SORIN GROUP
AT THE HEART OF MEDICAL TECHNOLOGY

Annual Report 2011

REPORT ON OPERATIONS
CONSOLIDATED FINANCIAL STATEMENTS
STATUTORY FINANCIAL STATEMENTS OF SORIN SPA

AT DECEMBER 31, 2011

SORIN S.p.A.
Share Capital: 478,738,144 euros
Tax I.D. No. 04160490969
VAT No. 04160490969

Registered and Administrative Offices:
20159 Milano
Via Benigno Crespi, 17
Milan Company Register,
REA No. 1730327

Tel.:+39 02 69969711
http://www.sorin.com

Disclaimer

This document contains forward-looking statements, particularly in the section entitled “Business Outlook for 2012.” By their very nature, forward-looking statements entail a certain degree of risk and uncertainty because they are predicated on the occurrence of future events and developments. Actual results could differ, even to a significant extent, from those projected, due to a number of factors, such as general macroeconomic conditions, changes in economic and regulatory framework in the countries where Sorin Group operates, success in developing and implementing new technologies and other changes in business conditions, including activities by the competition.

CONTENTS

CORPORATE GOVERNANCE BODIES AND COMMITTEES

Board of Directors

Chairman	Rosario Bifulco
Deputy Chairman	Giovanni Pavese
Chief Executive Officer	André-Michel Ballester
Directors	Claudio Albertini
	Giuliano Asperti (1)
	Paolo Baessato (1)
	Andrea Bovone
	Giorgio Fossa (1)
	Pietro Guindani (1)
	Ettore Morezzi (1)
	Enzo Nicoli
	Luigi Ragno (1)
	Francesco Silva
	Massimo Tononi
	Claudio Agostino Zulli

Board of Statutory Auditors

Chairman	Cesare Piovene Porto Godi
Statutory Auditors	Paolo Gualtieri
	Andrea Zaglio

Independent Auditors

Reconta Ernst & Young S.p.A.

(1) Independent Director.

Executive Committee

Provides support to the Chairman and the Board of Directors in connection with major decisions involving the Group. Its members are:

Rosario Bifulco	*Chairman*
André-Michel Ballester	
Andrea Bovone	
Massimo Tononi	

Internal Control Committee

Provides consulting support and makes recommendations regarding internal control. Its members are:

Claudio Agostino Zulli	*Chairman*
Giuliano Asperti	
Paolo Baessato	

Compensation Committee

Provides consulting support with regard to the fees received by Directors, the compensation of top management and the Company's overall compensation policies. Its members are:

Giovanni Pavese	*Chairman*
Paolo Baessato	
Pietro Guindani	

Related-party Transaction Committee

Renders an opinion on the Company's procedure prior to its approval and detailed opinions on individual related-party transactions. Its members are:

Giuliano Asperti	*Chairman*
Paolo Baessato	
Luigi Ragno	

SORIN GROUP

Sorin Group is **Europe's largest medical technology group specializing in the treatment of cardiovascular diseases.** Sorin Group is a world leader in the production of cardiac surgery systems (Cardiopulmonary), with a significant and consolidated position in the market for implantable prostheses (Heart Valves), and offers innovative therapies for cardiac rhythm dysfunctions (Cardiac Rhythm Management).

CARDIOPULMONARY (CP)

Heart-lung machines	Oxygenators	Autotransfusion systems
		

Systems for extracorporeal circulation during heart surgery and disposable biomedical devices. Endoscopic vessel harvesting systems in coronary surgery.	- Cardiopulmonary systems (oxygenators, custom packs) - Heart-lung machines - Autotransfusion systems and disposables - Endoscopic vessel harvesting systems

CARDIAC RHYTHM MANAGEMENT (CRM)

Tachyarrhythmia management systems	Bradyarrhythmia management systems	Heart-failure management systems
		

Implantable devices, monitoring systems and accessories to treat cardiac rhythm dysfunctions.	- Pacemakers - Implantable defibrillators - Systems to treat heart failure (CRT-D) - Programmers - Electrodes - Electrophysiology leads - Holter monitors

HEART VALVES (HV)

Mechanical valves	Tissue valves	Self-Anchoring Tissue Valve
		

Implantable prostheses to replace or repair native heart valves.	- Mechanical heart valves - Tissue heart valves - Annuloplasty rings

Focused on three business units (Cardiopulmonary, Cardiac Rhythm Management, Heart Valves), Sorin Group has a global presence and its expertise, developed in over a decade of activity, is recognized throughout the global medical community.

Listed on the Milan Stock Exchange since January 2004, Sorin Group is the result of the integration of successful brands, such as Sorin Biomedica, Dideco, Stöckert, Cobe Cardiovascular, Ela Medical and Carbomedics.

COMPANIES FOUNDED | JOINED THE SORIN GROUP | LISTING ON THE MILAN STOCK EXCHANGE

40's ▶ 70's | 80's | '92 | '99 | '01 | '03 | January 2004

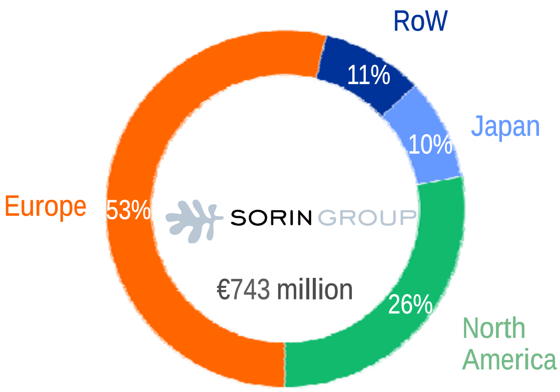
- Sorin Biomedica — 80's
- Stöckert Dideco — '92
- Cobe Cardiovascular — '99
- ELA Medical — '01
- Carbomedics — '03

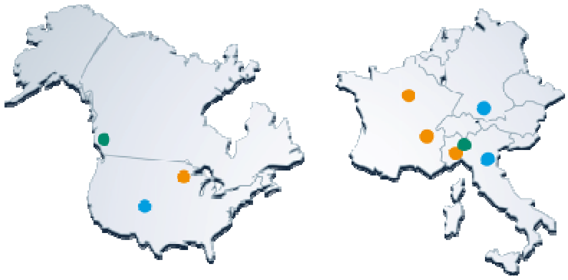
SORIN GROUP
AT THE HEART OF MEDICAL TECHNOLOGY

Sorin Group has a **unique wealth of innovative technologies:**

2011	▶ Launch of Perceval™ S, the first sutureless self-anchoring aortic valve
2009	▶ Delivery of the 1000th S5 heart lung machine
2008	▶ World's FIRST CRT-D with hemodynamic sensors: PARADYM™
2006	▶ FIRST semi rigid ring with unique 3D motion (Memo 3D™)
2002	▶ FIRSToxygenator with integrated arterial filter – SORIN* Synthesis™
	▶ World's FIRST sensor to optimize patient hemodynamics
1998	▶ FIRST dual chamber adult oxygenator – DIDECO* Avant™
1995	▶ World's FIRST dual-chamber ICD implant: ELA Medical* DEFENDER™
1994	▶ World's FIRST implant of a bi-ventricular pacing system (ELA Medical)
1993	▶ FIRST neonatal oxygenator – DIDECO Lilliput™
1982	▶ FIRST implant of a stented tissue heart valve (MITROFLOW*™)
1981	▶ World's FIRST microcomputer within an ELA Medical's pacemaker
1973	▶ FIRST modular heart lung machine by STOECKERT*

Sorin Group has a **global presence**, with activities in all regions of the world, serving over 5,000 public and private health institutions. Each year, over one million people are treated with products and therapies developed by Sorin Group.

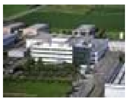




CARDIOPULMONARY

CARDIAC RHYTHM MANAGEMENT (CRM)

HEART VALVES


Mirandola (Italy)


Munich (Germany)

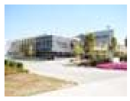

Denver (USA)


Clamart (France)


Minneapolis (USA)


Meylan (France)


Saluggia (Italy)


Vancouver (Canada)

Sorin Group is driven by **an unwavering commitment to health.**

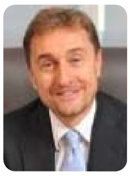
- **70 million euros devoted to R&D**
  equal to more than 9% of sales revenues
- **15% of employees work in R&D**
  in North America, France, Italy and Germany
- Numerous partnerships with **cardiology specialists** and **cardiac surgeons** as well as **world-renowned universities** and **research centers**
- Relying on **"engineer-physician intelligence networks"** to develop innovative therapeutic solutions
- **A portfolio of more than 2,000 patents**

Sorin Group's Vision

Sorin Group wants to be recognized by the medical community, patients, shareholders, the financial community, the biomedical industry, government agencies and its employees not only as a top player in the heart valve and cardiopulmonary fields, but also as a world leader in the overall cardiovascular market and as a true innovator in the area of cardiac rhythm management.

Sorin Group's **organizational structure** is based on three **business units** — Cardiopulmonary, Cardiac Rhythm Management and Heart Valves — supported by corporate functions and led by a management team with international experience in the medical industry. The Group's executive leadership team is presented below.

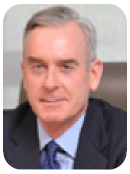
André-Michel BALLESTER
Chief Executive Officer



Davide BIANCHI
Pres. Heart Valves

Michel DARNAUD
Pres. Cardiopulmonary & Intercontinental

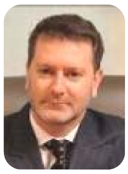
Stefano DI LULLO
Pres. Cardiac Rhythm Management



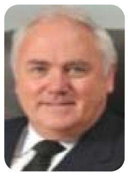
Edward ANDRLE
Vice Pres. Business Development

Stéphane BESSETTE
Vice Pres. Human Resources

Demetrio MAURO
Chief Financial Officer



Brian SHERIDAN
General Counsel



Kieran TUITE
Vice Pres. Operations

SUSTAINABILITY

Because Sorin Group operates in the global biomedical industry, it is keenly aware of the responsibility that a company in its position must assume vis-à-vis all of its stakeholders. Its innovative devices are used every day by the medical profession to help each year over one million patients in 80 countries worldwide. The Group's mission is thus to develop, produce and distribute high quality cardiovascular medical devices, complying with the most stringent ethical standard and rules of conduct in its industry. This philosophy is also reflected in the Group's daily operating activities and in the relationships it entertains with customers, employees, shareholders, health care operators, partners, suppliers and professional associations within a commercial, health care, financial and/or regulatory framework.

This section of the Report provides a brief overview of the Group's commitment to responsible management practices, not only economically, but also in social, environmental and governance terms.

Ethical Responsibility and Governance

Sorin Group operates in a particularly complex and strict compliance environment that reflects the specific regulatory framework of its industry globally and particularly in the United States. In this country, the Chief Compliance Officer (who reports directly to the Chief Executive Officer) is responsible, together with the Compliance Committee, for developing, promoting and maintaining all of the procedures needed to operate in the regulated U.S. med-tech market in accordance with the Corporate Integrity Agreement it signed in 2010 with the Office of Inspector General of the Department of Health and Human Services of the United States government. This agreement sets forth a compliance plan that defines all issues concerning training and interaction with health care operators.
In the rest of the world, compliance activities are managed and coordinated by the Group's Legal and Internal Auditing functions.

In Italy, the Group adopted in 2004 an Organization and Management Model in accordance with the requirements of Legislative Decree No. 231 of June 8, 2001, which introduced into the Italian legal system the principle of corporate administrative liability for certain types of crimes committed by Directors, executives or employees in the interest or for the benefit of a company. Consistent with this approach, Sorin Group adopted a Code of Conduct that sets forth the principles and guiding values that must be followed by anyone acting on the Company's behalf (members of governance bodies, managers, employees and associates) and by parties who engage in commercial and/or financial transactions with Sorin. While the Code of Conducts reflects specific governance and regulatory elements that are valid at the national level, it also constitutes a fundamental component of the Group's system of internal control that must be complied with and adopted at all Group locations worldwide. Special attention is devoted to transactions with suppliers. As a rule, all Group procurement transactions include a clause requiring compliance with Sorin's Code of Conduct. The processes applied to qualify and monitor suppliers are extremely detailed and the procedure used to verify supplier requirements includes controls concerning their ethical and social commitment. The Code of Conduct is available in the Corporate Governance section, Investor Relations page, of the corporate website: www.sorin.com.

The rules of operation of Sorin's management and oversight bodies are defined in the Corporate Governance Model, which complies with the recommendations of Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A. and, more in general, is consistent with best international practices. Additional information about the Corporate Governance Model is available in the "Report on Corporate Governance and the Company's Ownership Structure," which is available on Sorin Group's website, at the following address:
http://www.sorin.com/investors/report-corporate-governance.

Lastly, consistent with sound corporate governance and the protection of stakeholders, a company is required to adopt an adequate risk management system. This area is under the jurisdiction of the Corporate Internal Auditing function, which performs each year a risk assessment (mapping of processes and activities; identification of financial and other risks with gap analysis; identification of existing measures; definition of an Audit Plan). The results of these activities and the Audit Plan are submitted for approval to the Internal Control Committee and the Board of Statutory Auditors.

Environmental Responsibility

The environmental impact is different in each of the three areas of activity in which the Group operates. However, in general terms, it is fair to say that, compared with other industries, the production of medical devices is an activity with a low environmental impact.

Insofar as safety and the environment are concerned, the Group complies with the regulations in effect in the countries where it operates; in Italy, for example, the relevant statutes include Uniform Code No. 81/2008 (Uniform Safety Code) and Legislative Decree No. 152/2006 (environment). The Group's facility in Clamart (France), which produces devices for the CRM Business Unit, received the ISO 140001 environmental certificate and the HQE (*Haute qualité environnementale*) certificate. While the other Group sites did not receive specific environmental certifications, it is important to keep in mind that all facilities are inspected and certified on a regular basis by such biomedical institutions as the FDA (Food and Drug Administration), G-MED (*Groupement pour l'évaluation des dispositifs médicaux*) and TUV (an independent certification entity).

