,030	-	-	-	-
A.2) Non-derivative Financial Instruments:						
A.2.1) Financial instruments at fair value (FVTPL):						
A.2.2) Financial instruments held to maturity (HTM):						
A.2.3) Loans and receivables (L&R):						
A.2.3.1) Loans:						
	Loans receivable	-	-	-	-	-
A.2.3.2) Other assets:						
	Trade receivables	-	-	-9,001	-42,811	-
	Other financial assets	269,656	-	-	-	-
A.2.4) Financial instruments available for sale (AVS):						
A.3) Derivative Financial Instruments:						
A.3.1) Hedging derivatives:		-	-	-	-	-
A.3.1.1) Cash Flow Hedging Derivatives on currencies:	Fair value through profit or loss			23,411		
	cross-chge from sh. eq. reserve	-	-		-	-
	profit realised	-	-	27,257	-	-
B) FINANCIAL LIABILITIES						
B.1) Non-derivative Financial Instruments:						
B.1.1) Financial Instruments at fair value:						
B.1.2) Other Financial Instruments:						
	Bank accounts, negative balance	-	-299,467	-	-	-
	Trade payables	-	-	46,928	-6,978	-
	Loans payable	-	-2,158,566	-	-	-
	Other financial liabilities	-	-846,125	-	-8,093	-
B.2) Derivative Financial Instruments:						
B.2.1) Hedging derivatives:						
B.2.1.1) Cash Flow Hedging Derivatives on currencies:						
	Fair value through profit or loss				10,324	
	cross-chge from sh. eq. reserve	-	-	-	-	-
	loss realised	-	-	-	-39,262	-
TOTAL		**276,686**	**-3,304,158**	**88,595**	**-86,820**	**-**

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

7.2 Derivative financial instruments on currencies

The following tables indicate all the key information relating to the portfolio of derivative financial instruments on currencies outstanding as at 31.12.2013. These are instruments hedging foreign currency in circulation.

a)notional values

CONTRACT	Notional value as at 31.12.2013	Notional value as at 31.12.2012
Swaps (DCS) (1)	-	-
Swap (DCS) (2)	4,447,546	3,334,849
Total notional values	**4,447,546**	**3,334,849**

b) reference currencies and expiry dates of contracts

CONTRACT	
Swaps (DCS) (1)	
Currencies	-
Expiry dates	-
Swap (DCS) (2)	
Currencies	USD/EUR
Expiry dates	Jan-Mar 14

c) Fair value

(amounts in Euro thousands)	31.12.2013	31.12.2012
Swaps (DCS) (1)	-	-
Swap (DCS) (2)	23,533	27,621
Total	**23,533**	**27,621**

(1) instruments hedging foreign currency sales budget
(2) instruments hedging imbalances of current receivables and payables in foreign currencies

d)Details of *fair values*

	31.12.2013		31.12.2012	
	Fair Value positive	Fair Value negative	Fair Value positive	Fair Value negative
CASH FLOW HEDGE				
Exchange rate risk – *Domestic Currency Swaps*	23,533	-	27,621	-

e) Summary of *fair values*recognised before tax effect according to their accounting treatment

	31.12.2013	31.12.2012
FV recognised in the income statement	23,533	27,621
FV recognised in net equity	-	-
Total	**23,533**	**27,621**

In relation to the positioning in the hierarchy of fair values pursuant to IFRS 7 paragraph 27, the financial instruments described are classifiable as level 2; there were no transfers of level during the period.
The fair values as at 31.12.2013 of financial instruments on exchange rates were calculated using the forward exchange rate method.

