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 and
In the Padua Companies Register 00202040283
R.E.A. no. 84033

FINANCIAL STATEMENTS 31 DECEMBER 2015

GENERAL INFORMATION

BOARD OF DIRECTORS	**ENRICO CARRARO**	Chairman
In office until approval of the 2017 financial statements (Appointments, Shareholders' Meeting of 23.03.2015)	**TOMASO CARRARO**	Deputy Chairman
	ALBERTO NEGRI	Chief Executive Officer
	FABIO BUTTIGNON(1) (2)	Director *
	RICCARDO ARDUINI	Director (from 18.12.2015)
	MARINA MANNA (1) (3)	Director *
	MARINA PITTINI (2)	Director *
	ALEXANDER JOSEF BOSSARD (1) (2)	Director * (until 18.12.2015)
	(1) Members of the Auditing and Risk Committee	
	(2) Members of the Appointments and Remuneration Committee (3) Members of the Supervisory Board * Independent directors	

BOARD OF STATUTORY AUDITORS	**SAVERIO BOZZOLAN**	Chairman
In office until approval of the 2017 financial statements (Appointments, Shareholders' Meeting of 23.03.2015)	**STEFANIA CENTORBI**	Regular Auditor
	ANDREA CORTELLAZZO	Regular Auditor
	BARBARA CANTONI	Alternate Auditor
	GIANMARCO MILANATO	Alternate Auditor

INDEPENDENT AUDITORS	**PricewaterhouseCoopers S.p.A.**
from 2007 to 2015	

PARENT COMPANY	**Finaid S.p.A.**

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

The Chairman, Mr Enrico Carraro and the Chief Executive Officer, Mr Alberto Negri, have been given severally powers of legal representation and use of the corporate signature in relations with third parties and in court; they carry out their work within the limits of the powers conferred on them by the Board of Directors in the meeting of 23 March 2015, 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	31.12.2015	*of which non-recurring*	31.12.2014	*of which non-recurring*
A) REVENUES FROM SALES					
1) Products		112,023,407		97,610,901	
2) Services		13,820,929		15,287,959	
3) Other revenues		20,346,866		59,147	
TOTAL REVENUES FROM SALES	**1**	**146,191,202**		**112,958,007**	
A bis) of which with related parties		*29,963,630*		*14,162,391*	
B) OPERATING COSTS					
1) Purchases of goods and materials		85,709,865		87,347,056	
2) Services		21,790,185		17,104,910	
3) Use of third-party goods and services				17,679	
4) Personnel costs		25,598,376	*162,285*	21,864,686	*1,057,727*
5) Amortisation, depreciation and impairment of assets		4,978,302		3,157,533	
5.a) depreciation of Property, plant and equipment		*2,262,942*		*2,162,674*	
5.a) amortisation of Intangible assets		*1,869,488*		*966,362*	
5.c) impairment of fixed assets		*800,000*	*800,000*	*-*	
5.d) impairment of receivables		*45,872*		*28,497*	
6) Changes in inventories		4,181,813		-11,289,160	
7) Provision for risks and other liabilities		2,837,635	*550,000*	2,402,991	*400,000*
8) Other income and expenses		-1,095,022		-3,176,675	
9) Internal construction		-3,788,393		-293,206	
TOTAL OPERATING COSTS	**2**	**140,212,761**		**117,135,814**	
B-bis) of which with related parties		*19,422,834*		*14,391,873*	
OPERATING PROFIT/(LOSS)		**5,978,441**		**-4,177,807**	
C) GAINS/(LOSSES) ON FINANCIAL ASSETS					
10) Income from equity investments		1,903,800		400,000	
11) Other financial income		234,102		212,234	
12) Financial costs and expenses		-8,012,060		-4,631,497	
13) Net gains/(losses) on foreign exchange		126,878		6,966	
14) Value adjustments of financial assets		-		-	
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3**	**-5,747,280**		**-4,012,297**	
C-bis) of which with related parties		*-3,782,785*		*-2,198,002*	
PROFIT/(LOSS) BEFORE TAXES		**231,161**		**-8,190,104**	
15) Current and deferred income taxes	**4**	4,080,497	*1,498,044*	-1,692,632	*-400,950*
NET PROFIT/(LOSS)		**-3,849,336**	*-3,010,329*	**-6,497,472**	*-1,056,777*
EARNINGS (LOSSES) PER SHARE	**5**				
- basic, for the profit for the period attributable to ordinary shareholders		*-0.089*		*-0.150*	
- diluted, for the profit for the period attributable to ordinary shareholders		*-0.089*		*-0.150*	

STATEMENT OF COMPREHENSIVE INCOME

(amounts in Euro)

	SECTION NOTES	31.12.2015	31.12.2014
NET PROFIT/(LOSS) FOR THE PERIOD		**-3,849,336**	**- 6,497,472**
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**	-15,224	-225,300
Taxes on other comprehensive income components		4,186	61,958
Total other income components that will not be recognised in the income statement in subsequent periods:		**-11,038**	**-163,342**
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS		**-11,038**	**-163,342**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-3,860,374**	**-6,660,814**

STATEMENT OF FINANCIAL POSITION

(amounts in Euro)	NOTES	31.12.2015	31.12.2014
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	**6**	42,145,752	41,971,225
2) Intangible fixed assets	**7**	16,758,203	14,405,195
3) Real estate investments	**8**	539,703	539,703
4) Holdings in subsidiaries and associates	**9**	98,167,247	98,167,247
4.1) Holdings in subsidiaries and associates		*98,167,247*	*98,167,247*
5) Financial assets	**10**	5,733,288	4,643,478
5.1) Loans and receivables		*5,625,912*	*4,527,800*
5.2) Other financial assets		*107,376*	*115,678*
5 Bis) of which with related parties		*5,625,912*	*4,527,800*
6) Deferred tax assets	**11**	18,229,632	21,889,849
7) Trade receivables and other receivables	**12**	37,425	45,020
7.1) Trade receivables		-	-
7.2) Other receivables		*37,425*	*45,020*
TOTAL NON-CURRENT ASSETS		**181,611,250**	**181,661,717**
B) CURRENT ASSETS			
1) Closing inventory	**13**	16,898,447	21,080,259
2) Trade receivables and other receivables	**12**	26,023,884	30,873,134
2.1) Trade receivables		*20,995,687*	*25,081,390*
2.2) Other receivables		*5,028,197*	*5,791,744*
2 Bis) of which with related parties		*17,999,398*	*22,663,688*
3) Financial assets	**10**	268,547	63,539
3.1) Loans and receivables		*89,774*	*52,620*
3.2) Other financial assets		*178,773*	*10,919*
3 Bis) of which with related parties		*54,774*	*17,620*
4) Cash and cash equivalents	**14**	493,271	1,756,557
4.1) Cash		*65,572*	*107,545*
4.2) Bank current accounts and deposits		*427,699*	*1,649,012*
4.3) Other cash and cash equivalents		-	-
TOTAL CURRENT ASSETS		**43,684,149**	**53,773,489**
TOTAL ASSETS		**225,295,399**	**235,435,206**

STATEMENT OF FINANCIAL POSITION

(amounts in Euro)	NOTES	31.12.2015	31.12.2014
A) SHAREHOLDERS' EQUITY	**15**		
1) Share Capital		23,914,696	23,914,696
2) Other Reserves		15,424,204	16,390,206
3) Profits/(Losses) brought forward		-6,414,118	83,354
4) Other IAS/IFRS reserves		-7,141,566	-7,141,566
5) Provision for discounting employee benefits		-440,239	-429,202
6) Profit/loss for the year		-3,849,336	-6,497,472
TOTAL SHAREHOLDERS' EQUITY		**21,493,641**	**26,320,016**
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	**16**	16,408,326	17,701,367
1.1) Bonds		-	-
1.2) Loans		16,408,326	17,701,367
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**	-	-
4) Provisions for employee benefits/retirement	**19**	2,794,389	3,011,831
5) Provision for risks and liabilities	**20**	1,578	421,216
5.1) Provision for warranties		-	-
5.2) Provision for legal claims		*1,578*	*15,000*
5.3) Provision for restructuring and reconversion		-	-
5.4) Other provisions			*406,216*
TOTAL NON-CURRENT LIABILITIES		**19,204,293**	**21,134,414**
C) CURRENT LIABILITIES			
1) Financial liabilities	**16**	128,524,842	122,299,404
1.1) Bonds		-	-
1.2) Loans		*128,366,120*	*122,119,455*
1.3) Other financial liabilities		*158,722*	*179,949*
1-bis) of which with related parties		*108,524,411*	*105,515,419*
2) Trade payables and other payables	**17**	52,185,863	62,763,792
2.1) Trade payables		*44,389,322*	*53,529,027*
2.2) Other payables		*7,796,541*	*9,234,765*
2-bis) of which with related parties		*8,237,744*	*4,369,260*
3) Current taxes payables	**18**	95,000	227,940
4) Provision for risks and liabilities	**20**	3,791,760	2,689,640
4.1) Provision for warranties		*3,013,054*	*1,679,097*
4.2) Provision for legal claims		-	-
4.3) Provision for restructuring and reconversion		*550,000*	*945,853*
4.4) Other provisions		*228,706*	*64,690*
TOTAL CURRENT LIABILITIES		**184,597,465**	**187,980,776**
TOTAL LIABILITIES		**203,801,758**	**209,115,190**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**225,295,399**	**235,435,206**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(amounts in Euro)	Share Capital	Capital reserves	Others Reserves	Treasury shares acquired	Provision for discounting employee benefits	Reserve cash flow hedge	Profit/(Loss) for the period	Total
Balance as at 1.1.2014	**23,914,696**	**27,129,689**	**26,695,924**	**-6,539,173**	**-265,859**	**-**	**-3,213,657**	**67,721,620**
Total profit/loss for the year					**-163,342**		**-6,497,472**	**-6,660,814**
Transactions with shareholders:								
Allocation of 2013 results			-3,213,657				3,213,657	**-**
Treasury share purchase				-127,287				**-127,287**
Board Meeting of 3.12.2014 (1)			-34,613,502					**-34,613,502**
Total transactions of the period	**-**	**-**	**-37,827,159**	**-127,287**	**-**	**-**	**3,213,657**	**-34,740,789**
Balance as at 31.12.2014	**23,914,696**	**27,129,689**	**-11,131,235**	**-6,666,460**	**-429,201**	**-**	**-6,497,472**	**26,320,017**

(amounts in Euro)	Share Capital	Capital reserves	Others Reserves	Treasury shares acquired	Provision for discounting employee benefits	Reserve cash flow hedge	Profit/(Loss) for the period	Total
Balance as at 1.1.2015	**23,914,696**	**27,129,689**	**-11,131,235**	**-6,666,460**	**-429,201**	**-**	**-6,497,472**	**26,320,017**
Total profit/loss for the year				**-**	**-11,038**	**-**	**-3,849,336**	**-3,860,374**
Transactions with shareholders:								
Allocation of 2014 results			-6,497,472				6,497,472	**-**
Treasury share purchase					-			**-**
Tax rate adjustment Italian Law 2080/2015			-966,002					**-966,002**
Total transactions of the period	**-**	**-**	**-7,463,474**	**-**	**-**	**-**	**6,497,472**	**-966,002**
Balance as at 31.12.2015	**23,914,696**	**27,129,689**	**-18,594,709**	**-6,666,460**	**-440,239**	**-**	**-3,849,336**	**21,493,641**