The Group adopted at its production facilities internal procedures to preserve the environment through a rational use of resources and energy sources, help protecting the ecosystem and, in general, continuously improve the Group's efficiency in the areas of health, safety and the environment.
With regard to the environment, the Group adopted specific procedures concerning soil and water treatment, waste disposal and emissions into the atmosphere. The following project completed in 2011 or planned for 2012 in the environmental area are provided by way of example:

- Activities to bring Italian sites in compliance with SISTRI Regulations (the new control system for waste traceability);
- Design of a new sterilizing facility (100% insourced) with reduced emissions and consumption levels (ethylene oxide into the atmosphere, CO_2 almost eliminated (reduction of 100 tons), lower use of natural gas), resulting in less pollution (Mirandola site, Cardiopulmonary);
- Installation of a central steel cooling system resulting in a reduction of about 4,000 liters p.a. in the use of cooling fluid (Munich site, Cardiopulmonary);
- Optimization of the plant's compressed air system to eliminate leaks. Disassembly and replacement of the heating chamber. Total energy savings of 36,000 kWh p.a. (Munich site, Cardiopulmonary;);
- Utilization of a new recycling compactor to recycle cardboard, plastics, glass, metal, etc. (all recyclable materials) at a single compactor, which reduced by 50% the volume of waste sent to landfills (Arvada site, Cardiopulmonary);
- Incineration of waste solvents and their recovery for use as fuel by other companies (Arvada site, Cardiopulmonary);
- Significant reduction of non-conformity issues regarding practices for the handling and storage of chemicals (Clamart site, Cardiac Rhythm Management);
- Reduction of 10% in consumption of water and electric power (Clamart site, Cardiac Rhythm Management);
- Removal of asbestos cement roofing still present at Company owned buildings and mapping of all pipes of heating and cooling systems to check for the presence of asbestos (Saluggia site, Heart Valves);
- Elimination of chloroform, a chemical suspected of being carcinogenic, from the production cycle (Saluggia site, Heart Valves).

Human Resources

With about 3,750 employees worldwide, Sorin is constantly mindful of the needs of its human resources.

The Group is committed to providing a healthy, safe and discrimination free work environment. Occupational safety prevention and protection is handled at the level of the individual Group companies, in accordance with the regulations in effect locally and with the aim of preventing accidents and protecting the physical integrity of employees. At all of it main production facilities, the Group established Safety Committees responsible for continuously monitoring and improving the work environment. In 2001, as was the case in previous years, there were no fatal or very serious accidents and the rate of lost workdays due to accidents continued to follow a downward trend.

Special attention is paid to defining effective systems to develop relevant professional competencies and training investments are being made to foster the growth both of the Company and its employees. Training programs implemented in 2011 included the following:

- Talent management projects focused on one or two functions (in 2011, it was the turn of Research and Development and Clinical Affairs);
- Lean Manufacturing and Six Sigma training provided to managers of the Operations and Research and Development functions and supervisors of production departments with the aim of improving the manufacturing efficiency culture and processes within the Group;
- Training courses to help the sales force develop medical-scientific competencies;
- Short-term training paths for executives and middle managers.

In the area of internal communications, the following initiatives were carried out to make Group employees aware of the objectives achieved and share future short and long-term strategic objectives:

- Quarterly CEO conference calls with key Group managers;
- All-employee meetings held at least three times a year at the Group's main production facilities, open to all employees with a top-down, interactive approach based on specific Q&A sessions.

In the areas of industrial relations and the involvement of labor unions, the Group signed collective bargaining agreements in accordance with local laws.

Lastly, Sorin adopts employee development, compensation and incentivization systems that acknowledge and reward merit and performance. The compensation and incentivization policy includes the following:

- Collective participation bonuses tied to productivity and profitability at all of the Group's main production sites;
- Variable annual compensation systems for middle and top management, tied to the achievement of personal and Group business targets;
- Long-term incentive plan (LTI) through the award of stock grants to top management and to manager with key roles within the Group, tied to business performance targets. Additional information about this three-year rolling program is provided in Note 30 to the Consolidated Financial Statements and in the "Report on Corporate Governance and the Company's Ownership Structure," which is available on Sorin Group's website, at the following address: http://www.sorin.com/investors/report-corporate-governance.

All Sorin employees are required to comply with and adopt the Group's Code of Conduct; compliance with this requirement is a primary objective in the assessment of personal performance.

Personnel policies are defined by the Human Resource function of the Group's Parent Company and are implemented by the Human Resource managers of the individual business units and the main geographic regions.

Social Responsibility

Consistent with its activity as a manufacturer of medical devices for cardiovascular diseases, Sorin Group carried out a series of activities related to its core business, such as development of clinical trials and attendance at medical-scientific congresses and conventions, which, for the most part, are aimed at improving quality of life for patients suffering from cardiovascular diseases and promote their wellbeing.

Among the social initiatives carried out by Sorin Group, one particularly worthy of mention is the partnership established with the nonprofit association *"Bambini Cardiopatici nel Mondo"* to support the association's humanitarian missions in the developing countries for children suffering from congenital cardiac diseases. About 200 currently active volunteers have performed over 1,600 cardiac surgery procedures in more than 20 countries worldwide. Sorin agreed to contribute over three years (2009-2012) a total of 600,000 euros (250,000 euros disbursed in 2011), in addition to donating its life-saving devices and incentivizing the involvement of its employees both with donations (4,000 euros donated just by the employees of the Group's parent Company in 2011) and by volunteering for activities promoted by the association.

INVESTOR RELATIONS

Sorin maintains an ongoing dialog with the financial community with the objective of delivering a steady flow of information to its shareholders, institutional investors, financial analysts and the financial markets in general, while complying fully with the principles of transparency and equal treatment for everyone.

Sorin uses all of the usual financial communication tools and dialogs with financial operators by means of one-on-one meetings and Group presentations, roadshows, meetings with financial analysts, company visits by institutional investors and analysts, conference calls, attendance at industry conference and press releases, and through a constantly updated Investor Relations page of the www.sorin.com corporate website and economic-financial publications.

The main events providing interaction with the financial community held in 2011 are reviewed below:

- On March 21, 20011, the "Investor and Analyst Day" – presentation to the financial community at the Company's Milan headquarters, accessible also in videoconferencing mode, during which the Group's top management team reviewed the results for 2010 and the guidelines of the 2011-2015 strategic plan. Ahead of this event, a meeting was organized with representatives of specialized medical publications, who were given an opportunity to meet, in addition to the Company's top managers, Professor Troise, a cardiac surgeon from Fondazione Poliambulanza Istituto Ospedaliero Brescia, who attended the event as an invited guest.
- Numerous roadshows organized to allow direct meetings with institutional investors at financial centers such as London, New York, Boston, New Jersey, Geneva, Frankfurt, Milan, Paris, Dublin, Copenhagen, Helsinki and Stockholm.
- Attendance at numerous international biomedical or healthcare sector conferences organized by major global financial institutions (including Credit Suisse, Goldman Sachs, Morgan Stanley, Jefferies, Berenberg Bank and Mediobanca, mainly in New York and London);
- Participation in the Italian Equity Roadshow organized by Borsa Italiana and Nomura for the Tokyo financial community, which provided the Company with a good opportunity to broaden the pool of potential investors.
- Conference calls held to announce interim and annual data.

As for the coverage of Sorin's stock by market and industry analysts, two new firms began to cover Sorin's stock in 2011: Jefferies, a major U.S. firm, in March, and Exane, a top independent research firm in France, in October. The securities dealers who currently follow the stock published several reports about the Group, all providing a generally positive recommendation.

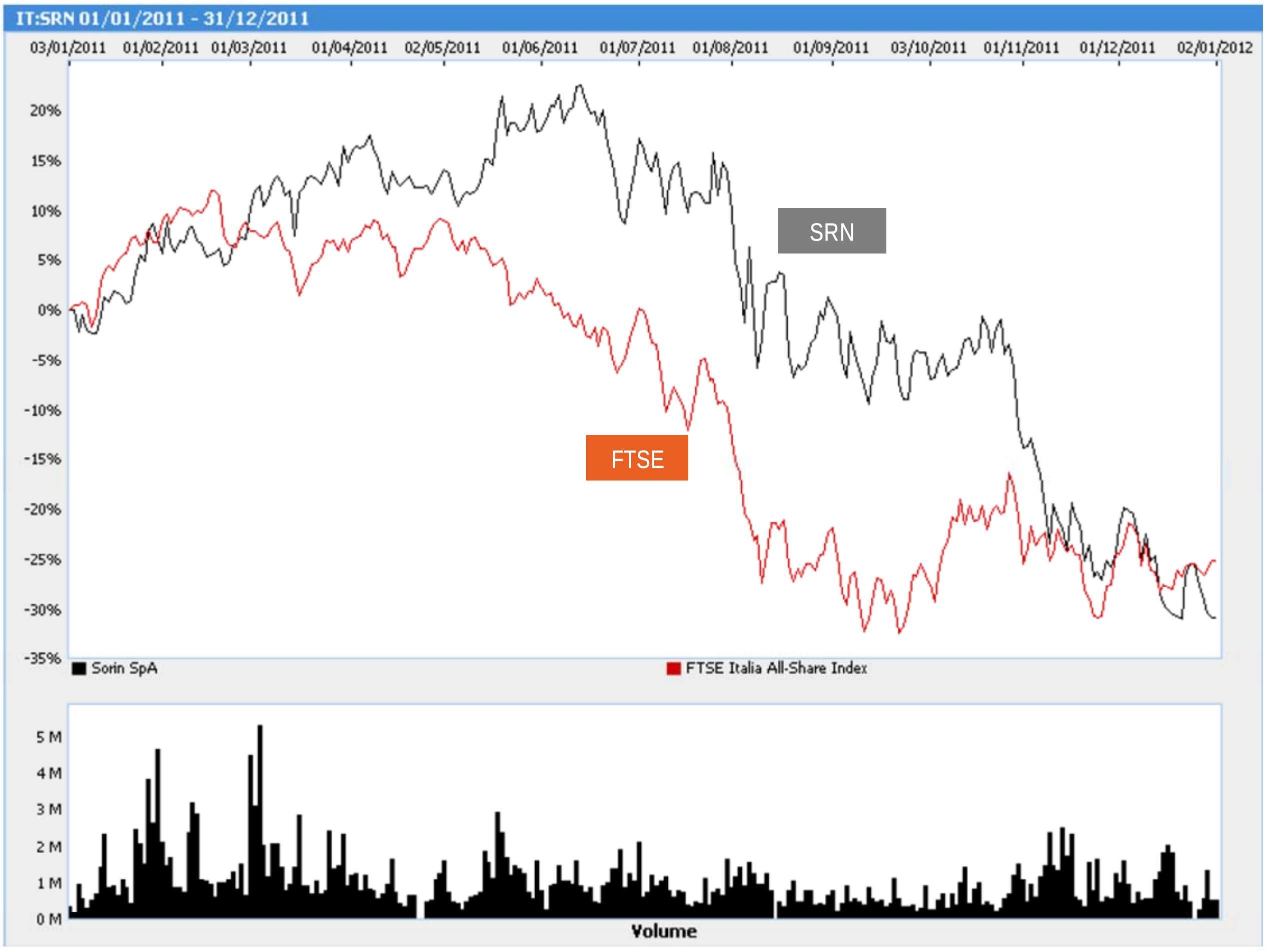
Lastly, in order to ensure that the expectations of the financial markets match as closely as possible its actual results, the Company continued to provide guidance about its projected operating and financial results, both on an annual and quarterly basis.

Contact information for the Investor Relations Department, which is the entity responsible for financial communications is provided below:

Investor Relations
Tel.: +39-02-69969716
Fax: +39-02-69969788
E-mail: investor.relations@sorin.com

Sorin's stock price, which was 1.72 euros at December 31, 2010, improved to 1.185 euros at the end of 2011, for an average price for the year of 1.749 euros. The stock price followed an upward trend until August 2011, but later declined, reaching its 12-month low in December. This downward slide in the second half of the year reflects the impact of challenging conditions in the macroeconomic and stock market scenario in the Eurozone and Italy in particular, as well as a slowdown in the Cardiac Rhythm Management sector, an industry in which the Company operates. In 2011, the stock's average daily trading volume was generally over 1 million shares , with a Free Float Velocity, computed as the ratio of the annual trading volume to the share float, of 108%.

The chart below tracks the performance of Sorin's stock (SRN) compared with the FTSE All Shares Italia index for the 12 months ended December 31, 20111.



At December 31, 2011, the Company's share capital was comprised of 478,738,144 shares, par value 1 euro each. On May 11, 2011, the Company launched a share buyback program, pursuant to a resolution approved by the Shareholders' Meeting on September 14, 2010. The purpose of this transaction is to acquire treasury shares that can be used to implement the Stock Grant Plan reserved for the Chairman and the Chief Executive Officer of Sorin S.p.A. and Group employees (the "Plan") approved by the Shareholders' Meeting on the same date. The share buyback program is also aimed at acquiring shares that can be used to implement stock option plans that may be adopted in the future and, more generally, to pursue share-price stabilization objectives. At December 31, 2011, the Company held 2,933,600 treasury shares, equal to 0.6128% of its current share capital.

Major shareholders (with equity stakes equal to more than 2% of the share capital) at December 31, 2011, determined based on the information received by the Company, are listed below:

Name of filer	Direct shareholder	
	Name	% interest in voting capital
BIOS S.p.A	BIOS S.p.A.	19.065
EQUINOX TWO S.c.a.	TOWER 6 BIS S.a.r.l.	6.693
BANCA MONTE DEI PASCHI DI SIENA S.p.A.	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	7.314
FINSOE S.p.A.	UNIPOL ASSICURAZIONI S.p.A.	4.565
GENERAL ELECTRIC COMPANY	GE CAPITAL EQUITY HOLDINGS	6.379
NORGES BANK	NORGES BANK	2.008

A Shareholders' Agreement concerning the shares of Sorin S.p.A., signed by Mittel S.p.A., Equinox Two S.c.A., Hopa S.p.A., MPS Investments S.p.A. and Unipol Gruppo Finanziario S.p.A., each for the respective equity stake held directly or indirectly in Sorin S.p.A., has been in effect since November 18, 2009. In addition, on May 18, 2011, Mittel S.p.A. and Hopa S.p.A., on the one hand, and Equinox Two S.c.A. and Tower 6 S.à.r.l., on the other hand, entered into a shareholders agreement that governs their relationship as shareholders of Bios S.p.A.

CONSOLIDATED FINANCIAL HIGHLIGHT

		12/31/11	12/31/10
Income Statement Data			
Net revenues [1]		743.4	745.8
EBITDA before special items		128.7	120.2
EBIT		87.7	71.5
EBIT before special items		87.7	78.4
Profit (Loss) before taxes		80.1	59.9
Net profit (loss) from continuing operations		58.0	42.4
Net profit (loss) from divested operations		--	(3.3)
Net profit (loss)		58.0	39.1
Statement of Financial Position Data			
Net invested capital		628.1	582.8
Net indebtedness [2]		(105.9)	(128.8)
Shareholders' equity		522.2	454.0
Other Data			
Number of employees at end of the year		3,745	3,749
Average number of employees for the year		3,763	3,738
Data per Share (in euros)			
Profit (loss) per share:			
- basic and diluted, based on the net profit (loss) for the year		0.122	0.083
- basic and diluted, based on the net profit (loss) from continuing operations		0.122	0.090
Dividend per share		--	--
Shareholders' equity per share		1.101	0.965
Stock market price (average for the period)		1.749	1.512
Key Indicators			
EBITDA before special items/Net revenues	*(%)*	*17.3*	*16.1*
EBIT/Net revenues	*(%)*	*11.8*	*9.6*
EBIT before special items/Net revenues	*(%)*	*11.8*	*10.5*
EBIT/Average net invested capital	*(%)*	*14.5*	*12.2*
Net profit (loss)/Net revenues	*(%)*	*7.8*	*5.2*
Net profit (loss)/Average shareholders' equity	*(%)*	*11.9*	*9.1*
Net indebtedness/Shareholder's equity		*0.20*	*0.28*

(IN MILLIONS OF EUROS)

(1) Includes sales and service revenues and cost recoveries.