The counterparties with which the contracts are stipulated are leading national and international banking institutions.
The financial instruments on currencies are used, on a basis consistent with the financial risk management policy adopted by the group, to hedge the risks deriving from exchange rate fluctuations and concern sales volumes compared with the budget exchange rate and the collections and payment of short and medium-term receivables and payables with respect to the historical value.
For accounting purposes in relation to contracts hedging sales budgets in foreign currencies effective at the reporting date, it should be noted that for the transactions executed, especially Domestic Currency Swaps, and in accordance with all the conditions provided by IAS/IFRS, hedge accounting was applied with reference to the type of "cash flow hedge". Consequently, the corresponding changes in fair values are reflected in a shareholders' equity reserve, net of the tax effect.

7.3 Derivative financial instruments on interest rates

There are no derivative contracts on interest rates outstanding as at 31.12.2012.

Sensitivity analysis

The table below shows the economic and equity effects generated by the financial statements assets and liabilities (as at 31.12.2012 and 31.12.2011 respectively), in the event of sudden changes in the following market variables:

- main foreign currencies with respect to the Euro: +/- 10%
- interest rates: +100/-50 "basis points".

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

Balances as at 31.12.2013	**INTEREST RATE RISK**				**EXCHANGE RATE RISK**			
(amounts in Euro)	1%		-0.50%		10%		-10%	
	ECONOMIC EFFECT	FINANCIAL EFFECT	ECONOMIC EFFECT	FINANCIAL EFFECT	ECONOMIC EFFECT	FINANCIAL EFFECT	ECONOMIC EFFECT	FINANCIAL EFFECT
ASSETS								
Trade receivables	-	-	-	-	-424,377	-	518,683	
Other fin. ass. - derivatives on currencies	-	-	-	-	401,968	-	-491,294	-
Other fin. ass. - derivatives on interest rates	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-		-	
Total gross effect	-	-	-	-	**-22,409**	-	**27,389**	-
Taxes (27.50%)	-	-	-	-	6,162	-	-7,532	-
Total net effect	-	-	-	-	**-16,247**	-	**19,857**	-
LIABILITIES								
Trade payables	-	-	-	-	-10,453	-	12,776	-
Loans	545,485		-272,743		-		-	-
Total gross effect	**545,485**	-	**-272,743**	-	**-10,453**	-	**12,776**	-
Taxes (27.50%)	-150,008	-	75,004	-	2,875	-	-3,513	-
Total net effect	**395,477**	-	**-197,739**	-	**-7,578**	-	**9,263**	-
TOTAL	**395,477**	-	**-197,739**	-	**-23,825**	-	**29,120**	-

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

Balances as at 31.12.2012 *(amounts in Euro)*	**INTEREST RATE RISK**				**EXCHANGE RATE RISK**			
	1%		-0.50%		10%		-10%	
	ECONOMIC EFFECT	FINANCIAL EFFECT	ECONOMIC EFFECT	FINANCIAL EFFECT	ECONOMIC EFFECT	FINANCIAL EFFECT	ECONOMIC EFFECT	FINANCIAL EFFECT
ASSETS								
Trade receivables	-	-	-	-	- 327,570	-	400,363	-
Other fin. ass. - derivatives on currencies	-	-	-	-	303,010	-	-370,346	-
Total gross effect	**-**	**-**	**-**	**-**	**-24,560**	**-**	**30,017**	**-**
Taxes (27.50%)	-	-	-	-	6,754	-	-8,255	-
Total net effect	**-**	**-**	**-**	**-**	**-17,806**	**-**	**21,762**	**-**
LIABILITIES								
Trade payables	-	-	-	-	-6,359	-	7,772	-
Loans	566,378		-283,189	-	-	-	-	-
Total gross effect	**566,378**	**-**	**- 283,189**	**-**	**- 6,359**	**-**	**7,772**	**-**
Taxes (27.50%)	- 155,754	-	77,877	-	1,749	-	- 2,137	-
Total net effect	**410,624**	**-**	**- 205,312**	**-**	**-4,610**	**-**	**5,635**	**-**
TOTAL	**410,624**	**-**	**-205,312**	**-**	**- 22,416**	**-**	**27,397**	**-**

