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

FINANCIAL STATEMENTS
31 DECEMBER 2011

BOARD OF DIRECTORS In office until approval of the 2011 Financial Statements (Appointed, General Meeting 23.04.2009 - Powers conferred, Board resolutions 07.05.2009 and 04.08.2009)	**MARIO CARRARO**	Chairman
	ENRICO CARRARO (2) (3)	Deputy Chairman
	ALEXANDER BOSSARD (3)	Chief Executive Officer
	ANNA MARIA ARTONI (1)	Director *
	ARNALDO CAMUFFO (1) (2)	Director *
	FRANCESCO CARRARO	Director
	TOMASO CARRARO (3)	Director
	ANTONIO CORTELLAZZO (1) (2)	Director *
	PIETRO GUINDANI (2) (3)	Director *
	MARCO MILANI (2) (3)	Director *

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

BOARD OF STATUTORY AUDITORS In office until approval of the 2011 Financial Statements (Appointed, General Meeting 23.04.2009)	**LUIGI BASSO**	Chairman
	SAVERIO BOZZOLAN	Regular Auditor
	ROBERTO SACCOMANI	Regular Auditor
	SILVANO CORBELLA	Alternate Auditor
	MARINA MANNA	Alternate Auditor

AUDITING COMPANY
from 2007 to 2015
PricewaterhouseCoopers S.p.A.

PARENT COMPANY
Finaid S.p.A.

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

The Chairman, Mr Mario Carraro, the Deputy Chairman, Mr Enrico Carraro and the Chief Executive Officer, Mr Alexander Bossard, have been given severally powers of legal representation and use of the corporate signature in relations with third parties and in legal actions; they carry on their work within the limits of the powers conferred on them by the Board of Directors at the meetings on 7 May 2009 and 4 August 2009, in accordance with the applicable legal constraints, in terms of matters which cannot be delegated by the Board of Directors and of responsibilities reserved for the Board itself, as well as of the principles and limits provided for in the Company's Code of Conduct.

INCOME STATEMENT

(amounts in euro)	NOTES	31.12.2011	*of which non-recurring*	31.12.2010	*of which non-recurring*
A) REVENUES FROM SALES					
1) Products		87,768,328		54,866,523	
2) Services		10,234,447		9,188,342	
3) Other revenues		458,097		870,683	
TOTAL REVENUES FROM SALES	1	**98,460,872**		**64,925,548**	
A bis) of which with related parties		*12,948,634*		*11,097,894*	
B) OPERATING COSTS					
1) Purchases of goods and materials		70,155,325		43,384,981	
2) Services		16,343,301		13,844,407	
3) Use of third-party goods and services		167,093		160,522	
4) Personnel costs		17,490,103		15,391,138	
5) Amortisation, depreciation and impairment of assets		3,655,437		3,822,325	
5.a) depreciation of Property, plant and equipment		*2,350,222*		*2,414,769*	
5.a) amortisation of Intangible assets		*1,288,110*		*1,407,556*	
5.c) impairment of fixed assets		-		-	
5.d) impairment of receivables		*17,105*		-	
6) Changes in inventories		-2,931,031		301,061	
7) Provision for risks and other liabilities		1,244,746		825,106	
8) Other income and expenses		-3,483,558		-4,164,827	*-282,000*
9) Internal construction		12,803		338,877	
TOTAL OPERATING COSTS	2	**102,654,219**		**73,903,590**	*-282,000*
B-bis) of which with related parties		*14,013,867*		*8,412,409*	
OPERATING PROFIT/(LOSS)		**-4,193,347**		**-8,978,042**	
C) GAINS/(LOSSES) ON FINANCIAL ASSETS					
10) Income from equity investments		13,200,000		4,500,000	
11) Other financial income		398,718		188,377	
12) Financial costs and expenses		-3,380,298		-2,839,042	
13) Net gains/(losses) on foreign exchange		-99,760		63,892	
14) Value adjustments of financial assets		-		-	
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	3	**10,118,660**		**1,913,227**	
C-bis) of which with related parties		*10,928,589*		*1,888,164*	
PROFIT/(LOSS) BEFORE TAXES		**5,925,313**		**-7,064,815**	
15) Current and deferred income taxes	4	-128,855		943,210	*77,000*
NET PROFIT/(LOSS)		**6,054,168**		**-6,121,605**	-205,000
EARNINGS (LOSSES) PER SHARE	5				
- basic, for the profit for the period attributable to ordinary shareholders of the parent company		*-0.137*		*-0.138*	
-diluted, for the profit for the period attributable to ordinary shareholders of the parent company		*-0.137*		*-0.138*	

STATEMENT OF COMPREHENSIVE INCOME

(amounts in euro)	**31.12.2011**	**31.12.2010**
NET PROFIT/LOSS FOR THE YEAR	**6,054,168**	**-6,121,605**
Other comprehensive income components:		
Net change in cash flow hedge reserve	- 18,750	18,750
Taxes on other comprehensive income components	5,156	-5,156
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS	**- 13,594**	**13,594**
TOTAL PROFIT/LOSS FOR THE YEAR	**6,040,574**	**-6,108,011**

STATEMENT OF FINANCIAL POSITION

(amounts in euro)	NOTES	31.12.2011	31.12.2010
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	6	33,172,431	34,016,021
2) Intangible fixed assets	7	4,237,742	3,733,199
3) Real estate investments	8	539,703	539,703
4) Holdings in subsidiaries and associates	9	93,669,674	93,669,674
4.1) Holdings in subsidiaries and associates		*93,669,674*	*93,669,674*
4.2) Equity investments held for sale		-	-
5) Financial assets	10	3,984,367	2,748,610
5.1) Loans and receivables		*3,898,526*	*2,658,850*
5.2) Other financial assets		*85,841*	*89,760*
5 Bis) of which with related parties		*3,898,526*	*2,658,850*
6) Deferred tax assets	11	4,660,523	6,950,381
7) Trade receivables and other receivables	12	32,087	36,467
7.1) Trade receivables		-	-
7.2) Other receivables		*32,087*	*36,467*
TOTAL NON-CURRENT ASSETS		**140,296,527**	**141,694,055**
B) CURRENT ASSETS			
1) Closing inventory	13	13,041,193	10,188,102
2) Trade receivables and other receivables	12	26,992,095	24,288,901
2.1) Trade receivables		*18,010,847*	*17,903,084*
2.2) Other receivables		*8,981,248*	*6,385,817*
2 Bis) of which with related parties		*15,944,749*	*13,661,166*
3) Financial assets	10	62,045	82,068
3.1) Loans and receivables		*53,916*	*56,270*
3.2) Other financial assets		*8,129*	*25,798*
3 Bis) of which with related parties		*18,916*	*21,270*
4) Cash and cash equivalents	14	6,155,808	385,662
4.1) Cash		*84,058*	*73,755*
4.2) Bank current accounts and deposits		*6,071,750*	*311,907*
4.3) Other cash and cash equivalents			
TOTAL CURRENT ASSETS		**46,251,141**	**34,944,733**
TOTAL ASSETS		**186,547,668**	**176,638,788**

STATEMENT OF FINANCIAL POSITION

(amounts in euro)	NOTES	31.12.2011	31.12.2010
A) SHAREHOLDERS' EQUITY	**15**		
1) Share Capital		23,914,696	23,914,696
2) Other Reserves		29,577,837	37,737,439
3) Profits/(Losses) brought forward		-	-
4) IAS/IFRS first adoption reserve		23,975,454	23,975,454
5) Other IAS/IFRS reserves		-7,141,566	-7,127,972
6) Profit/loss for the year		6,054,168	-6,121,605
TOTAL SHAREHOLDERS' EQUITY		**76,380,589**	**72,378,012**
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	**16**	15,089,807	16,783,036
1.1) Bonds		-	-
1.2) Loans		*15,089,807*	*16,783,036*
2) Trade payables and other payables	**17**	600,000	-
2.1) Trade payables			
2.2) Other payables		*600,000*	
2-bis) of which with related parties		*600,000*	
3) Deferred tax liabilities	**11**	69,190	74,346
4) Provision for severance indemnity and retirement benefits	**19**	1,875,255	1,808,246
4.1) Provision for severance indemnity		*1,875,255*	*1,808,246*
5) Provision for risks and liabilities	**20**	600,905	1,388,234
5.1) Provision for warranties		*399,000*	*399,000*
5.2) Provision for legal claims		*201,905*	*989,234*
TOTAL NON-CURRENT LIABILITIES		**18,235,157**	**20,053,862**
C) CURRENT LIABILITIES			
1) Financial liabilities	**16**	47,746,534	56,344,689
1.1) Bonds		-	-
1.2) Loans		*47,652,989*	*56,335,572*
1.3) Other financial liabilities		*93,545*	*9,117*
1-bis) of which with related parties		*33,374,372*	*50,569,990*
2) Trade payables and other payables	**17**	41,597,117	26,374,776
2.1) Trade payables		*36,863,591*	*21,222,348*
2.2) Other payables		*4,733,526*	*5,152,428*
2-bis) of which with related parties		*3,556,287*	*2,521,831*
3) Current taxes payables	**18**	-	-
4) Provision for risks and liabilities	**20**	2,588,271	1,487,449
4.1) Provision for warranties		*1,901,710*	*1,460,449*
4.2) Provision for legal claims		-	-
4.3) Provisions for restructuring and reconversion		*27,000*	*27,000*
4.4) Other provisions		*659,561*	-
TOTAL CURRENT LIABILITIES		**91,931,922**	**84,206,914**
TOTAL LIABILITIES		**110,167,079**	**104,260,776**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**186,547,668**	**176,638,788**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(amounts in euro)	Share Capital	Other reserves: equity	Other reserves: profit	IAS/IFRS 1st adoption reserve	Treasury stock acquired	Reserve cash flow hedge	Profit/loss for the year	Total
Balance as at 01.01.2010	**23,914,696**	**27,129,689**	**15,395,941**	**23,975,454**	**-2,480,971**	**-**	**-8,557,205**	**79,377,604**
Total profit/loss for the year	**-**	**-**	**-**	**-**	**-**	13,594	-6,121,605	**-6,108,011**
Transactions with shareholders:								
Allocation of 2009 results	-	-	-8,557,205	-	-	-	8,557,205	**-**
Own share purchase	-	-	-	-	-891,581	-	-	**-891,581**
Total movements for the year	**-**	**-**	**-8,557,205**	**-**	**-891,581**	**-**	**8,557,205**	**-891,581**
Balance as at 31.12.2010	**23,914,696**	**27,129,689**	**6,838,736**	**23,975,454**	**-3,372,552**	**13,594**	**-6,121,605**	**72,378,012**