(2) A breakdown of net indebtedness is provided after the consolidated statement of financial position.

Foreword

The financial statements at December 31, 2011 were prepared in accordance with the international financial reporting standards (IFRS) published by the International Accounting Standards Board (IASB) and approved by the European Union and comply with the provisions enacted to implement Article 9 of Legislative Decree No. 38/2005. The abbreviation IFRS also stands for the International Accounting Standards (IAS) currently still in effect and all of the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), including earlier interpretations issued by the Standing Interpretations Committee (SIC). The international accounting principles adopted are the same as those applied to prepare the consolidated financial statements at December 31, 2010, except as noted in Note 1 to the Consolidated Financial Statements.

The financial statements at December 31, 2011 were prepared on a going concern basis. Specifically, the Group concluded that, despite the current challenging economic and financial environment, there are no material uncertainties (as defined in Paragraph 25 of IAS 1) as to the Company's ability to continue as a going concern, owing in part to the actions already taken to address perceived risks and adapt the Group's operating and financial structure to the new economic environment.

Up to December 31, 2010, as required by IFRS 5, the residual income statement data attributable to the Vascular Therapy and Renal Care business operations, which were divested in 2008, were listed separately in the income statement as "Profit (Loss) from divested operations." In 2011, the data attributable to the abovementioned operations are not shown separately because the amounts involved are inconsequential.

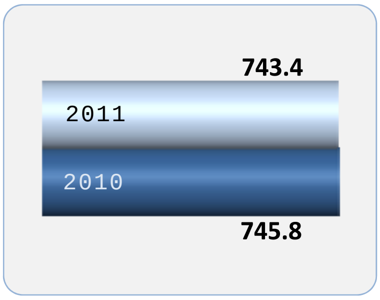
In February 2011, the Group acquired a minority interest in MD Start S.A., based in Lausanne, Switzerland, and MD Start I K.G., based in Dresden, Germany, which are a venture capital incubator supported by operators in the medical technology sector.
The acquisition of an important distributor operating in the Dutch market was completed in April 2011, as part of a program to strengthen the Group's direct sales organization.
In July 2011, the Group acquired from Estech, a U.S. company, its cannula product line, which includes products both for minimally invasive and conventional cardiac surgical procedures.
A minority interest in Enopace Biomedical Inc. was acquired in October 2011. This startup is working on the development of a neuromodulation system for patients suffering from congestive heart failure.
The operations of a distributor in some regions of Southern Italy were also acquired in October 2011. The financial effects of these transactions are described in the Report on Operations and the Notes to the Consolidated Financial Statements.

In this document, amounts are in millions of euros, with one decimal, in the Report on Operations, and in thousands of euros in the consolidated financial statements and the separate financial statements of Sorin S.p.A. As a result, some rounding of figures may be reflected in some schedules.

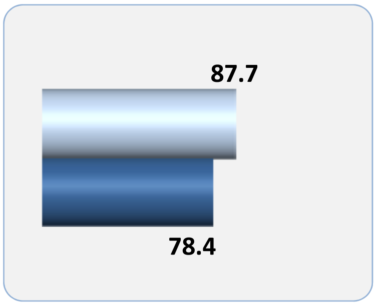
REPORT ON OPERATIONS AT DECEMBER 31, 2011

2011 at a Glance

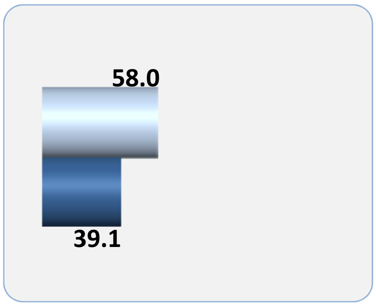
Revenues totaled 743.4 million euros, or 1.0% more than in 2010, at constant exchange rates and scope of consolidation.



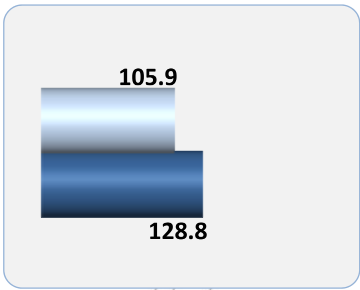
EBIT before special items grew to 87.8 million euros, for a gain of 11.9%, compared with 78.4 million euros in 2010.



The **net profit** totaled 58.0 million euros, up from 39.1 million euros in 2010. Special items, before taxes, had a negative impact of 0.1 million euros, compared with a negative impact of 6.9 million euros in 2010.



Net indebtedness decreased to 105.9 million euros, for a further significant reduction compared with the 128.8 million euros owed at December 31, 2010, thanks to increased profitability and a more efficient management of working capital.



A Letter to Shareholders

Dear shareholders:

In 2011, the macroeconomic scenario was characterized by persisting weakness and volatility, particularly in the markets within the Eurozone. Moreover, despite important signals of an upturn in economic conditions in the North American markets, the United States in particular, business conditions in the Cardiac Rhythm Management sector remained sluggish in this geographic region, due more to specific market factors than to the general macroeconomic environment. On the other hand, the emerging countries continued to enjoy increasingly robust growth across the board: the Group strengthened its commercial penetration in this region, achieving growth of about 40% in the BRIC countries (Brazil, Russia, India and China) in 2011.

Despite the challenging operating environment described above, Sorin Group continued to pursue its growth and investment policy.

Each of the business units of which the Group's operations are comprised launched extremely important new products in 2011. Among these, the Xtra autotransfusion system, the Perceval valve and the Son-R technology bear testimony to the Group's ability to develop technology platforms and innovative products with unique, cutting-edge features.

This past year was also characterized by significant investments in business development and research and development projects, the cost of which rose to an expenditure level equal to 9.4% of revenues.
Noteworthy investments in the business development area included those made in Enopace and MD Start, as well as the acquisition of the business operations comprised of Estech's cannula production and distribution activities and a partnership for the development of a completely new line of leads.
With regard to the acquisition of the cannula business, the revenues it generates are being consolidated and the operations were quickly integrated into the Group's manufacturing and commercial platform. For the Cardiopulmonary BU, the cannula segment represents the area that offers the best growth opportunities, in which the Group intends to continue investing in the future. As for some of the other acquisitions, their purpose was to participate in the development of new technologies, together with other major industrial and financial investors. More specifically, MD Start is an incubator of new technologies and, consequently, it is impossible at this stage to predict the development of various R&D projects, while Enopace is a startup company focused on the development of innovative solutions for the treatment of heart failure.

In 2011, the Group also invested in strengthening its distribution network in Europe, acquiring the operations in Southern Italy of an important distributor of Cardiac Rhythm Management products.

"Internal" investments in research and development continued to increase in 2011, reaching a level equal to 9.4% of revenues. This level, which represent an all-time high for Sorin, was achieved despite the fact that the Italian government stopped providing support for research and development activities, which in the past took the form of a tax credit equal to 10% of allowable expenses.

A closer look at the income statement shows that revenues totaled 743.4 million euros, down slightly (-0.3%) compared with the previous year. With data stated at constant exchange rates and scope of consolidation, revenues are actually up 1.0% compared with 2010.

The Cardiopulmonary Business Unit grew organically at a rate of 4.2%, at constant exchange rates, thanks mainly to further gains in the heart-lung machine segment, in which it achieved record sales for the third consecutive year. The Group's global market share for this product line has now reached 70%, and is as high as 90% in Europe. The autotransfusion system segment also enjoyed a healthy sales growth of 6.3%, driven by the launch of the new Xtra machine, which took place in the first quarter in Europe and in the second quarter in the United States. This machine will be introduced in Japan and China in 2012. In the oxygenator segment, revenues held relatively steady, posting a minor gain of 0.6%. However, this segment received the CE mark needed to market the new family of Inspire oxygenators, which are scheduled for commercial launch in 2012. Also worth mentioning in this area is the investment made at the Mirandola factory to manufacture the new oxygenator with innovative industrial processes that will allow a significant reduction in production costs.

The revenues of the Cardiac Rhythm Management Business Unit were down 2.9%, at constant exchange rates. The Company believes that this reduction is significantly smaller than the contraction of the overall market, which, as mentioned earlier, was particularly pronounced in the United States, and reflects the fact that, differently from the other two business units, Cardiac Rhythm Management has not yet developed significant growth in the emerging countries.
During the closing months of the year, the Group received the CE mark for the new SonR technology platform, which was followed by its launch in Europe. However, due to delays compared with the scheduled originally planned, the impact of this new technology on the year's revenues was rather modest. A more meaningful contribution is expected in 20120.
In 2012, results should also benefit from the launch, following the preparations made in 2011, of the new portfolio of TILDA, VIGILA and CELERITY leads for all clinical applications in the CRM segment. Also in the Cardiac Rhythm Management area, intense activity was devoted in 2011 to the development, clinical evaluation and testing of the remote monitoring platform, for which regulatory approval and market launch are now imminent.

The Heart Valves Business Unit increased its revenues by 1.5%, at constant exchange rates and scope of consolidation. The most significant development of 2011 for this business unit was the award of the CE mark for the innovative Perceval suturless valve. However, the commercial launch of the valve was limited, due to the age limit, currently set for patients over 75 years of age, and to a delay in the approval of the valve's delivery system, which will make it possible to carry out the surgery with a minimally invasive procedure requiring a thoracotomy instead of a sternotomy. An age threshold for valve implantation lowered to 65 years of age and approval of the new device allowing the use of a minimally invasive procedure is expected in the first half of 2012.
In 2011, the Group launched a new generation of its Mitroflow valve, which has already achieved considerable success in the United States, where it reached a market share of about 10%, following its launch in 2007. A benefit provided by the new generation of valves is the phospholipid reduction treatment, which increases valve durability and significantly reduce the risk of calcification.

In terms of geography, most of the revenue growth came from the emerging countries and, to a lesser extent, Japan, while in Europe, and even more the United States, revenues contracted compared with the previous year.

In 2011, the Group reported for the first time a gross profit margin greater than 60%. This achievement was made possible by numerous programs to improve manufacturing efficiency, the effect of which more than offset the negative impact of a less favorable product and geographic mix, as revenues from lower margin sales and from regions with relatively lower prices accounted for a bigger share of total revenues.
At the operating level, selling, general and administrative expenses decreased both in absolute terms and as a percentage of revenues. This reduction reflects the gains generated by transactions executed to hedge foreign exchange risks, which, as required by IAS 39, were recognized under operating expenses. This component was offset in part by a slight increase in expenses stated on a run-rate basis.

As mentioned earlier, research and development expenditures increased both in absolute terms and as a percentage of revenues, providing evidence of the Group's commitment to invest in long-term technological development. The product pipeline is solid and more promising than ever, with numerous commercial launches expected in 2012 and subsequent years.
Lastly, financing and tax related activities also contributed to the improvement in profitability. More specifically, financial expense was down significantly, due mainly to a reduction in average indebtedness, and the tax rate decreased further in 2011, thanks to greater homogeneity of results among the Group's legal entities and to an overall increase in projected profitability that required stepping up the recognition of deferred-tax assets.

As a result of the above, net profit rose to 58 million euros, increasing by almost 49% compared with the previous year.

The gain in profitability enabled the Group to further strengthen its balance sheet and financial position. Shareholders' equity also increased due both to the net profit for the year and an increase of the Parent Company's share capital resulting from the exercise of stock options by employees, who, thanks to the higher stock market price reached by *the Sorin shares before excessive volatility affected markets in the Eurozone, found it advantageous to exercise the stock options awarded to them.*

In 2011, the Company executed purchases of its own shares in the open market.

The indebtedness owed to a pool of European and Japanese banks, coordinated by Mediobanca Banca di Credito Finanziario, was repaid in full ahead of schedule. Currently, virtually all of the long-term debt is owed to the European Investment Bank and matures in 2014. The best indication of the Group's gains in profitability and financial position is provided by the net debt/EBITDA ratio, which further decreased to 0.8 (it was 3.6 in 2007) and by the improvement of the ROI (measured as EBIT/net invested capital) to 14.5% (it was 4.2% un 2007).

Business Outlook

At this point, we believe that the current weakness of the cardiac rhythm management market in the United States could continue in the first half of 2012, with a recovery gradually taking hold in the second half of the year. We are confident that the products that recently were approved for marketing, and those whose approval is expected shortly, coupled with the Group's ongoing expansion in the emerging markets, will drive the Group's revenue growth in 2012. Consequently, we project a revenues increase of 2%-4%, at constant exchange rates and scope of consolidation, accompanied by a gain in net income of 5%-10% compared with 2011.

In 2012, the group's strategy will focus on accelerating its long-term growth program through the launch of new products, continuous investments in innovation and development and an expansion of its presence in new emerging markets. These objectives will be pursued while supporting a steady increase in the Group's profitability and cash flow, achieved through a constant improvement in manufacturing efficiency. Lastly, the Group believes that it is important to invest some of its resources in health technology assessments, developing new products that will allow a substantial overall reduction in healthcare costs for the sole benefit of its patients.

Milan, March 15, 20112

Rosario Bifulco	*André-Michel Ballester*
Chairman	***Chief Executive Officer***

Alternative Performance Indicators

In order to allow a more meaningful assessment of the operating and financial performance of Sorin Group at December 31, 2010, the Report on Operations and the Consolidated Financial Statements include certain income statement, balance sheet and financial position items, which are used as part of the decision making process, both when reviewing actual data and formulating budgets and plans, and in presentations to financial analysts and investors. These indicators should not be viewed as alternative to the conventional indicators provided in the international accounting principles (IAS, IFRS) and, for all intents and purposes, simply constitute an additional disclosure.

- EBIT (earnings before interest and taxes) and EBITDA (earnings before interest, taxes, depreciation and amortization) are indicators of operating performance. They are computed as follows:

  Profit (Loss) before taxes and profit (loss) from divested operations

  \+ Financial expense
  \- Financial income
  -/+ Currency translation gains/losses
  -/+ Income from/Expenses on investments in associated companies
  = EBIT

  \+ Depreciation, amortization and writedowns
  \+ Additions to provisions for risks and charges
  -/+ Gains/Losses from sale of investments in subsidiaries
  \+ Restructuring charges and provisions
  = EBITDA

- Percentage changes in net sales revenues, EBIT and EBITDA compared with the same items in prior periods provided for comparison purposes are computed on a comparable basis, which means using the same scope of consolidation and/or the same exchange rate versus the euro. This approach provides a more effective means of depicting the operating performance of the Group and its business units.