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

8. Transactions with related parties (note 21)

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

EQUITY INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERSAND IMMEDIATE FAMILY MEMBERS

Name and surname	Subsidiary company: CarraroS.p.A.	No. of shares held as at 31.12.2012	Number of shares purchased	Number of shares sold	No. of shares held as at 31.12.2013
Mario Carraro	Directly held	1,903,250	-	-	1,903,250
	through FinaidS.p.A.	26,775,564	-	-	26,775,564
Francesco Carraro	Directly held	1,100,000	-	-	1,100,000
Chiara Alessandri	Directly held	202,395	-	-	202,395
Alexander Josef Bossard	Directly held	10,000	-	-	10,000
Antonio Cortellazzo	Directly held	37,500	-	-	37,500

(amounts in Euro thousands)	**Financial and commercial transactions**				**Economic transactions**									
	Financial receivables	Financial debts	Trade receivables and other receivables	Trade payables and other payables	Sales of products	Sales of services	Other revenues	Purchases of goods and materials	Purchases of services	Purchases of assets	Other income (expenses)	Income from equity investments	Other financial income	Financial costs and expenses
Parent Companies														
Finaid			1,241	2,262		5								
Subsidiary Companies														
Carraro Drive Tech S.p.A.			5,343	1,045	3,561	3,659	13	5,354	213	25	2,432		67	1
SiapSpA			1,062	305		911		1,260	3		250		14	
Carraro India Ltd			1,376	1,649		1,107	42	9,898			520		1	
Turbo Gears Ltd			556	15		489		171					67	
Carraro Technologies			190	1		47			17					
Carraro Argentina	3,365		1,791	285		732					318			
Carraro Drive Tech Do Brasil			24			24								
Carraro International S.A.	62	44,170				7			34			2,150	13	2,522
F.O.N. S.A.			1											
O&K Antriebstechnik			737			720							16	
Carraro North America			259			9								
Carraro China			1,245	9		1,010	1	40	10		239			
Carraro Deutschland GmbH														
ElettronicaSanterno			1,404	40		689			83				43	
Energy Engineering														
ZAO Santerno														
Eletronica Santerno Industria e ComercioLtda			57			9								
ElettronicaSanterno Spain														
ElettronicaSanterno USA			188			50								
MG Mini Gears S.p.A.			741	21		728			16				13	
MG Mini Gears USA														
MG Mini Gears Suzhou			166			166								
Gear World														
TOTAL	**3,427**		**16,381**	**5,632**	**3,561**	**10,362**	**56**	**16,723**	**376**	**25**	**3,759**	**2,150**	**234**	**2,523**
Other related parties														
Mario Carraro									523					
MausS.p.A.			107	1		83								
Maus USA			2											
European Power System S.r.l.														
MGT														
TOTAL			**109**	**1**		**83**			**523**					
TOTAL	**3,427**	**44,170**	**16,490**	**5,633**	**3,561**	**10,445**	**56**	**16,723**	**899**	**25**	**3,759**	**2,150**	**234**	**2,523**

Notes:

1. Financial transactions

Financial transactions relate to short and long-term loans.

2. Economic transactions

The most significant economic transactions represent trade transactions for the purchase and sale of raw materials, semi-finished products and component technology for the production of drive systems; purchases of services refer mainly to services for industrial processing.

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

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

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

Significant transactions with related parties refer to the outstanding payable equal to 2.3 million Euros to the parent company FinaidS.p.A. relative to the purchase of land in 2012.

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

The following statement, drawn up in accordance with Article 149-*duodecies* of the Consob Issuers' Regulations, shows the fees payable for the 2013 accounting period for auditing services and for other services provided by the same auditing company.

(amounts in Euro thousands)	**2013**	**2012**
Accounting audit	252	223
Other services	5	0
Total fees	**257**	**223**

These fees refer to the company PricewaterhouseCoopers SpA.

9. Events subsequent to the reporting date

There were no events such as to have any significant effect on the financial statements and related disclosures.

