

**Carraro International S.A.**  
**Société Anonyme**

**Annual accounts**  
**as at December 31, 2015**

15, rue des Bains  
L-1212 Luxembourg  
**R.C.S. Luxembourg : B 68 721**

# **Carraro International S.A.**

## **Société Anonyme**

<b>List of contents</b>	<b>Page(s)</b>
Directors' Management Report	3 - 9
Audit Report	10 - 11
Balance sheet	12 - 17
Profit and loss account	18 - 20
Notes to the annual accounts	21 - 31

# **Carraro International S.A.**

## **Société Anonyme**

**NOTES TO THE ACCOUNTS**  
**December 31, 2015**

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### **Director's Management Report** **to the Annual General Meeting of Shareholders**

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Dear Shareholders,

We have the pleasure to submit to your approval the Annual Accounts of the financial year ended December 31, 2015.

#### **GENERAL DATA AND COMMENTS FOR THE CARRARO GROUP**

##### **The Carraro Group**

The Group is increasingly focusing on high-technology solutions for off-highway applications in the agriculture and construction fields and it is completing the strategic plan to refocus on its core business.

The Group operates through three Business Areas:

- Transmission systems and components: Carraro Drive Tech is specialised in the design, manufacture and sale of transmission systems (axles, transmissions and drives) mainly for agricultural and construction equipment, and also markets a wide range of gears for very diverse sectors, from the automotive industry to material handling, agricultural applications and construction equipment.
- Tractors: Carraro Divisione Agritalia - designs and manufactures special tractors (for vineyards and orchards from 60 to 100 hp) for third-party brands, as well as a specialist own-brand range. Agritalia also provides engineering services for the design of innovative tractor ranges.
- Power electronics: Elettronica Santerno designs, develops, manufactures and markets inverters (electronic power converters) for the photovoltaic industry and industrial automation (HVAC, water treatment, lifting systems and largescale transport).

##### **Reference markets**

# **Carraro International S.A.**

## **Société Anonyme**

### **NOTES TO THE ACCOUNTS**

#### **December 31, 2015**

#### ***Agriculture***

For the whole of 2015, the low level of agricultural commodity prices affected spending capacity and new investments, with negative effects on agricultural equipment sales which fell constantly in the course of the months.

#### ***Construction equipment***

2015 consolidated the slowdown in demand for new vehicles, a constant feature since the end of last year, more pronounced for larger machines and relatively more modest for compact machines. The limited economic growth rates in the second half of the year in all World Regions, together with the growing problems in emerging economies, had the effect of postponing new investments previously announced, resulting in reduced demand for new machinery.

#### ***Renewable energy***

The worldwide photovoltaic market in 2015 confirmed estimates, surpassing 50GW of new plants. The expectations for 2016 are for more than 60 GW, characterised by great uncertainty. Incentive policies are still the key factors on the few major markets, but low and quickly falling prices are causing difficulties for various component manufacturers and are also leading to grid parity on various markets throughout the world.

#### ***Industrial Automation***

Industrial automation markets in 2015 were marked by various crises and uncertainties, which were accentuated in the latter part of the year.

#### ***Research and Innovation***

The Group is increasingly committed to developing power transmission systems with a focus on greater efficiency and ecological sustainability - requisites that are fundamental in today's world for tackling an increasingly demanding market in terms of performance and alignment with emissions legislation. In 2015 the Group incurred R&D costs amounting to about 2% of turnover.

### **SUMMARY OF THE FINANCIAL YEAR 2015 FOR THE CARRARO GROUP**

In the first few months of the year, turnover and margins were in line with expectations and the reorganisation of the business model, increasingly focused on the Off Highway segment, continued according to the business plan.

Starting from May, all target markets showed clear signs of a slowdown with widespread significant cuts in orders, both in the short and medium term, necessitating immediate revision of the expected volumes and production programmes for the second half of the year and, in view of the increasingly uncertainty, a critical analysis of the plans for the following years and preparation of a New 2016-2019 Plan.

The New 2016-19 Plan, conceived in the light of the changing market scenarios, found the support of the Group's main lending banks which, will ensure their backing and support in the development process. In addition to these banks, agreements were signed with international financial institutions

# **Carraro International S.A.**

## **Société Anonyme**

### **NOTES TO THE ACCOUNTS**

#### **December 31, 2015**

in China and Luxembourg.

The sale of assets no longer considered strategic, such as 80% of the industrial area (land and buildings) in Argentina and 55% of the company O&K Antriebstechnik GmbH, further contributed to strengthening the Group's balance sheet.

In this context is the renewed commitment of the Finaid controlling shareholder (Carraro family) for a future capital increase, as more fully described below, in support of the new Plan.

The overall results of 2015, which closed with a loss of 8.915 million Euros, reflect the negative business trend in addition to the negative effects of the restructuring activities and the benefits arising from the aforementioned asset disposals.

The Group closed 2015 with a consolidated turnover of 674.010 million Euros, down 7.4% compared to 727.757 million Euros in 2014. In comparing the data it is necessary to consider that the 2014 turnover included 22 million Euros related to the Mini Gears business unit, the company disposed of during the month of April 2014. Net of this extraordinary item, the decrease in turnover would have amounted to 4.5%, all concentrated in the second half of the year. It is also pointed out that 2015 turnover benefited from a positive exchange rate effect of approximately 23 million Euros.

Consolidated margins (EBITDA and EBIT) for the year are affected by opposing non-recurring items: the impairment of Santerno goodwill, amounting to 16 million Euros, which was necessary in the light of the negative performance of the company together with a review of future plans (more detailed in the following paragraphs), the capital gain from the sale of the property in Argentina amounting to approx. 12 million Euros and the Group's restructuring costs totaling 9.3 million Euros, relating to the closure of the Gorizia plant and the downsizing of personnel in Argentina and Italy. Net these effects, normal business operations in terms of margins are in line with the previous year, a further confirmation of the effectiveness of the rationalisation of production activities, supplier partnerships and of the general cost reduction.

EBITDA as at 31 December 2015 came to 46.938 million Euros (7.0% of turnover), up 21.1% compared to 38.763 million Euros (5.3% of turnover) in 2014. 2015 EBIT amounted to 331 thousand Euros (0.1% of turnover), down 97.3% compared to 12.106 million Euros (1.7% of turnover) in 2014. Net of the non-recurring items mentioned above, EBITDA in 2015 would amount to 42.627 million Euros (6.3% of turnover) compared to 45.418 million Euros (6.2% of turnover) and EBIT to 14.406 million Euros (2.1% of turnover) compared to 18.761 million Euros (2.6% of turnover). Normalising the results of 2014, excluding the contribution of Mini Gears in the first four months, adjusted EBITDA in 2014 (excluding non-recurring costs) would have amounted to 42.669 million Euros (6.0% of turnover) compared to 17.800 million Euros (2.5% of turnover).