- Net invested capital and Net financial assets/Net indebtedness are indicators of financial performance that are computed as follows:

  \+ Property, plant and equipment
  \+ Goodwill and Other intangible assets
  \+ Investments in associated companies
  \+ Investments in other companies (1)
  = Capital invested in non-current assets

  \+ Inventories
  \+ Trade accounts receivable
  \- Trade accounts payable
  \+ Other assets (2) /– Other liabilities (3)
  = Working capital

- Provision for severance indemnities and other employee-benefit provisions
- Provisions for risks and charges (4)

= **Net invested capital** (Capital invested in non-current assets + Working capital – Provision for severance indemnities and Other employee-benefit provisions – Provisions for risks and charges)

+ Non-current financial assets (5)
+ Assets from financial derivatives
+ Other current financial assets
+ Cash and cash equivalents
- Non-current financial liabilities
- Liabilities from financial derivatives
- Other current financial liabilities

= **Net financial assets (Net indebtedness)**

(1) Included among Non-current financial assets.
(2) This item includes: Deferred-tax assets, Miscellaneous non-current assets, Other current receivables and Tax credits.
(3) This item includes: Miscellaneous non-current liabilities, Deferred-tax liabilities, Other current liabilities, Government grants and Taxes payable.
(4) This item is comprised of provisions included among non-current and current liabilities.
(5) Excluding Investments in other companies included in Net invested capital.

• Average Net invested capital and average Shareholders' Equity are computed as the arithmetic average of the corresponding amounts at the end of the period and at December 31 of the previous year.

• Free cash flow is an indicator that depicts an entity's cash generating capacity from operations. It is computed as follows:

+ Net profit
+ Depreciation, amortization and writedowns

+/- Change in working capital
- Capital expenditures
- Impact of nonrecurring events

= **Free cash flow**

Because the composition of the alternative performance indicators described above is not governed by generally accepted accounting principles, the computation criteria adopted by the Group could be different from those adopted by other companies and, consequently, not comparable.

The Group presents its **income statement** in accordance with a format **with expenses broken down by type.** In addition, it has developed and uses for internal reporting and business management purposes an income statement format in which costs are broken down **by function** (also known as "cost of sales" or "by destination" income statement). The Group's management believes that the disclosure of additional information in accordance with such a function-based presentation format provides an additional tool to assess more effectively its operating and financial performance. Moreover, the income statement reclassified in accordance with such a format, which was not reviewed by the Independent Auditors, is more consistent with the data presentation format used by the main operators in the global market for medical devices, which is also the Group's target market. The two income statement presentation formats (by type and by function/destination) show the same data for net revenues and EBIT.

The economic indicators provided by the income statement presentation format by function/destination include the following:

- Gross profit, which is an indicator of performance at the industrial level and is computed by deducting the cost of sales from net revenues;
- Research and development (R&D) operating expenses, which represent the amount corresponding to the operating costs (personnel expense, cost of materials and services used, depreciation and amortization) incurred by the departments responsible for research and development (net of costs capitalized as development costs);
- Selling, general and administrative (SG&A) operating expenses, which represent the amount corresponding to the operating costs (personnel expense, cost of materials and services used, depreciation and amortization) incurred by the departments responsible for sales, marketing, administration and management and the other operating costs and revenues and additions to provisions that are not included in cost of sales or research and development expenditures.

Sorin's management measures the performance of the Group and its business units without taking into account the impact of special items on EBIT, EBITDA and net indebtedness. Material income statement and balance sheet items are classified as special items when (i) they arise from events or transactions that are not recurring or from transactions or situations that do not occur frequently in the normal course of business, or (ii) they arise from events or transactions that are not indicative of the Group's regular business activity. The international accounting principles (IFRS) do not provide a definition for special items. Consequently, information about special items should be viewed as a supplemental disclosure provided for the purpose of measuring more effectively the actual result from regular operations. Material income statement and balance sheet items that arise from non-recurring operations are shown separately in the comments provided by management and in the financial disclosures included in this Report.

Operating Performance

The Group's reference macroeconomic scenario continues to be characterized by a protracted, serious financial and economic crisis that has been lingering for some years and has become even deeper in the Eurozone. In the past, the industry in which the Group operates was affected only marginally by the current crisis, which now, apparently, is starting to have some effect, due mainly to the high level of sovereign debt of some countries and the programs that these countries are implementing to reduce it.

In 2011, as was the case the previous year, the sharp contraction of the credit markets did not have a material impact on the Group, which continued to demonstrate an ability to generate cash flow, thanks to an excellent level of financial flexibility.

The currency translation effect was again a factor in 2011, with significant fluctuations in the main euro exchange rates, particularly with regard to the U.S. dollar and the Japanese yen. However, the translation impact on the Group's bottom line was mitigated with the adoption of foreign exchange hedging strategies and the use of hedge accounting.

Salient events concerning Sorin Group that occurred in 2011 included the following:

- Authorization to market in Europe the Perceval™ S self-anchoring aortic heart valve, which represents the latest generation of cardiac prostheses in terms of technological innovation. It is particularly suitable for replacement of the aortic valve in patients suffering from aortic valve stenosis with a minimally invasive surgical procedure with a very short implementation time. Perceval S is a surgical aortic valve equipped with an exclusive self-expanding, anchoring system that enables surgeons to replace a damaged valve without having to suture the prosthesis to the patient's tissue and, consequently, represents an evolution compared with conventional bioprostheses.
- The achievement of a historic milestone of more than 100,000 implantations worldwide of the Mitroflow aortic heart valve.
- Completion of the relocation of production of Xtra systems from the Mirandola plant to the Munich facility, which has become the center of excellence for autotransfusion equipment.
- Acquisition of a minority interest in MD Start S.A., based in Lausanne, Switzerland, and MD Start I K.G., based in Dresden, Germany. MD Start, Europe's first venture capital incubator supported by operators in Europe's medical technology sector, offers to promoters of innovative ideas an important opportunity to turn into reality their medical device development projects. MD Start's mission is to stimulate innovation by providing scientists and physicians with the financial and technical competencies and the strategic resources needed to identify and validate new ideas.
- Sale of the building in Montrouge (Paris) that housed the manufacturing activities of the CRM business unit in France until 2009, prior to their relocation to a new facility in Clamart (Paris).
- Presentation of the Group's 2011-2015 strategic plan to the financial community. The Plan confirms the adoption of guidelines aimed at supporting a steady increase of the Group's profits and cash flow, with actions that reflect an unrelenting effort to control costs, with a strong focus on strategic objectives that will accelerate the Group's growth over the medium and long term.
- An agreement to distribute on an exclusive basis in the United States and Europe the entire portfolio of products manufactured by Calmed (a U.S. company), which includes cannula, leads and cardiac surgery accessories.
- The launch on the U.S. market of XTRA, a next-generation autotransfusion system for the treatment of blood before, during and after surgery. XTRA embodies the most advance technology in this field, thanks to the introduction of innovative solutions, which include functional design, operator interface with color graphics and an advanced data management system.
- Market launch of the new VascuClear ™, a new endoscopic vessel harvesting (EVH) system that offers patients a minimally invasive alternative for saphenous vein and radial artery harvesting, required for aortocoronary bypass surgery. Because it is an open EVH system, i.e., not requiring the use of pressurized carbon dioxide, VascuClear reduces to an extremely significant extent the risk of formation of endoluminal clots compared with closed systems.

- Award of the CE mark for implantable cardioverter defibrillators (ICD) and cardiac resynchronization therapy defibrillators (CRT-D) of the PARADYM ™ RF line, which are devices designed for remote monitoring with SMARTVIEW™, Sorin's new, easy-to-use remote monitoring system.
- First implantation in North America of the Freedom SOLO™ pericardial aortic valve prosthesis performed by cardiac surgeons at Hopital Laval, in Quebec City, as part of a clinical trial for authorization to market it in Canada.
- Signing of a long-term industrial agreement with a top industry operator for the development and production of leads.
- Implementation of the third cycle of the 2009-2013 Stock Grant Plan, approved by the Ordinary Shareholders' Meeting on September 14, 2010.
- Launch of a share buyback program aimed at acquiring treasury shares that can be used to implement the abovementioned Stock Grant Plan and, more generally, pursue share-price stabilization objectives, which will be in effect until March 14, 2012.
- Acquisition of a line of arterial and venous cannula from Endoscopic Technologies Inc. (USA) by Sorin Group USA Inc. (USA), for a transaction price of 5 million U.S. dollars. Endoscopic Technologies Inc. (Estech), a privately held company based in California (USA), develops and markets a broad range of innovative, disposable medical devices that enable surgeons throughout the world to perform a series of conventional and minimally invasive cardiac surgery procedures. This portfolio of cannulation solutions delivers optimum blood flow with extremely small devices. In addition, the cutting-edge design of these products allows easy insertion, both in minimally invasive and conventional cardiac surgical procedures. The revenues generated by the Estech cannula product line totaled about 3 million U.S. dollars in 2010 and are expected to grow rapidly in the future.
- Award of the CE mark for Mitroflow, a bovine pericardium aortic valve with phospholipid reduction treatment. This exclusive phospholipid reduction treatment (PRT) for biological tissues was developed to minimize the potential calcification of the Mitroflow valve. Research has shown that phospholipids play an important role in the calcification of bioprostheses and that reducing them results in a 99% decrease in calcium absorption by PRT treated tissues. The PRT treatment will help reduce potential calcification and further improve the outstanding clinical results of the Mitroflow valve. Over almost three decades of use and more than 20 years of excellent published clinical results, the Mitroflow valve, thanks to its unique design, has delivered exceptional, long-term hemodynamic performances.
- Voluntary early repayment by Sorin S.p.A. of a facility syndicated by Mediobanca for a total amount of12.6 million euros, including 10.6 million euros for the tranche in euros and 2.6 million U.S. dollars for the tranche in U.S. dollars.
- Award of the CE mark and launch on the European market of SonR, an innovative system for the optimization of cardiac resynchronization therapy (CRT). SonR is he only CRT optimization system that allows automatic patient optimization on a weekly basis and, most important, as the patient engages in his regular activities, i.e., under real-time living conditions. Promising initial clinical results indicate that SonR can increase therapy response rates and reduce hospitalizations for heart failure, compared with standard medical practices with follow-up after one year.
- Acquisition of a minority interest in Enopace Biomedical Inc., a startup company working on the development of a neuromodulation system for patients suffering from congestive heart failure, which is currently the most urgent unsatisfied clinical need in the cardiovascular area. The investment of 7.0 million U.S. dollars (about 5.0 million euros) will be used to finance initial clinical trials and product development.
- Beginning of patient enrollment in the ISIS-ICD clinical trial, the main purpose of which is to assess the effectiveness of the Sorin PARAD+™ algorithm in reducing inappropriate shocks delivered by implantable defibrillators.
- Award of the CE mark for INSPIRE™ 6, the first model of a complete family of new oxygenators for cardiopulmonary bypass surgery in adult patients. With regard to this new product, Sorin plans to immediately start clinical trials and proceed with its market launch, which will include other models, in the first half of 2012. Compared with other oxygenators currently on the market, the new INSPIRE™ family was designed for improved performance and greater flexibility, so as to allow the medical community to provide clinical benefits and high quality to patients undergoing cardiopulmonary bypass surgery.

A breakdown of **net revenues by business unit** and a comparison with the corresponding data for 2010 is provided below:

	2011	2010	% change	Restated 2011 data: Change in scope of consolidation	Restated 2011 data: Amounts at constant scope	Restated 2010 data: Change in scope of consolidation	Restated 2010 data: Amounts at constant scope	Restated 2010 data: Amounts at constant exch. rate/scope	% change at const. exch. Rate/ scope of consolid.
Cardiopulmonary	**344.9**	337.8	*+2.1%*	(0.0)	344.9	(2.3)	(4.6)	331.0	*+4.2%*
Cardiac Rhythm Management	**277.5**	284.6	*-2.5%*	-	277.5	-	1.1	285.7	*-2.9%*
Heart Valves	**119.0**	121.5	*-2.0%*	(0.1)	119.0	(2.0)	(2.2)	117.2	*+1.5%*
Other items	**2.0**	2.0	-	-	2.0	-	-	2.0	-
Total	**743.4**	745.8	*-0.3%*	(0.1)	743.4	(4.3)	(5.6)	735.9	*+1.0%*

(IN MILLIONS OF EUROS)

Stated at constant exchange rates and scope of consolidation, revenues show an increase of 1.0% compared with 2010. The change in scope of consolidation consists of excluding from the year-over-year comparison the revenues generated by non-strategic product lines that were divested in previous years, such as blood processing equipment and disposable products for blood separation, systems for the production of autologous thrombin serum, stents for peripheral angioplasty and bovine pericardium tissue for cardiac surgery.

Group EBIT totaled 87.7 million euros, up from 71.5 million euros the previous year. Group EBIT reflect the effect of special items, which on balance were negative by 0.1 million euros (negative impact of 6.9 million euros the previous year). Net of special items, EBIT amounted to 87.8 million euros, compared with 78.4 million euros in 2010.

The consolidated net profit grew to 58.0 million euros, compared with 39.1 million euros the previous year.

Please note that, until December 31, 2010, the residual income statement items of the Vascular Therapy and Renal Case business units, divested in 2008, were shown separately on the income statement under “Profit (Loss) from divested operations. These data were no longer listed separately in 2011, as the amounts involved were inconsequential.

At December 31, 2011, net indebtedness totaled 105.9 million euros, or 22.9 million euros less than the 128.8 million euros owed at the end of 2010. Restated to eliminate the negative financial effect of special items, net indebtedness shows a year-over-year decrease of 37.7 million euros.

Cardiopulmonary

The Cardiopulmonary (CP) Business Unit designs, manufactures and markets disposable biomedical devices and systems for extracorporeal circulation during surgery to treat cardiac patients.

In July 2011, the Cardiopulmonary Business Unit completed the acquisition of Estech's cannula product line. The assets acquired include the full cannula portfolio, consisting of devices that facilitate both minimally invasive and conventional cardiac surgery procedures. The annual revenues generate by these products amount to about 3 million U.S. dollars and are growing rapidly. This transaction strengthens Sorin's position in the cannula segment and consolidates its relations with cardiac surgeons.

In 2011, revenues totaled 344.9 million euros compared with 337.8 million euros the previous year, for a gain of 2.1% (+4.2% at constant exchange rates and comparable basis of consolidation).

A breakdown of revenues by product segment is as follows:

	2011	2010	% change	Restated 2011 data: Change in scope of consoli-dation	Restated 2011 data: Amounts at con-stant scope	Valori 2010 rettificati: Variazione perimetro	Valori 2010 rettificati: Impatto cambi	Valori 2010 rettificati: Valori a parità cambio/ perimetro	% change at const. exch. rates/ scope of consolid.
Heart-lung machines	**78.1**	69.2	*+12.9%*	-	78.1	-	(0.8)	68.4	*+14.2%*
Oxygenators	**200.1**	201.7	*-0.8%*	-	200.1	-	(2.8)	198.9	*+0.6%*
Autotransfusion systems and devices	**61.9**	58.9	*+5.0%*	-	61.9	-	(0.7)	58.2	*+6.3%*
Other items	**4.8**	7.9	-	(0.0)	4.7	(2.3)	(0.2)	5.5	-
Total Cardiopulmonary	**344.9**	337.8	*+2.1%*	(0.0)	344.9	(2.3)	(4.6)	331.0	*+4.2%*

(IN MILLIONS OF EUROS)

In the **Heart-lung Machine** (HLM) product segment, the business unit reported record sales for the third consecutive year, further strengthening Sorin's leadership position in all major markets. The rate of growth, strong in all markets, topped 50% in China, Asia and Eastern Europe and was at the double-digit level in the United States and Japan.