STATEMENT OF CASH FLOWS

(amounts in Euro)	NOTES	31.12.2015	31.12.2014
Profit/(loss) for the year	15	-3,849,336	-6,497,472
Tax for the year		4,080,497	-1,692,632
Profit/(loss) before taxes		***231,161***	***-8,190,104***
Depreciation of property, plant and equipment	2	2,262,942	2,162,674
Amortisation of intangible assets	2	1,869,488	966,362
Impairment of fixed assets	2	800,000	-
Provisions for risks	2	2,837,635	2,402,991
Provisions for employee benefits	2	1,534,228	2,030,453
Net gains/(losses) on foreign exchange	3	-126,878	-6,966
Income from equity investments	3	-1,903,800	-400,000
Cash flows before changes in Net Working Capital		***7,504,776***	***-1,034,590***
Changes in inventory	13	4,181,813	-11,289,160
Changes in trade receivables and other receivables	12	4,856,845	-8,662,059
Changes in trade payables and other payables	17	-10,577,929	20,417,733
Changes in receivables/payables for deferred taxation	11	961,816	-61,957
Changes in provisions for employee benefits	19	-1,762,708	-2,056,093
Changes in provision for risks	20	-2,155,153	-3,176,713
Dividends received		1,903,800	400,000
Changes of other assets and liabilities		156,748	-10,617
Tax consolidation expense and income		-	2,453,236
Tax payments	4	-1,515,036	-1,328,036
Cash flows from operating activities		***3,554,972***	***-4,348,256***
Investments/divestments:			
Investments in plant, property and equipment and real estate investments	6	-3,259,725	-2,655,933
Disinvestments and other movements in property, plant and equipment	6	22,256	213,648
Investments in intangible assets	7	-5,171,381	-3,220,623
Disinvestments and other movements in intangible assets	7	948,885	6,677,875
Investment in the R&D business unit	16	-	-56,700,000
Equity investments	9	-	-4,497,573
Cash flows from Investing activities		***-7,459,965***	***-60,182,606***
Change in financial assets	10	-1,178,860	-1,087,624
Change in financial liabilities	16	4,786,569	62,763,427
Treasury share purchase	15	-	-127,287
Other movements of shareholders' equity	15	-966,002	-
Cash flows from financing activities		***2,641,707***	***61,548,516***
Total cash flows for the period		***-1,263,286***	***-2,982,346***
Opening cash and cash equivalents		**1,756,557**	**4,738,903**
Closing cash and cash equivalents		**493,271**	**1,756,557**

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2015

1. Introduction

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

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

The purpose of the company is:
a) the production, sale and design of axles, drives and mechanical components in general for tractors, construction machinery, fork-lift trucks, automobiles, trucks, buses and special machines, and the production of tractors;
b) the assumption of equity investments in other companies or entities; to finance and coordinate technically and financially the companies and entities in which it has an interest. The company may also buy, sell, exchange, build with its own workforce or through contracts real estate assets both in the country and in urban areas, both civil and industrial, and rent out and manage such properties;
c) to assume agencies, for the same or similar businesses, or for businesses connected in any way with those specified in point a); sale of replacement parts;
d) the Company may also give endorsements and sureties of any kind and nature, for any amount and period of time, with or without real guarantees, in favour of third parties, persons, entities, or companies; this option may be exercised by the Board of Directors under the terms of Art. 28 of the 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 19 February 2016.

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

Carraro, as the parent company, has functions of strategic guidance, control and coordination of the single units of the Carraro Group business. At the corporate facility in Rovigo, entitled "Divisione Agritalia", it designs and manufactures agricultural machines.

Reporting criteria and accounting principles

The annual Financial Statements are drawn up in compliance with the International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and with the measures issued implementing Article 9 of Legislative Decree 38/2005. The term IFRS also includes the revised International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) previously known as the Standard Interpretation Committee (SIC). These standards are the same as those used for the Financial Statements as at 31 December 2014, with the exceptions described in the paragraph 2.2 "Accounting standards, amendments and interpretations not relevant for the company or not yet applicable and not adopted in advance by the company".

The financial statements were prepared assuming that the company is a going concern. For further details, please refer to the information in the Directors' Report on Operations.

2. Form and content of the financial statements

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

2.1 Format of the financial statements

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

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 not relevant for the company or not yet applicable and not adopted in advance by the company

IFRIC 21 – "Levies"
The interpretation published by the IASB on 20 May 2013 is applicable for annual periods starting after 17 June 2014. IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, which includes among the criteria for recognition of a liability that the entity has a current obligation as a result of a past event (so-called Obligating event). The Interpretation clarifies that the obligating event that results in recognition of the liability for the tax to be paid is the asset giving rise to payment of the tax, as identified by law. The adoption of this new interpretation had no effect on the financial statements of the company.

Annual Improvements to IFRSs - 2011–2013 Cycle.
The provisions approved made changes: (i) to IFRS 3, clarifying that IFRS 3 is not applicable for recognition of accounting effects related to the formation of a joint venture or joint operation (as defined by IFRS 11) in the financial statements of joint ventures or joint operations; (ii) to IFRS 13, clarifying that the provision contained in IFRS 13 by which it is possible to measure the fair value of a group of financial assets and liabilities on a net basis, applies to all contracts (including non-financial contracts) falling within the scope of IAS 39 or IFRS 9; (iii) to IAS 40, clarifying that in order to determine when purchasing a property investment constitutes a business combination, reference must be made to the provisions of IFRS 3. The new provisions apply for annual periods starting on, or after, 1 January 2015. The adoption of these amendments had no effect on the financial statements of the company.

Amendments and interpretations of existing standards, effective for periods beginning on or after 1 January 2016 and not adopted by the company in advance.

Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions.
The amendments made allow accounting down of the current service cost for the period of contributions paid by employees or third parties, which are not related to the number of years of service, instead of allocation of such contributions over the period in which the service is rendered. The new provisions apply for annual periods starting on, or after, 1 February 2015. It is not expected that application of the changes will have a significant impact on the financial statements of the Company.

Annual Improvements to IFRS - 2010–2012 Cycle.
The provisions approved made changes: (i) to IFRS 2, clarifying the definition of "vesting condition" and introducing the definitions of service and result conditions; (ii) to IFRS 3, clarifying that the obligations to pay a contingent consideration, other than those which meet the definition of equity instrument, are measured at fair value at each balance sheet date, with changes recognised in the income statement; (iii) to IFRS 8, requesting information to be given concerning the assessments made by management in the aggregation of operating segments, describing the segments that have been aggregated and the economic indicators that were evaluated to determine that the aggregated segments have similar economic characteristics: (iv) to IAS 16 and IAS 38, clarifying the procedures for determining the gross carrying amount of assets, in the event of revaluation resulting from the application of the revaluation model; (v) to IAS 24, establishing the information to be provided when there is a third entity that provides services related to the management of key managers of the reporting entity. The new provisions apply for annual periods starting on, or after, 1 February 2015. It is not expected that application of the changes will have a significant impact on the financial statements of the Company.

IFRS 9 – "Financial instruments".
The final version of the standard, published on 24 July 2014, involves three steps ("classification and measurement", "impairment" and "hedge accounting") of the IASB project aimed at replacing IAS 39 - Financial Instruments: recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets. The new standard reduces to three the number of categories of financial assets in IAS 39 and requires that all financial assets are (i) classified on the basis of the business model which the company uses to manage its financial assets and of the cash flows characteristic of the financial asset, (ii) initially measured at fair value plus, in the case of financial assets not at fair value with an entry in the income statement, certain ancillary costs ("transaction costs"), and (iii) subsequently measured at fair value or amortised cost. IFRS 9 also envisages that the embedded derivatives that fall within the scope of application of the IFRS standard in question must no longer be separated from the main contract containing them, and that the company may decide to directly recognise in other comprehensive income the changes in fair value of investments that fall within the scope of application of the IFRS standard in question. The new impairment model introduced by IFRS 9 no longer requires a trigger event before being able to account an impairment loss; on the contrary, it envisages that the expected impairment losses are recognised at any time and that their amount is reviewed and adjusted at each balance sheet date to reflect changes in the credit risk of financial instruments. IFRS 9 introduces a three-stage model to account for the impairment loss. The methods of determining impairment losses vary depending on whether the financial assets are in one of the three phases. IFRS 9 better aligns the accounting treatment of hedging instruments with the risk management activities that companies put in place in order to reduce and/or eliminate exposure to financial and other risks. The new model introduced by IFRS 9 allows the use of documentation produced internally as a basis for implementing hedge accounting. IFRS 9 is effective for periods beginning as of 1 January 2018. Early adoption of the standard is permitted. At the date of these consolidated financial statements the standard has not yet been approved by the European Union. The Company is evaluating the impact that this standard will have on its consolidated financial statements.

IFRS 15 – "Revenue from contracts with customers".
On 28 May 2014, the FASB issued IFRS 15 "Revenue from contract with customers". The new standard will be applicable as from the first quarter periods beginning on or after 1 January 2017. The standard replaces IAS 18 – "Revenues," IAS 11 "Construction Contracts", IFRIC 13 "Customers Loyalty Programmes", "IFRIC 15 - Agreements for the Construction of Real Estate", IFRIC 18 – "Transfers of Assets from Customers", SIC 31 – "Revenue—Barter Transactions Involving Advertising Services". Revenue is recognised when the customer obtains control over the goods and services and, therefore, when it has the ability to direct the use and obtain the benefits of the same. When a company agrees to provide goods or services at a price that varies according to the occurrence or otherwise of some future event, an estimate of the variable part is included in the price only if its occurrence is highly probable. For transactions involving the simultaneous sale of several goods and/or services, the sales price must be allocated according to the price that the company would apply to customers if the same goods and services included in the contract were to be sold individually. Companies sometimes incur costs, such as sales commission, to obtain or execute a contract. Such costs, if certain criteria are met, are capitalised and recognised in the income statement over the term of the contract. The standard specifies, moreover, that the sales price must be adjusted in the event that it contains a significant financial component. . The provisions of IFRS 15 are effective for annual periods beginning on, or after, 1 January 2017, subject to any subsequent deferrals established during approval by the European Union. The Company is evaluating the impact that adoption of the new standard will have on its financial statements. The new standard has not been approved by the European Union on the date on which these consolidated financial statements were authorised for publication.

IFRS 16 – "Leases".
On 12 May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and to IAS 38 Intangibles Assets – "Clarification of acceptable methods of depreciation and amortisation". The amendments to IAS 16 establish that amortisation criteria determined on the basis of revenues are not appropriate, since, according to the amendment, the revenues generated by an asset that includes the use of the asset subject to amortisation generally reflect factors other than the mere consumption of the economic benefits of the asset, a requisite that is, on the other hand, required for amortisation. The amendments to IAS 38 introduce a relative assumption, according to which a depreciation criterion based on revenues is normally considered inappropriate for the same reasons established by the amendments made to IAS 16. In the case of intangible assets, this assumption may, moreover, be overcome, but only in limited and specific circumstances.