With reference to the Business Units in the mechanical engineering segment, aggregated EBITDA amounted to 47.978 million Euros (7.2% of turnover) as at 31 December 2015 compared to 50.281 million Euros (7.0% of turnover) in the previous year. EBIT as at 31 December 2015 was equal to 24.416 million Euros (3.7% of turnover) compared to 28.394 million Euros (4.0% of turnover). Net of the non-recurring costs, aggregate EBITDA in 2015 would amount to 41.674 million Euros (6.3%

# **Carraro International S.A.**

## **Société Anonyme**

### **NOTES TO THE ACCOUNTS**

#### **December 31, 2015**

of turnover) compared to 54.361 million Euros (7.6% of turnover) while EBIT would amount to 18.812 million Euros (2.8% of turnover) compared to 32.474 million Euros (4.6% of turnover). Excluding Mini Gears, adjusted EBITDA in 2014 (excluding non-recurring costs) would have amounted to 51.612 million Euros (7.8% of turnover) and adjusted EBIT would have amounted to 31.513 million Euros (4.7% of turnover).

The Electronics Business Area (Elettronica Santerno) reported in 2015 a negative EBITDA of 3.964 million Euros (- 11.3% of turnover) compared to just as negative a value of 7.005 million Euros (- 19.1% of turnover) as at 31 December 2014. EBIT was a negative 23.682 million Euros (-67.4% of turnover), against a negative figure of 9.897 million Euros (-27.0% of turnover) in 2014. Net of non-recurring costs, EBITDA was negative at 2.683 million Euros (-7.6% of turnover) compared to the negative value of 4.630 million Euros (-12.6% of turnover) in 2014, while EBIT was negative at 5.515 million Euros (-15.7% of turnover) compared to the negative value of 7.522 million Euros (- 20.5% of turnover) in 2014.

Consolidated earnings before tax for the year, positive at 2.267 million Euros (0.3% of turnover) compared to the negative value of 4.970 million Euros (-0.7% of turnover) in 2014, are also affected by the positive effects of the capital gain on the sale of the stake in the company O&K amounting to approx. 23 million Euros and on the sale of the property in Argentina to approx. 12 million Euros, the financial charges related to renegotiation of the Banks Agreement, for the part relating to the confirmation of short-term credit lines, amounting to approx. 2.5 million Euros and the negative exchange rate effect, mainly resulting from the devaluation of the Argentine Peso which took place in December for a total of 2.7 million Euros.

The Group closed with a loss of 8.915 million Euros (-1.3% of turnover) compared to a loss of 7.913 million Euros (-1.1% of turnover) in 2014. Net of non-recurring items, the loss would have amounted to 11.322 million Euros (-1.7% of turnover), of which 8.735 million Euros relating to the Santerno Business Area.

The net consolidated financial position as at 31 December 2015 is negative at 227.783 million Euros, an improvement compared to 30 June 2015, negative at 247.034 million Euros, in line with the 224.273 million Euros as at 31 December 2014, thanks to the new-found equilibrium of net working capital and the positive cash flows from disposals.

The Group shareholders' equity as at 31 December 2015 was equal to 31.023 million Euros compared to 41.207 million Euros as at 31 December 2014.

### **SIGNIFICANT EVENTS FOR THE GROUP IN FINANCIAL YEAR 2015**

As part of the company simplification process, on 15 January 2015, Carraro Drive Tech Poggiofiorito SpA was merged into Carraro Drive Tech SpA, with accounting and tax effect from 1 January 2015.

In May 2015, the union agreement was reached for closure of the Gorizia plant with 68 employees, who were given the option of relocating to the Campodarsego or Maniago plants or, alternatively, an

# **Carraro International S.A.**

## **Société Anonyme**

### **NOTES TO THE ACCOUNTS**

#### **December 31, 2015**

incentive plan, as detailed below.

On 26 October 2015, an agreement was signed between Finaid SpA (Carraro SpA parent company) and the Arduini family through which the two shareholders may guarantee a capital increase in Carraro SpA for a minimum guaranteed amount of 34 million Euros.

In December, a portion (approximately 80%) of the land and buildings of the Carraro production plant in Argentina was sold to an Argentine real estate company. The company retains ownership of the remaining portion necessary continue its production activities.

On 18 December 2015, the Carraro SpA Board of Directors approved the New Business Plan 2016-19.

On 24 December 2015, a new agreement with the main lending banks of the Group was signed, 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.

On 30 December 2015, the agreement for the sale of a shareholding of 55% in the German company O&K Antriebstechnik GmbH to Bonfiglioli Riduttori SpA was finalized for the amount of 25.007 million Euros. The Carraro Group maintains a stake of 45% of the share capital in the company.

### **CARRARO INTERNATIONAL S.A.**

During the financial year 2015, the Company continued its business in line with management expectation, and it attained to its cost controlling policy. The financial year 2015 closes with a loss of EUR 26.463.599,88 compared to EUR 389.815,89 as at December 31, 2014. The loss of the year is mainly due to a value adjustment of EUR 25.699.200,- on the accounting value of the participation Elettronica Santerno S.p.A.

#### **Financing activity**

During 2015 the Company kept unchanged its policy concerning the financing activity and the financial support to the companies of the Group. Therefore, the Company has renewed for an additional period of one year the short-term loans granted to the companies of the group by adjusting the commitments to their financial needs.

As at December 31, 2015 bank indebtedness including interest amounts to EUR 169,31 million (EUR 168,52 million for 2014). The medium/long-term indebtedness amounts to EUR 127,47 million (EUR 88,7 million for 2014) while the short-term principal indebtedness amounts to EUR 41,84 million (EUR 79,81 million for 2014) .

Concerning the intragroup financing activity, as at December 31, 2015 the Company granted loans

# Carraro International S.A.

## Société Anonyme

### NOTES TO THE ACCOUNTS

#### December 31, 2015

and credit facilities to affiliated undertakings and group companies for a total amount (interest and fees included) of EUR 123,24 million (EUR 134,56 million in 2014).

During 2015, the Company continued to provide many companies of the Group with general and specific financial services. As at December 31, 2015, the income from such activity amounts to EUR 0,402 million (EUR 0,301 million in 2014).

#### Financial results

As far as the results of the Company are concerned, the total income as at December 31, 2015 amounts to EUR 10.678.790,08 (EUR 10.742.546,03 in 2014).

As at December 31, 2015, the total income of the Company consists of:

- Net Turnover amounting to EUR 402.989,38 (EUR 301.735,47 in 2014) and representing the net turnover in relation to financial services rendered to affiliated undertakings and group companies.
- Other operating income of a total amount of EUR 7.455,50 (EUR 15.942,75 in 2014).
- Other income from financial fixed assets of an amount of EUR 1.515.850,- represented by a dividend from participations (EUR 0,- in 2014)
- Other income from financial current assets of a total amount of EUR 5.070,18 (EUR 14,90 in 2014) concerning interest on bank current accounts and term deposits.
- Other interest and other financial income derived from affiliated undertakings amounting to EUR 8.511.859,48 (EUR 9.400.156,42 in 2014) which is related to interest and fees received on loans and credit facilities granted to affiliated undertakings and group companies.
- Extraordinary income of an amount of EUR 251.424,32 (EUR 403.901,81 in 2014).