(amounts in euro)	Share Capital	Other reserves: equity	Other reserves: profit	IAS/IFRS 1st adoption reserve	Treasury stock acquired	Reserve cash flow hedge	Profit/loss for the year	Equity of Group
Balance as at 01.01.2011	**23,914,696**	**27,129,689**	**6,838,736**	**23,975,454**	**-3,372,552**	**13,594**	**-6,121,605**	**72,378,012**
Total profit/loss for the year	**-**	**-**	**-**	**-**	**-**	-13,594	6,054,168	**6,040,574**
Transactions with shareholders:								
Allocation of 2010 results	-	-	-6,121,605	-	-	-	6,121,605	**-**
Own share purchase	-	-	-	-	-2,037,997	-	-	**-2,037,997**
Total movements for the year	**-**	**-**	**-6,121,605**	**-**	**-2,037,997**	**-**	**6,121,605**	**-2,037,997**
Balance as at 31.12.2011	**23,914,696**	**27,129,689**	**717,131**	**23,975,454**	**-5,410,549**	**-**	**6,054,168**	**76,380,589**

STATEMENT OF CASH FLOWS

(amounts in euro thousands)	NOTES	**31.12.2011**	**31.12.2010**
Profit/(loss) for the year pertaining to the Group	15	6,054,168	-6,121,605
Tax for the year		-128,855	-943,210
Profit/(loss) before taxes		***5,925,313***	***-7,064,815***
Depreciation of property, plant and equipment	2	2,350,222	2,414,769
Amortisation of intangible assets	2	1,288,111	1,407,556
Provisions for risks	2	1,244,746	825,106
Provisions for employee benefits	2	845,342	867,720
Net financial income/expense	3	2,981,579	2,650,665
Net gains/(losses) on foreign exchange	3	99,760	-63,892
Income from equity investments	3	-13,200,000	-4,500,000
Cash flows before changes in Net Working Capital		***1,535,073***	***-3,462,891***
Changes in inventory	13	-2,853,091	185,107
Changes in trade receivables and other receivables	12	-2,698,814	-3,520,886
Changes in trade payables and other payables	17	15,822,342	532,318
Changes in receivables/payables for deferred taxation	11	610,257	-594,844
Changes in provisions for employee benefits	19	-778,334	-1,120,980
Changes in provision for risks	20	-931,253	-1,904,887
Dividends received		13,200,000	4,500,000
Interest received		405,765	629,195
Interest paid		-3,304,340	-2,849,017
Tax consolidation expense and income		2,308,608	-
Tax payments	4	-505,308	500,368
Cash flows from operating activities		***22,810,905***	***-7,106,517***
Investments/divestments:			
Investments in PPE and real estate investments	6	-1,530,568	-709,891
Disinvestments and other movements in PPE	6	23,937	2,663
Investments in intangible assets	7	-1,810,126	-724,870
Disinvestments and other movements in intangible assets	7	17,472	2,258,668
Cash flows from Investing activities		***-3,299,285***	***826,570***
Changes in current financial assets	10	-82,866	51,045
Changes in non-current financial assets	10	-1,239,677	-1,638,010
Changes in current financial liabilities	16	-8,674,111	-7,954,978
Changes in non-current financial liabilities	16	-1,693,229	16,075,617
Changes in reserves	15	-2,051,591	-877,987
Cash flows from financing activities		***-13,741,474***	***5,655,687***
Total cash flows for the period		***5,770,146***	***-624,260***
Opening cash and cash equivalents		**385,662**	**1,009,922**
Closing cash and cash equivalents		**6,155,808**	**385,662**

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 and Carraro.

The purpose of the company is:
a) the production, sale and design of axles, drives and mechanical components in general for tractors, construction machinery, fork-lift trucks, automobiles, trucks, buses and special machines, and the production of tractors;
b) the assumption of equity investments in other companies or entities; to finance and coordinate technically and financially the companies and entities in which it has an interest. The company may also buy, sell, exchange, build with its own workforce or through contracts real estate assets both in the country and in urban areas, both civil and industrial, and rent out and manage such properties;
c) to assume agencies, for the same or similar businesses, or for businesses connected in any way with those specified in point a); sale of replacement parts;
d) the Company may also give endorsements and sureties of any kind and nature, for any amount and period of time, with or without real guarantees, in favour of third parties, persons, entities, or companies; this option may be exercised by the Board of Directors under the terms of Art. 28 of the bylaws;
e) to sign and execute including through the signing of 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 15 March 2012.

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

Carraro, as the parent company, 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 consolidated financial statements are drawn up in compliance with the International Financial Reporting Standards ('IFRS') issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union, and with the measures issued implementing Art. 9 of Lgs. Dec. 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 2010, with the exceptions described in the paragraph "Accounting standards, amendments and interpretations adopted since 1 January 2011".

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

2. Form and content of the financial statements

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

2.1 Format of the financial statements

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

Income Statement
Items on the income statement are classified by their nature.

Statement of Comprehensive Income
The statement of comprehensive income includes items of income and costs which are not included in the income statement for the year, as requested or allowed by IFRS, such as the variations of the cash flow hedge reserve, the variations of the currency exchange reserve and the result of financial assets available for sale.

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

Accounting statements of transactions with related parties (Consob resolution 15519)
With reference to the reporting of related-party transactions in the financial statements, provided for in Consob Resolution 15519 of 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 group, in the table of paragraph 8 below devoted to 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 paragraph 4 below.

2.2 Accounting standards and measurement criteria

Accounting standards, amendments and interpretations adopted since 1 January 2011

- IAS 24 Revised (2009): Related Party Disclosures

On 4 November 2009, IASB issued a revised version of IAS 24 which simplifies the type of information requested in case of transactions with related parties, controlled by the State, and it clarifies the definition of related parties. As requested, the principle must be applied from 1 January 2011. The adoption of said change did not produce any effect on the evaluation of the financial statement items, nor on related party disclosures, included in these financial statements.

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

- Amendment to IAS 32 – Financial Instruments: classification of rights issues.
- IFRIC 14 – Prepayments of a Minimum Funding Requirement.
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.
- Amendment to IFRS 7 – Financial Instruments: Disclosures (applicable from 1 July 2011).
- Amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards (IFRS) (forward-looking application from 1 July 2011).

The IASB also issued a series of changes to the IFRSs ("*improvements*"). The ones listed below are those indicated by the IASB as improvements that entail a change in the presentation, recognition and measurement of financial statement items, leaving aside instead those that will determine only terminological changes or those that refer to issues not present in the Group.
- Amendment to IAS 12 – Income Taxes (endorsement process not completed).
- Amendment to IAS 1 – Presentation of Financial Statements – Statement of Comprehensive Income (endorsement process not completed).
- IFRS 10 – Consolidated Financial Statements (endorsement process not completed).
- IAS 27 – Consolidated and Separate Financial Statements (endorsement process not completed).
- IAS 28 – Investments in Associates (endorsement process not completed).
- Amendment to IAS 19 – Employee Benefits (endorsement process not completed).
- IFRS 11 – Joint arrangements (endorsement process not completed).
- IFRS 12 – Disclosure of interests in other entities (endorsement process not completed).
- IFRS 13 – Fair Value Measurement (endorsement process not completed).

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;
- 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.
Licences, trademarks and similar rights
Trademarks and licences are stated at cost, net of amortisation and accumulated impairment losses.
The cost is amortised over the shorter of the duration of the contract and the limited useful life.

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 writedown had ever been made. The value written back is also recorded in the income statement.

Impairment tests are carried out annually in the case of goodwill and of intangible fixed assets with an unlimited useful life.

Impairment tests are also carried out on all assets with independent flows that show evidence of impairment.

Equity investments in subsidiaries and associated companies

A subsidiary company is an entity in which the Company, directly or indirectly via its own subsidiaries, holds more than half of the voting rights, unless in exceptional cases where it can be clearly demonstrated that this ownership does not constitute control. Control is presumed when the company has half, or even less than half, of the votes that can be exercised at meetings of shareholders, if it has:

(a) control over more than half of the voting rights under an agreement with other investors;

(b) the power to determine the financial and operating policies of the entity under a clause of the articles of association or an agreement;

(c) the power to appoint or remove the majority of the members of the board of directors or the equivalent corporate governance body, and control of the entity is held by that board or body;

(d) the power to exercise the majority of voting rights at a meeting of the board of directors or the equivalent corporate governance body, and control of the entity is held by that board or body.

An associated company is an entity over which the company is able to exercise significant influence, but does not have control or joint control, via the equity investment, over the financial and operating policies of the company.

As provided for by IAS 27.37, for the purposes of separate financial statements, equity investments in subsidiaries and associated companies are measured at reduced cost in the presence of impairment.

Equity investments in other companies and other securities

In accordance with the provisions of 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.

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.
The actuarial losses and profits are recognised directly in the income statement, without taking advantage of the corridor approach.

Revenue recognition
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 and assets 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 minimize interest rate and exchange rate risk and optimize the cost of debt.
These risks are managed in accordance with the principles of prudence and market best practices and all risk management transactions are centrally managed.

The main objectives indicated by the policy are as follows:
A) Exchange-rate risks:
1) 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 resorts to fair value hedging transactions against exposure to changes in the fair value of accounting assets and liabilities or of an off-balance sheet irrevocable commitment, as well as an identified part of the said assets, liabilities or irrevocable commitments, attributable to a particular risk, which could have an impact on the income statement. As far as fair value hedges are concerned, the carrying amount of the element being hedged is adjusted to reflect the profits and losses attributable to the risk subject to the hedge, the derivative instrument is re-determined at fair value and the profits and losses of both are booked to the income statement.

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

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

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

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

Cash flow hedges

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

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

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

Hedges of a net investment in a foreign operation

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

Credit risk
The company includes among its customers leading international manufacturers of agricultural machinery, construction equipment vehicles, industrial vehicles and light power tools as well as renewable energy producers, and designers and installers of photovoltaic systems. The risk concentration is associated with the size of these customers, which on a global context is on average high, yet balanced by the fact that credit exposure is distributed across a complex network of counterparties active in several geographical areas.
The management of credit is designed to prioritise the acquisition of customers of national and international standing for multi-annual supplies; on this basis consolidated historical relationships have been built up with the main customers. Generally speaking, these relationships are governed by ad hoc supply contracts. Credit control requires periodic monitoring of the main financial and economic data (including the delivery schedules) relating to each customer.
Except in special circumstances to do with country or counterparty risk, guarantees are not normally obtained on credit.
Receivables are recognised in the accounts net of any writedowns 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 financial year 2012 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 31.12.2011) of the closure of derivative financial instruments on currencies in existence at the reporting date.
The company envisages meeting the needs arising from all of the above with the flows deriving from operations, from available liquidity and from the availability of the above credit facilities.
Considering the positive trend of sales volumes, which should be maintained also in subsequent years, and as a result of a plan for corporate reorganization and reduction of manufacturing inefficiencies, in financial year 2012 the company expects to be able to generate financial resources through its operations such as to ensure adequate support for investments.
The management of liquidity, funding requirements and cash flows are under the direct control and management of the Group Treasury, which operates with the aim of managing the resources available as efficiently as possible.
Tensions on the Italian government bonds market and uncertainties of financial markets have had an effect on the borrowing of banks and as a consequence on credit granted to businesses. This instability could also continue in 2012, 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 Group is exposed to exchange rate risks by virtue of the fact that a significant portion of sales and some of the purchases are made in currencies other than the functional currency, with trade transactions carried out by companies in the euro area with counterparties that do not belong to the euro area and vice versa.
Another aspect of exchange rate risk is the fact that several Group companies present their financial statements in currencies other than the Group’s functional currency.
Exposure to exchange rate risk with reference to each entity is regularly monitored by the Group Treasury according to a strategy which focuses, in particular, on the balance between purchases and sales in foreign currency and activating, for the remaining non-balanced portion and according to the criteria set by the company policy in terms of the management of financial risks, appropriate initiatives to hedge or reduce the risks identified, using the instruments available on the market.
The company is also exposed to interest rate risks in relation to the financial liabilities assumed to fund either normal operations or, where applicable, the company’s expansion via acquisitions. Changes in interest rates may have positive or negative effects on both the financial outcome and on cash flows.
The strategy adopted pursues the basic objective of achieving a balance between floating-rate and fixed-rate debt. The interest rate risk on the floating portion is then reduced via specific hedging operations.