The amendments will apply from 1 January 2016 but early application is allowed. The Company is evaluating the impact that this standard will have on its consolidated financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation.
The amendments clarify the use of "revenue-based methods" to calculate the depreciation of an asset. Application of the amendments is effective from 1 January 2016 and has not yet been approved by the European Union. The Company is evaluating the impact that this standard will have on its financial statements.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operation.
The amendments to the standard provide guidance on the proper accounting of acquisitions resulting from "Interests in Joint Operations". Application of the amendments is effective from 1 January 2016 and has not yet been approved by the European Union. The amendments to the standard will not have a significant impact on the financial statements of the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
The amendments introduced aim to better define the accounting treatment related to gains or losses arising from transactions with joint ventures and associated companies measured using the equity method. At the date of these consolidated financial statements the standard has not yet been approved by the European Union. The Company is evaluating the impact that this standard will have on its consolidated financial statements.

Annual Improvements to IFRSs 2012–2014 Cycle
The provisions will amend IFRS 5, IFRS 7, IAS 19 and IAS 34. At the date of these consolidated financial statements the amendments to the standard have not yet been approved by the European Union. The Company is evaluating the impact that this standard will have on its consolidated financial statements.

Amendments to IAS 1 - Disclosure Initiative
The proposed amendments concern the materiality, the aggregation of items, the structure of the notes, the information on the accounting policies adopted and the presentation of other components of comprehensive income arising from measurement of investments using the equity method. At the date of these financial statements the amendments to the standard have not yet been approved by the European Union. The Company is evaluating the impact that this standard will have on its consolidated financial statements.

Property, plant and equipment
Property, plant and equipment items 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 items are derecognised at the time of sale or once future economic benefits are no longer expected from their use or disposal. Any losses or profits (calculated as the difference between the net income on the sale and the carrying amount) are recognised in the income statement during the year of elimination as above.
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 perform a correct fair value analysis, the goodwill is allocated to each of the units generating financial flows that will benefit from the effects deriving from the acquisition.

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

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

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

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

Equity investments in subsidiaries and associated companies
Subsidiaries are companies in which the Company exercises control. The Company controls another company when it is exposed, or has rights, to the variability of results of the subsidiary based on its involvement with the subsidiary and has the capacity to influence such results through the exercise of its power.
Control may be exercised through directly or indirectly holding the majority of shares with voting rights, or on the basis of contractual or legal agreements, also regardless of shareholder relations. The existence of potential voting rights that may be exercised at the reporting data is considered for the purposes of determining control.
In general, the existence of control is assumed when the Parent Company holds, directly or indirectly, more than half the voting rights.

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.
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 the standards 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 envisages 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 paragraph "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 at the moment in which the investment is derecognised or in the event of an impairment loss, as well as by means of the amortisation process.

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 a separate 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 by making reference 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; 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 Company adopts the percentage of completion method. Job order revenues include sums paid under the contract, sums for changes in works and price revisions. Job order costs include all costs that refer directly to the job order, costs which may be attributable to job order activities in general and that may be allocated to the job order, in addition to any other cost that may be specifically charged to the client based on contract clauses.
If a loss is expected from completion of a job order, this is entirely recognised in the year in which it is reasonably foreseeable.

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

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

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

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

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

Assets recognised at cost

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

Available-for-sale financial assets

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

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 among the assets if, and only if, it is practically certain. In this case, the cost of the possible related provisions, net of the amount recognised for the indemnity, is presented in the income statement. If the effect of discounting to the present the value of the money is significant, the provisions are discounted back using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the discounting is carried out, the increase of the provision due to the passage of time is recognised as a financial expense.

Employee and similar benefits
According to IAS 19, employee benefits to be paid out subsequent to the termination of the employment relationship and other long-term benefits (including the Provision for severance indemnity) are subjected to actuarial valuations which have to take into account a series of variables (such as mortality, the provisions of future salary changes, the anticipated rate of inflation, etc.).
Following this method, the liability recognised represents the current value of the obligation, net of any plan assets, adjusted for any actuarial losses or profits not accounted for.
As provided for by IAS 19 Revised, actuarial gains and losses were recognised directly in the income statement, without using the corridor approach.
Following the adoption of IAS 19 Revised, actuarial gains/losses are no longer directly recognised in the income statement, but are directly recognised in a reserve of shareholders' equity with immediate recognition in the Statement of Comprehensive Income. 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 payable at the time of the distribution resolution.

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

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

Current taxes
Current income taxes have been provided for on the basis of an estimate of the taxable income for the 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 Carraro S.p.A. In particular, it aims to minimise interest rate and exchange rate risk and optimise the cost of debt.
These risks are managed in accordance with the principles of prudence and market best practices and all risk management transactions are centrally managed.

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

The 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 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 2015 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 31.12.2014) of the closure of derivative financial instruments on currencies in existence at the reporting date.
The company envisages meeting the needs arising from all of the above with the flows deriving from operations, from available liquidity and from the availability of the above credit facilities.
In 2015, 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.
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 2015, 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 paragraph 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 risk in relation to financial liabilities undertaken for loans for both ordinary operations and investments. Changes in interest rates may have positive or negative effects on both the financial outcome and on cash flows.
The strategy adopted pursues the basic objective of achieving a balance between floating-rate and fixed-rate debt The interest rate risk on the floating portion is then reduced via specific hedging operations.

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

Pension funds and other post employment benefits

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

Development costs

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

Provisions for risks and liabilities

The 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. Reporting by business and geographic segment

Carraro S.p.A. is divided into the "Vehicles Business Area" (with reference to Divisione Agritalia which produces and markets tractors) and "Headquarters operations", henceforth HQ, relative to central level services provided by Carraro S.p.A. to the various companies of the Group given its function of strategic guidance, control and coordination of 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 2014 and 2015.

a) economic data (Euros/000)

31.12.2015 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Revenues from sales	**27,146**	**120,429**	**-1,384**	**146,191**
Sales to third parties	35	116,192	-1	116,226
Sales to other Business Areas	27,111	4,237	-1,383	29,965
Operating costs	**27,450**	**114,147**	**-1,384**	**140,213**
Purchases of goods and materials	2,371	83,363	-24	85,710
Services	10,167	12,982	-1,359	21,790
Use of third-party goods and services	-	-	-	-
Personnel costs	13,665	11,934	-1	25,598
Amortisation, depreciation and impairment of assets	3,323	1,656	-	4,979
Changes in inventories	282	3,900	-	4,182
Provisions for risks	1,420	1,418	-	2,838
Other income and expenses	-1,032	-64	-	-1,096
Internal construction	-2,746	-1,042	-	-3,788
Operating profit/(loss)	**-304**	**6,282**	**-**	**5,978**
Gains/(losses) on financial assets	-5,708	-39	-	-5,747
Current and deferred income taxes	3,739	341	-	4,080
Net profit/(loss)	**-9,751**	**5,902**	**-**	**-3,849**

31.12.2014 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Revenues from sales	**11,327**	**102,837**	**-1,206**	**112,958**
Sales to third parties	272	98,468	-	98,740
Sales to other Business Areas	11,055	4,369	-1,206	14,218
Operating costs	**15,133**	**103,209**	**-1,206**	**117,136**
Purchases of goods and materials	-6	87,353	-	87,347
Services	8,690	9,620	-1,205	17,105
Use of third-party goods and services	13	5	-	18
Personnel costs	7,603	14,262	-	21,865
Amortisation, depreciation and impairment of assets	1,703	1,454	-	3,157
Changes in inventories	-	-11,289	-	-11,289
Provisions for risks	215	2,188	-	2,403
Other income and expenses	-3,085	-91	-1	-3,177
Internal construction	-	-293	-	-293
Operating profit/(loss)	**-3,806**	**-372**	**-**	**-4,178**
Gains/(losses) on financial assets	-3,914	-98	-	-4,012
Current and deferred income taxes	-1,927	235	-1	-1,693
Net profit/(loss)	**-5,793**	**-705**	**1**	**-6,497**

b) equity data (Euro/000)

31.12.2015 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Non-current assets	166,287	15,325	-1	181,611
Current assets	22,162	22,880	-1,358	43,684
Shareholders' equity	29,902	-8,408	-	21,494
Non-current liabilities	17,992	1,212	-	19,204
Current liabilities	140,555	45,401	-1,359	184,597

31.12.2014 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Non-current assets	165,765	15,897	-	181,662
Current assets	26,013	27,760	-	53,773
Shareholders' equity	39,132	-12,812	-	26,320
Non-current liabilities	19,455	1,680	-1	21,134
Current liabilities	133,191	54,789	1	187,981

c) Other information

31.12.2015 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Investments	7,153	1,278	-	8,431
Workforce as at 31.12	167	227	-	394

31.12.2014 *(amounts in Euro thousands)*	**HQ**	**Vehicles**	**Eliminations**	**Total**
Investments	3,988	3,733	-1,844	5,877
Workforce as at 31.12	166	275	-	441

3.2 Geographic areas
Carraro S.p.A.'s industrial business, with reference to the Divisione Agritalia, is located in Italy.
Sales, with reference 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)	***31.12.2015***	***31.12.2014***
Switzerland	44,019	43,217
France	10,162	19,899
Germany	6,896	7,342
India	5,186	2,374
China	2,442	987
Poland	956	1,311
South America	200	868
North America	114	154
Turkey	3,733	2,288
United Kingdom	1,107	451
Other E.U. areas	8,592	10,320
Other non-E.U. areas	4,059	498
Total Abroad	**87,466**	**89,709**
Italy	58,725	23,249
Total	**146,191**	**112,958**
of which: Total E.U. area	**86,438**	**62,572**
Total non-E.U. area	**59,753**	**50,386**

4. Non-recurring operations

As at 31 December 2015, non-recurring transactions concerning the personnel restructuring programme, in addition to the write-down of the property in Gorizia relating to the closure of the plant were recognised; below are the economic effects:

31.12.2015 *(amounts in Euro)*	**NON-RECURRING OPERATIONS**
Personnel costs	162,285
Impairment of fixed assets	800,000
Provision for risks	550,000
EBIT	**1,512,285**
Taxes	1,498,044
Net profit/(loss)	**3,010,329**

5. Detailed explanatory notes

Revenues from sales (note 1)

(amounts in Euro)	**31.12.2015**	**31.12.2014**
SALES OF PRODUCTS	112,023,407	97,635,356
SALES RETURNS	-	-24,455
1) PRODUCTS	112,023,407	97,610,901
WORK ON CONTRACT	-	-
OTHER SERVICES	8,907,624	10,566,040
REVENUES FROM ADVANCES ON ORDERS	4,913,305	4,721,919
2) SERVICES	13,820,929	15,287,959
OTHER GOODS	4,428,725	56,686
OTHER REVENUES	15,918,141	2,461
CUSTOMER DISCOUNTS	-	-
3) OTHER REVENUES	20,346,866	59,147
TOTAL REVENUES FROM SALES	**146,191,202**	**112,958,007**

Following acquisition of the R&D activities from the subsidiary Carraro Drive Tech S.p.A., which took place on 31 December 2014, the profit/loss for 2015 includes non-comparable effects.
The main difference from the previous year is represented by revenues from cross-charging royalties, classified under other revenues, for R&D activities to Carraro Group companies.