The charges of the Company for the financial year 2015 amounts to EUR 10.678.790,08 (EUR 10.352.730,14 in 2014) and mainly consists of:

- Bank and similar services of an amount of EUR 2.470.165,68 (EUR 1.423.074,13 in 2014) and related to bank commissions and fees.
- Staff costs including Social Security costs amounting to EUR 248.795,42 (EUR 268.975,69 in 2014)
- Value adjustments on intangible and tangible assets of an amount of EUR 25.699.200,- (EUR 176.877,38 in 2014).
- Director's Fees for a total amount of EUR 239.458,30 (EUR 222.663,97 in 2014).
- Interest payable and similar charges totalling EUR 6.421.236,98 (EUR 7.635.356,31 in 2014) and which are mainly related to interest paid on bank loans and bank overdrafts, on Interest Rate Swaps and on realized exchange losses.
- Tax on profit of a total amount of EUR 3.210,- (EUR 235.467,05 in 2014).

As a result of the foregoing, the financial year 2015 closes with a loss of EUR 26.463.599,88 compared to a profit of EUR 389.815,89 as at December 31, 2014. Considering the profit brought

Allocation of results	EUR
Loss as at December 31, 2015	-26.463.599,88
Results brought forward	7.867,36
<b>Outstanding loss as at 31/12/2015</b>	<b>-26.455.732,52</b>
<b>Loss to be carried forward</b>	<b>-26.455.732,52</b>

**Carraro International S.A.**  
**Société Anonyme**

**NOTES TO THE ACCOUNTS**  
**December 31, 2015**

forward from the previous year amounting to EUR 7.867,36 the total outstanding loss amounts to EUR 26.455.732,52 which we therefore propose you to allocate as follows:

**Research and Development activity**

No research and development activity was carried out during the current financial year.

**Acquisition of own shares**

During the current financial period, the Company did not acquire any of its own shares.

**Branches**

The Company owned a commercial branch in Lugano (Switzerland). The Lugano Branch was set up on May 2007 and was registered at the Principal Trade and Commercial Register of the “Canton Ticino” with the number CH-501.9.008.679-9. Its registered office was in CH-6900 Lugano, Riva Albertolli 1.

In the context of the reorganization of the group activity, during the year 2014 it was decided to liquidate the Swiss branch and the branch was closed on October 31, 2014.

**Subsequent events having an impact on the Annual Accounts as at December 31, 2015**

No subsequent events occurred which may have an impact on the Annual Accounts 2015.

We hereby ask you to approve the annual accounts for the year ending December 31, 2015 as submitted and to grant to the Directors and to the Auditors discharge for the execution of their mandates during the financial year under review.

Luxembourg, June 24, 2016

On behalf of the Board of Directors

  
Federico FRANZINA

  
Vania BARAVINI

To the Shareholders of  
**Carraro International S.A.**  
Société anonyme  
15, rue des Bains  
L-1212 Luxembourg  
RCS Luxembourg: B 68.721

## REPORT OF THE *REVISEUR D'ENTREPRISES AGRÉÉ*

### Report on the annual accounts

Following our appointment by the General Meeting of Shareholders, we have audited the accompanying annual accounts of Carraro International S.A ("the Company"), which comprise the balance sheet as at December 31, 2015, and the profit and loss account for the year the ended, and a summary of significant accounting policies and other explanatory information.

#### *Responsibility of the Board of Directors' for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

#### *Responsibility of the Réviseur d'Entreprises Agréé*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *Réviseur d'Entreprises Agréé* judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *Réviseur d'Entreprises Agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of Carraro International S.A. as at December 31, 2015, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

**Report on other legal and regulatory requirements**

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

**A3T S.A.**

*Cabinet de révision agréé*



Andréas TARTORAS  
Partner

Luxembourg, June 24, 2016

RCSL Nr. : B68721

Matricule : 1999 2203 555

eCDF entry date : 08/07/2016

**BALANCE SHEET****Financial year from** <sup>01</sup> 01/01/2015 **to** <sup>02</sup> 31/12/2015 (in <sup>03</sup> EUR )

CARRARO INTERNATIONAL S.A.

15, Rue des Bains  
L-1212 Luxembourg**ASSETS**

	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
<b>B. Formation expenses</b>	1107 _____	107 _____	108 _____
<b>C. Fixed assets</b>	1109 _____	109 <u>41.167.620,15</u>	110 <u>57.879.338,27</u>
I. Intangible fixed assets	1111 _____ <u>Note 3</u>	111 <u>37.554,36</u>	112 <u>50.072,48</u>
1. Research and development costs	1113 _____	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 _____	115 <u>37.554,36</u>	116 <u>50.072,48</u>
a) acquired for valuable consideration and need not be shown under C.I.3	1117 _____	117 <u>37.554,36</u>	118 <u>50.072,48</u>
b) created by the undertaking itself	1119 _____	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 _____	121 _____	122 _____
4. Payments on account and intangible fixed assets under development	1123 _____	123 _____	124 _____
II. Tangible fixed assets	1125 _____	125 _____	126 _____
1. Land and buildings	1127 _____	127 _____	128 _____
2. Plant and machinery	1129 _____	129 _____	130 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B68721

Matricule : 1999 2203 555

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131 _____	131 _____	132 _____
4. Payments on account and tangible fixed assets under development	1133 _____	133 _____	134 _____
<b>III. Financial fixed assets</b>	1135 _____	135 <b>41.130.065,79</b>	136 <b>57.829.265,79</b>
1. Shares in affiliated undertakings	1137 _____ <b>Note 4</b>	137 <b>41.099.923,55</b>	138 <b>57.799.123,55</b>
2. Amounts owed by affiliated undertakings	1139 _____	139 _____	140 _____
3. Shares in undertakings with which the undertaking is linked by virtue of participating interests	1141 _____	141 _____	142 _____
4. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1143 _____	143 _____	144 _____
5. Securities and other financial instruments held as fixed assets	1145 _____	145 _____	146 _____
6. Loans and claims held as fixed assets	1147 _____ <b>Note 5</b>	147 <b>30.142,24</b>	148 <b>30.142,24</b>
7. Own shares or own corporate units	1149 _____	149 _____	150 _____
<b>D. Current assets</b>	1151 _____	151 <b>152.037.664,62</b>	152 <b>155.799.708,09</b>
<b>I. Inventories</b>	1153 _____	153 _____	154 _____
1. Raw materials and consumables	1155 _____	155 _____	156 _____
2. Work and contracts in progress	1157 _____	157 _____	158 _____
3. Finished goods and merchandise	1159 _____	159 _____	160 _____
4. Payments on account	1161 _____	161 _____	162 _____
<b>II. Debtors</b>	1163 _____	163 <b>124.326.205,35</b>	164 <b>135.684.023,05</b>
1. Trade receivables	1165 _____	165 <b>59.813,05</b>	166 _____
a) becoming due and payable within one year	1167 _____	167 <b>59.813,05</b>	168 _____
b) becoming due and payable after more than one year	1169 _____	169 _____	170 _____
2. Amounts owed by affiliated undertakings	1171 _____ <b>Note 6</b>	171 <b>123.082.662,73</b>	172 <b>134.567.348,69</b>
a) becoming due and payable within one year	1173 _____	173 <b>123.082.662,73</b>	174 <b>134.567.348,69</b>
b) becoming due and payable after more than one year	1175 _____	175 _____	176 _____
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177 _____	177 _____	178 _____
a) becoming due and payable within one year	1179 _____	179 _____	180 _____
b) becoming due and payable after more than one year	1181 _____	181 _____	182 _____