10. STATEMENT OF EQUITY INVESTMENTS EXCEEDING 10% AS AT 31 DECEMBER 2013 (Article 126 of ConsobDraghi Regulation 11971/'99)

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

1) SUBSIDIARY COMPANIES DIRECTLY HELD

Name	Registered office	Parent Company	Share capital		Number of shares/ units	Sh. Equity before 2013 results	Profit (loss) 31.12.2013	Sh. Equity 31.12.2013	Direct portion
			Currency	Amount	Total	(ctv. Euro)	(ctv. Euro)	(ctv. Euro)	
Carraro International S.A.	Luxembourg	CarraroSpA	EUR	39,318,000	39,318	40,563,688	581,410	41,145,098	100.00%
Carraro Deutschland GmbH	Hattingen (Germany)	CarraroSpA	EUR	10,507,048	10,507,048	10,024,420	-440,280	9,584,139	100.00%
Carraro Technologies IndiaPvt. Ltd.	Pune (India)	CarraroSpA	INR	18,000,000	1,800,000	463,040	422,115	885,155	1.00%
Carraro Drive Tech S.p.A.	Campodarsego (PD)	CarraroSpA	EUR	30,102,365	30,102,365	29,685,626	7,271,973	36,957,599	45.78%
Elettronica Santerno S.p.A.	Campodarsego (PD)	CarraroSpA	EUR	2,500,000	2,500	18,014,872	-4,664,450	13,350,422	67.00%
Eletronica Santerno Industria e ComercioLtda	Minas Gerais (Brazil)	CarraroSpA	REAL	8,265,367	8,265,367	1,481,961	-1,030,277	451,684	0.34%