Positive sales results were also reported in the **Oxygenator** segment (oxygenators and other disposable devices for extracorporeal circulation), particularly in the emerging markets and the United States, where the integration of Gish Biomedical in the first half of 2011 contributed to this performance.
In December 2011, the business unit received the CE mark for Inspire™ 6, the first model of the Inspire line of new adult oxygenators. The Inspire product family will enable Sorin to offer to its customers a wider range of solutions, with better performance and greater adaptability for different clinical needs than the oxygenation systems currently on the market. In addition, Inspire will help Sorin increase its manufacturing efficiency over the medium term. In 2012, Sorin will complete the commercial launch of this innovative product family in all major markets.

Lastly, Sorin strengthened its presence in the cannula segment in 2011 with the abovementioned acquisition of the Estech product lines and an agreement for the distribution of the Calmed portfolio in Europe and the United States.

In the **Autotransfusion** segment, revenues grew at a brisk pace, particularly in Europe, Japan and the emerging markets, where the rate of increase was more than 50%. The results reported in this segment benefited from the success of Xtra, Sorin's line of next-generation autotransfusion systems. The business unit believes that it will further strengthen its leadership position in this segment with Xtra's launch in Japan, in the first quarter of 2012, and China, in the fourth quarter of 2012.

Also in 2011, the business unit completed the relocation of the production of Xtra systems from the Mirandola plant to the facility in Munich, which has become the center of excellence for autotransfusion devices.

At the industrial level, the business unit continued the successful implementation of programs to increase efficiency and optimize production site logistics. In 2011, investments in this area included a new automated warehouse for the main production site in Mirandola.

The business unit continued to invest significant amounts in research and innovation. In 2011, most of the activity focused on securing the CE mark and developing the industrial process for the Inspire oxygenator family.

Cardiac Rhythm Management

The Cardiac Rhythm Management (CRM) Business Unit designs, manufactures and markets a number of implantable devices, monitoring systems and accessories, all of which are used for cardiac stimulation, i.e., to control and manage cardiac rhythm and treat patients with related diseases.

Revenues totaled 277.5 million euros in 2011, compared with 284.6 million euros in 2010. While revenues were down 2.5% year-over-year (2.9% at constant exchange rates),the business unit's performance was slightly better than that of the overall market.

A breakdown of revenues by product segment is as follows:

	2011	2010	% change	Restated 2011 data		Restated 2010 data			% change at const. exch. rates/ scope of consolid.
				Change in scope of consoli-dation	Amounts at con-stant scope	Change in scope of consoli-dation	Amounts at con-stant scope	Amounts at con-stant exch. rate/scope	
High voltage (defib-rillators and CRT-D)	**90.4**	94.9	*-4.7%*	-	90.4	-	(0.4)	94.5	*-4.3%*
Low voltage (pacemaker)	**177.0**	179.0	*-1.1%*	-	177.0	-	1.5	180.5	*-1.9%*
Other items	**10.1**	10.7	-	-	10.1	-	0.1	10.8	-
Total Cardiac Rhythm Management	**277.5**	284.6	*-2.5%*	-	277.5	-	1.1	285.7	*-2.9%*

(IN MILLIONS OF EUROS)

The contraction in the size of the CRM market is due to healthcare spending cutbacks in government budgets adopted in response to difficult economic conditions. This slowdown was particularly pronounced in the United States, but was offset by growth in the emerging countries.

In the **High Voltage** segment (defibrillators and CRT-D cardiac rhythm resynchronization devices) revenues decreased by 4.7% to 90.4 million euros (-4.3% at constant exchange rates and scope of consolidation, compared with the previous year),

The revenues reported by the **Low Voltage** segment (pacemakers) totaled 177.0 million euros, or 1.1% less than in 2010 (-1.9 at constant exchange rates and scope of consolidation).

The implementation of a long-term industrial agreement with a top industry player for the development and production of leads got under way in 2011.
In May, the business unit received the CE mark for some products in the PARADYM™RF family of next-generation defibrillators and CRT-D cardiac resynchronization devices equipped with a remote monitoring system. These products, which were developed in collaboration with Orange Business Services, enable medical personnel to remotely access a patient's data. This technology was gradually deployed in Europe at the end of 2011 and its launch in the United States is planned for the second half of 2012.

In October, the business unit introduced the SonR CRT optimization system. This system includes the SonR hemodynamic sensor integrated into the SonRtip™ stimulation lead and the Paradym RFSonR CRT-D system. SonR is the first and only system that provides weekly automatic optimization, which is performed without disrupting the patient's normal activities and can improve response to CRT therapy, while providing an alternative to manual optimization performed with echocardiography in a hospital setting.
Also in October, a new family of leads that rounds off the existing portfolio so as to satisfy the needs of all the implantation practices used by physicians was launched in Europe. Subject to regulatory approval, distribution of these leads in the United States is planned for the first half of 2012.
Again in October, the Company switched to a direct distribution model in some of Italy's southern regions (Apulia, Basilicata and part of Sicily), which enables it work more closely with its customers. The distribution rights of Cardiomedica, Sorin's Italian distributor, are now limited to the central region and Latium.
In the same month, the Company acquired, at a cost of 7 million U.S. dollars, a minority interest in Enopace Biomedical, a recently established company focused on the development a neuromodulation system for patients suffering from congestive heart failure. Enopace's technology is based on a minimally invasive implantable neuromodulator that can improve cardiac efficiency in heart failure patients, reducing the workload of the left ventricle.
The ISIS-ICD clinical trial got under way in October, with the enrollment of the first patient. The primary purpose of this trial is to determine the percentage of patients wearing an implantable cardioverter defibrillator (ICD) equipped with the Sorin PARAD+™ discriminating algorithm who, at a follow-up after one year, show no sign of inappropriate shocks. The PARAD+ algorithm is expected to achieve a very low rate of inappropriate shocks, providing an exclusive treatment of ventricular arrhythmia.

The main events attended by the business unit to promote the technological innovations of its products included the Heart Rhythm Society Convention, held in the United states in May, and Europace, held in Spain in June, where Sorin presented its next-generation remote monitoring devices.
The site of the Montrouge plant, which was closed in 2010, was sold in March 2011, generating proceeds of 5.3 million euros and a gain of 3.9 million euros recognized in the income statement.

Heart Valves

The Heart Valves (HV) Business Unit designs, manufactures and markets implantable prostheses to replace or repair native heart valves.

In 2011, it reported revenues of 119.0 million euros, compared with 121.5 million euros in 2010, for a year-over-year decrease of 2.0% (increase of 1.5% at constant exchange rates and scope of consolidation).

A breakdown of revenues by product segment is as provided below:

	2011	2010	% change	Restated 2011 data Change in scope of consoli-dation	Restated 2011 data Amounts at con-stant scope	Restated 2010 data Change in scope of consoli-dation	Restated 2010 data Amounts at con-stant scope	Restated 2010 data Amounts at con-stant exch. rate/scope	% change at const. exch. rates/ scope of consolid.
Mechanical cardiac valves	**56.5**	58.4	*-3.2%*	-	56.5	-	(1.1)	57.3	*-1.3%*
Tissue cardiac valves	**55.8**	55.6	*+0.2%*	-	55.8	-	(0.9)	54.7	*+1.9%*
Other items	**6.8**	7.4	-	(0.1)	6.7	(2.0)	(0.1)	5.3	-
Total Heart Valves	**119.0**	121.5	*-2.0%*	(0.1)	119.0	(2.0)	(2.2)	117.2	*+1.5%*

(IN MILLIONS OF EUROS)

The generalized slowing of the market growth rate that started in the first half of the 2011 continued during the rest of the year, particularly in the developed countries, such as the United States, and the main European markets. Despite this, the business unit continued to benefit from the positive trend of rising sales of bovine pericardium tissue valves that characterized previous years.

Specifically, while revenues were down slightly in the mechanical valve segment, in line with the expected gradual contraction of this area to the benefit of tissue prostheses, the conventional tissue valve segment turned in a positive performance, due mainly to a growing market penetration in the emerging countries and the United States, which more than offset the effects of a weaker tissue-valve market in Europe.
In the Other items segment, annuloplasty rings, which included the innovative Memo 3D ring for repairing the native mitral valve launched in Japan in the fourth quarter of 2011, and other accessories for heart valve surgery, performed particularly well.

The business unit's main growth factor in 2011 was the market launch of the first device in the new Perceval product family: a sutureless implantable tissue valve that can be implanted with increasingly less invasive procedures. The CE mark, which is required before a product can be marketed in Europe, was issued in January 2011 and the valve's commercial launch followed in the first quarter. The innovative Perceval sutureless valve, which, as mentioned above, received the CE mark for the 21 mm to 23 mm sizes in January 2011 and for the 25 mm size in October 2011, was received extremely well by the medical-scientific community. The Group is currently focused on implementing the commercial launch for specific customer categories, completing the process required for submission of reimbursement requests in the main European countries and expanding the available product line. More specifically, the Group expects to receive, in the first half of 2012, the CE mark for the MIS Introducer (used to perform minimally invasive surgery) and the new kit of next-generation accessories, and plans to broaden the indication-for-use range (extending it from patients older than 75 years to patients older than 65 years).

Even though activity slowed considerably in the North American market, sales of the Mitroflow™ bovine pericardium tissue valve in the United States continued to be an important growth factor in 2011. The approval to market the Mitroflow™ valve in the United States, the most important market in terms of size and profitability, granted by the U.S. Food and Drug Administration (FDA) at the end of 2007, enabled the business unit to round out the portfolio of products it offers in the U.S. market, where tissue valve penetration is greater than 70%.

In the research area, the business unit continues to focus its efforts on select projects, the most important of which is the Perceval valve. After completing the First in Man (FIM) clinical trial in 2008 and a second clinical trial in 2010, the business unit received the CE mark in January 2011 and, in October, another CE mark for the Size L Perceval valve, as an extension of an already approved product line.
Also in 2011, enrollment continued in a clinical trial launched in 2010 to broaden the valve's indications for use and, consequently, its potential market, which also represents the first step in the process of securing FDA approval to market this product in the United States.
Within the same project, the collaboration with the Mayo Clinic, in the United States, continued in accordance with contractual guidelines, which ended in the first half of the year. The purpose of this collaborative effort is to develop a minimally invasive aortic valve replacement procedure that uses a heart valve elastically compressed inside a stent that can be implanted without sutures. This innovative approach could make it possible to further broaden the population of patients eligible for the replacement of a damaged native valve. Leveraging its wealth of knowhow, Sorin Group is working with the Mayo Clinic to develop not only the therapy described above, but also the equipment and techniques needed for the implantation and optimum positioning of the valve. Once the implantation procedure is completed, the Mayo Clinic will participate in the U.S. clinical trials.

Also in the area of innovation, during the second half of the year, the Group launched a Mitroflow valve with a phospholipid reduction treatment that limits calcification in tissue valvular prostheses and, after receiving a conditional IDE, successfully continued enrollment in a clinical trial designed to obtain FDA approval to market in the United States the Freedom Solo tissue valve, which has been available in Europe for several years. The Freedom Solo valve is a stentless valve made exclusively of specially shaped bovine pericardium, without the reinforcement of a supporting stent. This type of construction makes the valve particularly "physiological" and provides superior hemodynamic performance. This valve will round out the tissue valve product line marketed in the United States that already includes the Mitroflow stented valve.

In October, after completing all required tests and validations, the business unit received the CE mark for the PRT (*Phospholipid Reduction Therapy*), an innovative treatment to prevent calcification in the Mitroflow™ valvular prosthesis.

In December 2011, the business unit secured authorization to sell in Japan two products that it already marketed in other parts of the world: the Bicarbon 3G, the latest generation of the Bicarbon mechanical valve, and the MEMO 3D, an innovative annuloplasty ring capable of mimicking the physiological tridimensional motion of the mitral valve annulus.

In 2011, the Heart Valves Business Unit was an active participant at several nationally and internationally significant conventions. Some of the most important included the STS, held in January in San Diego, California; the AATS, held in May in Philadelphia, Pennsylvania; the ISMICS held in June in Washington, D.C.; the SHVD, held in June in Barcelona, Spain; and the EACTS held in September in Lisbon, Portugal. On each occasion, the Heart Valves Business Unit organized several events designed primarily to support the Mitroflow™ tissue valve and the commercial launch of the Perceval sutureless heart valve, eliciting interest and a highly positive response from heart surgeons.

In 2010, the business unit continued to benefit from the efficiency gains generated by programs to cut manufacturing costs, an area that, in recent years, has been the focus of special attention throughout the Group. Some employees at Sorin Biomedica Cardio’s Saluggia factory were enrolled in the Special Layoff Benefits Fund until the end of September 2011, pursuant to an application approved by the Ministry of Welfare in September 2008.

Net Revenues by Geographic Region of Destination

	2011	%	2010	%	Change at constant exchange rates %
Italy	76.9	*10.3*	80.8	*10.8*	*-4.8*
Rest of Europe	315.4	*42.4*	320.3	*42.9*	*-1.7*
North America	196.3	*26.4*	208.3	*27.9*	*-1.8*
Rest of the world	154.8	*20.8*	136.4	*18.3*	*+12.0*
Total	743.4	*100.0*	745.8	*100.0*	*+0.4*

(IN MILLIONS OF EUROS)

The Group was able to make up the revenue decreases that the economic crisis is causing in its traditional markets in Europe and North America by strengthening its presence in the emerging markets.

Operating Performance of the Main Group Companies

The data provided below are taken from the financial statements supplied by these companies for the preparation of the consolidated financial statements.

Sorin Group Italia S.r.l. (Sorin S.p.A. 87.92%, other Group companies 12.08%)
This company produces oxygenators and autotransfusion systems. It is the company authorized to distribute Sorin Group's products in Italy.

	2011	2010
Net revenues	244.3	240.8
EBIT	38.5	44.5
Net profit (loss)	37.4	48.3

(IN MILLIONS OF EUROS)

Sorin Group USA Inc. (U.S.A.) (Sorin Group Italia S.r.l. 100%)
This company distributes Sorin Group's heart valves and cardiopulmonary products in the United States. In addition, custom packs for U.S. customers are assembled at its plant in Arvada, Colorado.

	2011	2010
Net revenues	192.4	186.7
EBIT	4.9	10.8
Net profit (loss)	4.5	11.8

(IN MILLIONS OF U.S. DOLLARS)

Sorin Group Deutschland GmbH (Germany) (Sorin Group Italia S.r.l. 100%)
This company produces heart-lung machines for extracorporeal circulation. It also distributes Sorin Group's products in Germany.