RCSL Nr. : B68721

Matricule : 1999 2203 555

	Reference(s)	Current year	Previous year
4. Other receivables	1183 <u>Note 7</u>	183 <u>1.183.729,57</u>	184 <u>1.116.674,36</u>
a) becoming due and payable within one year	1185 _____	185 <u>1.183.729,57</u>	186 <u>1.116.674,36</u>
b) becoming due and payable after more than one year	1187 _____	187 _____	188 _____
III. Transferable securities and other financial instruments	1189 _____	189 _____	190 _____
1. Shares in affiliated undertakings and in undertakings with which the undertaking is linked by virtue of participating interests	1191 _____	191 _____	192 _____
2. Own shares or own corporate units	1193 _____	193 _____	194 _____
3. Other transferable securities and other financial instruments	1195 _____	195 _____	196 _____
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand	1197 _____	197 <u>27.711.459,27</u>	198 <u>20.115.685,04</u>
<b>E. Prepayments</b>	1199 <u>Note 8</u>	199 <u>3.066.534,54</u>	200 <u>3.170.702,98</u>
<b>TOTAL (ASSETS)</b>		201 <u>196.271.819,31</u>	202 <u>216.849.749,34</u>

RCSL Nr. : B68721

Matricule : 1999 2203 555

**LIABILITIES**

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>			
	1301 <u>Note 9</u>	301 <u>14.872.219,49</u>	302 <u>41.535.869,36</u>
I. Subscribed capital	1303 _____	303 <u>39.318.000,00</u>	304 <u>39.318.000,00</u>
II. Share premium and similar premiums	1305 _____	305 _____	306 _____
III. Revaluation reserves	1307 _____	307 _____	308 _____
IV. Reserves	1309 _____	309 <u>2.009.952,01</u>	310 <u>1.758.386,22</u>
1. Legal reserve	1311 _____	311 <u>1.214.402,01</u>	312 <u>1.194.911,22</u>
2. Reserve for own shares or own corporate units	1313 _____	313 _____	314 _____
3. Reserves provided for by the articles of association	1315 _____	315 _____	316 _____
4. Other reserves	1317 _____	317 <u>795.550,00</u>	318 <u>563.475,00</u>
V. Profit or loss brought forward	1319 _____	319 <u>7.867,36</u>	320 <u>69.667,25</u>
VI. Profit or loss for the financial year	1321 _____	321 <u>-26.463.599,88</u>	322 <u>389.815,89</u>
VII. Interim dividends	1323 _____	323 _____	324 _____
VIII. Capital investment subsidies	1325 _____	325 _____	326 _____
IX. Temporarily not taxable capital gains	1327 _____	327 _____	328 _____
<b>B. Subordinated debts</b>	1329 _____	329 _____	330 _____
1. Convertible loans	1413 _____	413 _____	414 _____
a) becoming due and payable within one year	1415 _____	415 _____	416 _____
b) becoming due and payable after more than one year	1417 _____	417 _____	418 _____
2. Non convertible loans	1419 _____	419 _____	420 _____
a) becoming due and payable within one year	1421 _____	421 _____	422 _____
b) becoming due and payable after more than one year	1423 _____	423 _____	424 _____
<b>C. Provisions</b>	1331 _____	331 <u>2.350.052,59</u>	332 <u>817.984,44</u>
1. Provisions for pensions and similar obligations	1333 _____	333 _____	334 _____
2. Provisions for taxation	1335 _____	335 <u>2.350.052,59</u>	336 <u>817.984,44</u>
3. Other provisions	1337 _____	337 _____	338 _____
<b>D. Non subordinated debts</b>	1339 _____	339 <u>179.049.547,23</u>	340 <u>174.495.895,54</u>
1. Debenture loans	1341 _____	341 _____	342 _____
a) Convertible loans	1343 _____	343 _____	344 _____
i) becoming due and payable within one year	1345 _____	345 _____	346 _____
ii) becoming due and payable after more than one year	1347 _____	347 _____	348 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B68721

Matricule : 1999 2203 555

	Reference(s)	Current year	Previous year
b) Non convertible loans	1349	349	350
i) becoming due and payable within one year	1351	351	352
ii) becoming due and payable after more than one year	1353	353	354
2. Amounts owed to credit institutions	1355	<b>170.432.552,51</b>	<b>168.520.555,43</b>
a) becoming due and payable within one year	1357	<b>42.956.596,74</b>	<b>79.815.322,57</b>
b) becoming due and payable after more than one year	1359	<b>127.475.955,77</b>	<b>88.705.232,86</b>
3. Payments received on account of orders as far as they are not deducted distinctly from inventories	1361	361	362
a) becoming due and payable within one year	1363	363	364
b) becoming due and payable after more than one year	1365	365	366
4. Trade creditors	1367	367	<b>419.098,60</b>
a) becoming due and payable within one year	1369	369	<b>419.098,60</b>
b) becoming due and payable after more than one year	1371	371	372
5. Bills of exchange payable	1373	373	374
a) becoming due and payable within one year	1375	375	376
b) becoming due and payable after more than one year	1377	377	378
6. Amounts owed to affiliated undertakings	1379	<b>8.143.210,13</b>	<b>5.077.009,05</b>
a) becoming due and payable within one year	1381	<b>8.143.210,13</b>	<b>5.077.009,05</b>
b) becoming due and payable after more than one year	1383	383	384
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	385	386
a) becoming due and payable within one year	1387	387	388
b) becoming due and payable after more than one year	1389	389	390
8. Tax and social security debts	1391	<b>23.491,73</b>	<b>15.273,91</b>
a) Tax debts	1393	<b>7.104,17</b>	<b>716,23</b>
b) Social security debts	1395	<b>16.387,56</b>	<b>14.557,68</b>

RCSL Nr. : B68721

Matricule : 1999 2203 555

	<b>Reference(s)</b>	<b>Current year</b>	<b>Previous year</b>
9. Other creditors	1397 <u>Note 15</u>	397 <u>450.292,86</u>	398 <u>463.958,55</u>
a) becoming due and payable within one year	1399 _____	399 <u>450.292,86</u>	400 <u>463.958,55</u>
b) becoming due and payable after more than one year	1401 _____	401 _____	402 _____
<b>E. Deferred income</b>	1403 _____	403 _____	404 _____
		405 <u>196.271.819,31</u>	406 <u>216.849.749,34</u>
<b>TOTAL (LIABILITIES)</b>			

RCSL Nr. : B68721

Matricule : 1999 2203 555

eCDF entry date : 08/07/2016

**PROFIT AND LOSS ACCOUNT****Financial year from** <sup>01</sup> 01/01/2015 **to** <sup>02</sup> 31/12/2015 (in <sup>03</sup> EUR )

CARRARO INTERNATIONAL S.A.