Operating costs (note 2)

(amounts in Euro)	**31.12.2015**	**31.12.2014**
PURCHASES OF RAW MATERIALS	81,789,926	83,415,055
RETURNS OF RAW MATERIALS	-	-
A) PURCHASES	81,789,926	83,415,055
MISCELLANEOUS CONSUMABLES	358,449	279,128
CONSUMABLE TOOLS	67,364	50,653
MAINTENANCE MATERIAL	182,150	235,841
MAT. AND SERV. FOR RESALE	3,652,277	3,477,043
REBATES AND DISCOUNTS – SUPPLIERS	-340,301	-110,664
B) OTHER PRODUCTION COSTS	3,919,939	3,932,001
1) PURCHASES OF GOODS AND MATERIALS	**85,709,865**	**87,347,056**
A) EXTERNAL SERVICES FOR PRODUCTION	5,987,935	5,721,230
B) SUNDRY SUPPLIES	771,023	649,613
C) GENERAL OVERHEADS	13,018,533	9,659,012
D) COMMERCIAL COSTS	373,158	343,948
E) SALES EXPENSES	1,639,536	731,107
2) SERVICES	**21,790,185**	**17,104,910**
RENTAL EXPENSES	-	17,679
3) USE OF THIRD-PARTY GOODS AND SERVICES	**-**	**17,679**
A) WAGES AND SALARIES	17,812,584	14,814,793
B) SOCIAL SECURITY CONTRIBUTIONS	5,613,995	4,442,733
D) EMPLOYEE SEVERANCE INDEMNITY AND PENSIONS	1,534,228	2,030,453
E) OTHER COSTS	637,569	576,707
4) PERSONNEL COSTS	**25,598,376**	**21,864,686**

A) DEPREC. PROP., PLANT & EQUIPMENT	2,262,942	2,162,674
B) AMORT. INTANGIBLE ASSETS	1,869,488	966,362
C) IMPAIRMENT OF FIXED ASSETS	800,000	-
D) IMPAIRMENT OF RECEIVABLES	45,872	28,497
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	**4,978,302**	**3,157,533**
A) CHANGES IN INVENTORIES OF RAW AND ANCILLARY MATERIALS AND GOODS	3,035,268	-6,914,285
B) CHANGES IN INVENTORIES OF WORK IN PROG. SEMI-FIN. & FIN. PRODS	1,146,545	-4,374,875
6) CHANGES IN INVENTORIES	**4,181,813**	**-11,289,160**
A) WARRANTY	2,287,635	1,291,362
B) COSTS OF LEGAL CLAIMS	-	15,000
C) RENOVATION AND CONV.	550,000	400,000
D) OTHER PROVISIONS	-	696,629
7) PROVISION FOR RISKS AND OTHER LIABILITIES	**2,837,635**	**2,402,991**
A) SUNDRY INCOME	-1,864,288	-3,876,601
B) GRANTS	-51,969	-18,336
C) OTHER OPERATING EXPENSES	808,293	763,840
D) OTHER NON-ORDINARY OPERATING INCOME/EXPENSES	12,942	-45,578
8) OTHER INCOME AND EXPENSES	**-1,095,022**	**-3,176,675**
9) INTERNAL CONSTRUCTION	**-3,788,393**	**-293,206**

Turnover as at 31.12.2015 amounted to 146.191 million Euros compared to 112.958 million Euros as at 31.12.2014 and was generated largely by Divisione Agritalia.

In 2015, Carraro Divisione Agritalia realised a total turnover of 120.429 million Euros, an increase compared to 102.837 million Euros in 2014.

The target market has remained stable and the number of tractors sold increased by 536 units, from 3,722 tractors in 2014 to 4,258 in 2015.

In the year costs for "wages and salaries" amounted to 17.813 million Euros against 14.815 million Euros in 2014.
As of 1 January 2015, R&D activities have been centralised in Carraro SpA integrating those of the Agritalia Division with those of the Drive Tech Business Area. It follows therefore that the 2015 financial figures are not comparable with those of the previous year.

Internal construction of 3.788 million Euros derive from the internal capitalisation of costs related to R&D projects. This business unit, as stated above, was acquired from the subsidiary Carraro Drive Tech S.p.A. on 31.12.2014.

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

(amounts in Euro)	**31.12.2015**	**31.12.2014**
10) INCOME FROM EQUITY INVESTMENTS	**1,903,800**	**400,000**
A) FROM FINANCIAL ASSETS	-	-
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	827	1,034
C) FROM OTHER CASH EQUIVALENTS	-	-
D) INCOME OTHER THAN THE ABOVE	233,275	211,200
E) FROM FAIR VALUE CHANGES, INTEREST RATE DERIVATIVES	-	-
11) OTHER FINANCIAL INCOME	**234,102**	**212,234**
A) FROM FINANCIAL LIABILITIES	-6,047,864	-3,788,402
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	-685,660	-300,591
C) EXPENSES OTHER THAN THE ABOVE	-1,278,536	-542,193
D) FROM FAIR VALUE CHANGES, INTEREST RATE DERIVATIVES	-	-311
12) FINANCIAL COSTS AND EXPENSES	**-8,012,060**	**-4,631,497**

FROM CHANGES IN FAIR VALUE OF DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	-1,178,558	-804,455
OTHER	-115,223	142,333
NEGATIVE EXCHANGE DIFFERENCES:	***-1,293,781***	***-662,122***
FROM CHANGES IN FAIR VALUE OF DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	361,534	24,129
OTHER	1,059,125	644,959
POSITIVE EXCHANGE DIFFERENCES:	***1,420,659***	***669,088***
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	**126,878**	**6,966**
14) ADJUSTMENTS OF FINANCIAL ASSETS	**-**	**-**

Income from equity investments, equal to 1.90 million Euros, refers to the distribution of dividends of 1.70 million from the subsidiary Carraro Drive Tech and of 0.20 million from the subsidiary Carraro International S.A. (0.4 million Euros as at 31 December 2014).
Net financial expenses amounted to 7.78 million Euros (5.3% of turnover), an increase compared to 4.419 million Euros (3.9% of turnover) as at 31 December 2014. The reason for the increase is attributable both to the costs arising from the signing of the new banks agreement for the part concerning the renewal of short-term lines, as well as to the higher average debt following acquisition from Carraro Drive Tech SpA of the R&D business unit on 31 December 2014.
This item includes financial expenses from the discounting of employee benefits relative to interest cost, for a total of 0.04 million Euros.
Net exchange gains and losses recorded a positive balance of 0.013 million Euros, compared to a positive figure of 0.007 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)	**31.12.2015**	**31.12.2014**
TAX CONSOLIDATION EXPENSE AND INCOME	-	-2,453,236
CURRENT TAXES	300,000	1,510,263
DEFERRED TAXES	2,698,401	-629,122
TAXES FROM PREVIOUS YEARS	1,082,096	-120,537
PROVISIONS FOR RISKS	-	-
15) CURRENT AND DEFERRED INCOME TAXES	**4,080,497**	**-1,692,632**

Current taxes
Current IRAP is calculated on a regional basis (rate of 3.9%) on the estimated taxable income for the year. Current IRES for the year is calculated at the rate of 27.5% on the estimated taxable income for the year. Following the changes envisaged by Law 208/2015 the IRES rate, currently 27.5%, will decrease to 24% with effect from the tax year following that in progress at 31 December 2016.
Carraro S.p.A. has opted, in the course of 2015, as the consolidating company, for establishment of national tax consolidation together with its subsidiaries Carraro Drive Tech Spa, Elettronica Santerno Spa, Siap Spa, Carraro International SA. The option is valid for the three years 2015-2017. The charges/income deriving from the transfer of the IRES taxable base are booked under current taxes.

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 on the items that will be reversed in 2016, 24% for IRES on the items that will be reversed from 2017 onwards and 3.9% for IRAP.
The company had tax losses to be carried forward of 31.57 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 2.7 million Euros were recognised, calculated on tax losses of 11 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 (12.44 million Euros), as the period of recovery is at the moment unforeseeable; the amount of unrecognised deferred tax assets was 3 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)	**31.12.2015**	**%**	**31.12.2014**	**%**
Earnings before tax	**231**		**-8,190**	
Theoretical tax rate 31.4%	**73**	**31.40%**	**-2,572**	**31.40%**
Effect of non-deductible costs	263	113.85%	214	-2.61%
Untaxable income	-498	-215.58%	-	0.00%
Use of previous tax losses			-1,312	16.02%
Other unrecognised deferred taxes	1,126	487.45%	1,215	-14.84%
Income/expenses not relevant for IRAP	226	97.84%	512	-6.25%
Taxes from previous years	152	65.80%	-121	1.48%
Adjustment of deferred taxes of previous year	814	352.38%	-629	7.68%
Deferred tax adjustment Italian Law 208/2015	994	430.30%		
Withholding taxes	930	402.60%	1,000	-12.21%
Provisions for tax risks	-	0.00%	-	0.00%
Taxation at effective rate	**4,080**	**1,766.04%**	**-1,693**	**20.67%**

Impairment was recognised, due to the uncertain recoverability of receivables from withholding taxes on foreign income accrued in previous years (930 thousand Euros).

Research and development costs (non-capitalisable)
During 2015, technical and industrial studies and research were carried out which did not give rise to capitalisation (in accordance with the provisions of IAS 38) for a total of 11.191 million Euros. (2.648 million Euros in 2014).

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	**31.12.2015**	**31.12.2014**
Earnings (Losses) for the purposes of calculating basic earnings per share	-3,849,336	-6,497,472
Diluting effect deriving from potential ordinary shares:	-	-
Earnings (Losses) for the purposes of calculating diluted earnings per share	-3,849,336	-6,497,472

Number of shares	**31.12.2015**	**31.12.2014**
Weighted average number of ordinary shares for calculating		
basic earnings (losses) per share:	43,362,812	43,246,626
diluted earnings (losses) per share:	43,362,812	43,246,626
Basic earnings (losses) per share (Euro):	-0.089	-0.150
Diluted earnings (losses) per share (Euro):	-0.089	-0.150

Dividends

No dividends were paid in 2015 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	Investments in progress and deposits	Total
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
Net as at 31.12.2013	**31,970,949**	**3,974,088**	**2,658,852**	**896,355**	**502,008**	**40,002,252**
Movements in 2014:						
Increases	447,978	722,753	175,452	146,930	1,162,820	2,655,933
Decreases	-8,381	-	-3,641	-15,526	-	-27,548
Capitalisation	154,493	424,763	-	-	-579,256	-
Purchase of the R&D business unit	-	-	1,479,886	-	209,476	1,689,362
Depreciation and amortisation	-797,989	-474,048	-621,571	-269,066	-	-2,162,674
Reclassification	891	7,988	-4,027	-4,852	-186,100	-186,100
Net as at 31.12.2014	**31,767,941**	**4,655,544**	**3,684,951**	**753,841**	**1,108,948**	**41,971,225**
Made up of:						
Historical cost	43,519,615	15,638,182	14,772,878	6,310,075	1,108,948	81,349,698
Provisions for amortisation and depreciations	-11,751,674	-10,982,638	-11,087,927	-5,556,234	-	-39,378,473

Items *(amounts in Euro)*	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress and deposits	Total
Historical cost	43,519,615	15,638,182	14,772,878	6,310,075	1,108,948	81,349,698
Provisions for amortisation and depreciations	-11,751,674	-10,982,638	-11,087,927	-5,556,234	-	-39,378,473
Net as at 31.12.2014	**31,767,941**	**4,655,544**	**3,684,951**	**753,841**	**1,108,948**	**41,971,225**
Movements in 2015:						
Increases	111,495	118,257	129,153	51,887	2,848,933	3,259,725
Decreases	-1,664	-13,109	-	-7,483	-	-22,256
Capitalisation	665,655	56,866	1,097,235	-	-1,819,756	-
Depreciation and amortisation	-814,370	-436,936	-749,942	-261,694	-	-2,262,942
Reclassification	-	-	84,600	-	-84,600	-
Impairment	-800,000	-	-	-	-	-800,000
Net as at 31.12.2015	**30,929,057**	**4,380,622**	**4,245,997**	**536,551**	**2,053,525**	**42,145,752**
Made up of:						
Historical cost	44,291,405	15,724,241	16,083,815	6,164,526	2,053,525	84,317,512
Provisions for amortisation and depreciations	-13,362,348	-11,343,619	-11,837,818	-5,627,975	-	-42,171,760

The most significant increases relate to capitalised internal costs (2.84 million) They mainly refer to the renovation of the property in Via Olmo: restructuring of the engineering offices, canteen renovation, new ecological area, new power test area in the prototype department.