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

a) intra-group transactions and transactions with related parties which took place during the period, gave rise to trade, financial or consultancy-related relationships, and were carried out under market terms, in the financial interest of the individual companies involved in the transactions;

b) no atypical or unusual operations were implemented as compared with normal business management;

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

Discretionary assessments and significant accounting estimates

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

Impairment loss on goodwill
Goodwill is examined for any impairment once a year. This test requires an estimate of the value in use of the cash generating unit to which the goodwill is attributed, which in turn is based on an estimate of the anticipated cash flows from the unit and their discounting based on an appropriate discount rate.

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 (see note 7).

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

3. Information on business segments and geographical areas

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

3.1 Business segments

The most significant information by business segment is presented in the tables below, with comparisons between financial years 2010 and 2011.

a) economic data (euro/000)

31.12.2011 *(amounts in euro thousands)*	**Vehicles**	**HQ**	**Total CARRARO**
Revenues from sales	**89,303**	**9,158**	**98,461**
Sales to third parties	85,428	85	85,513
Sales to other Business Units	3,875	9,073	12,948
Operating costs	**87,521**	**15,133**	**102,654**
Purchases of goods and materials	70,148	7	70,155
Services	7,600	8,743	16,343
Use of third-party goods and services	131	36	167
Personnel costs	10,235	7,255	17,490
Amortisation, depreciation and impairment of assets	1,216	2,439	3,655
Changes in inventories	-2,931	-	-2,931
Provisions for risks	1,245	-	1,245
Other income and expenses	-136	-3,347	-3,483
Internal construction	13	-	13
Operating profit/(loss)	**1,782**	**-5,975**	**-4,193**
Gains/(losses) on financial assets	172	9,946	10,118
Current and deferred income taxes	962	-1,091	-129
Net profit/(loss)	**992**	**5,062**	**6,054**

31.12.2010 *(amounts in euro thousands)*	**Vehicles**	**HQ**	**Total CARRARO**
Revenues from sales	**56,513**	**8,412**	**64,925**
Sales to third parties	53,777	115	53,892
Sales to other Business Units	2,736	8,297	11,033
Operating costs	**58,752**	**15,151**	**73,903**
Purchases of goods and materials	43,371	14	43,385
Services	4,355	9,489	13,844
Use of third-party goods and services	126	35	161
Personnel costs	9,565	5,826	15,391
Amortisation, depreciation and impairment of assets	1,163	2,659	3,822
Changes in inventories	301	-	301
Provisions for risks	825	-	825
Other income and expenses	-791	-3,374	-4,165
Internal construction	-163	502	339
Operating profit/(loss)	**-2,239**	**-6,739**	**-8,978**
Gains/(losses) on financial assets	-61	1,974	1,913
Current and deferred income taxes	-275	1,218	943
Net profit/(loss)	**-2,575**	**-3,547**	**-6,122**

b) equity data (euro/000)

31.12.2011 *(amounts in euro thousands)*	**HQ**	**Vehicles**	**Total CARRARO**
Non-current assets	124,913	15,383	140,296
Current assets	26,986	19,265	46,251
Shareholders' equity	68,326	8,054	76,380
Non-current liabilities	16,664	1,571	18,235
Current liabilities	66,909	25,023	91,932

31.12.2010 *(amounts in euro thousands)*	**HQ**	**Vehicles**	**Total CARRARO**
Non-current assets	125,991	15,703	141,694
Current assets	15,957	18,988	34,945
Shareholders' equity	65,303	7,075	72,378
Non-current liabilities	18,443	1,611	20,054
Current liabilities	58,202	26,005	84,207

c) Other information

31.12.2011	**HQ**	**Vehicles**	**Total CARRARO**
Investments *(Euro/000)*	2,536	806	3,342
Workforce as at 31.12	75	250	325

31.12.2010	**HQ**	**Vehicles**	**Total CARRARO**
Investments *(Euro/000)*	752	683	1,435
Workforce as at 31.12	66	224	290

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 B.U. are made mainly to European customers. Investments are made in Italy.

The most significant information by geographical area 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)	*31.12.2011*	*31.12.2010*
Switzerland	42,638	27,712
France	22,256	10,211
Germany	13,002	9,156
India	1,488	966
China	880	634
Poland	1,002	609
South America	560	540
North America	131	174
Turkey	58	45
United Kingdom	50	-
Other E.U. areas	782	878
Other non-E.U. areas	119	653
Total Abroad	**82,966**	**51,578**
Italy	15,495	13,348
Total	**98,461**	**64,926**
of which: Total E.U. area	**52,587**	**34,202**
Total non-E.U. area	**45,874**	**30,724**

4. Non-recurring operations

During the year, no non-recurrent costs were recognised in the income statement.
In financial year 2009, Carraro S.p.A. initiated a restructuring plan which was concluded in 2010, in which a portion set aside in excess of 0.3 mln euro was released, without making further provisions.

5. Detailed explanatory notes

Revenues from sales (note 1)

(amounts in euro)	**31.12.2011**	**31.12.2010**
SALES OF PRODUCTS	87,882,872	54,919,821
SALES RETURNS	-114,544	-53,298
1) PRODUCTS	87,768,328	54,866,523
WORK ON CONTRACT	2,164	1,260
OTHER SERVICES	9,243,483	7,950,115
REVENUES FROM ADVANCES ON ORDERS	988,800	1,236,967
2) SERVICES	10,234,447	9,188,342
OTHER GOODS	421,629	841,803
OTHER REVENUES	36,486	28,962
CUSTOMER DISCOUNTS	-18	-82
3) OTHER REVENUES	458,097	870,683
TOTAL REVENUES FROM SALES	**98,460,872**	**64,925,548**

Operating costs (note 2)

(amounts in euro)	**31.12.2011**	**31.12.2010**
PURCHASES OF RAW MATERIALS	69,753,209	43,160,639
RETURNS OF RAW MATERIALS	-427,808	-347,982
A) PURCHASES	69,325,401	42,812,657
MISCELLANEOUS CONSUMABLES	131,912	171,293
CONSUMABLE TOOLS	64,905	30,304
MAINTENANCE MATERIAL	253,100	136,456
MAT. AND SERV. FOR RESALE	427,990	257,244
REBATES AND DISCOUNTS – SUPPLIERS	-47,983	-22,973
B) OTHER PRODUCTION COSTS	829,924	572,324
1) PURCHASES OF GOODS AND MATERIALS	**70,155,325**	**43,384,981**
A) EXTERNAL SERVICES FOR PRODUCTION	4,679,399	2,744,008
B) SUNDRY SUPPLIES	661,412	596,019
C) GENERAL OVERHEADS	10,317,493	9,997,869
D) COMMERCIAL COSTS	271,164	197,928
E) SALES EXPENSES	413,833	308,583
2) SERVICES	**16,343,301**	**13,844,407**
RENTAL EXPENSES	167,093	160,522
3) USE OF THIRD-PARTY GOODS AND SERVICES	**167,093**	**160,522**
A) WAGES AND SALARIES	12,082,883	10,773,167
B) SOCIAL SECURITY CONTRIBUTIONS	3,808,070	3,402,743
D) EMPLOYEE SEVERANCE INDEMNITY AND PENSIONS	845,342	867,720
E) OTHER COSTS	753,808	347,508
4) PERSONNEL COSTS	**17,490,103**	**15,391,138**
A) DEPREC. PROP., PLANT & EQUIPMENT	2,350,222	2,414,769
B) AMORT. INTANGIBLE ASSETS	1,288,110	1,407,556
C) IMPAIRMENT OF FIXED ASSETS	-	-
D) IMPAIRMENT OF RECEIVABLES	17,105	-
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	**3,655,437**	**3,822,325**

A) CHANGES IN INVENTORIES OF RAW AND ANCILLARY MATERIALS AND GOODS	-1,564,876	828,475
B) CHANGES IN INVENTORIES OF WORK IN PROG. SEMI-FIN. & FIN. PRODS	-1,366,155	-527,414
6) CHANGES IN INVENTORIES	**-2,931,031**	**301,061**
A) WARRANTY	1,244,746	825,106
B) COSTS OF LEGAL CLAIMS	-	-
C) RENOVATION AND CONV.	-	-
D) OTHER PROVISIONS	-	-
7) PROVISION FOR RISKS AND OTHER LIABILITIES	**1,244,746**	**825,106**
A) SUNDRY INCOME	-3,802,149	-3,357,994
B) GRANTS	-75,484	-666,700
C) OTHER OPERATING EXPENSES	392,116	425,221
D) OTHER NON-ORDINARY OPERATING INCOME/EXPENSES	1,959	-565,354
8) OTHER INCOME AND EXPENSES	**-3,483,558**	**-4,164,827**
9) INTERNAL CONSTRUCTION	**12,803**	**338,877**

Turnover as at 31.12.2011 amounted to 98.461 mln euro compared to 64.926 mln euro as at 31.12.2010 and was generated largely by Divisione Agritalia. The increase in demand on main reference markets (France and Germany) and the acquisition of a larger market share in the area of Turkey meant that Divisione Agritalia closed 2011 with a turnover of 89.303 mln euro, equal to 3,640 tractors sold, up 58.0% over the previous year when turnover amounted to 56.513 mln euro, equal to 2,378 tractors sold.
Costs for purchase of materials increased compared to the previous year in line with developments in revenues from product sales of Divisione Agritalia.
In the year just ended costs for "wages and salaries" amounted to 12.083 mln euro; the increase compared to the previous year derives from the greater number of employees (in particular clerical staff) both in Divisione Agritalia and in Head Quarters.
"Other income and expenses" is made up in particular of royalties of 1.787 mln euro and rental income of 1.647 mln euro.