15, Rue des Bains  
L-1212 Luxembourg**A. CHARGES**

	Reference(s)	Current year	Previous year
<b>1. Use of merchandise, raw materials and consumable materials</b>	1601 _____	601 <u>5.453,04</u>	602 <u>7.711,03</u>
<b>2. Other external charges</b>	1603 _____	603 <u>2.801.887,22</u>	604 <u>1.794.415,52</u>
<b>3. Staff costs</b>	1605 _____	605 <u>248.795,42</u>	606 <u>268.975,69</u>
a) Salaries and wages	1607 _____	607 <u>227.587,43</u>	608 <u>245.989,33</u>
b) Social security on salaries and wages	1609 _____	609 <u>21.207,99</u>	610 <u>22.986,36</u>
c) Supplementary pension costs	1611 _____	611 _____	612 _____
d) Other social costs	1613 _____	613 _____	614 _____
<b>4. Value adjustments</b>	1615 _____	615 <u>12.518,12</u>	616 <u>176.877,38</u>
a) on formation expenses and on tangible and intangible fixed assets	1617 _____	617 <u>12.518,12</u>	618 <u>176.877,38</u>
b) on current assets	1619 _____	619 _____	620 _____
<b>5. Other operating charges</b>	1621 _____	621 <u>262.411,75</u>	622 <u>222.663,97</u>
<b>6. Value adjustments and fair value adjustments on financial fixed assets</b>	1623 _____	623 _____	624 _____
<b>7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities</b>	1625 _____	625 _____	626 _____
<b>8. Interest and other financial charges</b>	1627 _____ Note 16	627 <u>6.421.236,98</u>	628 <u>7.635.356,31</u>
a) concerning affiliated undertakings	1629 _____	629 _____	630 _____
b) other interest and similar financial charges	1631 _____	631 <u>6.421.236,98</u>	632 <u>7.635.356,31</u>

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B68721

Matricule : 1999 2203 555

	Reference(s)	Current year	Previous year
<b>9. Share of losses of undertakings accounted for under the equity method</b>	1649 _____	649 _____	650 _____
<b>10. Extraordinary charges</b>	1633 _____	633 <u>25.684.270,18</u>	634 <u>11.263,19</u>
<b>11. Income tax</b>	1635 <u>Note 17</u>	635 <u>1.705.817,25</u>	636 <u>235.467,05</u>
<b>12. Other taxes not included in the previous caption</b>	1637 _____	637 _____	638 _____
<b>13. Profit for the financial year</b>	1639 _____	639 <u>0,00</u>	640 <u>389.815,89</u>
<b>TOTAL CHARGES</b>		641 <u>37.142.389,96</u>	642 <u>10.742.546,03</u>

RCSL Nr. : B68721

Matricule : 1999 2203 555

**B. INCOME**

	Reference(s)	Current year	Previous year
<b>1. Net turnover</b>	1701 <u>Note 18</u>	701 <u>402.989,38</u>	702 <u>301.735,47</u>
<b>2. Change in inventories of finished goods and of work and contracts in progress</b>	1703 _____	703 _____	704 _____
<b>3. Fixed assets under development</b>	1705 _____	705 _____	706 _____
<b>4. Reversal of value adjustments</b>	1707 _____	707 _____	708 _____
a) on formation expenses and on tangible and intangible fixed assets	1709 _____	709 _____	710 _____
b) on current assets	1711 _____	711 _____	712 _____
<b>5. Other operating income</b>	1713 _____	713 <u>7.455,50</u>	714 <u>15.942,75</u>
<b>6. Income from financial fixed assets</b>	1715 <u>Note 19</u>	715 <u>1.515.850,00</u>	716 _____
a) derived from affiliated undertakings	1717 _____	717 <u>1.515.850,00</u>	718 _____
b) other income from participating interests	1719 _____	719 _____	720 _____
<b>7. Income from financial current assets</b>	1721 <u>Note 20</u>	721 <u>5.070,18</u>	722 <u>14,90</u>
a) derived from affiliated undertakings	1723 _____	723 _____	724 _____
b) other income from financial current assets	1725 _____	725 <u>5.070,18</u>	726 <u>14,90</u>
<b>8. Other interest and other financial income</b>	1727 _____	727 <u>8.496.000,70</u>	728 <u>10.020.951,10</u>
a) derived from affiliated undertakings	1729 _____	729 <u>8.496.000,70</u>	730 <u>9.400.156,42</u>
b) other interest and similar financial income	1731 _____	731 _____	732 <u>620.794,68</u>
<b>9. Share of profits of undertakings accounted for under the equity method</b>	1745 _____	745 _____	746 _____
<b>10. Extraordinary income</b>	1733 _____	733 <u>251.424,32</u>	734 <u>403.901,81</u>
<b>13. Loss for the financial year</b>	1735 _____	735 <u>26.463.599,88</u>	736 <u>0,00</u>
<b>TOTAL INCOME</b>		737 <u>37.142.389,96</u>	738 <u>10.742.546,03</u>

The notes in the annex form an integral part of the annual accounts

# **Carraro International S.A.**

## **Société Anonyme**

### **NOTES TO THE ACCOUNTS**

#### **December 31, 2015**

## **1. GENERAL INFORMATION**

Carraro International S.A. (the “Company”) is a Luxembourg company incorporated on February 10, 1999 as a “Société Anonyme” and subject to the general company law.

Its object is the holding of participations in Luxembourg and/or in foreign companies, the holding of assets in the form of a portfolio of equity and debt securities, the acquisition of any licence and in general the administration, development and management of its portfolio and assets. The company may also perform, through its foreign affiliated companies or branches, the acquisition, the sale and the commercialization of products belonging to the mechanical and electronic industry and any other commercial, marketing, research, and engineering activity referred thereto.

The Company had a commercial branch in Lugano (Switzerland) which was closed on October 31, 2014. The Lugano Branch was set up on May 2007 and was registered at the Principal Trade and Commercial Register of the “Canton Ticino” with the number CH-501.9.008.679-9. Its main object was the acquisition, the sale and the commercialization of products belong to the mechanical and electronic industry. The Lugano Branch started its activity in October 2007 but, in the context of the reorganization of the group activity, during the year 2014 it was decided to liquidate the Swiss branch.

On the basis of the criteria set out by Luxembourg law, the Company is exempted from establishing consolidated accounts for the year ended December 31, 2015. In accordance with article 314 of the law of August, 10, 1915 and the amending laws in force, the said accounts were consequently presented on an unconsolidated basis for approval by the shareholders. The Company’s accounts are included in the consolidated accounts established by its ultimate parent company Carraro SpA, an Italian company, with registered office at Via Olmo, 37, I-35011 Campodarsego (PD), Italy. Since the financial year 2006, the consolidated accounts of Carraro S.p.A. are prepared in conformity with the IAS (“International Accounting Standards”) and IFRS (“International Financing Reporting Standards”) rules. They are available at the registered office of the Company.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company maintains its books and records in EUR and these annual accounts have been prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand Duchy of Luxembourg and more specifically in accordance with the law of December 19, 2002, as amended.

Certain comparative figures for the year ended December 31, 2014 have been reclassified to make them comparable to the figures as of December 31, 2015.

### **2.1 Intangible assets**

Intangible assets are recorded at the acquisition cost and are amortised on a straight line basis according to the estimated number of years of useful life of the assets.

### **2.2 Tangible assets**

Tangible assets are recorded at the acquisition cost and are amortised on a straight line basis according to the estimated number of years of useful life of the assets.

# **Carraro International S.A.**

## **Société Anonyme**

### **NOTES TO THE ACCOUNTS**

#### **December 31, 2015**

#### **2.3 Financial assets**

Participating interests and shares in affiliated undertakings are recorded at their acquisition price. The acquisition prices include charges and expenses in connection with the acquisition.