The write-downs recognised in under land and buildings of 0.8 million Euros refer to the Gorizia plant. This write-down was necessary following the decision by management to proceed with the closure of the Gorizia plant.

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. in prog. and deposits**	**Total**
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
Net as at 31.12.2013	**109,564**	**3,106,339**	**-**	**6,923,771**	**10,139,674**
Movements in 2014:					
Increases	-	552,965	-	2,667,658	3,220,623
Decreases	-	-34,430	-	-6,829,545	-6,863,975
Capitalisation of internal costs	-	2,058,090	-	-2,058,090	-
Purchase of the R&D business unit	2,255,615	-	119,895	6,313,625	8,689,135
Depreciation and amortisation	-52,591	-913,771	-	-	-966,362
Reclassification	-	186,100	-	-	186,100
Net as at 31.12.2014	**2,312,588**	**4,955,293**	**119,895**	**7,017,419**	**14,405,195**
Made up of:					
Historical cost	4,080,559	14,576,371	1,001,536	7,017,419	26,675,885
Provisions for amortisation and depreciations	-1,767,971	-9,621,078	-881,641	-	-12,270,690

Items *(amounts in Euro)*	**Development costs**	**Licences and Trademarks**	**Royalties and patents**	**Invest. in prog. and deposits**	**Total**
Historical cost	4,080,559	14,576,371	1,001,536	7,017,419	26,675,885
Provisions for amortisation and depreciations	-1,767,971	-9,621,078	-881,641	-	-12,270,690
Net as at 31.12.2014	**2,312,588**	**4,955,293**	**119,895**	**7,017,419**	**14,405,195**
Movements in 2015:					
Increases	-	628,134	54,914	4,488,332	5,171,380
Decreases	-	-	-	-948,884	-948,884
Capitalisation of internal costs	895,196	266,204	-	-1,161,400	-
Depreciation and amortisation	-749,942	-1,069,741	-49,805	-	-1,869,488
Reclassification	-	-	-	-	-
Net as at 31.12.2015	**2,457,842**	**4,779,890**	**125,004**	**9,395,467**	**16,758,203**
Made up of:					
Historical cost	4,975,755	15,470,710	1,056,450	9,395,467	30,898,382
Provisions for amortisation and	-2,517,913	-10,690,820	-931,446	-	-14,140,179

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 and 10 years.

The increases in current assets mainly relates to the capitalisation of R&D project activities.

The decreases in fixed assets in progress and deposits relate to the cross-charge of the SAP project to the subsidiaries Carraro India Ltd. and Carraro Drive Tech S.p.A.

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 31.12.2014	**539,703**	**539,703**
Changes	-	-
Balance as at 31.12.2015	**539,703**	**539,703**

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

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

Movements in equity investments during financial year 2015:

Name *(amounts in Euro)*	**31.12.2014**	**Increases**	**Decreases**	**31.12.2015**
ELETTRONICA SANTERNO S.p.A.	2,014,691	-	-	2,014,691
CARRARO DRIVE TECH S.p.A.	50,674,221	-	-	50,674,221
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
TOTAL EQUITY INVESTMENTS	**98,167,247**	**-**	**-**	**98,167,247**

During financial year 2015 equity investments underwent no movements compared with 31 December 2014.

Financial assets (note 10)

(amounts in Euro)	**31.12.2015**	**31.12.2014**
LOANS TO SUBSIDIARIES	5,625,912	4,527,800
LOANS AND RECEIVABLES	***5,625,912***	***4,527,800***
AVAILABLE FOR SALE	86,091	85,841
OTHER NON-CURRENT FINANCIAL ASSETS	*21,285*	*29,837*
OTHER FINANCIAL ASSETS	***107,376***	***115,678***
NON-CURRENT FINANCIAL ASSETS	**5,733,288**	**4,643,478**
FROM SUBSIDIARIES	54,774	17,620
FROM THIRD PARTIES	35,000	35,000
LOANS AND RECEIVABLES	***89,774***	***52,620***
CASH FLOW HEDGING DERIVATIVES (exchange rate derivatives)	170,222	-
OTHER CURRENT FINANCIAL ASSETS	8,551	10,919
OTHER FINANCIAL ASSETS	***178,773***	***10,919***
CURRENT FINANCIAL ASSETS	**268,547**	**63,539**

Non-current loans and receivables:
- these include receivables past due by more than one year from the company Carraro Argentina S.A. for 5.63 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 0.05 million Euros;

Other non-current financial assets:
– available for sale (0.09 mln Euros): these are assets relating to non-controlling equity investments, and therefore have no set redemption date; details are provided below:

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
Consorzio Padova Ricerche	PADUA	EURO	44,774
Isontina Energia – Consorzio per l'acquisto di risorse energetiche	GORIZIA	EURO	516
Pordenone Energia	PORDENONE	EURO	250
FONDAZIONE TEATRO LA FENICE	VENICE	EURO	2,582
TOTAL			**86,091**

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

Description of differences	**Deferred taxes**	**Reclassification**	**Effect**	**Effect**	**Deferred taxes**
(amounts in Euro)	**31.12.2014**		**on net equity**	**on IS**	**31.12.2015**
Depreciation and amortisation	17,685,929		-966,002	-3,239,933	13,479,994
Measurement of receivables	22,816			-2,904	19,912
Discounting of employee severance indemnity	83,963		4,186	-10,686	77,463
Provisions for risks	1,731,810			99,771	1,831,581
Tax loss 2015	-			1,879,708	1,879,708
Tax losses	1,964,038	-100,000		-1,085,798	778,240
Others	383,504	100,000		-325,326	158,178
Personnel bonuses	17,789			-13,233	4,556
TOTAL	**21,889,849**	**-**	**-961,816**	**-2,698,401**	**18,229,632**

It is acknowledged that from the date of approval of the financial statements, the conversion of deferred tax assets, amounting to 1,766,407 Euros, into a tax credit will take effect, pursuant to Article 2 paragraphs 55/56 of Italian Law 255/2010.

Trade receivables and other receivables (note 12)

(amounts in Euro)	31.12.2015	31.12.2014
NON CURRENT TRADE RECEIVABLES	-	-
FROM THIRD PARTIES	37,425	45,020
OTHER NON-CURRENT RECEIVABLES	***37,425***	***45,020***
NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**37,425**	**45,020**
FROM RELATED PARTIES	16,753,070	19,409,908
FROM THIRD PARTIES	4,242,617	5,671,482
CURRENT TRADE RECEIVABLES	**20,995,687**	**25,081,390**
FROM RELATED PARTIES	1,246,328	3,253,980
FROM THIRD PARTIES	3,781,869	2,537,764
OTHER CURRENT RECEIVABLES	**5,028,197**	**5,791,744**
CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**26,023,884**	**30,873,134**

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

(amounts in Euro)	31.12.2015	31.12.2014
VAT credits	1,030,094	-
Other tax credits	154,280	116,428
Receivables for current taxes	1,539,859	1,405,084
Receivables from employees	2,814	4,606
Receivables from pensions agencies	90,326	152,391
Other receivables	964,496	859,255
OTHER CURRENT RECEIVABLES FROM THIRD PARTIES	**3,781,869**	**2,537,764**

Other non-current receivables (0.04 million Euros) mainly refer to guarantee deposits.
Trade receivables bear no interest and mature on average at 60 days.
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)	31.12.2015	31.12.2014
Trade receivables from related parties	16,753,070	19,409,908
NET CURRENT TRADE RECEIVABLES FROM RELATED PARTIES	**16,753,070**	**19,409,908**
Trade receivables from third parties	4,440,306	5,823,299
Provisions for Depreciations of Receivables	-197,689	-151,817
NET CURRENT TRADE RECEIVABLES FROM THIRD PARTIES	**4,242,617**	**5,671,482**
Other receivables from related parties	1,246,328	3,253,980
NET CURRENT OTHER RECEIVABLES FROM RELATED PARTIES	***1,246,328***	***3,253,980***
Other receivables from third parties	3,781,869	2,537,764
NET CURRENT OTHER RECEIVABLES FROM THIRD PARTIES	***3,781,869***	***2,537,764***

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

(amounts in Euro)	***31.12.2015***					***31.12.2014***				
	PAST DUE		NOT YET DUE			PAST DUE		NOT YET DUE		
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	***TOTAL***	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	***TOTAL***
Trade receivables	3,074,995	569,872	17,548,509	-	**21,193,376**	1,358,261	274,948	23,599,998	-	**25,233,207**
Other receivables	-	-	5,028,197	37,425	**5,065,622**	-	-	5,791,744	45,020	**5,836,764**
TOTAL	**3,074,995**	**569,872**	**22,576,705**	**37,425**	**26,258,998**	**1,358,261**	**274,948**	**29,391,742**	**45,020**	**31,069,971**

Provisions for Depreciations of Receivables

Movements in the Provision for Depreciations of Receivables:

(amounts in Euro)	**31.12.2014**	**increases**	**31.12.2015**
Provision for Trade receivables	151,817	45,872	197,689
TOTAL	**151,817**	**45,872**	**197,689**

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)*	**31.12.2015**	**31.12.2014**
Raw materials	14,747,071	17,586,773
Work in progress and semi-finished products	4,242,128	4,245,028
Finished products	701,596	1,950,403
Goods in transit	-	-
Total inventories	***19,690,795***	***23,782,204***
Provision for impairment of inventories	-2,792,348	-2,701,945
TOTAL	**16,898,447**	**21,080,259**

Inventories recorded a net balance of 16.89 million Euros compared with Euro 21.08 million Euros as at 31 December 2014.
Provisions for impairment of inventories, recognised to align the value of obsolete or slow-moving stocks with the estimated realisable value, amount to 2.79 million Euros, referred to raw, subsidiary and consumable materials for 2.52 million Euros and to semi-finished products for 0.27 million Euros.