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

(amounts in euro)	**31.12.2011**	**31.12.2010**
10) INCOME FROM EQUITY INVESTMENTS	**13,200,000**	**4,500,000**
A) FROM FINANCIAL ASSETS	-	-
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	8,136	837
C) FROM OTHER CASH EQUIVALENTS	-	-
D) INCOME OTHER THAN THE ABOVE	390,582	187,540
11) OTHER FINANCIAL INCOME	**398,718**	**188,377**
A) FROM FINANCIAL LIABILITIES	-2,515,296	-2,110,800
B) FROM BANK CURRENT ACCOUNTS AND DEPOSITS	-161,229	-92,304
C) EXPENSES OTHER THAN THE ABOVE	-703,773	-635,938
12) FINANCIAL COSTS AND EXPENSES	**-3,380,298**	**-2,839,042**
FROM CHANGES IN FAIR VALUE OF DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	-62,558	-1,852
OTHER	-97,961	47,613
EXCHANGE LOSSES:	***-160,519***	***45,761***
FROM CHANGES IN FAIR VALUE OF DERIVATIVE TRANSACTIONS ON EXCHANGE RATES	13,307	
OTHER	47,452	18,131
EXCHANGE GAINS:	***60,759***	***18,131***
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	**-99,760**	**63,892**
14) ADJUSTMENTS OF FINANCIAL ASSETS	**-**	**-**

Income from equity investments refers to the distribution of dividends received from subsidiaries: Carraro International (3.5 mln euro), Elettronica Santerno (6.7 mln euro) and Carraro Deutschland GmbH (3.00 mln euro). As at 31 December 2010 this item amounted to 4.5 mln euro and referred to dividends paid to the subsidiary Carraro International.
Financial expenses, amounting to 3.38 mln euro, increased compared to the 2.839 mln euro of 2010 due to the higher

cost of money in the eurozone.
Net gains and losses on foreign exchange showed a negative balance of 0.10 mln euro compared with a positive figure in the previous year of 0.06 mln euro.

Current and deferred income taxes (note 4)

(amounts in euro)	**31.12.2011**	**31.12.2010**
TAX CONSOLIDATION EXPENSE AND INCOME	-2,308,608	
IRAP [regional business tax]	455,518	125,256
DEFERRED TAXES	1,674,445	-539,856
TAXES FROM PREVIOUS YEARS	49,790	-1,128,610
PROVISIONS FOR RISKS		600,000
15) CURRENT AND DEFERRED INCOME TAXES	**-128,855**	**-943,210**

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

Current taxes - Tax consolidation expense and income
The company adheres to the tax consolidation area of parent company Finaid S.p.A. The charges/income deriving from the transfer of the IRES taxable base are booked under current taxes. According to the regulations of the Tax Consolidation Agreement, companies of the Carraro Group have the right to “relief” for use of the tax losses of companies controlled by Finaid, other than those belonging to the Carraro Group. This “relief” amounts to 3% of the tax losses of the other companies of the Finaid Consolidation area possibly offset with the taxable amounts of Carraro Group companies.
The regulations also provide for a mechanism of priority offsetting of the positive and negative taxable amounts between Carraro Group companies with respect to offsetting with the other companies of the Finaid Consolidation. The same mechanism is provided for with reference to the non-deductible expenses as an effect of the Thin Cap Rule.

Deferred taxes
These are set aside on the timing differences between the carrying amount of the assets/liabilities and the corresponding tax value.
The rates used are 27.5% for IRES and 3.9% for IRAP.
The company had tax losses to be carried forward of 21.5 mln euro. On the basis of the taxable income forecasts for the next three years in the scope of the Tax Consolidation, deferred tax assets of 2.0 mln euro were recognised, calculated on tax losses of 7.5 mln euro.
The deferred tax assets allocated accounted for the positive effect of entry into the tax consolidation of Elettronica Santerno SpA from 2011 and the consequent contribution of positive taxable income to this consolidation.
It was not considered prudent, moreover, to recognize deferred tax assets with reference to temporarily non-deductible financial expenses under the terms of the Thin Cap Rule (1.7 mln euro), as the period of recovery is at the moment unforeseeable; the amount of unrecognised deferred tax assets was 0.5 mln euro.

Provisions for risks
No accrual in 2011.

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

(amounts in euro/000)	**31.12.2011**	%	**31.12.2010**	%
Earnings before tax	**5,925**		**-7,064**	
Theoretical tax rate 31.4%	**1,860**	**31.40%**	**-2,218**	**31.40%**
Effect of non-deductible costs	158	2.67%	147	-2.07%
Untaxable income	-3,843	-64.86%	-1,176	16.64%
Unrecognised tax losses	1,691	28.54%	1,874	-26.53%
Other unrecognised deferred taxes	661	-11.16%	716	-10.14%
Income/expenses not relevant for IRAP	588	9.92%	493	-6.98%
Taxes from previous years	50	0.84%	-1,129	15.98%
Adjustment of deferred taxes of previous year	28	0.47%	-250	3.54%
Provisions for tax risks	-	0.00%	600	-8.49%
Taxation at effective rate	**-129**	**-2.17%**	**-943**	**13.35%**

Research and development costs (non-capitalisable)
During 2011, technical and industrial studies and research were carried out which did not give rise to capitalisation (in accordance with the provisions of IAS 38) for a total of 2.851 mln euro.

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

Group earnings or losses per share

Earnings	**31.12.2011** *Euro*	**31.12.2010** *Euro*
Earnings (Losses) for the purposes of calculation of basic earnings per share	6,054,168	-6,121,605
Diluting effect deriving from potential ordinary shares:		
Earnings (Losses) for the purposes of calculation of diluted earnings per share	6,054,168	-6,121,605

Number of shares	**31.12.2011**	**31.12.2010**
Weighted average number of ordinary shares for the calculation		
of basic earnings (losses) per share:	44,237,799	44,285,218
of diluted earnings (losses) per share:	44,237,799	44,285,218
Basic earnings (losses) per share (Euro):	0.137	-0.138
Diluted earnings (losses) per share (Euro):	0.137	-0.138

Dividends

No dividends were paid in financial year 2011 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	33,827,497	12,827,218	11,300,654	5,738,376	179,199	63,872,944
Provisions for amortisation and impairment	-7,923,644	-8,887,088	-7,272,708	-4,065,942	-	-28,149,382
Net as at 31.12.2009	**25,903,853**	**3,940,130**	**4,027,946**	**1,672,434**	**179,199**	**35,723,562**
Movements in 2010:						
Increases	59,872	23,700	356,880	111,260	158,179	709,891
Decreases	-	-	-123	-2,540	-	-2,663
Capitalisation	-	208,799	-	-	-208,799	-
Depreciation and amortisation	-771,582	-546,231	-508,747	-588,209	-	-2,414,769
Net as at 31.12.2010	**25,192,143**	**3,626,398**	**3,875,956**	**1,192,945**	**128,579**	**34,016,021**
Made up of:						
Historical cost	33,887,369	13,059,717	11,656,126	5,761,722	128,579	64,493,513
Provisions for amortisation and impairment	-8,695,226	-9,433,319	-7,780,170	-4,568,777	-	-30,477,492

Items *(amounts in euro)*	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress and deposits	Total
Historical cost	33,887,369	13,059,717	11,656,126	5,761,722	128,579	64,493,513
Provisions for amortisation and impairment	-8,695,226	-9,433,319	-7,780,170	-4,568,777	-	-30,477,492
Net as at 31.12.2010	**25,192,143**	**3,626,398**	**3,875,956**	**1,192,945**	**128,579**	**34,016,021**
Movements in 2011:						
Increases	221,116	145,478	268,646	407,250	488,078	1,530,568
Decreases	-	-469	-19,858	-3,609	-	-23,936
Capitalisation	59,481	-	-	131,043	-190,524	-
Depreciation and amortisation	-767,699	-537,511	-498,772	-546,240	-	-2,350,222
Net as at 31.12.2011	**24,705,041**	**3,233,896**	**3,625,972**	**1,181,389**	**426,133**	**33,172,431**
Made up of:						
Historical cost	34,167,967	13,203,573	11,838,478	6,193,390	426,133	65,829,541
Provisions for amortisation and impairment	-9,462,926	-9,969,677	-8,212,506	-5,012,001	-	-32,657,110

The increases, which include purchasing and capitalised internal costs, amounted to 1.53 mln euro and refer primarily to:
- purchases of office equipment for 0.50 mln euro
- maintenance and renovation both of the Campodarsego premises for 0.43 mln euro, classified as investments in progress, and the Divisione Agritalia plant for 0.20 mln euro.

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	3,641,911	8,345,876	17,560	2,696,832	14,702,179
Provisions for amortisation and impairment	-3,356,880	-4,653,186	-17,560	-	-8,027,626
Net as at 31.12.2009	**285,031**	**3,692,690**	**-**	**2,696,832**	**6,674,553**
Movements in 2010:					
Increases	-	290,811		434,059	724,870
Decreases	-	-		-2,258,668	-2,258,668
Capitalisation of int. costs	262,954	500,668		-763,622	-
Depreciation and amortisation	-285,031	-1,122,525		-	-1,407,556
Net as at 31.12.2010	**262,954**	**3,361,644**	**-**	**108,601**	**3,733,199**
Made up of:					
Historical cost	3,904,865	8,103,771	17,560	108,601	12,134,797
Provisions for amortisation and impairment	-3,641,911	-4,742,127	-17,560	-	-8,401,598

Items *(amounts in euro)*	**Development costs**	**Licences and Trademarks**	**Royalties and patents**	**Invest. in prog. and deposits**	**Total**
Historical cost	3,904,865	8,103,771	17,560	108,601	12,134,797
Provisions for amortisation and impairment	-3,641,911	-4,742,127	-17,560	-	-8,401,598
Net as at 31.12.2010	**262,954**	**3,361,644**	-	**108,601**	**3,733,199**
Movements in 2011:					
Increases	-	1,558,660		251,466	1,810,126
Decreases	-	-		-17,473	-17,473
Capitalisation of int. costs	-	203,877		-203,877	-
Depreciation and amortisation	-48,208	-1,239,902		-	-1,288,110
Net as at 31.12.2011	**214,746**	**3,884,279**		**138,717**	**4,237,742**
Made up of:					
Historical cost	3,930,164	10,289,068	17,560	138,717	14,375,509
Provisions for amortisation and impairment	-3,715,418	-6,404,789	-17,560	-	-10,137,767

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

The increases mainly relate to licences and commissioning of software (SAP license) and expenses for the development of new products; work in progress is recognised among investments in progress, while internal expenses are capitalised at cost. Development costs in amortisation amounted to 0.215 mln euro (0.263 mln euro as at 31.12.2010). There are no development costs in investments in progress as at 31 December 2011.

Real estate investments (Note 8)

Items *(amounts in euro)*	**Buildings**	**Total**
Balance as at 31.12.2009	**539,703**	**539,703**
Change in currency conversion	-	-
Balance as at 31.12.2010	**539,703**	**539,703**

Items *(amounts in euro)*	**Buildings**	**Total**
Balance as at 31.12.2010	**539,703**	**539,703**
Change in currency conversion	-	-
Balance as at 31.12.2011	**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 2011:

Name *(amounts in euro)*	**31.12.2010**	**Increases**	**Decreases**	**31.12.2011**
ELETTRONICA SANTERNO	2,014,691	-	-	2,014,691
CARRARO DRIVE TECH	30,037,648	-	-	30,037,648
ELETTRONICA SANTERNO BRASIL	3,110	-	-	3,110
CARRARO DEUTSCHLAND GMBH	8,893,090	-	-	8,893,090
CARRARO TECHNOLOGIES	3,035	-	-	3,035
CARRARO INTERNATIONAL S.A.	36,579,100	-	-	36,579,100
GEAR WORLD SPA	16,139,000	-	-	16,139,000
TOTAL EQUITY INVESTMENTS	**93,669,674**	**-**	**-**	**93,669,674**

During financial year 2011 equity investments underwent no movements compared with 31 December 2010.