At the end of each financial year, a provision is made on the basis of an evaluation of each individual asset, for any permanent diminution in value which is considered to be an impairment of value.

#### **2.4 Debtors and Non-subordinated debts**

Debtors and Non-subordinated debts are recorded at nominal value. Should a risk occur in relation to the recoverability of a specific receivable, an appropriate provision is made.

#### **2.5 Prepayments and accrued income**

The commissions and fees paid by the Company prior to and during 2015 and relating to subsequent financial years in connection with the facility agreements signed by the Company with several credit institutions (**Note 10**) are recorded as prepayments. The expenses are to be amortised on a straight line basis over the duration of each facility.

#### **2.6 Accruals and deferred income**

The fees received by the Company prior to and during 2015 and relating to subsequent financial years in connection with part of the medium term loans granted to affiliated undertakings and group companies are recorded as deferred income. The income is to be amortised on a straight line basis over the duration of each loan.

#### **2.7 Foreign currency translation**

Transactions on currencies other than EUR are recorded at exchange rates prevailing at the transaction date.

Investments expressed in currencies other than EUR are translated into EUR at the exchange rates prevailing at the date of the transaction.

Claims and liabilities, expressed in currencies other than EUR are translated into EUR at year-end exchange rates unless the conversion would result in an unrealised exchange gain.

All unrealised and realised exchange loss and the realised exchange gain resulting from these conversions are accounted for in the profit and loss account whereas the unrealised exchange gains are not accounted for.

#### **2.8 Accruals basis**

Income and expenses are recorded on the accruals basis; i.e. they are recorded in the period to which they relate independently of when they are received or paid.

#### **2.9 Provisions**

Provisions for liabilities and charges are intended to cover losses or debts the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

# Carraro International S.A.

## Société Anonyme

### NOTES TO THE ACCOUNTS

#### December 31, 2015

#### 2.10. Net turnover

The net turnover comprises the amounts derived from the provision of financial services falling within the Company's ordinary activities and the sale of products (this latter activity was closed in 2014), after deductions of sales rebates and of value added tax and other taxes directly linked to the turnover.

#### 2.11. Financial instruments - Hedging

Income or expenses arising from financial instruments, which are used for hedging purposes, are matched to the income or expenses arising on the related assets or liabilities while income or expenses arising from financial instruments executed by the Company in order to hedge the exchange risk related to import and export transactions of the affiliated undertakings are recorded in the income account or in the expenses account, as the case may be.

### 3. INTANGIBLE ASSETS (in Euro)

	2015	2014
Cost		
At the beginning of the year	62.020,00	62.345,00
Increase/decrease during the year	-11.947,52	-325,00
At the end of the year	<u>50.072,48</u>	<u>62.020,00</u>
Amortization		
At the beginning of the year	-11.947,52	-11.325,00
Increase during the year	-570,60	-622,52
At the end of the year	<u>-12.518,12</u>	<u>-11.947,52</u>
<b>Net book value at the end of the year</b>	<b><u>37.554,36</u></b>	<b><u>50.072,48</u></b>

The intangible assets mainly consist of software licenses purchased for the implementation of the Group Treasury system.

### 4. SHARES IN AFFILIATED UNDERTAKINGS (in Euro)

Affiliated company	% of ownership	Acquisition Cost	Net Book value at 31.12.14	Acquisition /Increase of the year	(Sale) / (Decrease of the year)	Write down of the year	Book value at 31.12.15
Carraro Drive Tech SpA Via Olmo, 37 I-35011 Campodarsego (PD) –Italy	49	38.797.634,41	38.797.634,41	--	--	--	38.797.634,41
Electronica Santerno S.p.A. Strada Statale Selice, 47 I-40026 Imola (BO) – Italy	33	19.000.000,00	19.000.000,00	9.000.000,00	--	-25.699.200,00	2.300.800,00
Gear World North America Inc Virginia Beach (USA)	100	1.489,14	1.489,14	--	--	--	1.489,14
<b>Total</b>		<b><u>57.799.123,55</u></b>	<b><u>57.799.123,55</u></b>	<b><u>9.000.000,00</u></b>	<b><u>0,00</u></b>	<b><u>-25.699.200,00</u></b>	<b><u>41.099.923,55</u></b>

# Carraro International S.A.

## Société Anonyme

### NOTES TO THE ACCOUNTS

#### December 31, 2015

Art. 65 paragraph (1) 2° of the law of December 19, 2002 on the register of Commerce and companies and the accounting and annual accounts of undertakings (the "Law") requires the disclosure of the amount of capital and reserves and profit and loss for the last financial year of each affiliated undertaking. In conformity with Art 67 (3) of the law these details have been omitted since the undertakings are included in consolidated accounts drawn up by the ultimate parent company (Carraro SpA) and these consolidated accounts and the related consolidated annual report and auditors' report thereon are lodged with the Luxembourg Trade Registry.

#### 5. LOANS AND CLAIMS HELD AS FIXES ASSETS – Deposits and Guarantees

The item is represented by guarantee deposits for a total amount of EUR 30.142,24 (2014: EUR 30.142,2) paid by the Company in relation to the rental of an apartment and an office in Luxembourg.

#### 6. AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

##### – Becoming due and payable after less than one year

Amounts owed by affiliated undertakings becoming due and payable after less than one year amount to EUR 123.082.662,73 (2014: EUR 134.567.348,69) and are represented by the following:

##### **Sales of trade goods and rendering of services: EUR 4.647,06 (2014: EUR 14.340,95)**

This item is mainly represented by intercompany balance.

##### **Loans and cash advances: EUR 117.025.049,00 (2014: EUR 131.704.199,00)**

This item is detailed as follows:

	Outstanding receivable amount as at December 31, 2015	Outstanding receivable amount as at December 31, 2014
	EUR	EUR
Loan to Carraro SpA	104.470.199,00	104.775.199,00
Loan to Elettronica Santerno SpA	7.409.000,00	11.339.000,00
Loan to Carraro Deutschland	1.280.000,00	580.000,00
Loan to Carraro Drive Tech SpA	3.865.850,00	15.010.000,00
	<b>117.025.049,00</b>	<b>131.704.199,00</b>

	Type of loan	Currency	Commitment as from 31.12.2015 EUR	Final Maturity Date
Carraro SpA	Revolving	EUR	112.000.000,00	31.12.2016
Elettronica Santerno SpA	Revolving	EUR	9.000.000,00	31.12.2016
Carraro Drive Tech SpA	Revolving	EUR	40.000.000,00	31.12.2016
Carraro Deutschland	Revolving	EUR	1.280.000,00	31.12.2016

# Carraro International S.A.

## Société Anonyme

### NOTES TO THE ACCOUNTS

#### December 31, 2015

**Accrued interests: EUR 4.704.044,62 (2014: EUR 2.575.211,17)**

This caption represents the interest receivable on amounts owed by affiliated undertakings becoming due and payable after less than one year and after more than one year.

**Other receivables: EUR 1.348.922,05 (2014: EUR 273.597,57)**

This item represents the fees receivable from affiliated undertakings on financial services rendered.