	2011	2010
Net revenues	90.1	84.5
EBIT	17.8	13.0
Net profit (loss)	10.6	7.3

(IN MILLIONS OF EUROS)

Sorin Biomedica Cardio S.r.l. (Sorin S.p.A. 100%)
This company produces heart valves.

	2011	2010
Net revenues	76.4	78.0
EBIT	(1.1)	(2.6)
Net profit (loss)	(0.7)	0.5

(IN MILLIONS OF EUROS)

Sorin CRM S.A.S. (France) (Sorin S.p.A. 100%)
This company produces pacemakers and defibrillators and cardiac rhythm resynchronization devices.

	2011	2010
Net revenues	198.1	176.3
EBIT	20.2	16.1
Net profit (loss)	13.6	2.8

(IN MILLIONS OF EUROS)

Sorin Group France S.A.S. (France) (Sorin CRM S.A.S. 100%)
It is the company authorized to distribute Sorin Group's products in France.

	2011	2010
Net revenues	117.5	118.2
EBIT	2.6	(1.9)
Net profit (loss)	1.1	(2.7)

(IN MILLIONS OF EUROS)

Sorin CRM S.r.l. (Sorin CRM S.A.S. 100%)
This company manufactures leads and provides assembly, research and strategic marketing services to Sorin CRM S.A.S.

	2011	2010
Net revenues	59.4	38.2
EBIT	(0.9)	1.9
Net profit (loss)	(0.1)	2.1

(IN MILLIONS OF EUROS)

Sorin Group Canada Inc. (Sorin Group USA Inc. 100%)
This company produces heart valves and distributes Sorin Group's products in Canada.

	2011	2010
Net revenues	90.2	95.2
EBIT	24.4	28.2
Net profit (loss)	17.7	19.6

(IN MILLIONS OF CANADIAN DOLLARS)

Sorin Group Japan K.K. (Sorin Group Nederland N.V. 100%)
This company distributes Sorin Group's products in Japan.

	2011	2010
Net revenues	3,051.2	2,956.5
EBIT	154.7	(103.0)
Net profit (loss)	135.6	(123.0)

(IN MILLIONS OF JAPANESE YEN)

Sorin Group's Operating and Financial Results

Consolidated Operating Results

The 2011 reporting year ended with a net profit of 58.0 million euros, compared with 39.1 million euros in 2010. The schedule below presents an **income statement** in the format with items classified **by type**:

	2011	2010	Change (*)
Net revenues	743.4	745.8	*-2.4*
• Other revenues and income	19.0	22.9	*-3.9*
• Change in inventory	(0.0)	(9.8)	*+9.8*
• Increase in Company-produced additions to non-current assets	32.0	28.8	*+3.3*
• Cost of raw materials and services used and miscellaneous operating costs	(394.5)	(410.2)	*+15.7*
• Personnel expense	(268.1)	(257.6)	*-10.5*
EBITDA	131.9	119.9	*+12.0*
• Depreciation, amortization and writedowns	(39.8)	(39.9)	*+0.1*
• Additions to provisions for risks and charges	(3.0)	(4.0)	*+1.0*
• Restructuring charges and provisions	(1.3)	(4.5)	*+3.2*
EBIT	87.7	71.5	*+16.2*
• Financial income (expense)	(7.3)	(11.6)	*+4.2*
• Income from (Expense on) investments in associates	(0.3)	(0.0)	*-0.2*
Profit (Loss) before taxes	80.1	59.9	*+20.2*
• Income taxes	(22.0)	(17.5)	*-4.5*
Profit (Loss) from continuing operations	58.0	42.4	*+15.7*
Profit (Loss) from divested operations	--	(3.3)	*+3.3*
Net profit (loss)	58.0	39.1	*+19.0*

(IN MILLIONS OF EUROS)

(*) The changes are shown as positive or negative based on their impact on the result for the year.

The **income statement** data, which in the previous schedule are broken down by type, can also be presented in accordance with a format **by function/destination**, as shown below:

	2011	2010	Change (*)
Net revenues	743.4	745.8	-2.4
• Cost of sales	(295.9)	(306.5)	+10.7
Gross profit	447.6	439.3	+8.3
as a % of net revenues	*60.2%*	*58.9%*	
• Selling, general and administrative expenses	(289.7)	(293.9)	+4.2
as a % of net revenues	*(39.0%)*	*(39.4%)*	
• Research and development costs	(70.1)	(66.9)	-3.2
as a % of net revenues	*(9.4%)*	*(9.0%)*	
• Special items	(0.1)	(6.9)	+6.9
EBIT	87.7	71.5	+16.2
• Financial income (expense)	(7.3)	(11.6)	+4.2
• Income from (Expense on) investments in associates	(0.3)	(0.0)	-0.2
• Income taxes	(22.0)	(17.5)	-4.5
Profit (Loss) from continuing operations	58.0	42.4	+15.7
Profit (Loss) from divested operations	--	(3.3)	+3.3
Net profit (loss)	58.0	39.1	+18.9
as a % of net revenues	*7.8%*	*5.2%*	
EBITDA	128.7	120.2	+8.5
% sui ricavi netti	*17.3%*	*16.1%*	
EBIT before special items	87.8	78.4	+9.3
% sui ricavi netti	*11.8%*	*10.5%*	

(IN MILLIONS OF EUROS)

(*) The changes are shown as positive or negative based on their impact on the result for the year.

An analysis of the income statement data presented in the two different formats (by type and by function) is provided below.

The percentage of sales represented by the **gross profit** (presentation by function) grew to 60.2%, compared with 58.9% in 2010, making 2011 the first year in the Group's history in which the gross margin exceeded 60%. This important increase is the result of programs to contain industrial costs repeatedly implemented in previous years.

The ratio of **selling, general and administrative expenses** to net revenues (presentation by function) declined from 39.4% in 2010 to 39.0% in 2011. They included a charge of 1.5 million euros (charge of 10.7 million euros in 2010) for the reversal of the cash flow hedge reserve for fluctuations in foreign exchange rates. Net of the impact of hedge accounting, the ratio of selling, general and administrative expenses to net revenues was 38.8%, compared with 38.0% in 2010. This increase reflects the impact of higher selling and marketing expenses for the launch of new products and for international commercial expansion projects.

Research and development costs (presentation by function) increased by 4.7% to a total of 70.1 million euros, equal to 9.4% of revenues, compared with 9.0% in 2010. These costs refer mainly to projects for the development of the SonR and Remote Monitoring innovative systems, clinical trials for the Perceval and Freedom Solo valves and the innovative industrialization process developed for Inspire.

Other revenues and income (presentation by type) decreased by 3.9 million euros compared with the previous year. They include extraordinary income of 3.9 million euros from the sale of a building in Montrouge (Paris) and 0.6 million euros from the reversal into earnings of excess provisions for non-current receivables.
In 2010, extraordinary items included extraordinary income of 4.5 million euros consisting of: 1.2 million euros from the sale of a building in Saluggia, 1.8 million euros from the divestment of the Angel® and activAT® product lines, 1.0 million euros from the Gish Biomedical Inc. acquisition and 0.3 million euros from the collection of an unexercised real estate put option.
Other revenues and income also include grants and other research-related income totaling 6.5 million euros (8.1 million euros in 2010).

The cost of raw materials and services used and miscellaneous operating costs (presentation by type) totaled 394.5 million euros, or 15.7 million euros less than in 2010. They include a charge for the reversal of the cash flow hedge reserve for fluctuations in foreign exchange rates.

Personnel expense (presentation by type) rose to 268.1 million euros, or 10.5 million euros more than in 2010, reflecting an increase in the average payroll from 3,738 employees in 2010 to 3,763 employees in 2011. In addition to reflecting the effect of a larger average workforce compared with the previous year, personnel expense includes costs for long-term variable compensation plans totaling 6.4 million euros (3.5 million euros in 2010) related to the Long-term Incentive Plan (LTIP) and the stock grant plans approved in previous years. It also includes an extraordinary charge of 0.2 million euros (0.4 million euros in 2010) for the measurement in accordance with IAS 19 of the obligation under the defined-benefit plan for U.S. employees of the former SBI (Sorin Biomedical, Inc.), net of the gain resulting from the effect of the "Save Italy" Decree on the actuarial computation of the provisions for employee severance indemnities of Italian companies.

An analysis of the income statement presented with items classified by type shows that the change in inventory had virtually no impact on the bottom line (a negative impact of 9.8 million euros in 2010). The increase in Company-produced additions to non-current assets, which reflects primarily the capitalization of development costs and costs incurred to secure FDA approval to market products in the United States and the capitalized cost of equipment and accessories provided to customers under gratuitous loan agreements, had a positive impact of 32.0 million euros (28.8 million euros in 2010). Depreciation, amortization and writedowns had a negative impact of 39.8 million euros (39.9 million euros in 2010), while additions to provisions for risks and charges also had a negative impact of 3.0 million euros (4.0 million euros in 2010). Restructuring charges and provisions of 1.3 million euros refer to organizational and efficiency boosting programs at the Group level.

As a result of the items described above, EBIT increased from 71.5 million euros in 2010 to 87.7 million euros in 2011. Overall, the impact of special items on EBIT was negative by 0.1 million euros, compared with a negative impact of 6.9 million euros in 2010.

Special items included charges of 2.2 million euros for legal and contractual disputes; a net charge of 0.2 million euros from the measurement in accordance with IAS 19 of the obligation under the defined-benefit plan for U.S. employees of the former Sorin Biomedical, Inc. – SBI and the effect on the provisions for employee severance indemnities of the "Save Italy" Decree, which extended the retirement age; and charges of 1.3 million euros for restructuring programs. As mentioned above, they also include extraordinary income of 3.9 million euros from the sale of a building in Montrouge (Paris) and 0.6 million euros from the reversal into earnings of excess provisions for non-current receivables.

In 2010, special items included a gain of 1 million euros, net of directly attributable incidental expenses, on the sale of a building in Saluggia to GI Pharma, a company active in the market for radiopharmaceuticals.; expenses of 0.6 million euros to secure the storage facility for radioactive medical waste at the Saluggia plant; charges of 1.4 million euros directly attributable to the acquisition of the assets of a distributor in Austria; a gain of 1.8 million euros, net of directly attributable expenses, on the sale of the Angel® and activAT® product lines; a gain of 0.2 million euros, net of directly attributable expenses, on the acquisition of Gish Biomedical Inc. in the United States; a charge of 0.4 million euros from the measurement in accordance with IAS 19 of the obligation under the defined-benefit plan for U.S. employees of the former Sorin Biomedical, Inc. – SBI; charges of 2.7 million euros for legal disputes; charges of 0.4 million euros for the project to relocate the production of heart-lung machines from the plant in Mirandola (Italy) to a facility in Munich (Germany); and charges of 4.5 million euros for restructuring programs.

The table below shows the impact of **special items** on **EBIT:**

	2011	2010	Change (*)
EBIT	87.7	71.5	*+16.2*
• Net gain on the sale of a building	3.9	1.1	*+2.8*
• Expenses to secure a storage facility in Saluggia	--	(0.6)	*+0.6*
• Charges directly attributable to the acquisition of the operations of a distributor in Austria	--	(1.4)	*+1.4*
• Net gain on the divestment of the Angel product lines	--	1.8	*-1.8*
• Gish Biomedical acquisition	--	0.2	*-0.2*
• Litigation and disputes	(2.2)	(2.7)	*+0.5*
• Valuation of provisions for employee benefits	(0.2)	(0.4)	*+0.2*
• Charges for restructuring programs	(1.3)	(4.5)	*+3.2*
• Sundry items	(0.2)	(0.4)	*+0.2*
Total special items	0.1	(6.9)	*+6.9*
EBIT before special items	87.7	78.4	*+9.3*

(IN MILLIONS OF EUROS)

(*) The changes are shown as positive or negative based on their impact on the result for the year.

The impact of **special items** on EBITDA is as follows:

	2011	2010	Change (*)
EBITDA	131.9	119.9	*+12.0*
• Net gain on the sale of a building	3.9	1.1	*+2.8*
• Charges directly attributable to the acquisition of the operations of a distributor in Austria	--	(1.4)	*+1.4*
• Net gain on the divestment of the Angel product lines	--	1.8	*-1.8*
• Gish Biomedical acquisition	--	0.2	*-0.2*
• Litigation and disputes	(0.5)	(1.5)	*+0.9*
• Valuation of provisions for employee benefits	(0.2)	(0.4)	*+0.2*
• Sundry items	(0.0)	(0.2)	*+0.2*
Total special items	3.2	(0.3)	*+3.5*
EBITDA before special items	128.7	120.2	*+8.5*

(IN MILLIONS OF EUROS)

(*) The changes are shown as positive or negative based on their impact on the result for the year.

Net financial expense decreased to 7.3 million euros, down from 11.6 million euros in 2010. On a run-rate basis, net financial expense shows a decrease of 1.9 million euros due to a reduction in average indebtedness for the period and a reduction of the spread charged on its medium/long-term debt. In this area, it is worth mentioning that the Company's long-term debt consists exclusively of a facility provided by the European Investment Bank, for a total amount of 95.9 million euros, with single maturity of June 2014,

As a result of the factors described above and given a 2011 income tax burden of 22.0 million euros (compared with 17.5 million euros in 2010), equivalent to 27.5% of the profit before taxes, the Group reported a **net profit** for the year of 58.0 million euros, compared with 39.1 million euros in 2010. The amount reported in 2010 was after a **loss from divested operations** of 3.3 million euros that, consistent with the requirements of IFRS 5, corresponded in essence to the loss for the year from the residual income statement items attributable to the Vascular Therapy and Renal Care business operations divested at the end of 2008. These data were no longer listed separately in 2011, as the amounts involved were inconsequential.

Consolidated Statement of Financial Position

The schedule below provides a highly condensed version of the Group's statement of financial position:

	12/31/11	12/31/10	Change (*)
• Net invested capital	628.1	582.8	*+45.3*
• Shareholders' equity	522.2	454.0	*+68.2*
• Net indebtedness	(105.9)	(128.8)	*-22.9*

(IN MILLIONS OF EUROS)

(*) The changes are shown as positive or negative based on the change in absolute terms.

In 2011, the Group's net invested capital increased, rising from 582.8 million euros at the end of 2010 to 628.1 million euros at the end of 2011. Net indebtedness is continuing to decrease, falling from 128.8 million euros at December 31, 2010 to 105.9 million euros at December 31 2011. Shareholders' equity grew from 454.0 million euros at December 31, 2010 to 522.2 million euros at the end of 2011.
As a result, the debt/equity ratio improved from 0.28 at December 31, 2010 to 0.20 at the end of 2011. The same was true for the debt/EBITDA ratio, which decreased from 1.1 times at the end of 2010 to 0.8 times at the end of 2011.