Financial assets (Note 10)

(amounts in euro)	**31.12.2011**	**31.12.2010**
LOANS TO SUBSIDIARIES	3,898,526	2,658,850
LOANS AND RECEIVABLES	***3,898,526***	***2,658,850***
AVAILABLE FOR SALE	85,841	85,841
OTHER NON-CURRENT FINANCIAL ASSETS		*3,919*
OTHER FINANCIAL ASSETS	***85,841***	***89,760***
NON-CURRENT FINANCIAL ASSETS	**3,984,367**	**2,748,610**
FROM SUBSIDIARIES	18,916	21,270
FROM THIRD PARTIES	35,000	35,000
LOANS AND RECEIVABLES	***53,916***	***56,270***
CASH FLOW HEDGING DERIVATIVES (exch. rate derivatives)	4,210	18,750
OTHER CURRENT FINANCIAL ASSETS	3,919	7,048
OTHER FINANCIAL ASSETS	***8,129***	***25,798***
CURRENT FINANCIAL ASSETS	**62,045**	**82,068**

Non-current loans and receivables:
- these include receivables past due by more than a year from the company Carraro Argentina S.A. for 1.94 mln euro, from the company Carraro India Ltd for 1.01 mln euro and from the company Turbo Gears for 0.81 mln euro.

Current loans and receivables:
– these are financial receivables from the subsidiary Carraro International of 0.02 mln euro;

Other non-current financial assets:

– available for sale (0.09 mln euro): 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
FONDAZIONE TEATRO LA FENICE	VENICE	EURO	2,582
TOTAL			**85,841**

Deferred tax assets and liabilities (Note 11)

The table below illustrates the composition of deferred taxation by the nature of the temporary differences that determine it. The change corresponds to the effect of deferred taxes on net equity and income.

Description of differences *(amounts in euro)*	**Deferred taxes 31.12.2009**	**Effect on SE**	**Effect on IS**	**Deferred taxes 31.12.2010**
Depreciation and amortisation	976,753	-	167,619	1,144,372
Measurement of receivables	37,613	-	-	37,613
Discounting of employee severance indemnity	-81,230	-	10,443	-70,787
Provisions for risks	1,697,726	-	-870,921	826,805
Tax losses	3,224,186	-	1,136,265	4,360,451
Others	486,287	-	-104,170	382,117
Personnel bonuses	-	-	200,620	200,620
Measurement of financial assets/liabilities	-	- 5,156	-	-5,156
TOTAL	**6,341,335**	**-5,156**	**539,856**	**6,876,035**

Description of differences *(amounts in euro)*	**Deferred taxes 31.12.2010**	**reclassification**	**Effect on SE**	**Effect on IS**	**Deferred taxes 31.12.2011**
Depreciation and amortisation	1,144,372		-	-94,950	1,049,422
Measurement of receivables	37,613		-	-14,797	22,816
Discounting of employee severance indemnity	-70,787		-	1,597	-69,190
Provisions for risks	826,805		-	198,262	1,025,067
Tax losses	4,360,451	-615,413	-	-1,691,000	2,054,038
Others	382,117		-	-54,316	327,801
Personnel bonuses	200,620		-	-19,241	181,379
Measurement of financial assets/liabilities	-5,156		5,156	-	-
TOTAL	**6,876,035**	**-615,413**	**5,156**	**-1,674,445**	**4,591,333**

Trade receivables and other receivables (Note 12)

(amounts in euro)	**31.12.2011**	**31.12.2010**
NON CURRENT TRADE RECEIVABLES		
FROM THIRD PARTIES	32,087	36,467
OTHER NON-CURRENT RECEIVABLES	***32,087***	***36,467***
NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**32,087**	**36,467**
FROM RELATED PARTIES	12,151,353	10,444,057
FROM THIRD PARTIES	5,859,494	7,459,027
CURRENT TRADE RECEIVABLES	***18,010,847***	***17,903,084***
FROM RELATED PARTIES	3,793,396	3,217,109
FROM THIRD PARTIES	5,187,852	3,168,708
OTHER CURRENT RECEIVABLES	***8,981,248***	***6,385,817***
CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**26,992,095**	**24,288,901**

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

(amounts in euro)	**31.12.2011**	**31.12.2010**
VAT credits	2,522,088	359,448
VAT credits due for rebate	150,672	164,239
Other tax credits	281,594	427,957
Receivables for current taxes	702,470	766,326
Receivables from employees	2,656	266
Receivables from pensions agencies	37,096	38,776
Other receivables	1,491,276	1,411,696
OTHER CURRENT RECEIVABLES FROM THIRD PARTIES	**5,187,852**	**3,168,708**

Other non-current receivables (0.03 mln euro) are constituted mainly of guarantee deposits.
Trade receivables bear no interest and mature on average at 60 days.
Other current receivables from third parties include VAT receivables of 2.5 mln euro.

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

(amounts in euro)	**31.12.2011**	**31.12.2010**
Trade receivables from related parties	12,151,353	10,444,057
NET CURRENT TRADE RECEIVABLES FROM RELATED PARTIES	***12,151,353***	***10,444,057***
Trade receivables from third parties	5,959,568	7,595,802
Provisions for impairment of receivables	-100,074	-136,775
NET CURRENT TRADE RECEIVABLES FROM THIRD PARTIES	***5,859,494***	***7,459,027***
Other receivables from related parties	3,793,396	3,217,109
NET CURRENT OTHER RECEIVABLES FROM RELATED PARTIES	***3,793,396***	***3,217,109***
Other receivables from third parties	5,187,852	3,168,708
NET OTHER CURRENT RECEIVABLES FROM THIRD PARTIES	***5,187,852***	***3,168,708***

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

(amounts in euro)	***31.12.2011*** PAST DUE Less than 1 year	More than 1 year	NOT YET DUE Less than 1 year	More than 1 year	***TOTAL***	***31.12.2010*** PAST DUE Less than 1 year	More than 1 year	NOT YET DUE Less than 1 year	More than 1 year	***TOTAL***
Trade receivables	4,369,581	686,265	13,055,075	-	**18,110,921**	2,988,874	1,136,411	13,914,574	-	**18,039,859**
Other receivables	-	-	8,981,248	32,087	**9,013,335**	-	-	6,385,817	36,467	**6,422,284**
TOTAL	**4,369,581**	**686,265**	**22,036,323**	**32,087**	**27,124,256**	**2,988,874**	**1,136,411**	**20,300,391**	**36,467**	**24,462,143**

Provisions for impairment of receivables

Movements in provisions for impairment of receivables:

(amounts in euro)	**31.12.2010**	**increases**	**decreases**	**31.12.2011**
Provisions for impairment of trade receivables	136,775	17,105	-53,806	100,074
TOTAL	**136,775**	**17,105**	**-53,806**	**100,074**

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)*	**31.12.2011**	**31.12.2010**
Raw materials	7,470,702	5,715,679
Work in progress and semi-finished products	2,794,953	2,097,773
Finished products	3,577,987	2,909,012
Goods in transit	137,737	215,677
Total inventories	***13,981,379***	***10,938,141***
Provisions for impairment of inventories	-940,186	-750,039
TOTAL	**13,041,193**	**10,188,102**

Inventories amounted to 13.041 mln euro compared with Euro 10.188 mln euro as at 31 December 2010. Provisions for impairment of inventories, recognised to align the value of obsolete or slow-moving stocks to the estimated realisable value, amount to 0.94 mln euro and can be divided as follows:

- raw, subsidiary and consumable materials of 0.86 mln euro;
- semi-finished products of 0.02 mln euro;
- finished products of 0.06 mln euro.

Movements in provisions for impairment of inventories:

(amounts in euro)	
Balance as at 31 December 2010	**750,039**
Provisions set aside	420,349
Utilisation	-230,202
Balance as at 31 December 2011	**940,186**

Total provisions set aside during the year amounted to 0.420 mln euro. During the year 0.230 mln euro was used to dispose of obsolete goods by Divisione Agritalia.

Cash and cash equivalents (Note 14)

Items *(amounts in euro)*	**31.12.2011**	**31.12.2010**
CASH	84,058	73,755
BANK CURRENT ACCOUNTS AND DEPOSITS	6,071,750	311,907
TOTAL	**6,155,808**	**385,662**

Shareholders' equity (Note 15)

Items *(amounts in euro)*	**31.12.2011**	**31.12.2010**
1) Share Capital	23,914,696	23,914,696
2) Other Reserves	29,577,837	37,737,439
3) Profits/(Losses) brought forward	-	-
4) IAS/IFRS first adoption reserve	23,975,454	23,975,454
5) Other IAS/IFRS reserves	-7,141,566	-7,127,972
6) Profit/(Loss) for the period	6,054,168	-6,121,605
SHAREHOLDERS' EQUITY:	**76,380,589**	**72,378,012**

The Shareholders' Meeting held on 5 May 2011 approved a treasury share purchase and disposal plan involving no more than 5% of the share capital, for a term of 18 months, which provides for: a purchase price per ordinary share no less than 30% lower, and no more than 20% higher than the reference price for the share recorded in the stock exchange session on the day prior to each individual transaction, and a sale price per ordinary share no less than 20% lower, and no more than 20% higher than the reference price for the share recorded in the stock exchange session on the day prior to each individual transaction.

The same Shareholders' Meeting voted to cover the 2010 loss, amounting to 6,121,605 Euro, using the extraordinary reserve.
With effect from 31 December 2009, the share capital of Carraro S.p.A. is 23,914,696 euro, corresponding to 45,989,800 shares with a face value of 0.52 euro each.

The company has issued a single category of ordinary shares which do not give the right to a fixed dividend.
No other financial instruments which assign equity and investment rights have been issued.
As at 31 December 2011, 1,936,401 shares had been purchased for a total investment of 5.411 mln euro.