Movements in provisions for impairment of inventories:

(amounts in Euro)	
Balance as at 31 December 2014	**2,701,945**
Provisions set aside	292,577
Utilisation	-202,174
Balance as at 31 December 2015	**2,792,348**

Total provisions set aside during the year amounted to 0.292 million Euros.

Cash and cash equivalents (note 14)

Items *(amounts in Euro)*	**31.12.2015**	**31.12.2014**
CASH	65,572	107,545
BANK CURRENT ACCOUNTS AND DEPOSITS	427,699	1,649,012
TOTAL	**493,271**	**1,756,557**

Shareholders' equity (note 15)

Items *(amounts in Euro)*	**31.12.2015**	**31.12.2014**
1) Share Capital	23,914,696	23,914,696
2) Other Reserves	15,424,204	16,390,206
3) Profits/(Losses) brought forward	-6,414,118	83,354
4) Other IAS/IFRS reserves	-7,141,566	-7,141,566
5) Provision for discounting employee benefits	-440,239	-429,202
6) Profit/(Loss) for the period	-3,849,336	-6,497,472
SHAREHOLDERS' EQUITY:	**21,493,641**	**26,320,016**

The Shareholders' Meeting of Carraro S.p.A. held on 23 March 2015 approved a purchase of treasury shares and disposal plan involving no more than 10% of paid up shares, 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 same Shareholders' Meeting resolved to carry forward the loss for 2014, amounting to 6,479,472 Euros.

With effect from 31 December 2009, the share capital of Carraro S.p.A. amounts to 23,914,696 Euros, corresponding to 45,989,800 shares with a face value of 0.52 Euros 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 2015, 2,626,988 shares had been purchased for a total investment of 6.666 million Euros.

The shareholders' equity of Carraro S.p.A at 31 December 2015 amounts to 21.494 million Euros compared to 26.320 million Euros. During 2016, capitalisation of the company through the distribution of dividends by the subsidiary Carraro Drive Tech S.p.A. is expected.

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

Nature/description	31.12.2014	Movements in 2015	31.12.2015	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	1,887,329	-6,497,472	-4,610,143	A, B, C		-4,610,143
Treasury share reserve	- 6,666,460	-	-6,666,460	---	(6)	-6,666,460
IAS negative reserve	- 41,755,068	-966,002	-42,721,070	A, B, C	(7)	-42,721, 070
Provision for discounting employee benefits (re statement)	- 83,354		- 83,354	A, B, C		- 83,354
Shareholders' Equity Reserves:						
Provision for discounting employee benefits	- 345,848	-11,037	-356,885	B		-356,885
Profit/(Loss) for the period	- 6,497,472	2,648,136	-3,849,336	---		-3,849,336
Total	**26,320,016**	**-4,826,375**	**21,493,641**			

Key:
A: for capital increases
B: to cover 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 the transfer of the Agritalia and R&D business unit, as the operation is under common control (OPI 1 section 1.1.a)

Financial liabilities (note 16)

On 24 December 2015, the Carraro Group signed a new agreement with its main lending banks, which provides for the rescheduling of medium and long-term financial debts, with a suspension of principal repayments until 2017, confirmation of short-term credit lines to support the current operations of the Group and redefinition of the covenants based on the operating results envisaged by the Group's New Business Plan 2016-19. In accordance with the new agreement signed with the banks on 24 December 2015, recognition of the covenants as at 31 December 2015 is not envisaged.

The classification of financial liabilities is shown below:

Items *(amounts in Euro)*	**31.12.2015**	**31.12.2014**
MEDIUM/LONG-TERM LOANS	*16,408,326*	*17,701,367*
NON-CURRENT FINANCIAL LIABILITIES	**16,408,326**	**17,701,367**
MEDIUM/LONG-TERM LOANS (SHORT-TERM PORTION)	2,831,631	4,313,381
LOANS TO OTHERS	17,010,078	12,290,655
LOANS TO RELATED PARTIES	108,524,411	105,515,419
FINANCIAL LIABILITIES	**128,366,120**	**122,119,455**
FAIR VALUE OF EXCHANGE RATE DERIVATIVES	-	*167,055*
OTHER CURRENT FINANCIAL LIABILITIES	*158,722*	*12,894*
OTHER FINANCIAL LIABILITIES	**158,722**	**179,949**
CURRENT FINANCIAL LIABILITIES	**128,524,842**	**122,299,404**

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	*effect of amortised cost*	*nominal value*	*effect of amortised cost*	*nominal value*	*effect of amortised cost*	**Total 31.12.2015**
2,839,822	-8,191	11,213,781	-593,411	5,876,800	-88,844	19,239,957

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 paragraph 2.2.

LENDER *(amounts in Euro)*	**Short-term portion as at 31.12.2015**	**Md/lg-term portion as at 31.12.2015**	**EXPIRY**	**RATE**	**RATE TYPE**	**CURRENCY**
MPS, formerly Banca Antonveneta	-	13,295,628	Dec-22	3.55%	variable	EURO
Banca Popolare di Ravenna	1,762,801	906,921	Jun-17	3.57%	variable	EURO
Cassa di Risparmio di Bolzano	1,077,021	2,888,032	Jun-19	3.78%	variable	EURO
	2,839,822	**17,090,581**				

Non-current loans (16.40 million Euros) refer to: an amortising mortgage loan (valued at amortised cost) obtained from MPS, formerly Banca Antonveneta (12.61 million Euros), with a nominal balance as at 31 December 2015 of 13.29 million Euros, variable interest rate and maturity as at 31 December 2022; a loan (valued at *amortised cost*) obtained from Banca Popolare di Ravenna (0.90 million Euros), with a nominal outstanding balance as at 31 December 2015 of 2.67 million Euros, variable interest rate and maturity as at 30 June 2017; a loan obtained from Cassa di Risparmio di Bolzano (2.89 million Euros), with a nominal outstanding balance as at 31 December 2015 of 3.96 million Euros, variable interest rate and maturity as at 30 June 2019.

Current loans (128.37 million Euros) are made up of the following:
- 104.47 million Euros for funding received from Carraro International for a credit facility totalling 112 million Euros, with a final rate of 4.459%; a non-utilisation fee and an origination fee are envisaged;

- 4.05 million Euros of financial payables to Carraro International relating to invoices for interest on the loan;
- current-account advances and overdrafts of 17.01 million Euros against revocable credit facilities of 19.9 million Euros usable for current-account overdrafts and short-term financing, on a 12-month revolving basis;
- 1.76 million Euros short-term loan from Banca Popolare di Ravenna;
- 1.08 million Euros short-term loan from Cassa di Risparmio di Bolzano.

The net financial position is broken down below:

Net financial position *(amounts in Euro)*	**31.12.2015**	**31.12.2014**
Non-current loans payable	16,408,326	17,701,367
Current loans payable	128,366,120	122,119,455
Other current financial liabilities	158,722	12,894
Financial liabilities:	**144,933,168**	**139,833,716**
Non-current loans and receivables	-5,625,912	-4,527,800
Current loans and receivables	-89,774	-52,620
Other non-current financial assets	-21,285	- 29,837
Other current financial assets	-8,551	-10,919
Financial assets:	**-5,745,522**	**-4,621,176**
Cash	-65,572	-107,545
Bank current accounts and deposits and other cash and cash equivalents	-427,699	-1,649,012
Cash and cash equivalents:	**-493,271**	**-1,756,557**
Net financial position	**138,694,375**	**133,455,983**
of which payables / (receivables):		
- non-current	10,761,129	13,143,730
- current	127,933,246	120,312,253

Short-term loans include current accounts payable and loans taken out during 2015, with a short-term maturity.

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)*	**31.12.2015**	**31.12.2014**
NON-CURRENT TRADE PAYABLES	-	-
OTHER NON-CURRENT PAYABLES	-	-
TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES	-	-
FROM RELATED PARTIES	7,627,581	3,952,037
FROM THIRD PARTIES	36,761,741	49,576,990
CURRENT TRADE PAYABLES	***44,389,322***	***53,529,027***
FROM RELATED PARTIES	610,163	417,223
FROM THIRD PARTIES	7,186,378	8,817,542
OTHER CURRENT PAYABLES	***7,796,541***	***9,234,765***
TRADE PAYABLES AND OTHER CURRENT PAYABLES	**52,185,863**	**62,763,792**

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)	***31.12.2015***					***31.12.2014***				
	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	2,838,604	-	41,550,718	-	**44,389,322**	11,743,042	58,355	41,727,630	-	**53,529,027**
Other payables	-	-	7,796,541	-	**7,796,541**	-	-	9,234,765	-	**9,234,765**
TOTAL	**2,838,604**	**-**	**49,347,259**	**-**	**52,185,863**	**11,743,042**	**58,355**	**50,962,395**	**-**	**62,763,792**

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

Items *(amounts in Euro)*	**31.12.2015**	**31.12.2014**
VAT payables	-	195,953
Amounts due to pensions agencies	1,344,695	1,411,430
Amounts due to employees	3,232,112	3,546,480
IRPEF (personal income tax) employees & professionals	1,373,616	1,627,726
Board of Directors	898,279	1,757,499
Other payables	337,676	278,454
OTHER CURRENT PAYABLES	**7,186,378**	**8,817,542**

Current taxes payables (note 18)

As at 31 December 2015, current taxes payable amounted to 0.09 million Euros.

Employee severance indemnities and retirement benefits (note 19)

(amounts in Euro)	**31.12.2015**	**31.12.2014**
Factory workers	1,822,485	1,715,409
Clerical staff and executives	3,773,216	3,788,279
Sub Total	**5,595,701**	**5,503,688**
Severance indemnity - Pensions Agency	-2,801,312	-2,491,857
TOTAL PROVISIONS FOR EMPLOYEE BENEFITS	**2,794,389**	**3,011,831**

(amounts in Euro)	**31.12.2015**	**31.12.2014**
Opening severance indemnities in accordance with IAS 19	**3,011,831**	**2,022,724**
Utilisation of employee severance indemnities	-283,889	-216,778
Employee severance indemnities transferred to other companies	-28,538	-60,702
Employee severance indemnities transferred from other companies	40,513	985,749
Current Service Cost	-	-
Interest Cost	39,249	55,539
Actuarial Exchange Gains/Losses	15,224	225,300
Closing severance indemnities in accordance with IAS 19	**2,794,389**	**3,011,831**

The severance indemnity, calculated according to current Italian laws, is treated for accounting purposes as a defined-benefit fund and as such is recalculated at the end of each accounting period according to a statistical-actuarial criterion which also takes account of the effects of financial discounting.
The actuarial valuation of this obligation is carried out according to the actuarial criterion of the “projected unit credit method” with the support of the data issued by ISTAT, the INPS and the ANIA. The parameters used are as follows: 1) annual discount rate: 1.39%, 2) personnel rotation rate 5%, 3) annual inflation index 2%, 4) advances rate 2%, 5) remuneration increase rate 3%.
The accounting treatment of employee benefits recorded in the financial statements complies with IAS 19 Revised for defined-benefit plans. For further details, see section 3.3.
Termination benefits are benefits to employees regulated by the laws in force in Italy and recognised in the financial statements of Italian companies.
On the basis of the changes introduced in Law 296/06, with effect from 30 June 2007, termination benefits maturing after 1 January 2007 must be paid into a specific treasury reserve established at the pensions agency INPS, or, if the employee so chooses, into a special complementary pension fund. There are no more provisions for termination benefits with these contributions.