2) SUBSIDIARY COMPANIES INDIRECTLY HELD

Name	Registered office	Holding company (indirect parent)	Share capital		Number of shares/ units	Profit (loss) 31.12.2013	Sh. Equity 31.12.2013	Portion Holding company	Indirect portion	Carrying amount of the investment
			Currency	Amount	Total	(ctv. Euro)	(ctv. Euro)			31.12.2013
Carraro Technologies IndiaPvt. Ltd.	Pune (India)	Carraro Drive Tech S.P.A	INR	18,000,000	1,800,000	422,115	885,155	99.00%	93.58%	447,265
Carraro Drive Tech S.p.A.	Campodarsego (PD)	Carraro International S.A.	EUR	30,102,365	30,102,365	7,271,973	36,957,599	40.74%	40.74%	34,795,202
Carraro Drive Tech S.p.A.	Campodarsego (PD)	Carraro Deutschland GmbH	EUR	30,102,365	30,102,365	7,271,973	36,957,599	8.01%	8.01%	9,758,436
Eletronica Santerno Industria e ComercioLtda	Minas Gerais (Brazil)	Elettronica Santerno S.p.A.	REAL	8,265,367	8,265,367	-1,030,277	451,684	99.66%	99.66%	573,526
O&K Antriebstechnik GmbH & Co. KG	Hattingen (Germany)	Carraro Drive Tech S.P.A	EUR	4,000,000	4,000,000	3,904,672	22,750,050	100.00%	94.53%	9,754,000
Carraro Argentina S.A.	Haedo (Argentina)	Carraro Drive Tech S.P.A	ARS	105,096,503	105,096,503	-2,700,041	11,996,472	99.95%	94.48%	21,907,996
Carraro China Drive System	Qingdao (China)	Carraro Drive Tech S.P.A	CNY	168,103,219	-	1,146,006	17,417,550	100.00%	94.53%	16,901,673
Carraro India Ltd.	Pune (India)	Carraro Drive Tech S.P.A	INR	568,260,000	56,826,000	8,038,846	18,685,946	100.00%	94.53%	30,538,834
Carraro North America Inc.	Norfolk (USA)	Carraro Drive Tech S.P.A	USD	1,000	1,000	-76,665	-170,091	100.00%	94.53%	-
Fon S.A.	Radomsko (Poland)	Carraro Drive Tech S.P.A	PLN	-	-	-19,730	92,064	98.62%	93.23%	-
Carraro Drive Tech Do Brasil	Santo Andrè (State of Sao Paulo)	Carraro Drive Tech S.P.A	REAL	1,182,369	1,182,369	-119,116	171,747	99.90%	94.44%	504,062
Elettronica Santerno S.p.A.	Campodarsego (PD)	Carraro International S.A.	EUR	2,500,000	2,500	-4,664,450	13,350,422	33.00%	33.00%	19,000,000
Elettronica Santerno Espana S.L.	Valencia (Spain)	Elettronica Santerno S.p.A.	EURO	1,003,006	1,003,006	-11,359	1,121,662	100.00%	100.00%	1,020,424
Santerno Inc.	San Francisco (USA)	Elettronica Santerno S.p.A.	USD	1,000	1,000	242,558	-993,907	100.00%	100.00%	-
ZaoSanterno	Moscow (Russia)	Elettronica Santerno S.p.A.	RUBLES	100,000	100	-335,786	-387,406	100.00%	100.00%	-
Santerno India Pvt Ltd	Pune (India)	Elettronica Santerno S.p.A.	INR	166,560	16,656	0	1,951	100.00%	100.00%	2,000
Turbo Gears India Ltd.	Pune (India)	SiapSpA	INR	960,000,000	96,000,000	-43,128	6,756,010	0.0001%	0.00%	18
Turbo Gears India Ltd.	Pune (India)	Carraro Drive Tech S.P.A	INR	960,000,000	96,000,000	-43,128	6,756,010	99.9999%	94.53%	15,829,331
M.G. Mini Gears S.p.A.	Padua	Carraro Drive Tech S.P.A	EUR	5,256,951	5,256,951	-786,367	4,030,581	100.00%	94.53%	5,256,951
SiapSpA	Maniago (PN)	Carraro Drive Tech S.P.A	EUR	35,582,616	35,582,616	1,110,501	33,147,463	91.57%	86.56%	26,856,951
Mini Gears Inc	Virginia Beach (USA)	Carraro International S.A.	USD	8,910,000	-	5,089	4,901	100.00%	100.00%	752
Gear World North America Inc.	Virginia Beach (USA)	Carraro International S.A.	USD	-	-	-	-	100.00%	100.00%	-
Mini Gears Property	Virginia Beach (USA)	Carraro International S.A.	USD	-	-	-	-	100.00%	100.00%	-
SanternoShangai Trading Ltd	Shanghai (China)	Elettronica Santerno S.p.A.	CNY	5,553,010	-	-455,882	-162,815	100.00%	100.00%	-
MiniGears Suzhou Co. Ltd.	Suzhou (China)	MiniGearsS.p.A.	CNY	49,487,176	-	-190,695	8,242,782	100.00%	94.53%	5,301,098

Annex to the explanatory notes to the Financial Statements as at 31.12.2013 – CarraroS.p.A.

Information on the corporate assets subject to fiscal revaluation.

In accordance with the provisions of Article 10 of Law 72/1993, the following tables show the categories of the assets as at 31 December 2006 which, in the past, have been revalued, with the corresponding amount.

REVALUATION LAW 576/1975

Amounts in Euro	REVALUATION HIST. COST		REVALUATION PROV. FOR DEPRECIATION		NET BALANCE - REVALUATION	
Description	Sit. Opening	Sit. Closing	Sit. Opening	Sit. Closing	Opening remainder	Closing remainder
INDUST. LAND	2,479	2,479			2,479	2,479
INDUST. 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
GENERAL PLANT	24,107	24,107	6,477	6,477	17,630	17,630
SPECIFIC PLANT	0	0	0	0	0	0
**TOTAL PLANT	24,107	24,107	6,477	6,477	17,630	17,630
**TOTAL MACHINERY	0	0	0	0	0	0
2) TOTAL PLANT AND MACHINERY	24,107	24,107	6,477	6,477	17,630	17,630
3) TOTAL IND. COMM. EQUIP.	0	0	0	0	0	0
4) TOTAL OTHER GOODS	0	0	0	0	0	0
TOTAL BII	129,858	129,858	18,170	18,170	111,688	111,688