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

Nature/description	31/12/2010	Movem. 2011	31/12/2011	Utilisation possibility	Notes	Portion available
Share capital:	23,914,696	-	23,914,696	---		0
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	4,458,341		4,458,341	B		0
Extraordinary reserve and Retained profits	9,521,960	-6,121,605	3,400,355	A, B, C		3,400,355
Treasury share reserve	-3,372,552	-2,037,996	-5,410,548	---	(6)	-5,410,548
IAS negative reserve	-7,141,566		-7,141,566	---	(7)	-7,141,566
Shareholders' Equity Reserves:						
Cash flow hedge reserve	13,594	-13,594	0	B	(8)	0
Profit/loss for the year:	-6,121,605	12,175,773	6,054,168	---		6,054,168
Total	**72,378,011**	**4,002,578**	**76,380,589**			**47,638,246**
Non-distributable reserves						-23,600,937
Profit/loss for the year to allocate and legal reserve						-302,708
Capitalised development costs					(9)	-214,746
Distributable portion						**23,519,855**

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

(1) limitations Art. 2431 C.C.
(2) governed by Article 7, para. 4 of Leg. Dec. 38 of 28 February 2005
(3) governed by Article 7, para. 6 of Leg. Dec. 38 of 28 February 2005
(4) governed by Article 7, para. 7 of Leg. Dec. 38 of 28 February 2005
(5) governed by Article 7, para. 3 of Leg. Dec. 38 of 28 February 2005
(6) separate indication in accordance with IAS 1
(7) adjustment for alignment to IAS following contribution of Agritalia division (as it was a transaction under common control)
(8) governed by Article 6, para. 4 of Leg. Dec. 38 of 28 February 2005
(9) limitations Art. 2426 C.C. n° 5

Financial liabilities (Note 16)

As at 31 December 2011, as well as at 31 December 2010, the financial parameters (covenants) foreseen in the Framework Agreement between Carraro S.p.A. and lending banks for said date were respected.
In particular:
- gearing (defined as the ratio of net financial position to owners' equity) came out at 2.76 as at 31 December 2011 (the Framework Agreement defines for that date a minimum value of the parameter of 2.60, with a margin of tolerance up to 2.99);
- the Net Financial Position/EBITDA ratio came out at 3.87 as at 31 December 2011 (the Framework Agreement defines for that date a minimum value of the parameter of 3.40, with a margin of tolerance up to 3.91).

The classification of financial liabilities is shown below:

Items *(amounts in euro)*	**31.12.2011**	**31.12.2010**
MEDIUM/LONG-TERM LOANS	*15,089,807*	*16,783,036*
NON-CURRENT FINANCIAL LIABILITIES	**15,089,807**	**16,783,036**
MEDIUM/LONG-TERM LOANS – short-term portion	*1,808,611*	*900,582*
LOANS TO SUBSIDIARIES	*33,374,372*	*50,569,990*
SHORT-TERM LOANS	*12,470,006*	*4,865,000*
FINANCIAL LIABILITIES	**47,652,989**	**56,335,572**
FAIR VALUE OF EXCHANGE RATE DERIVATIVES	*10,324*	*1,852*
OTHER CURRENT FINANCIAL LIABILITIES	*83,221*	*7,265*
OTHER FINANCIAL LIABILITIES	**93,545**	**9,117**
CURRENT FINANCIAL LIABILITIES	**47,746,534**	**56,344,689**

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**		
Par value	*amortised cost effect and exchange delta*	*Par value*	*amortised cost effect and exchange delta*	*Par value*	*amortised cost effect and exchange delta*	**Total 31.12.2011**
1,925,000	-116,389	7,700,000	-347,959	7,875,000	-137,234	16,898,418
1,925,000	**-116,389**	**7,700,000**	**-347,959**	**7,875,000**	**-137,234**	**16,898,418**

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 31.12.2011**	**Md/lg-term portion as at 31.12.2011**	**EXPIRY**	**RATE**	**RATE TYPE**	**CURRENCY**
Banca Antonveneta	1,925,000	15,575,000	Dec-20	3.27%	variable	EURO
TOTAL	**1,925,000**	**15,575,000**				

Non-current loans (15.090 mln euro) consist entirely of an amortising mortgage loan (valued at amortised cost)obtained from Banca Antonveneta, with a nominal remaining balance as at 31 December 2011 of 16.9 mln euro, variable interest rate and maturity as at 31 December 2020.
Current loans (47.65 mln euro) are made up of the following:

- 32.83 mln euro for funding received from Carraro International involving a credit facility totalling 55 mln euro, maturing on 31.12.2011, already renewed to 31.12.2012, final rate 4.137%; a non-utilisation fee and an origination fee are envisaged;
- 0.54 mln euro financial debts to Carraro International relating to invoices for interest on the loan;
- current-account advances and overdrafts of 12.47 mln euro against revocable credit facilities of 13.0 mln euro usable for current account overdrafts and short-term financing, on a 12 month revolving basis;
- 1.81 mln euro short-term portion Antonveneta mortgage;

The net financial position is broken down below.

Net financial position *(amounts in euro)*	**31.12.2011**	**31.12.2010**
Non-current loans payable	15,089,807	16,783,036
Current loans payable	47,652,989	56,335,572
Other current financial liabilities	83,221	7,265
Financial liabilities:	**62,826,017**	**73,125,873**
Non-current loans and receivables	- 3,898,526	- 2,658,850
Current loans and receivables	-53,916	- 56,270
Other non-current financial assets	-	- 3,919
Other current financial assets	-3,919	- 7,048
Financial assets:	**-3,956,361**	**- 2,726,087**
Cash	-84,058	- 73,755
Bank current accounts and deposits	-6,071,749	- 311,907
Cash and cash equivalents:	**-6,155,807**	**- 385,662**
Net financial position	**52,713,849**	**70,014,124**
of which payables / (receivables):		
- non-current	11,191,281	14,120,267
- current	41,522,568	55,893,857

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 related uncertainty in identifying “reference” conditions – as measured is not significantly different overall from the carrying amounts.

Management of capital

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

The company manages and modifies the capital structure in line with changes in economic conditions. To maintain or alter the capital structure, the company can adjust the dividends paid to the shareholders, redeem the capital or issue new shares.

Particular attention is paid to the level of debt in relation to net equity and to EBITDA, thereby pursuing the objectives of profitability and cash generation for the company business.

Trade payables and other payables (Note 17)

Items *(amounts in euro)*	**31.12.2011**	**31.12.2010**
NON-CURRENT TRADE PAYABLES	**-**	**-**
FROM RELATED PARTIES	*600,000*	
OTHER NON-CURRENT PAYABLES	***600,000***	**-**
TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES	**600,000**	**-**
FROM RELATED PARTIES	3,556,287	2,481,735
FROM THIRD PARTIES	33,307,304	18,740,613
CURRENT TRADE PAYABLES	***36,863,591***	***21,222,348***
FROM RELATED PARTIES	-	38,935
FROM THIRD PARTIES	4,733,526	5,113,493
OTHER CURRENT PAYABLES	***4,733,526***	***5,152,428***
TRADE PAYABLES AND OTHER CURRENT PAYABLES	**41,597,117**	**26,374,776**

Trade payables on average are settled at 120 days.

It should be noted that during the year liabilities for MBO (management by objectives) were reclassified from the item Amounts due to employees to Other provisions for risks and liabilities amounting to 0.73 mln euro; this reclassification was considered as the best representation of the company liability in line with reference IAS and IFRS.

Trade payables and other payables

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

(amounts in euro)	***31.12.2011***					***31.12.2010***				
	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 payables	1,502,355	-15,732	35,376,968	-	**36,863,591**	359,288	221,798	20,641,262	-	**21,222,348**
Other payables	-	-	4,733,526	600,000	**5,333,526**	-	-	5,152,428	-	**5,152,428**
TOTAL	**1,502,355**	- **15,732**	**40,110,494**	**600,000**	**42,197,117**	**359,288**	**221,798**	**25,793,690**	**-**	**26,374,776**

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

Items *(amounts in euro)*	**31.12.2011**	**31.12.2010**
Amounts due to pensions agencies	901,172	822,239
Amounts due to employees	1,744,127	2,314,996
IRPEF (personal income tax) employees & professionals	898,130	796,653
Board of Directors	1,099,955	1,145,497
Other payables	90,142	34,108
OTHER CURRENT PAYABLES	**4,733,526**	**5,113,493**

Current taxes payables (Note 18)

As at 31 December 2011 there were no current taxes payables.

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

(amounts in euro)	31.12.2011	31.12.2010
Factory workers	999,002	975,228
Clerical staff and executives	2,000,262	1,743,760
Sub Total	**2,999,264**	**2,718,988**
Severance indemnity - Pensions Agency	-1,124,009	-910,742
TOTAL PROVISION FOR SEVERANCE INDEMNITY	**1,875,255**	**1,808,246**

Items *(amounts in euro)*	**31.12.2011**	**31.12.2010**
Opening severance indemnities in accordance with IAS 19	**1,808,246**	**2,061,506**
Utilisation of employee severance indemnities	-92,215	-259,873
Employee severance indemnities transferred to other companies	-13,487	-141,115
Employee severance indemnities transferred from other companies	128,151	74,699
Current Service Cost	-	-
Interest Cost	88,106	94,918
Actuarial Gains/Losses	-43,546	-21,889
Closing severance indemnities in accordance with IAS 19	**1,875,255**	**1,808,246**

The severance indemnity, calculated according to current Italian laws, is treated for accounting purposes as a defined-benefit fund and as such is recalculated at the end of each accounting period according to a statistical-actuarial criterion which also takes account of the effects of financial discounting.
The severance indemnity refers to employee benefits governed by current Italian laws.
The actuarial valuation of this obligation is carried out according to the actuarial criterion of the "projected unit credit method" with the support of the data issued by ISTAT, the INPS and the ANIA. The parameters used are as follows: 1) annual discount rate: 5%, 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 for defined-benefit plans; the change in liability noted between the end of the period and the previous one is booked in full to the income statement and classified under personnel costs.
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.

Number of employees

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

Employees	31.12.2010	Changes	31.12.2011
Executives	15	3	18
Clerical staff	119	11	130
Factory workers	146	-5	141
Temporary workers	10	26	36
Total as at 31.12	**290**	**35**	**325**

Provision for risks and liabilities (Note 20)

The item can be broken down as follows:

(amounts in euro)	**Opening situation**	**Increases**	**Decreases**	**Reclassification**	**Closing situation**
Provisions Non-current portion					
1) WARRANTY	399,000	-	-	-	399,000
2) COSTS OF LEGAL CLAIMS	989,234	-	-787,329	-	201,905
3) RENOVATION AND CONV.	-	-	-	-	-
4) OTHER PROVISIONS	-	-	-	-	-
TOTAL	**1,388,234**	**-**	**-787,329**	**-**	**600,905**
Provisions Current portion					
1) WARRANTY	1,460,449	1,244,746	-803,485	-	1,901,710
2) COSTS OF LEGAL CLAIMS	-	-	-	-	-
3) RENOVATION AND CONV.	27,000	-	-	-	27,000
4) OTHER PROVISIONS	-	-	-69,967	729,528	659,561
TOTAL	**1,487,449**	**1,244,746**	**-873,452**	**729,528**	**2,588,271**

Of the product warranty reserve, 0.80 mln euro was used for customer claims accepted and the reserve was increased by 1.24 mln euro on the basis of the expected warranty costs which will be incurred in relation to the sales made.

With reference to provisions for legal claims, the decreases relate, for 0.60 mln euro, to the reclassification as payables to Carraro Argentina of the provision accrued in 2010 for the pending issue with the Argentine tax authorities. The residual decrease refers to payment of instalments for the accepted assessment regarding 2006. The residual amount is allocated to cover outstanding payments for the accepted assessment concerning a pending VAT issue.