Sensitivity analysis IAS 19 Revised
The table below indicates the values of the Employee benefits provision as at 31.12.2015 calculated in the case of changes in actuarial assumptions reasonably possible at that date with the following variables:
- turnover frequency
- discount rate (taken from the Iboxx Corporate AA 7-10 index)
- inflation rate

	turnover frequency		*discount rate*		*inflation rate*	
(amounts in Euro)	**+1 %**	**-1%**	**+ 0.25%**	**-0.25%**	**+0.25%**	**- 0.25%**
Provision for employee benefits as at 31.12.2015	2,777,509	2,813,377	2,830,954	2,758,523	2,737,132	2,844,809

Number of employees

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

Employees	**31.12.2014**	**Changes**	**31.12.2015**
Executives	21	-6	15
Clerical staff	190	-2	188
Factory workers	181	8	189
Temporary workers	49	-47	2
Total as at 31.12	**441**	**-47**	**394**

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	-	-	-	-	-
2) COSTS OF LEGAL CLAIMS	15,000	-	-13,422	-	1,578
3) RENOVATION AND CONV.	-	-	-	-	-
4) OTHER PROVISIONS	406,216	-	-196,497	-209,719	-
TOTAL	**421,216**	**-**	**-209,919**	**-209,719**	**1,578**
Provisions - current portion					
1) WARRANTY	1,679,097	2,287,635	-953,678	-	3,013,054
2) COSTS OF LEGAL CLAIMS	-	-	-	-	-
3) RENOVATION AND CONV.	945,853	550,000	-945,853	-	550,000
4) OTHER PROVISIONS	64,690	-	-45,703	209,719	228,706
TOTAL	**2,689,640**	**2,837,635**	**-1,945,234**	**209,719**	**3,791,760**

Warranty reserve:
Of the product warranty reserve, 0.95 million Euros was used for customer claims accepted and the reserve was increased by 2.29 million Euros on the basis of the expected warranty costs which will be incurred in relation to the sales made.

6. Commitments and risks

(amounts in Euro)

Items	**31.12.2015**	**31.12.2014**
- guarantees given	38,761,985	38,638,853
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**
MCC SPA	CIL (EX TURBO GEARS LTD)	31/12/2016	8,150,000	735,714
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	8,578,883
UNICREDIT FACTORING	SIAP SPA	ON DEMAND	3,500,000	705,469
UNICREDIT FACTORING	ELETTRONICA SANTERNO SPA	ON DEMAND	15,000,000	24,383
CASSA DI RISPARMIO DEL VENETO	ELETTRONICA SANTERNO SPA	ON DEMAND	2,500,000	2,500,000
UNICREDIT FACTORING	SANTERNO SOUTH AFRICA	ON DEMAND	10,000,000	1,151,482
BNP PARIBAS	CARRARO INTERNATIONAL	18 MONTHS	2,500,000	2,500,000
BNP PARIBAS	ELETTRONICA SANTERNO SPA	18 MONTHS	750,000	750,000
BNP PARIBAS	CARRARO DRIVE TECH S.P.A.	18 MONTHS	650,000	650,000
IFITALIA SPA	CARRARO DRIVE TECH S.P.A.	ON DEMAND	26,500,000	5,305,709
SACE FCT SPA	ELETTRONICA SANTERNO SPA	ON DEMAND	16,895,000	6,640,991
BANCO DO BRASIL	CARRARO DRIVE TECH DO BRASIL	20/05/2016	4,620,218	3,246,979
BANCA POPOLARE DI VICENZA	ELETTRONICA SANTERNO SPA	ON DEMAND	2,000,000	2,000,000
SACE FCT	SANTERNO SOUTH AFRICA	ON DEMAND	10,000,000	2,772,375
TOTAL				**38,761,985**

7. FINANCIAL INSTRUMENTS

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

31.12.2015	*(amounts in Euro)*	INCOME FINANCIAL	EXPENSES FINANCIAL	DIFF. EXCHANGE POSITIVE	DIFF. EXCHANGE NEGATIVE	COSTS /FINANCIAL SUSPENDED
A) FINANCIAL ASSETS:						
A.1) Cash and Cash Equivalents:						
	Bank accounts, positive balance	827	-	-	-	-
A.2) Non-derivative Financial Instruments:						
A.2.1) Financial instruments at fair value (FVTPL)						
A.2.2) Financial instruments held to maturity (HTM):						
A.2.3) Loans and receivables (L&R):						
A.2.3.1) Loans:						
	Loans receivable	-	-	-	-	-
A.2.3.2) Other assets:						
	Trade receivables	-	-	1,057,990	-114,967	-
	Other financial assets	233,275	-	1	-	-
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	-	-	170,222	-	-
	profit realised	-	-	191,312	-	-
A.3.1.2) Cash Flow Hedging Derivatives on interest rates:						
	Fair value in shareholders' equity	-	-	-	-	-
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	-	-685,660	-	-	-
	Trade payables	-	-	1,134	-29	-
	Loans payable	-	-6,047,864	-	-	-
	Other financial liabilities	-	-1,278,536	-	-227	-
B.2) Derivative Financial Instruments:						
B.2.1) Hedging derivatives:						
B.1.2.1) Cash Flow Hedging Derivatives on currencies:						
	Fair value through profit or loss	-	-	-	167,055	-
	Fair value in shareholders' equity					-
	loss realised	-	-	-	-1,345,613	-
B.1.2.2) Cash Flow Hedging Derivatives on interest rates:	loss realised	-	-	-	-	-
TOTAL		**234,102**	**-8,012,060**	**1,420,659**	**-1,293,781**	**-**

31.12.2014	*(amounts in Euro)*	**INCOME FINANCIAL**	**EXPENSES FINANCIAL**	**DIFF. EXCHANGE POSITIVE**	**DIFF. EXCHANGE NEGATIVE**	**COSTS/ REVENUES SUSPENDED**
A) FINANCIAL ASSETS:						
A.1) Cash and Cash Equivalents:						
	Bank accounts, positive balance	1,034	-	-	-	-
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	-	-	756,388	142,933	-
	Other financial assets	211,200	-	-1	-	-
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	-	-	-23,533	-	-
	profit realised	-	-	47,662	-	-
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	-	-300,591	-	-	-
	Trade payables	-	-	-111,428	-462	-
	Loans payable	-	-3,788,402	-	-	-
	Other financial liabilities	-	-542,193	-	-138	-
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	-	-	-	-167,055	-
	loss realised	-	-	-	-637,400	-
B.1.2.2) Cash Flow Hedging Derivatives on interest rates:	loss realised	-	-311	-	-	-
TOTAL		**212,234**	**-4,631,497**	**669,088**	**-662,122**	**-**

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 31.12.2015. These are instruments hedging foreign currency in circulation.

a) notional values

CONTRACT	Notional value as at 31.12.2015	Notional value as at 31.12.2014
Swaps (DCS) (1)	-	-
Swap (DCS) (2)	8,907,642	6,260,032
Total notional values	**8,907,642**	**6,260,032**

b) reference currencies and expiry dates of contracts

CONTRACT	
Swaps (DCS) (1)	
Currencies	-
Expiry dates	-
Swap (DCS) (2)	
Currencies	USD/EUR
Expiry dates	Jan-16

c) Fair value

(amounts in Euro thousands)	31.12.2015	31.12.2014
Swaps (DCS) (1)	-	-
Swap (DCS) (2)	170,222	-167,055
Total	**170,222**	**-167,055**

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

d) Details of *fair values*

	31.12.2015		31.12.2014	
	Fair Value positive	Fair Value negative	Fair Value positive	Fair Value negative
CASH FLOW HEDGES				
Exchange rate risk – Domestic Currency Swaps		170,222	-	-167,055

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

	31.12.2015	31.12.2014
FV recognised in the income statement	170,222	-167,055
FV recognised in net equity	-	-
Total	**170,222**	**-167,055**

In relation to the positioning in the hierarchy of fair values pursuant to IFRS 7 par. 27 the financial instruments described are classifiable as level 2; there were no transfers of level during the period.
The fair values as at 31.12.2015 of financial instruments on exchange rates were calculated using the forward exchange rate method.
The counterparties with which the contracts are stipulated are leading national and international banking institutions.
The financial instruments on currencies are used, on a basis consistent with the financial risk management policy adopted by the group, to hedge the risks deriving from exchange rate fluctuations and concern sales volumes compared with the budget exchange rate and the collections and payment of short and medium-term receivables and payables with respect to the historical value.
For accounting purposes in relation to contracts hedging sales budgets in foreign currencies effective at the reporting date, it should be noted that for the transactions executed, especially Domestic Currency Swaps, and in accordance with all the conditions provided by the IAS/IFRS standards, hedge accounting was applied with reference to 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 31.12.2015.

Sensitivity analysis
The table below shows the economic and financial effects generated by financial statement assets and liabilities (as at 31.12.2015 and 31.12.2014 respectively), in the event of sudden changes in the following market variables:

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

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

Balances as at 31.12.2015	**INTEREST RATE RISK**				**EXCHANGE RATE RISK**			
(amounts in Euro)	1%		-0.15%		10%		-10%	
		EFFECT ON EQUITY		EFFECT ON EQUITY		EFFECT ON EQUITY		EFFECT ON EQUITY
	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY
ASSETS								
Trade receivables					-631,539		771,881	
Other fin. ass. - derivatives on currencies					792,892	-	-969,090	-
Other fin. ass. - derivatives on interest rates								
Loans					-		-	
Cash and cash equivalents					-		-	
Total gross effect	**-**	**-**	**-**	**-**	**161,353**	**-**	**-197,209**	**-**
Taxes (27.50%)	-	-	-	-	-44,372	-	54,233	-
Total net effect	**-**	**-**	**-**	**-**	**116,981**	**-**	**-142,976**	**-**
LIABILITIES								
Trade payables					-3,789		4,632	
Loans	1,233,371		-185,006		-		-	
Total gross effect	**1,233,371**	**-**	**-185,006**	**-**	**-3,789**	**-**	**4,632**	**-**
Taxes (27.50%)	-339,177	-	50,877	-	1,042	-	-1,274	-
Total net effect	**894,194**	**-**	**-134,129**	**-**	**-2,747**	**-**	**3,358**	**-**
TOTAL	**894,194**	**-**	**-134,129**	**-**	**114,234**	**-**	**-139,618**	**-**

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

Balances as at 31.12.2014	**INTEREST RATE RISK**				**EXCHANGE RATE RISK**			
(amounts in Euro)	1%		-0.15%		10%		-10%	
		EFFECT ON EQUITY		EFFECT ON EQUITY		EFFECT ON EQUITY		EFFECT ON EQUITY
	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY	FINANCIAL EFFECT	EFFECT ON EQUITY
ASSETS								
Trade receivables	-	-	-	-	-590,000	-	721,112	-
Other fin. ass. - derivatives on currencies	-	-	-	-	583,790	-	-713,521	-
Other fin. ass. - derivatives on interest rates	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-		-	-
Total gross effect	-	-	-	-	**-6,210**	-	**7,591**	-
Taxes (27.50%)	-	-	-	-	1,708	-	-2,088	-
Total net effect	-	-	-	-	**-4,502**	-	**5,503**	-
LIABILITIES								
Trade payables	-	-	-	-	-3,074	-	3,757	-
Loans	655,159		-98,274		-	-	-	-
Total gross effect	**655,159**	-	**-98,274**	-	**-3,074**	-	**3,757**	-
Taxes (27.50%)	-180,169	-	27,025	-	845	-	-1,033	-
Total net effect	**474,990**	-	**-71,249**	-	**-2,229**	-	**2,724**	-
TOTAL	**474,990**	-	**-71,249**	-	**-6,731**	-	**8,227**	-