The impact on the consolidated statement of financial position of acquisitions completed in 2011, is reviewed below:

- Acquisition of a minority interest in the venture capital incubator MD Start S.A., based in Lausanne, Switzerland, and MD Start I K.G., based in Dresden, Germany, at a total cost of 1.1 million euros.
- Acquisition of a line arterial and venous cannula from Endoscopic Technologies Inc. (USA) by Sorin Group USA Inc. (USA), for a transaction price of 5 million U.S. dollars (3.9 million euros), which caused net invested capital to increase by the same amount, including 3.5 million euros added to intangible assets. The revenues generated by the cannula product line in 2011 amounted to 1.0 million euros.
- Acquisition of a minority interest in Enopace Biomedical Inc., a startup company working on the development of a neuromodulation system for patients suffering from congestive heart failure, for an investment of 7.0 million U.S. dollars (5.1 million euros), which will be used finance initial clinical trials and product development.
- Acquisition of the operations of a distributor in the Netherlands for 1.4 million euros, with recognition of intangible assets for the same amount.
- Acquisition of the operations of a distributor in some regions of Southern Italy for 2.9 million euros, with recognition of intangible assets for the same amount.

A breakdown of the **Group's net invested capital** is provided below:

	12/31/11	12/31/10	Change (*)
• Property, plant and equipment	98.2	94.8	*+3.3*
• Goodwill and other intangibles	352.7	327.9	*+24.8*
• Equity investments in affiliates and other companies	7.2	1.2	*+5.9*
Capital invested in non-current assets	458.0	424.0	*+34.0*
• Inventories	134.3	131.3	*+3.0*
• Trade accounts receivable	193.7	182.6	*+11.1*
• Trade accounts payable	(92.1)	(86.1)	*+6.0*
• Other assets (liabilities)	(31.1)	(28.0)	*+3.0*
Working capital	204.8	199.7	*+5.1*
• Provision for employee severance indemnities and other employee-benefit provisions	(26.2)	(25.0)	*+1.2*
• Provisions for risks and charges	(8.5)	(15.9)	*-7.4*
Net invested capital	628.1	582.8	*+45.3*

(IN MILLIONS OF EUROS)

(*) The changes are shown as positive or negative based on the change in absolute terms.

At December 31, 2011, net invested capital showed an increase of 45.3 million euros compared with the amount at December 31, 2010.

The increase in **property plant and equipment** (+3.3 million euros, compared with December 31, 2010) is the net result of translation differences for subsidiaries with reporting currencies different from the euros (+0.5 million euros), investments (purchases or additions from internal production) made to modernize or expand production capacity and capitalizations of equipment and accessories provided to customers under gratuitous loan agreements (+25.1 million euros), depreciation expense (-19.4 million euros) and other changes (-2.9 million euros).

The following items account for the increase in **Goodwill and other intangibles** (+24.8 million euros): capitalization of development costs, including the capitalization of costs incurred to secure FDA approval to market Group products in the United Sates and similar rights (+23.5 million euros), translation differences for subsidiaries with reporting currencies different from the euros (+0.8 million euros), acquisitions resulting in business combinations (+7.8 million euros), intangible assets resulting from an important long-term industrial partnership for the production of leads (+8.1 million euros), miscellaneous purchases including licenses and software (+3.0 million euros), amortization expense (-18.2 million euros) and other changes (-0.6 million euros). Lastly, **goodwill**, the value of which was successfully tested for impairment, totaled 193.3 million euros at December 31, 2011. Translation differences account for the increase of 0.4 million euros compared with December 31, 2010.
A review performed by an independent appraiser during the first half of the year validated the method used by the Group for the impairment test performed at December 31, 2010 and, consequently, the amounts reported at that date for working capital and, most importantly, intangible assets.

The increase in **Equity investments in affiliates and other companies** (+5.9 million euros compared with December 31, 2010) reflects the acquisition of minority interest in MD Start S.A. e MD Start I K.G., for a total of 1.1 million euros, and in Enopace Biomedical Inc., for 5.1 million euros, net of writedowns and losses for the period of 0.6 million euros and translation differences (+0.3 million euros).

Fluctuations in foreign exchange rates also had a significant impact on **Working capital**, which showed a net increase of 5.1 million euros due to a deterioration of the inventory turnover rate and an increase in trade receivable, with the average number of days sales outstanding rising from 81 at December 31, 2010 to 86 at the end of 2011. The increase in the number of days to collection is due mainly to deteriorating financial conditions in the Eurozone and the resulting payment delays by public administrations in some countries, Spain in particular. Transactions involving non-recourse factoring of receivables totaled 47.0 million euros, or 2.8 million euros more than at December 31, 2010. Trade payables increased by 6.0 million euros compared with the end of 2010 and the net change in other assets and liabilities included in working capital was an increase of 3.0 million euros reflecting primarily liabilities toward pension and social security institutions, amounts owed to employee and tax items.
A review performed by an independent appraiser during the first half of the year validated the method used by the Group for the valuation of deferred-tax assets and liabilities at December 31, 2010.

The reduction in the provisions for risks and charges (7.4 million euros) reflects primarily utilizations and reversals into earnings of provisions for restructuring programs (6.9 million euros), utilizations of provisions for litigation (1.8 million euros) and the reversal into earnings of provisions for non-current risks and charges resulting from the positive resolution of potential disputes with the public administration (2.3 million euros).

A breakdown of **Group shareholders' equity** is as follows:

	12/31/11	12/31/10	Change
• Share capital	478.7	470.4	*+8.3*
• Reserves	(14.5)	(55.5)	*+41.0*
• Net profit (loss) for the year	58.0	39.1	*+19.0*
Consolidated shareholders' equity	522.2	454.0	68.2

(IN MILLIONS OF EUROS)

Shareholders' equity grew by 68.2 million euros compared with December 31, 2010, due to the combined effect of the net profit for the year (+58.0 million euros), the capital increase resulting from the exercise of stock options (+13.2 million euros), the amount attributable to 2011 for plans with grants of Sorin stock (+4.7 million euros), purchases of Company shares to implement the abovementioned plan (-5.0 million euros), the recognition in equity reserves of the effective hedging component of interest rate swaps and currency translation hedges (-8.0 million euros, net of tax effect), and differences from the translation of shareholders' equities of consolidated companies denominated in currencies other than the euro (+5.2 million euros).

The table below provides a **reconciliation of the net profit (loss) and shareholders' equity of Sorin S.p.A. to** the corresponding **Sorin Group** data.

	12/31/11		12/31/10	
	Net profit (loss)	Shareholders' equity	Net profit (loss)	Shareholders' equity
Sorin S.p.A.	35.0	625.1	10.0	577.4
Net profit (loss) and shareholders' equities of consolidated companies	88.3	781.9	89.2	679.9
Elimination of writedowns and carrying values of consolidated companies	(12.6)	(1,010.0)	(21.7)	(925.9)
Adjustment to the carrying amount of investments in associates valued by the equity method	(0.1)	0.2	--	--
Consolidation adjustments:				
Elimination of dividends	(57.6)	--	(30.8)	--
Elimination of intra-Group inventory profits, net of tax effect	(1.1)	(23.3)	(2.4)	(22.0)
Recognition of goodwill and other intangibles	(1.6)	173.1	(2.4)	174.7
Derecognition of the impact of sales/ conveyances of business operations to Sorin Group Italia S.r.l.	--	(23.1)	--	(23.0)
Hedge accounting foreign exchange risk	7.8	--	3.1	--
Other adjustments	(0.1)	(1.7)	(5.9)	(7.1)
Sorin Group	58.0	522.2	39.1	454.0

(IN MILLIONS OF EUROS)

A breakdown of the Group's **net indebtedness** is as follows:

	12/31/11	12/31/10	Change (*)
Non-current financial assets	0.0	0.1	*-0.0*
Current financial assets:			
• Assets from financial derivatives	--	--	--
• Other current financial assets	2.6	9.0	*-6.4*
• Cash and cash equivalents	41.9	29.7	*+12.2*
Total financial assets	44.5	38.7	*+5.8*
Non-current financial liabilities			
• Liabilities from financial derivatives	**(6.3)**	(6.5)	*-0.2*
• Other non-current financial liabilities	**(98.2)**	(97.4)	*+0.8*
Current financial liabilities			
• Liabilities from financial derivatives	**(13.8)**	(4.7)	*+9.1*
• Other current financial liabilities	**(32.1)**	(59.0)	*-26.9*
Total financial liabilities	(150.4)	(167.5)	*-17.1*
Net indebtedness	(105.9)	(128.8)	*-22.9*
• current portion	(1.4)	(25.0)	*-23.6*
• non-current portion	(104.5)	(103.8)	*+0.7*

(IN MILLIONS OF EUROS)

(*) The changes are shown as positive or negative based on the change in absolute terms.

Net indebtedness totaled 105.9 million euros at December 31, 2011, down compared with 128.8 million euros at December 31, 2010. The free cash flow generated in 2011, amounting to 37.7 million euros, is chiefly the result of an increase in profit margins, which more than offset the impact of a significant deterioration of payment terms in Southern Europe.

An analysis of the components of net indebtedness shows that the main components of non-current financial liabilities at December 31, 2011 included a medium/long-term facility provided by the European Investment Bank (EIB), amounting to 95.9 million euros, and the installments due after December 31, 2012 of mortgages taken out in 2004 in connection with purchases of buildings in Saluggia (VC), amounting to 2.3 million euros.

Other current financial liabilities consist mainly of bank account overdrafts and other short-term borrowings totaling 3.4 million euros (2.0 million euros at December 31, 2010), liabilities for advances received for the assignment of trade receivables amounting to 28.2 million euros (24.2 million euros at December 31, 2010) and 0.3 million euros in installments due within one year of medium/long-term facilities (34.2 million euros at December 31, 2010).

With regard both to the syndicated medium/long-term facility provided by Mediobanca, Intesa San Paolo, MCC and BNP Paribas (repaid in 2011) and the medium/long-term facility provided by the European Investment Bank (EIB), Sorin S.p.A., in addition to repaying the scheduled installments due in 2011 amounting to 16.1 million euros, carried out a mandatory early repayment of an installment of both facilities for a total of 3.6 million euros, as required by the "excess cash flow" clause. Pursuant to this clause, a portion of the excess cash flow generated the previous year must be used for early loan repayments.

Lastly, in July 2011, Sorin S.p.A. voluntarily repaid ahead of schedule the syndicated Mediobanca loan, for a total amount of 12.6 million euros, including 10.6 million euros for the tranche in euros and 2.6 million U.S. dollars for the tranche in U.S. dollars.

At December 31, 2011, the Company was abundantly in compliance with all of the covenants of the loan agreements for the abovementioned facilities.

A breakdown by maturity of indebtedness outstanding at December 31, 2011 is as follows:

	2012	2013	2014	2015 and beyond	TOTAL
EIB facility			(95.9)		(95.9)
Other medium/long-term debt	(0.5)	(0.5)	(0.5)	(1.2)	(2.7)
Securitization and recourse factoring	(13.7)	(14.5)			(28.2)
Other short-term debt	(3.6)				(3.6)
Net liabilities from financial derivatives	(11.2)	(2.6)	(6.3)		(20.0)
Other financial assets	2.6				2.6
Cash and cash equivalents	41.9				41.9
Total	15.5	(17.5)	(102.7)	(1.2)	(105.9)
Average duration	2.0				

(IN MILLIONS OF EUROS)

Net indebtedness decreased by 22.9 million euros, even though the impact of special items was negative by 14.8 million euros.

Financial special items include the financial effects of the special items mentioned when analyzing the composition of EBIT, as well as purely financial special items. Special items included the following: the negative effect of the difference in the fair value of the portfolio of derivatives hedging the foreign exchange risk (10.4 million euros), share buyback programs (5.0 million euros), restructuring charges (6.2 million euros), expenses for miscellaneous disputes (0.7 million euros) and business development expenditures (16.6 million euros). The latter include, in addition to the acquisition of Estech's cannula portfolio, the acquisition of minority interests in MD Start (first medical industry incubator in Europe) and Enopace Biomedical (startup focused on heart failure), as well as the establishment of a partnership for the development of a new portfolio of leads.
On the other hand, net indebtedness benefitted from the sale of a building in Montrouge (5.3 million euros), the exercise of stock options (13.2 million euros), an increased use of non-recourse factoring transactions (2.8 million euros) and the collection of receivable owed to the Renal Care and Vascular Therapy businesses divested in 2008 (2.7 million euros).

The table below provides a breakdown of the impact of special items on net indebtedness:

	12/31/11	12/31/10	Change (Decrease)/ Increase
Net indebtedness	(105.9)	(128.8)	*22.9*
• Change in amount of non-recourse factoring			*2.8*
• Restructuring charges			*(6.2)*
• Sale of a building			*5.3*
• Business development activities			*(16.6)*
• Exercise of stock option			*13.2*
• Share buyback program			*(5.0)*
• Change in working capital of the divested Renal Care and Vascular Therapy operations			*2.7*
• Change in fair value of exchange rate and interest rate cash flow hedges			*(10.4)*
• Charges for litigation, settlements and sundry items			*(0.7)*
Total effect of changes from special items			*(14.8)*
Change in net indebtedness before special items			*37.7*

(IN MILLIONS OF EUROS)

Operating and Financial Results of Sorin S.p.A.

Operating Results of Sorin S.p.A.

The 2011 reporting year ended with a net profit of 35.0 million euros, compared with a net profit of 10.0 million euros the previous year.

	2011	2010	Change (*)
Net revenues	12.9	13.9	*-1.1*
• Other revenues	0.7	0.9	*-0.2*
• Cost of materials, services and miscellaneous operating costs	(17.4)	(16.2)	*-1.2*
• Personnel expense	(8.7)	(8.4)	*-0.3*
• Depreciation and amortization	(1.5)	(1.4)	*-0.1*
EBIT	(14.0)	(11.1)	*-2.9*
• Financial income (expense)	(1.8)	(6.6)	*+4.8*
• Income from (Expense on) investments in subsidiaries	44.5	21.6	*+23.0*
Profit (Loss) before taxes	28.7	3.8	*+24.8*
• Income taxes	6.3	6.2	*+0.2*
Net profit (loss)	35.0	10.0	*+25.0*

(IN MILLIONS OF EUROS)

(*) The changes are shown as positive or negative based on their impact on the result for the year.

EBIT were negative by 14.0 million euros, with the loss increasing by 2.9 million euros compared with 2010, due mainly to higher service costs.

The year ended with net financial expense of 1.8 million euros, compared with net financial expense of 6.6 million euros in 2010. The decrease of 4.8 million euros in financial expense is the result of a lower average exposure, a reduction in debt service costs and translation differences.

Income from investments in subsidiaries increased to 44.5 million euros, compared with 21.6 million euros the previous year, thanks to higher dividends from subsidiaries (42.7 million euros) and revaluations of equity investments (1.8 million euros).

The income tax impact was positive by 6.3 million euros, due mainly to benefits generated by the filing of a consolidated income tax return.