It is pointed out that the item Other provisions for risks and liabilities, amounting to 0.66 mln euro, is constituted by the MBO (management by objectives) provision. This provision was reclassified during the year for an amount of 0.73 mln euro which in the previous year were recognised under Amounts due to employees; this reclassification was considered as the best representation of the company liability in line with reference IAS and IFRS.

6. Commitments and risks

(amounts in euro)

Items	**31.12.2011**	**31.12.2010**
- guarantees given	46,098,068	28,681,276
Commitments:		
- commitments for operating leases	-	-

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

(amounts in euro)

IN FAVOUR OF	***ON BEHALF OF***	**Expiry**	**opening amount**	**closing amount**
BNP PARIBAS	TURBO GEARS LTD	ON DEMAND	8,000,000	3,000,000
MCC SPA	TURBO GEARS LTD	31/12/2014	8,150,000	3,678,571
MCC SPA	CARRARO INDIA	07/04/2013	2,276,429	1,046,214
BANCA POP. DI VERONA	ELETTRONICA SANTERNO SPA	ON DEMAND	3,000,000	1,200,000
CAPITALIA LUXEMBOURG	CARRARO INTERNATIONAL	12/06/2013	7,700,000	1,897,000
BNP PARIBAS	FON	ON DEMAND	400,000	400,000
UNICREDIT FACTORING	CARRARO DRIVE TECH S.P.A.	ON DEMAND	30,000,000	15,922,312
UNICREDIT FACTORING	SIAP SPA	ON DEMAND	3,500,000	1,007,885
UNICREDIT FACTORING	MG MINI GEARS	ON DEMAND	3,500,000	4,008,510
UNICREDIT FACTORING	ELETTRONICA SANTERNO SPA	ON DEMAND	15,000,000	4,565,549
PVR	ELETTRONICA SANTERNO SPA	ON DEMAND	15,000,000	4,372,027
BANCA ANTONVENETA	TURBO GEARS LTD	21/07/2014	5,000,000	5,000,000
TOTAL				**46,098,068**

7. FINANCIAL INSTRUMENTS

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

31.12.2011	*(amounts in euro)*	**FINANCIAL INCOMES**	**FINANCIAL EXPENSES**	**POS. EXCHANGE DIFF.**	**NEG. EXCHANGE DIFF.**	**COSTS /REVENUES**
A) FINANCIAL ASSETS:						
A.1) Cash and Cash Equivalents:						
	Bank accounts, positive balance	8,136	-	-	-	-
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	-	-	31,384	-61,237	-
	Other financial assets	390,582	-	84	-	-
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:						
	cross-chge from sh. eq. reserve	-	-	4,210	-	-
	profit realised	-	-	9,097	-	-
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	-	-161,229	-	-	-
	Trade payables	-	-	15,984	-14,809	-
	Loans payable	-	-2,515,296	-	-	-
	of which loans payable at amortised cost	-	-	-	-	-
	Other financial liabilities	-	-703,773	-	-21,915	-
B.2) Derivative Financial Instruments:						
B.2.1) Hedging derivatives:						
B.2.1.1) Cash Flow Hedging Derivatives on currencies:						
	cross-chge from sh. eq. reserve	-	-	-	-8,472	-
	loss realised	-	-	-	-54,086	-
TOTAL		**398,718**	**-3,380,298**	**60,759**	**-160,519**	**-**

31.12.2010	*(amounts in euro)*	**FINANCIAL INCOMES**	**FINANCIAL EXPENSES**	**POS. EXCHANGE DIFF.**	**NEG. EXCHANGE DIFF.**	**COSTS/ REVENUES**
A) FINANCIAL ASSETS:						
A.1) Cash and Cash Equivalents:						
	Bank accounts, positive balance	838	-	-	-	-
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	-	-	14,367	56,960	-
	Other financial assets	187,539	-	169	-	-
A.2.4) Financial instruments available for sale (AVS):						
A.3) Derivative Financial Instruments:						
A.3.1) Hedging derivatives: *A.3.1.2) Cash Flow Hedging Derivatives on currencies:*		-	-	-	-	-
	Fair value in shareholders' equity					13,594
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	-	-92,303	-	-	-
	Trade payables	-	-	3,596	-27,408	-
	Loans payable	-	-2,110,801	-	-	-
	of which loans payable at amortised cost	-	-	-	-	-
	Other financial liabilities	-	-635,938	-	18,060	-
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				-1,852	
TOTAL		**188,377**	**-2,839,042**	**18,132**	**45,760**	**13,594**

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 31.12.2011. These are instruments hedging foreign currency sales budgets.

a) notional values

CONTRACT	Notional value as at 31.12.2011	Notional value as at 31.12.2010
Swaps (DCS) (1)	-65,693	-448,994
Swap (DCS) (2)	417,343	-
Total notional values	**351,650**	**-448,994**

b) reference currencies and expiry dates of contracts

CONTRACT	Carraro SpA
Swaps (DCS) (1)	
Currencies	USD/EUR
Expiry dates	Jan-Feb 12
Swap (DCS) (2)	
Currencies	USD/EUR
Expiry dates	Jan-Feb 12

c) Fair value

CONTRACT	Fair Value 31.12.2011	Fair Value 31.12.2010
Swaps (DCS) (1)	4,210	16,898
Swap (DCS) (2)	-10,324	-
TOTAL	**-6,114**	**16,898**

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

d) Details of *fair values*

	31.12.2011		31.12.2010	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
CASH FLOW HEDGES				
Exchange rate risk – Domestic Currency Swaps	4,210	-10,324	18,750	-1,852

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

	31.12.2011	31.12.2010
FV recognised in the income statement	-6,114	-1,852
FV recognised in net equity	-	18,750
Total	**-6,114**	**16,898**

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 31.12.2011 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 31.12.2011.

Sensitivity analysis
The table below shows the economic and equity effects generated by the financial statements assets and liabilities (as at 31.12.2011 and 31.12.2010 respectively), in the event of sudden changes in the following market variables:

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

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

Balances as at 31.12.2011	**INTEREST RATE RISK**				**EXCHANGE RATE RISK**			
(amounts in euro)	1%		-0.50%		10%		-10%	
	EFFECT ON INCOME	EFFECT ON EQUITY	EFFECT ON INCOME	EFFECT ON EQUITY	EFFECT ON INCOME	EFFECT ON EQUITY	EFFECT ON INCOME	EFFECT ON EQUITY
ASSETS								
Trade receivables					- 87,515		107	
Other fin. ass. - derivatives on currencies					36,165	-	-34,847	-
Other fin. ass. - derivatives on interest rates								
Loans					-		-	
Cash and cash equivalents					-		-	
Total gross effect	**-**	**-**	**-**	**-**	**-51,350**	**-**	**- 34,740**	**-**
Taxes (27.50%)	-	-	-	-	14,121	-	9,554	-
Total net effect	**-**	**-**	**-**	**-**	**- 37,229**	**-**	**-25,186**	**-**
LIABILITIES								
Trade payables					- 17,691		21,622	
Loans	605,754		-302,877		-		-	
Total gross effect	**605,754**	**-**	**- 302,877**	**-**	**- 17,691**	**-**	**21,622**	**-**
Taxes (27.50%)	- 166,582	-	83,291	-	4,865	-	- 5,946	-
Total net effect	**439,172**	**-**	**- 219,586**	**-**	**- 12,826**	**-**	**15,676**	**-**
TOTAL	**439,172**	**-**	**-219,586**	**-**	**- 50,055**	**-**	**- 9,510**	**-**

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

Balances as at 31.12.2010 *(amounts in euro)*	**INTEREST RATE RISK** 1%		-0.50%		**EXCHANGE RATE RISK** 10%		-10%	
	EFFECT ON INCOME	EFFECT ON EQUITY	EFFECT ON INCOME	EFFECT ON EQUITY	EFFECT ON INCOME	EFFECT ON EQUITY	EFFECT ON INCOME	EFFECT ON EQUITY
ASSETS								
Trade receivables					-76,072		92,977	
Other fin. ass. - derivatives on currencies					-7,128	-42,522	- 11,339	51,972
Total gross effect	**-**	**-**	**-**	**-**	**-83,200**	**- 42,522**	**81,638**	**51,972**
Taxes (27.50%)	-	-	-	-	22,880	11,694	- 22,450	- 14,292
Total net effect	**-**	**-**	**-**	**-**	**- 60,320**	**- 30,828**	**59,188**	**37,680**
LIABILITIES								
Trade payables					- 23,159		28,305	
Loans	626,924		- 313,462		-		-	
Total gross effect	**626,924**	**-**	**-313,462**	**-**	**- 23,159**	**-**	**28,305**	**-**
Taxes (27.50%)	- 172,404	-	86,202	-	6,369	-	- 7,784	-
Total net effect	**454,520**	**-**	**-227,260**	**-**	**- 16,790**	**-**	**20,521**	**-**
TOTAL	**454,520**	**-**	**-227,260**	**-**	**- 77,110**	**- 30,828**	**79,709**	**37,680**

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

8. Transactions with related parties (Note 21)

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

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

Name and surname	Subsidiary company: Carraro S.p.A.	N° of shares held as at 31.12.2010	N° of shares purchased	N° of shares sold	N° of shares held as at 31.12.2011
Mario Carraro	Directly held	1,903,250	-	-	1,903,250
	through Finaid S.p.A.	26,775,564	-	-	26,775,564
Francesco Carraro	Directly held	1,182,395	-	-	1,182,395
Chiara Alessandri	Directly held	20,000	-	-	20,000
Alexander Josef Bossard	Directly held	6,000	4,000	-	10,000
Antonio Cortellazzo	Directly held	29,000	37,500	29,000	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 rev.	Purchases of goods and materials	Purchases of services	Personnel costs	Other income (expenses)	Income from equity investments	Other financial income	Financial costs and expenses
Parent Companies														
Finaid			3,796			5								
Subsidiary Companies														
Carraro Drive Tech S.p.A.			3,869	696	3,678	3,101	75	3,163	362	16	2,703		67	1
Siap SpA			378	216		648	5	1,295	1		4		2	
Carraro India Ltd	1,153		1,736	1,767		896	106	9,314			469		8	
Turbo Gears Ltd	807		594	-40		428		87					53	
Carraro Technologies			129	19		37		16	135					
Carraro Argentina	1,939		1,217	632		545		43			232			
Carraro International S.A.	19	33,374	2	145		19	3	579	40			3,500	10	2,470
F.O.N. S.A.			276			119					1		3	
O&K Antriebstechnik			559			553								
Carraro North America			189	1		6								
Carraro China			1,191	386		680		1,891			134			
Carraro Deutschland GmbH												3,000		
Elettronica Santerno			709	337		834			614			6,700	39	
Energy Engineering			10			8								
ZAO Santerno			3			2								
Eletronica Santerno Industria e Comercio Ltda			17			15								
Elettronica Santerno Spain			5			9								
Elettronica Santerno USA			30											
MG Mini Gears			338	1		720		1					17	
MG Mini Gears USA			206			50								
MG Mini Gears Suzhou			517			200								
Gear World			141	-4		144								
TOTAL	**3,918**	**33,374**	**12,116**	**4,156**	**3,678**	**9,014**	**189**	**16,389**	**1,152**	**16**	**3,543**	**13,200**	**199**	**2,471**
Other related parties														
Maus S.p.A.			30			57								
European Power System S.r.l.			3			5								
MGT						1								
TOTAL			**33**			**63**								

TOTAL	**3,918**	**33,374**	**15,945**	**4,156**	**3,678**	**9,082**	**189**	**16,389**	**1,152**	**16**	**3,543**	**13,200**	**199**	**2,471**

Notes:

1. **Financial transactions**

Financial transactions relate to short and long-term loans.