## 7. OTHER DEBTORS

### Becoming due and payable after less than one year

This item amounts to EUR 1.183.729,57 (2014: EUR 1.116.674,36) and is composed by (i) advance payments for Corporate Income Tax (CIT) and Municipal Business Tax (MBT) amounting to EUR 1.175.513,92 (2014: EUR 1.058.631,12) and (ii) other receivables for a total amount of EUR 88,43 (2014: EUR 58.043,24).

## 8. PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income amount to EUR 3.066.534,27 (2014: EUR 3.170.702,98) which mainly include the deferred commissions and fees paid by the Company to the banks. The above mentioned commissions and fees are detailed as follows:

Grantor	Balance as at December 31, 2015	Prepayments covering the period of one year or less	Prepayments covering the period over one year	Total prepayments
Unicredit Corporate Banking SpA (Italy), agent bank, and a pool of other Banks	EUR 102.570.824,2 divided in: <u>Tranche A:</u> 67 831 588,26 €		2 322 697,14 €	2 322 697,14 €
	<u>Tranche B:</u> 34 739 235,94 €	131 065,69 €		131 065,69 €
Banca Monte dei Paschi Siena SpA (Italy)	3 445 848,38 €		139 788,90 €	139 788,90 €
Banca Monte dei Paschi Siena SpA (Italy) - Ex. Antonveneta	5 459 283,18 €		190 413,37 €	190 413,37 €
BPV Finance (Int.) Plc (Ireland)	16 000 000,01 €		214 911,84 €	214 911,84 €
Other costs		67 657,33 €		67 657,33 €
<b>TOTAL</b>		<b>198 723,02 €</b>	<b>2 867 811,25 €</b>	<b>3 066 534,27 €</b>

# Carraro International S.A.

## Société Anonyme

NOTES TO THE ACCOUNTS  
December 31, 2015

### 9. CAPITAL AND RESERVES

	Subscribed capital	Non-distributable reserve	Legal Reserve	Retained Earnings	(Loss) / Profit of the year	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at December 31, 2014	39 318 000,00	563 475,00	1 194 911,22	69 667,25	389 815,89	41 535 869,36
Allocation of result 2014	--	--	19 490,79	-61 749,89	42 259,10	0,00
Dividend distribution	--	--	--	--	-200 000,00	-200 000,00
Non distributable reserve for NWT	--	232 075,00	--	--	-232 075,00	0,00
Profit of the financial year	--	--	--	--	-26 463 599,88	-26 463 599,88
<b>As at December 31, 2014</b>	<b>39 318 000,00</b>	<b>795 550,00</b>	<b>1 214 402,01</b>	<b>7 917,36</b>	<b>-26 463 599,89</b>	<b>14 872 269,48</b>

As at December 31, 2015 the subscribed capital amounts to EUR 39.318.000, and it is represented by 39.318 shares fully paid-up having a nominal amount of EUR 1.000,- each.

#### Legal Reserve

In accordance with Luxembourg company law, the company is required to transfer a minimum of 5% of its net profit for each financial year to legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

### 10. PROVISIONS

Provisions amount to EUR 2.350.052,59 (2014: EUR 817.984,44) and are composed by (i) foreign tax credit amounting to EUR 266.033,04 (2014: EUR 374.472,28), (ii) estimated Luxembourg taxes due by the Company for EUR 1.191.785,47 (2014: EUR 1.192.456,72), and (iii) foreign taxes for an amount of EUR 1.424.300,16.

# Carraro International S.A.

## Société Anonyme

NOTES TO THE ACCOUNTS  
December 31, 2015

### 11. AMOUNTS OWED TO CREDIT INSTITUTIONS

**Becoming due and payable after less than one year and after more than one year**

As at December 31, 2015 the amounts owed to credit institutions are mainly composed as follows:

**1. Principal amounts owed to credit institutions:**

Principal Original Amount granted to the Company	Lender	Outstanding payable amount as at December 31, 2015	Amount due and payable after less than one year	Amount due and payable after more than one year
EUR 150 000 000 divided in:				
<u>Tranche A:</u> EUR 100.000.000	Unicredit Corporate Banking SpA (Italy), agent bank, and a pool of other Banks.	<u>Tranche A:</u> 67.831.588,26 €		67.831.588,26 €
<u>Tranche B:</u> EUR 50.000.000		<u>Tranche B:</u> 34.739.235,94 €		34.739.235,94 €
EUR 10.000.000	Banca Monte dei Paschi Siena SpA (Italy)	3.445.848,38 €		3.445.848,38 €
EUR 15.000.000	Banca Monte dei Paschi Siena SpA (Italy) - Ex. Antonveneta	5.459.283,18 €		5.459.283,18 €
EUR 20.000.000	Banca Monte dei Paschi Siena SpA (Italy)	20.000.000,00 €	20.000.000,00 €	--
EUR 14.000.000	Banca Monte dei Paschi Siena SpA (Italy)	4.900.000,00 €	4.900.000,00 €	--
EUR 4.900.000	Cassa Veneto	14.000.000,00 €	14.000.000,00 €	--
EUR 20.000.000	BPV Finance (International) Plc (Ireland)	16.000.000,01 €		16.000.000,01 €
EUR 4.500.000	Agricultural Bank	1.000.000,00 €	1.000.000,00 €	
	Other financial liabilities	1.938.332,99 €	1.938.332,99 €	
	Bank overdrafts	5,90 €	5,90 €	--
Interest		1.118.257,85 €	1.118.257,85 €	
<b>TOTAL</b>		<b>170.432.552,51 €</b>	<b>42.956.596,74 €</b>	<b>127.475.955,77 €</b>

**2. Interest on principal amounts owed to credit institutions: EUR 1.118.257,85 (2014: EUR 916.777,89).**

# Carraro International S.A.

## Société Anonyme

### NOTES TO THE ACCOUNTS

#### December 31, 2015

Additional information about terms and conditions of the amounts owed to credit institutions:

Original Amount	Principal Terms & Conditions of the above mentioned amounts as per existing agreements on December 31, 2015 (including new terms and conditions under the "Accordo Quadro" dated April 13, 2010 and the "Accordo di Rinegoziazione" dated May 14, 2013 and new agreement dated December 24, 2015)
<b>Unicredit Corporate Banking SpA (Italy), agent bank, and a pool of other Banks.</b>	
EUR 150 000 000 divided in:	
<u>Tranche A:</u> EUR 100 000 000	Facility agreement dated May 15, 2008 of Euro 150 000 000, divided into a medium-long term loan of Euro 100 000 000 ("Tranche A") and into a medium-long term revolving credit facility of Euro 50 000 000 ("Tranche B"), whereby Tranche A was granted to the Company mainly for the purpose of repayment by the Company of the outstanding nominal due amount of Euro 59 960 000 arising from the previous loan agreement of a maximum amount of Euro 100 000 000 signed by the Company on June 28, 2005 with MCC SpA., as agent bank, and a pool of other banks. Tranche A amount of Euro 100 000 000 bears interest at Euribor 6 months plus a spread as agreed with the Bank, with a repayment plan which foresees 2 six-months periods from 29.05.2011 to 29.11.2011, where only the interest have been repaid and 11 six-months periods from 29.11.2011 to 29.05.2017 for the repayment of the nominal amount of the loan and the interest. A new agreement was signed on 24.12.2015 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.
<u>Tranche B:</u> EUR 50 000 000	Tranche B of Euro 50 000 000 may be drawn down by the Company in one or more instalments during the period expiring on 29.05.2015 and corresponding to the final maturity date the revolving credit facility. The interest period of each amount drawn down by the Company shall be quarterly or half-yearly, at the option of the Company, and shall bear interest at Euribor 3-months plus a spread as agreed with the Bank respectively Euribor 6-months plus a spread agreed with the Bank, as the case may be. A new agreement was signed on 24.12.2015 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.
<b>Banca Monte dei Paschi Siena SpA (Italy)</b>	
EUR 10 000 000	Medium term loan dated February 12, 2007. The loan bears interest at Euribor 6 months plus a spread as agreed with the Bank. The repayment plan foresees 2 six-months periods from 31.03.2011 to 31.09.2011, where only the interests have been repaid and 7 six-months periods from 31.03.2012 to 31.03.2017 for the repayment of the nominal amount of the loan and the interest. A new agreement was signed on 24.12.2015 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.
<b>Banca Monte dei Paschi Siena SpA (Italy)</b>	
EUR 15 000 000	Medium term loan. The loan bears interest at Euribor 6 months plus a spread as agreed with the Bank. The repayment plan foresees 2 six-months periods from 30.06.2011 to 31.12.2011, where only the interests have been repaid and 6 six-months periods from 30.06.2012 to 30.06.2017 for the repayment of the nominal amount of the loan and the interest. A new agreement signed on 24.12.2015 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.
<b>BPV Finance (International) Plc (Ireland)</b>	
EUR 20 000 000	Medium-term loan facility. The facility bears interest at Euribor 6 months plus a spread as agreed with the Bank. The Final maturity date of the credit facility corresponds to 31.12.2019 A new agreement was signed on 24.12.2015 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.
<b>Banca Monte dei Paschi Siena SpA (Italy)</b>	
EUR 20 000 000	Short term multicurrency facility.
<b>Cassa Veneto (Italy)</b>	
EUR 14 000 000	Short term multicurrency facility.
<b>Banca Monte dei Paschi Siena SpA (Italy)</b>	
EUR 4 900 000	Short term multicurrency facility.
<b>Agricultural bank of China</b>	
EUR 4 500 000	Short term multicurrency facility.

# **Carraro International S.A.**

## **Société Anonyme**

**NOTES TO THE ACCOUNTS**  
**December 31, 2015**

### **12. TRADE CREDITORS**

Trade creditors amount to EUR 0,00 (2014: EUR 419.098,60)

### **13. AMOUNTS OWED TO AFFILIATED UNDERTAKINGS**

#### **Becoming due and payable after less than one year**

Amounts owed to affiliated undertakings becoming due and payable after less than one year amount to EUR 8.143.210,13 (2014: EUR 5.077.009,05) mainly including an amount of EUR 8.030.000,- corresponding to an advance received by the Company from Carraro China Drive System Co. Ltd and related interest.

### **14. TAX AND SOCIAL SECURITY**

The caption of EUR 23.491,73 (2014: EUR 15.273,91) consists of (i) EUR 7.104,17 (2014: EUR 716,23) of tax debts and (ii) of an amount of EUR 16.387,56 (2014: EUR 14.557,68) relating to the payable amount to the social security on remunerations.

### **15. OTHER CREDITORS**

#### **Becoming due and payable after less than one year**

Other creditors amounting to EUR 450.292,86 (2014: EUR 463.958,55) are composed of payable amounts to staff and managers for EUR 112.407,05 (2014: EUR 108.398,75) and of miscellaneous debts for EUR 337.885,81 (2014: EUR 355.559,81).

### **16. INTEREST PAYABLE AND SIMILAR CHARGES**

As at December 31, 2015 this item of EUR 6.421.236,98 (2014: EUR 7.635.356,31) includes mainly interest on bank loans and bank overdrafts for a total amount of EUR 6.388.190,80 (including interest on hedging agreements) (2014: EUR 7.037.079,84), realized exchange losses for a total amount of EUR 20.372,57 (2014: EUR 585.602,86) and other financial charges of EUR 12.673,61 (2014: EUR 12.673,61).

### **17. TAXES**

The Company is subject in Luxembourg to the general tax regulations applicable to all companies and is compliant with all its tax obligations in foreign countries.

### **18. NET TURNOVER**

The net turnover of an amount of EUR 402.989,38 (2014: EUR 301.735,47) due to the sale of services.

### **19. INCOME FROM FINANCIAL FIXED ASSETS**

This caption amounting to EUR 1.515.850,00 is related to dividend of Carraro Drive Tech (2014: EUR 0,00).

# **Carraro International S.A.**

## **Société Anonyme**

**NOTES TO THE ACCOUNTS**  
**December 31, 2015**

### **20. INCOME FROM FINANCIAL CURRENT ASSETS**

This caption amounting to EUR 5.070,18 is related to interest on bank accounts (2014: EUR 14,90).

### **21. OTHER INTEREST AND OTHER FINANCIAL INCOME**

#### **Derived from affiliated undertakings**

The amount of EUR 8.511.859,48 (2014: EUR 9.400.156,42) consists of commissions from affiliated undertakings on guarantees granted by the Company for a total amount of EUR 316.155,37 (2014: EUR 315.845,97) and of interest, commitment fees and arrangement fees on loans granted to affiliated undertakings for a total amount of EUR 8.195.704,41 (2014: EUR 9.084.310,45).

#### **Other interest receivable and similar income**

The item is represented by realized exchange gains for a total amount of EUR 0,00 (2014: EUR 620.794,71).

### **22. EXTRAORDINARY INCOME**

As at December 31, 2015 the item of EUR 251.424,32 (2014: EUR 403.901,81) represents mainly tax credit and credit notes from the suppliers of the Swiss Branch.

### **23. DIRECTORS' FEES GRANTED TO THE MEMBERS OF THE BOARD OF DIRECTORS**

The Directors' fees granted to members of the Board of Directors in 2015 amount to EUR 239.458,30 (2014: EUR 218.500,00).

### **24. AUDIT, TAX AND OTHER NON AUDIT FEES**

As at December 31, 2015 the audit fees amount to EUR 12.760,- (2014: EUR 17.696,87) the other fees amounts to EUR 0,00 (2014: EUR 52.646,49).

### **25. RELATED PARTIES**

As at December 31, 2015, transactions with related parties have been concluded at normal market conditions.

### **26. STAFF**

The Luxembourg office has been employing 2 people in 2015.

**Carraro International S.A.**  
**Société Anonyme**

**NOTES TO THE ACCOUNTS**  
**December 31, 2015**

**27. OFF-BALANCE SHEET**

**Guarantees**

The Company signed a support letter in favor of Cassa di Risparmio di Padova e Rovigo (PD), Italy, in connection with two multicurrency revolving credit facilities (i) the Short term facility and (ii) the Long term facility both granted by Intesa Intesa San Paolo – Shanghai Branch to the group company Carraro Drive Systems Co. Ltd.

The Company issued a Guarantee in favor of UniCredit Banca di Roma S.p.A. – Shanghai Branch (China) in connection with a local credit facility in CNY granted by this bank to the group company Carraro China Drive Systems Co. Ltd.

**28. SUBSEQUENT EVENT**

There is no subsequent event which should be reported in the notes to the annual accounts.