Positive sign: expense (economic) - decrease (equity)
Negative sign: income (economic) - increase (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 MANAGERS AND IMMEDIATE FAMILY MEMBERS

Name and surname	Subsidiary company: Carraro S.p.A.	No. of shares held as at 31/12/2014	Number of shares purchased	Number of shares sold	No. of shares held as at 31/12/2015
Mario Carraro	Directly held	1,903,250	-	-	1,903,250
	through Finaid S.p.A.	26,775,564	-	-8,403,361	18,372,203
Julia Dora Koranyi Arduini	Directly held	695,088	8,403,361	-	9,098,449
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 Spa			**828**	**12**		**9**								
Subsidiary Companies														
Carraro Drive Tech S.p.A.			7,714	2,313	1,133	3,482	13,611	4,575	121		-1,194	1,704	90	
Siap SpA			1,375	546	93	1,129	981	3,951			-354		17	
Carraro India Ltd			1,642	4,067	8	1,427	3,642	10,706			-14		14	
Carraro Technologies			60	552		61			1,349					
Carraro Argentina	5,626		3,274	359		577	245	3	177					
Carraro Drive Tech Do Brasil			59			16	35						18	
Carraro International S.A.	55	108,524				3			66			200	13	5,910
F.O.N. S.A.			1											
Carraro North America Inc			345			13								
Carraro China Drives Sys. Co Ltd			617	3		775	1,667	35	1					
Elettronica Santerno Spa			735	386		268			1				44	
Elettronica Santerno Industria e Comercio Ltda			103			20								
Elettronica Santerno USA			358										10	
Elettronica Santerno South Africa Pty Ltd			32			27							6	
TOTAL	**5,681**	**108,524**	**16,315**	**8,226**	**1,234**	**7,798**	**20,181**	**19,270**	**1,715**		**-1,562**	**1,904**	**212**	**5,910**
Associated companies														
O&K Antriebstechnik GmbH			856			741							11	
TOTAL			**856**			**741**							**11**	
Other related parties														
Mario Carraro									160					
TOTAL									**160**					
TOTAL	**5,681**	**108,524**	**17,999**	**8,238**	**1,234**	**8,548**	**20,181**	**19,270**	**1,875**		**-1,562**	**1,904**	**223**	**5,910**

Notes:

1. Financial transactions

Financial transactions relate to short and long-term loans.

2. Economic transactions

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

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.

Significant related-party transactions include the purchase of the R&D business unit, to which reference is made in section 4.

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 2015 accounting period for auditing services and for other services provided by the same auditing company.

(amounts in Euro thousands)	**2015**	**2014**
Accounting audit	250	294
Other services	1	5
Total fees	**251**	**299**

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 2015 (Article 126 of Consob Draghi 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 2015 results	Profit (loss) 31.12.2015	Sh. Equity 31.12.2015	Direct portion
			Currency	Amount	Total	(ctv. Euros)	(ctv. Euros)	(ctv. Euros)	
Carraro International S.A.	Luxembourg	Carraro SpA	EUR	39,318,000	39,318	40,918,229	-26,489,077	14,429,152	100.00%
Carraro Deutschland GmbH	Hattingen (Germany)	Carraro SpA	EUR	10,507,048	10,507,048	9,820,388	-526,419	9,293,969	100.00%
Carraro Technologies India Pvt. Ltd.	Pune (India)	Carraro SpA	INR	18,000,000	1,800,000	1,339,707	247,465	1,587,172	1.00%
Carraro Drive Tech S.p.A.	Campodarsego (PD)	Carraro SpA	EUR	30,102,365	30,102,365	69,308,234	24,813,104	94,121,337	48.68%
Elettronica Santerno S.p.A.	Campodarsego (PD)	Carraro SpA	EUR	3,000,000	3,000	14,046,492	-11,044,882	3,001,610	55.83%
Eletronica Santerno Industria e Comercio Ltda	Minas Gerais (Brazil)	Carraro SpA	REAL	12,692,257	12,692,257	1,413,661	-1,389,898	23,763	0.34%

2) SUBSIDIARY COMPANIES INDIRECTLY HELD

Name	Registered office	Holding company (indirect parent)	Share capital		Number of shares/ units	Profit (loss) 31.12.2015	Sh. Equity 31.12.2015	Portion Holding company	Indirect portion	Carrying amount of the investment
			Currency	Amount	Total	(ctv. Euros)	(ctv. Euros)			31.12.2015
Carraro Drive Tech S.p.A	Campodarsego (PD)	Carraro Deutschland GmbH	EUR	30,102,365	30,102,365	24,813,104	94,121,337	8.01%	8.01%	9,758,436
Carraro Technologies India Pvt. Ltd.	Pune (India)	Carraro Drive Tech S.P.A	INR	18,000,000	1,800,000	247,465	1,587,172	99.00%	99.00%	447,265
O&K Antriebstechnik GmbH & Co. KG	Hattingen (Germany)	Carraro Drive Tech S.P.A	EUR	4,000,000	1,800,000	-4,471,637	14,033,627	45.00%	45.00%	16,552,000
Carraro Argentina S.A.	Haedo (Argentina)	Carraro Drive Tech S.P.A	ARS	105,096,503	105,096,503	3,450,590	9,138,795	99.95%	99.95%	9,138,795
Carraro China Drive System	Qingdao (China)	Carraro Drive Tech S.P.A	CNY	168,103,219	-	1,773,465	25,779,787	100.00%	100.00%	16,901,673
Carraro India Ltd.	Pune (India)	Carraro Drive Tech S.P.A	INR	586,492,900	62,586,000	3,042,410	34,633,993	100.00%	100.00%	43,451,569
Carraro North America Inc.	Norfolk (USA)	Carraro Drive Tech S.P.A	USD	1,000	1,000	-35,366	-269,981	100.00%	100.00%	-
Fon S.A.	Radomsko (Poland)	Carraro Drive Tech S.P.A	PLN	-	-	-55,454	-11,079	98.64%	98.64%	97,069
Carraro Drive Tech Do Brasil	Santo Andrè (State of Sao Paulo)	Carraro Drive Tech S.P.A	REAL	5,701,954	5,701,954	-1,099,375	-22,733	100.00%	100.00%	-
Siap SpA	Maniago (Pordenone)	Carraro Drive Tech S.P.A	EUR	35,582,616	35,582,616	-2,257,031	31,529,980	91.57%	91.57%	26,856,951
Carraro Drive Tech S.p.A.	Campodarsego (PD)	Carraro International S.A.	EUR	30,102,365	30,102,365	24,813,104	94,121,337	43.31%	43.31%	38,797,634
Elettronica Santerno S.p.A.	Campodarsego (PD)	Carraro International S.A.	EUR	3,000,000	3,000	-11,044,882	3,001,610	44.17%	44.17%	2,300,800
Mini Gears Inc	Virginia Beach (USA)	Carraro International S.A.	USD	8,910,000	-	-3,034	8,604	100.00%	100.00%	1,489
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%	-
Eletronica Santerno Industria e Comercio Ltda	Minas Gerais (Brazil)	Elettronica Santerno S.p.A.	REAL	12,692,257	12,692,257	-1,389,898	23,763	99.66%	99.66%	23,763
Elettronica Santerno Espana S.L.	Valencia (Spain)	Elettronica Santerno S.p.A.	EURO	1,003,006	1,003,006	158,689	1,108,761	100.00%	100.00%	950,072
Santerno Inc.	San Francisco (USA)	Elettronica Santerno S.p.A.	USD	1,000	1,000	-1,312,320	-4,071,772	100.00%	100.00%	-
Santerno India Pvt Ltd	Pune (India)	Elettronica Santerno S.p.A.	INR	166,560	16,656	-	2,313	100.00%	100.00%	2,000
Santerno Shangai Trading Ltd	Shanghai (China)	Elettronica Santerno S.p.A.	CNY	8,111,930	-	-37,537	-94,733	100.00%	100.00%	-
Santerno South Africa Pty Ltd	Cape Town (South Africa)	Elettronica Santerno S.p.A.	ZAR	100	-	-50,953	-80,456	100.00%	100.00%	-

Annex to the explanatory notes to the Financial Statements as at 31.12.2015 – Carraro S.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	-	-	-	-	-	-
**TOTAL PLANT	24,107	24,107	6,477	6,477	17,630	17,630
**TOTAL MACHINERY	-	-	-	-	-	-
2) TOTAL PLANT AND MACHINERY	24,107	24,107	6,477	6,477	17,630	17,630
3) TOTAL IND. COMM. EQUIP.	-	-	-	-	-	-
4) TOTAL OTHER GOODS	-	-	-	-	-	-
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
LAND, YARDS & EQUIP.	15,841	15,841	1,309	1,309	14,531	14,531
1) TOTAL LAND AND BUILDINGS	463,398	463,398	89,004	89,004	374,393	374,393
GENERAL PLANT	104,042	104,042	58,689	58,689	45,353	45,353
**TOTAL PLANT	104,042	104,042	58,689	58,689	45,353	45,353
**TOTAL MACHINERY	-	-	-	-	-	-
2) TOTAL PLANT AND MACHINERY	104,042	104,042	58,689	58,689	45,353	45,353
PROT. AREA EQUIPMENT	7,080	7,080	1,126	1,126	5,954	5,954
3) TOTAL IND. COMM. EQUIP.	7,080	7,080	1,126	1,126	5,954	5,954
4) TOTAL OTHER GOODS	-	-	-	-	-	-
TOTAL BII	574,520	574,520	148,819	148,819	425,700	425,700

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 Carraro S.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 Carraro S.p.A. The revaluation balances relating to these laws were utilised in Carraro S.p.A. in 1984 for a free capital increase.
During 1991, the real estate assets were revalued in Carraro S.p.A. in accordance with Law no. 413/91, which produced a positive balance of 1,084,804 Euros gross of the substitute tax of 173,569 Euros. This was utilised for a free increase in the share capital in accordance with the resolution of 31 May 1995. In 1991, a revaluation of the assets was carried out in the incorporated company Carraro PNH S.p.A. in accordance with Law no. 413/91, which produced a positive 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 Alberto Negri, Chief Executive Officer, and Enrico Gomiero, Financial Reporting Officer, also taking into account also the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, certify:

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

- the effective application of the administrative and accounting procedures used to prepare the financial statements during financial year 2015.

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

3. We can also certify that:

3.1 the financial statements:

a) are drawn up in accordance with the IAS/IFRS international accounting standards 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 accounting records;

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: 19 February 2016

Alberto Negri	Enrico Gomiero
_________________	_________________
Chief Executive Officer	Financial Reporting Officer