2. **Economic transactions**

The most significant economic transactions represent trade transactions for the purchase and sale of raw materials, semi-finished products, transactions of purchase and sale of raw materials, semi-finished products and component technology for the production of drive systems; purchases of services refer mainly to services for industrial processing. Purchases from Maus S.p.A. relate to the supply of specific machine tools and the related spare parts and accessories.
The main sales of services include amounts charged for the utilisation of central information systems and the organisational support provided by the Parent Company in the various operating areas. Fees and royalties refer to specific commercial agency agreements and the sale of rights to use industrial know-how.
Interest income is generated by outstanding loans; interest expense is generated by the loan received from Carraro International.
The income and expenses from tax consolidation refer to the remuneration paid for taxable income and losses transferred in the context of the tax consolidation under Finaid SpA.

INFORMATION IN ACCORDANCE WITH ART. 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 2011 accounting period for auditing services and for other services provided by the same auditing company.

(amounts in euro thousands)	**2011**	**2010**
Accounting audit	213	189
Other services	135	5
Total fees	**348**	**194**

These fees were paid to the company PricewaterhouseCoopers SpA.

9. Events subsequent to the reporting date

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

10. STATEMENT OF EQUITY INVESTMENTS EXCEEDING 10% AS AT 31 DECEMBER 2011 (Art.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	Profit (loss) 31.12.2011	Sh. Equity 31.12.2011	Direct portion
			Currency	Amount	Total	(ctv. euro)	(ctv. euro)	
Carraro International S.A.	Luxembourg	Carraro SpA	EUR	39,318,000	39,318	4,800,719	46,231,488	100.00%
Carraro Deutschland GmbH	Hattingen (Germany)	Carraro SpA	EUR	10,507,048	10,507,048	62,360	10,056,504	100.00%
Carraro Technologies India Pvt. Ltd.	Pune (India)	Carraro SpA	INR	18,000,000	1,800,000	311,781	505,529	1.00%
Carraro Drive Tech S.p.A.	Campodarsego (PD)	Carraro SpA	EUR	23,817,193	23,817,193	-6,430,734	19,600,338	45.84%
Gear World S.p.A.	Padua	Carraro SpA	EUR	35,084,397	35,084,397	-1,301,687	47,156,143	45.60%
Elettronica Santerno S.p.A.	Campodarsego (PD)	Carraro SpA	EUR	2,500,000	2,500	7,455,822	31,322,118	67.00%
Eletronica Santerno Industria e Comercio Ltda	Minas Gerais (Brazil)	Carraro SpA	REAL	2,443,827	2,443,827	-953,766	-147,075	0.34%

2) SUBSIDIARY COMPANIES INDIRECTLY HELD

Name	Registered office	Holding company (indirect parent)	Share capital		Number of shares/ units	Profit (loss) 31.12.2011	Sh. Equity 31.12.2011	Portion Holding company	Indirect portion	Carrying amount equity invest. 31.12.2011
			Curr.	Amount	Total	(ctv. euro)	(ctv. euro)			(Euro)
Carraro Finance Ltd.	Dublin (Ireland)	Carraro International S.A.	EUR	100,000	100,000	-11,128	9,033,491	100.00%	100.00%	9,176,686
Carraro Technologies India Pvt. Ltd.	Pune (India)	Carraro Drive Tech S.p.A.	INR	18,000,000	1,800,000	311,781	505,529	99.00%	99.00%	447,265
Carraro Drive Tech S.p.A.	Campodarsego (PD)	Carraro International S.A.	EUR	23,817,193	23,817,193	-6,430,734	19,600,338	44.04%	44.04%	24,872,251
Carraro Drive Tech S.p.A.	Campodarsego (PD)	Carraro Deutschland GmbH	EUR	23,817,193	23,817,193	-6,430,734	19,600,338	10.12%	10.12%	9,758,436
Eletronica Santerno Ind. e Com. Ltda	Minas Gerais (Brazil)	Elettronica Santerno S.p.A.	REAL	2,443,827	2,443,827	-953,766	-147,075	99.66%	99.66%	-
Gear World S.p.A.	Padua	Carraro International S.A.	EUR	35,084,397	35,084,397	-1,301,687	47,156,143	28.22%	28.22%	9,922,951
O&K Antriebstechnik GmbH & Co. KG	Hattingen (Germany)	Carraro Drive Tech S.p.A.	EUR	4,000,000	4,000,000	5,559,165	18,645,888	100.00%	100.00%	9,754,000
Carraro Argentina S.A.	Haedo (Argentina)	Carraro Drive Tech S.p.A.	ARS	105,096,503	105,096,503	-321,168	23,320,022	99.94%	99.94%	21,907,996
Carraro China Drive System	Qingdao (China)	Carraro Drive Tech S.p.A.	CNY	168,103,219	-	2,225,918	16,580,922	100.00%	100.00%	16,901,673
Carraro India Ltd.	New Delhi (India)	Carraro Drive Tech S.p.A.	INR	568,260,000	56,826,000	1,519,484	14,938,083	100.00%	100.00%	30,538,834
Carraro North America Inc.	Norfolk (USA)	Carraro Drive Tech S.p.A.	USD	1,000	1,000	-102,367	-43,005	100.00%	100.00%	-
Fon S.A.	Radomsko (Poland)	Carraro Drive Tech S.p.A.	PLN	47,868,220	4,786,822	-1,382,963	61,496	98.62%	98.62%	-
Carraro Drive Tech Do Brasil	Santo Andrè (State of Sao Paulo)	Carraro Drive Tech S.p.A.	REAL	267,094	267,094	420	484,627	99.90%	99.90%	489,421
Elettronica Santerno S.p.A.	Campodarsego (PD)	Carraro International S.A.	EUR	2,500,000	2,500	7,455,822	31,322,118	33.00%	33.00%	19,000,000
Elettronica Santerno Espana S.L.	Valencia (Spain)	Elettronica Santerno S.p.A.	EUR	1,003,006	1,003,006	166,358	993,614	100.00%	100.00%	1,020,424
Santerno Inc.	San Francisco (USA)	Elettronica Santerno S.p.A.	USD	1,000	1,000	-841,507	-851,574	100.00%	100.00%	-
Zao Santerno	Moscow (Russia)	Elettronica Santerno S.p.A.	RUBLE S	100,000	100	-275,247	-258,302	100.00%	100.00%	-
Energy Engineering Srl	Imola (Bologna)	Elettronica Santerno S.p.A.	EUR	110,000	-	-131,942	-966,285	100.00%	100.00%	460,000
Turbo Gears India Ltd.	Pune (India)	Gear World S.p.A.	INR	550,000,000	55,000,000	-1,582,935	7,019,947	99.9998%	73.8199%	15,829,331
Turbo Gears India Ltd.	Pune (India)	Siap SpA	INR	550,000,000	55,000,000	-1,582,935	7,019,947	0.0002%	0.0001%	18
M.G. Mini Gears S.p.A.	Padua	Gear World S.p.A.	EUR	5,256,951	5,256,951	150,673	5,407,626	33.00%	24.36%	26,279,930
M.G. Mini Gears S.p.A.	Padua	Siap SpA	EUR	5,256,951	5,256,951	150,673	5,407,626	67.00%	41.04%	10,000,000
Siap SpA	Maniago (PN)	Gear World S.p.A.	EUR	17,622,616	17,622,616	2,757,903	29,719,297	82.98%	61.26%	16,247,181
Mini Gears Inc	Virginia Beach (USA)	MiniGears S.p.A.	USD	8,910,000	-	-963,951	2,213,770	100.00%	65.40%	9,300,353
Gear World North America Inc.	Virginia Beach (USA)	Mini Gears Inc	USD	20,000	-	-	-	100.00%	65.40%	14,285
Mini Gears Property	Virginia Beach (USA)	Mini Gears Inc	USD	20,000	-	-	-	100.00%	65.40%	14,285
MG Shangai Trading Ltd	Shanghai (China)	Elettronica Santerno S.p.A.	CNY	1,655,460	-	-172,887	157,552	100.00%	65.40%	196,059
MiniGears Suzhou Co. Ltd.	Suzhou (China)	MiniGears S.p.A.	CNY	35,222,197	-	397,189	8,747,250	100.00%	65.40%	3,533,658

Annex to the explanatory notes to the Financial Statements as at 31.12.2011 – 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	Opening Sit.	Closing Sit.	Opening Sit.	Closing Sit.	Opening remainder	Closing remainder
INDUST. LAND	2,479	2,479			2,479	2,479
INDUST. BUILDINGS -	103,272	103,272	11,693	11,693	91,579	91,579
1) TOTAL LAND AND BUILDINGS	105,751	105,751	11,693	11,693	94,058	94,058
GENERAL PLANT	24,107	24,107	6,477	6,477	17,630	17,630
SPECIFIC PLANT	0	0	0	0	0	0
**TOTAL PLANT	24,107	24,107	6,477	6,477	17,630	17,630
**TOTAL MACHINERY	0	0	0	0	0	0
2) TOTAL PLANT AND MACHINERY	24,107	24,107	6,477	6,477	17,630	17,630
3) TOTAL IND. COMM. EQUIP.	0	0	0	0	0	0
4) TOTAL OTHER GOODS	0	0	0	0	0	0
TOTAL BII	129,858	129,858	18,170	18,170	111,688	111,688

REVALUATION LAW 72/1983

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

REVALUATION LAW 413/1991

Amounts in euro	REVALUATION HIST. COST		REVALUATION PROV. FOR DEPRECIATION		NET BALANCE REVAL.	
Description	Opening Sit.	Closing Sit.	Opening Sit.	Closing Sit.	Opening Sit.	Closing Sit.
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 euro in Carraro S.p.A. and 129,114 euro 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 euro 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 euro gross of the substitute tax of 173,569 euro. This was utilised for a free increase in the share capital in accordance with the resolution of 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 euro.

The Chairman

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Mario Carraro

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

1. The undersigned Alexander Bossard, Chief Executive Officer, and Enrico Gomiero, Director Responsible for producing the company's accounting documents of Carraro S.p.A., taking into account also the provisions of Art. 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 2011.

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 figures in the accounting documents and books;

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

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

Date: 15 March 2012

Alexander Bossard

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Chief Executive Officer

Enrico Gomiero

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The Director Responsible for producing the company's accounting documents