REVALUATION LAW 72/1983

Amounts in Euro	REVALUATION HIST. COST		REVALUATION PROV. FOR DEPRECIATION		NET BALANCE - REVALUATION	
Description	Sit. Opening	Sit. Closing	Sit. Opening	Sit. Closing	Opening remaining	Closing remaining
INDUST. LAND	16,390	16,390	1,838	1,838	14,552	14,552
INDUST. BUILDINGS -	431,167	431,167	85,857	85,857	345,310	345,310
1) TOTAL LAND AND BUILDINGS	447,557	447,557	87,695	87,695	359,862	359,862
GENERAL PLANT	104,042	104,042	58,689	58,689	45,353	45,353
**TOTAL PLANT	104,042	104,042	58,689	58,689	45,353	45,353
**TOTAL MACHINERY	0	0	0	0	0	0
2) TOTAL PLANT AND MACHINERY	104,042	104,042	58,689	58,689	45,353	45,353
LAND, YARDS & EQUIP.	15,841	15,841	1,309	1,309	14,531	14,531
3) TOTAL IND. COMM. EQUIP.	15,841	15,841	1,309	1,309	14,531	14,531
4) TOTAL OTHER GOODS	0	0	0	0	0	0
TOTAL BII	567,440	567,440	147,693	147,693	419,746	419,746

REVALUATION LAW 413/1991

Amounts in Euro	REVALUATION HIST. COST		REVALUATION PROV. FOR DEPRECIATION		NET BALANCE REVAL.	
Description	Sit. Opening	Sit. Closing	Sit. Opening	Sit. Closing	Sit. Opening	Sit. Closing
INDUST. LAND	537,164	537,164			537,164	537,164
INDUST. BUILDINGS -	1,783,182	1,783,182			1,783,182	1,783,182
LAND, YARDS & EQUIP.	66,113	66,113			66,113	66,113
LIGHT BUILDINGS	5,738	5,738			5,738	5,738
1) TOTAL LAND AND BUILDINGS	2,392,197	2,392,197			2,392,197	2,392,197
TOTAL BII	2,392,197	2,392,197			2,392,197	2,392,197

During the 1976 financial year, a monetary revaluation was made in accordance with Law 576/75, which produced a positive balance of 230,122 Euros in CarraroS.p.A. and 129,114 Euros in the incorporated company Carraro PNH S.p.A. During 1983, the assets were revalued in accordance with the provisions of Law no. 72/83, which produced a positive balance of 2,386,070 Euros in CarraroS.p.A. The revaluation balances relating to these laws were used in CarraroS.p.A. in 1984 for a free capital increase.
During 1991, real estate assets were revalued at CarraroS.p.A. in accordance with Law no. 413/91, which produced a positive balance of 1,084,804 Euros gross of the substitute tax of 173,569 Euros. This was used for a free increase in the share capital in accordance with the resolution of 31 May 1995. In 1991, a revaluation of assets was carried out at the incorporated company Carraro PNH S.p.A. in accordance with Law no. 413/91, which produced a positive revaluation balance of 1,312,399 Euros.

The Chairman

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Enrico Carraro

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

1. The undersigned Alexander Bossard, Chief Executive Officer, and Enrico Gomiero, Director Responsible for producing the company's accounting documents of CarraroS.p.A., also taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, certify:

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

- the effective application of the administrative and accounting procedures used to prepare the financial statements during financial year 2013.

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

3. It is also certified that:

3.1the financial statements:

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

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

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

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

Date: 12 March 2014

Alexander Bossard	Enrico Gomiero
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Chief Executive Officer	Chief Financial Officer