The improvement in the **statement of financial position of Sorin S.p.A.**, which is shown below in condensed form, reflects the combined impact of the profit earned in 2011 and a reduction in net indebtedness. Specifically, shareholders' equity increased by 47.7 million euros compared with 2010 and net indebtedness decreased by 48.8 million euros.

	12/31/11	12/31/10	Change (*)
• Net invested capital	689.1	690.1	*-1.1*
• Shareholders' equity	625.1	577.4	*+47.7*
• Net indebtedness	(63.9)	(112.8)	*-48.8*

(IN MILLIONS OF EUROS)

(*) The changes are shown as positive or negative based on the change in absolute terms.

A breakdown of the **net invested capital of Sorin S.p.A.** is as follows:

	12/31/11	12/31/10	Change (*)
• Property, plant and equipment	0.4	0.8	*-0.4*
• Intangible assets	3.3	4.0	*-0.7*
• Equity investments in subsidiaries and other companies	675.6	674.0	*+1.5*
Capital invested in non-current assets	679.2	678.8	*+0.4*
• Working capital	10.2	11.6	*-1.4*
• Provision for employee severance indemnities and other employee-benefit provisions	(0.3)	(0.3)	*+0.0*
Net invested capital	689.1	690.1	*-1.1*

(IN MILLIONS OF EUROS)

(*) The changes are shown as positive or negative based on the change in absolute terms.

Net invested capital decreased by 1.1 million euros, due mainly to a reduction in working capital.

The table below lists the components of the **net financial position of Sorin S.p.A.**:

	12/31/11	12/31/10	Change (*)
Non-current financial assets	0.0	--	0.0
Current financial assets:			
• Assets from financial derivatives	13.9	5.0	*+8.9*
• Other current financial assets	154.5	109.4	*+45.1*
• Cash and cash equivalents	21.1	21.3	*-0.2*
Total financial assets	189.6	135.7	*+53.9*
Non-current financial liabilities			
• Liabilities from financial derivatives	(6.3)	(6.5)	*+0.2*
• Other non-current financial liabilities	(95.9)	(94.6)	*-1.3*
Current financial liabilities:			
• Liabilities from financial derivatives	(13.8)	(5.1)	*-8.7*
• Other current financial liabilities	(137.6)	(142.4)	*+4.8*
Total financial liabilities	(253.5)	(248.5)	*-5.1*
Net indebtedness	(63.9)	(112.8)	*+48.8*
• current portion of net (indebtedness) financial assets	38.2	(11.7)	*+49.9*
• non-current portion of net (indebtedness) financial assets	(102.1)	(101.0)	*-1.1*

(IN MILLIONS OF EUROS)

To optimize the management of the Group's cash resources, Sorin S.p.A. performs a support, coordination and control function with regard to its subsidiaries through a unified management of fund flows and the execution of Group-wide agreements with credit institutions (centralized cash management system).
It is through this process that most of the Parent Company's financial assets and liabilities are generated. Specifically, the former consist primarily of loans receivable from Group companies and the latter represent mainly indebtedness owed to credit institutions.

The financial transactions executed by Sorin S.p.A. also include the following:

- Derivatives (domestic currency swaps and forward currency contracts) executed with credit institutions, on one side, and Group companies, on the other side, to minimize the impact of fluctuations in foreign exchange parities on the flow of imports into and exports from euro-zone countries;
- Interest rate swaps executed with credit institutions to minimize the impact of fluctuations in interest rates.

At December 31, 2011, non-current financial liabilities consisted of a medium/long-term facility provided by the European Investment Bank (EIB) in the amount of 95.9 million euros.

At the end of 2011, current financial liabilities consisted primarily of amounts owed to Group companies (137.6 million euros).

With regard both to the syndicated medium/long-term facility provided by Mediobanca, Intesa San Paolo, MCC and BNP Paribas (repaid in 2011) and the medium/long-term facility provided by the European Investment Bank (EIB), Sorin S.p.A., in addition to repaying the scheduled installments due in 2011 amounting to 16.1 million euros, carried

out a mandatory early repayment of an installment of both facilities for a total of 3.6 million euros, as required by the "excess cash flow" clause. Pursuant to this clause, a portion of the excess cash flow generated the previous year must be used for early loan repayments.
Lastly, in July 2011, Sorin S.p.A. voluntarily repaid ahead of schedule the syndicated Mediobanca loan, for a total amount of 12.6 million euros, including 10.6 million euros for the tranche in euros and 2.6 million U.S. dollars for the tranche in U.S. dollars.

At December 31, 2011, the Company was abundantly in compliance with all of the covenants of the loan agreements for the abovementioned facilities.

Research and Development

The Group's total exppenditures, including research and development expenses, capitalized development costs, and costs incurred to obtain authorization from the Food and Drug Administration (FDA) to market products in the United States, came to 93.6 million eurso, compared with 87.2 million euros in 2010.

The research and development activities of the **Cardiopulmonary** business unit consisted of various projects in 2011.

First by order of importance was the development of the new family of adult oxygenators called Inspire, which is replacing the current line of adult oxygenators. In addition to the innovative features introduced into the oxygenator segment, this product family was designed with the aim of applying “lean-manufacturing” industrial methodologies in order to reduce production costs, based on the philosophy of “concurrent engineering” integrated development, which made it possible to keep development times very short. The first device in this family received the CE mark in November, allowing for the first human use before the end of the year. Development of the rest of the family is under way and all of the devices will receive the CE mark in the second half of 2012.

Some effort was devoted to extending the portfolio of arterial filters, with an update of the models added following the acquisition of Gish Biomedical in 2010, and a refurbishing of MICRO Ph.I.S.I.O. models D731/D733.

In the area of autotransfusion, further development was conducted on the Xtra system (the new state-of-the-art in autotransfusion systems that will gradually replace the current BRAT and ELECTA systems). New software versions were developed and released to add new features and languages in order to extend the product's commercial launch. The research and development group also provided technical support to manage the transfer of Xtra equipment production from the Mirandola production site to the Munich facility, which is now the Cardiopulmonary business unit's center of excellence for these devices.

With regard to heart-and-lung machines, development has been completed on the CP-5 component (a key module of the S5 system for managing the centrifugal pump, providing the user with significant benefits in terms of interface, functions, safety, and usage flexibility). The market acceptance studies have been completed in Europe and started in the United States, after production received FDA authorization. Development of the LifeBox system was also completed in the first half of 2011, and the product was launched in Europe in the second half of the year. This portable system offers cardiac support to patients during transport to or between hospitals. In addition, development of the blood monitoring system based on the innovative “lab-on-a-chip” technology, which was acquired through an agreement with Sphere Medical, continued, as did work on improving the Data Management System, software for integrated management of extracorporeal circulation with a special operating system and user interface.

The EVH (Endoscopic Vessel Harvesting) product line benefited from completed development of the new VascuClear device, launched in early 2011.

Lastly, the business unit's Research and Development department was heavily involved in the integration project following acquisition of the Estech cannula product line in the course of the year.

For the **Cardiac Rhythm Management** business unit, the year 2011 was marked by the release of numerous new products, amidst continuing work aimed at strengthening the foundation for growth in coming years. The key events which characterized the year were:

- the commercial availability of the SonR system, the only device on the market with its unique features, starting in October;
- launch of a new line of defibrillators incorporating a remote communication capability;
- start of the RESPOND clinical trial aimed at further demonstrating the clinical benefit of SonR, based on optimization of Cardiac Resynchronization Therapy (CRT);

- start of the SonEx clinical trial for validating an advanced method for positioning left stimulation leads, based on SonR technology.

In the field of Remote Monitoring, the recently introduced system continued to receive very positive feedback from customers and patients, and will undergo a progressive launch in the various European countries, while, in the second half of the year, preparation work on the FDA application required for introduction of the system in the United States continued.

As mentioned, in the field of tachycardia and Heart Failure devices, very significant results were achieved with the commercial launch of the Paradym RF family, a complete line of defibrillators equipped with remote RF communication functionalities. Brought to market in July 2011, the line includes the single- and double-chamber version and two CRTD (Cardiac Resynchronization Therapy Defibrillator) models. The leading model in the line is the SonR version, launched in October, which is equipped with an algorithm for optimizing treatment with automatic weekly optimization of the CRT parameters both at rest and during exertion. Considering the progressive nature of this disease, the availability of an optimization method capable of functioning automatically during the patient's day-to-day life provides an important competitive edge. The algorithm of the Paradym RF CRT SonR model is based on an analysis of the cardiac acceleration signals obtained from a sensor built into the distal end of a special lead, the SonRtip, which was launched together with the defibrillator. The offering in this market segment was rounded off in 2011 with the introduction of a new line of leads for left ventricle implantation, with features designed for the advanced electronic repositioning modalities afforded by this new generation of devices.

Work in the Brady segment focused on development of the MRI system consisting of pacemakers and leads capable of functioning safely in a magnetic resonance environment. The development of new products featuring advanced diagnostics for comorbidities and algorithms for greater automation was completed in the second half of the year. Considering the growing importance of controlling healthcare costs, automated functions are becoming a key element of success.

Along the same line of reasoning of greater management efficiency in terms of clinical practice cost and optimization, development work for the integration of Electronic Medical Reports and the generation of reports with advanced functionlities continued. The research and development activities in this area also involved development of the new platform for Holter devices and a new programmer for implantable devices.

As mentioned earlier, two important clinical trials were started in 2011. The first, RESPOND, will analyze, based on a large patient population, the impact of SonR-guided optimization on the percentage of non-responders in CRT. This is a randomized, double-blind prospective study which will compare the rate of responders with CRT optimized on the basis of the SonR signal with the rate obtained with CRT optimized by echocardiographic methods. The second clinical trial started in 2011, SonEx, concerns optimization of the left ventricle electrode position during the CRT system implantation procedure; indeed, it is a known fact that positioning of the electrode in the left ventricle is a significant contributor to the clinical results of CRT implants. This trial evaluates the efficacy of an optimization algorithm based on analysis of the signal obtained from the SonRtip electrode. A special hardware interface and algorithm have been developed to determine an index for identifying the best electrode configuration. While on the subject of clinical activities, it is worth mentioning completion of the CLEPSYDRA study for validating methods of predicting acute cardiac failure events, with more than 500 patients enrolled.

Advanced research activities aimed at building a foundation for the development of long-term products made important strides in 2011. Here are just a few of the most significant achievements:

- an important contribution for further development of the cardiac failure neuromodulation activity was obtained from the French Ministry of Research;
- activities in the field of systems without a power supply, based on the collection of energy produced directly by the human body, continued with significant results in terms of technology demonstrators;
- collaboration with global leading laboratories was strengthened.

Activities related to the next platform of integrated circuits proceeded with good results. Work carried out in 2011 included very substantial activity in the field of intellectual property.

From an industrial standpoint, the cost reduction effort continued with involvement of the Research and Development team, in collaboration with all functions of the business unit.

In 2011, the research work of the Heart Valves business unit had the following main objectives: continuation of the Perceval project, completed validation of the new PRT technology for the Mitroflow valve, continuation of the FDA registration work in the United States for the Freedom Solo valve, development of new projects to expand and improve the business unit's product portfolio, and cooperation with production in a broad range of programs for product cost reduction.

Perceval is a bovine pericardial valve that, thanks to an innovative self-expanding stent, can be implanted *in situ* without the need for suturing (sutureless design). This new solution takes 20-25 minutes off the total operating time and thus significantly reduces the risk of complications related to extended extracorporeal circulation. As of January 2011, Perceval had obtained CE certification for medium-small models, and for the large model in the second half of the year. In addition, development of a dedicated procedure and accessories for the MIS (Minimally Invasive Surgery) approach continued. Indeed, the sutureless implant feature will provide the most obvious benefits in these minimally invasive procedures, in which small access routes now make suturing difficult. The first result of MIS procedure development was the entirely successful completion of a series of implants at a center highly specialized in this type of technique. Lastly, the Cavalier clinical trial, which is part of the FDA approval plan for marketing Perceval in the United States, continued: thanks to the contribution of more than 20 European heart surgery centers, trial enrollment grew to more than 500 patients.

Efforts to obtain approval of certain products on the American market have been very substantial in recent years. The most significant objective among them has certainly been the approval of the Mitroflow tissue valve at the end of 2007. In 2009, the program for U.S. approval of a second version of the valve, the Mitroflow LX, which uses significantly more efficient production processes, was successfully completed. Fine-tuning of the PRT technology, intended to increase the bioprosthesis' resistance to the risks of long-term implant degeneration, was completed. For this new process, the CE mark was obtained in July 2011, while work on FDA approval will continue into 2012.

While on the subject of the American market, FDA approval to start a clinical trial in the United States for the stentless Freedom Solo biological valve, was obtained. This achievement is of great strategic significance for the future marketing of the product.

Development of the Mitroflow Valsalva Conduit valve, an innovative aortic valvular prosthesis for combined replacement of the valve and aortic root, achieved noteworthy progress in 2011. The product is especially aimed at the North American market where it will be the first aortic valvular prosthesis equipped with a tissue valve.

Lastly, a significant portion of the research and development resources was devoted to collaborative efforts with the production organization for the implementation of numerous product cost-reduction projects through the rationalization of production processes. Of particular significance in this area is the completion of the Perceval accessory activities.

Human Resources and Industrial Relations

At December 31, 2011, Sorin Group had 4 fewer employees than at the end of 2010, as its payroll decreased from 3,749 to 3,745 employees. The average staff for the year numbered 3,763 employees compared with an average of 3,738 employees the previous year.

A breakdown of the decrease is provided below:

Staff at 12/31/10	3,749
- Acquisitions	--
- Turnover/Net increase	(4)
Total change	(4)
Staff at 12/31/1	3,745

Turnover:

At December 31, 2011, the Group's Italian companies had 1,919 employees (51.2% of the total staff), for a net decrease of 19 employees compared with December 31, 2010. Companies outside Italy had 1,826 employees (48.8% of the total staff), for a net increase of 15 employees compared with December 31, 2010.

A breakdown of the Group's staff by geographic region is as follows:

	12/31/11	12/31/10	Change
Italy	1,919	1,938	*(19)*
Rest of Europe	948	921	*27*
North America	801	817	*(16)*
Rest of the world	77	73	*4*
Total	3,745	3,749	*(4)*

At December 31, 2011, no employees were enrolled in the Special Layoff Benefits Fund, compared with 44 employees at the end of 2010.

Not counting the reduction caused by the effect of employees enrolled in the Special Layoff Benefits Fund, staff increases (+40 employees) occurred mainly in the sales and research and development areas.

In 2011, the Group launched and successfully implemented a number of projects of primary importance for the management of its human resources. These projects included:

- Within the Talent Management project:
    - A new Advanced Center for Continuous Training (ACCESS) was established in Clamart (Paris) for the purpose of offering a complete series of training modules for cardiac rhythm specialists. The training courses are taught by well-known international experts whose goal is to share their knowhow within the context of a multicultural environment.
    - Training courses for the entire sales and marketing team were developed through "Sorin University." More specifically, training for the sales staff included six modules on leadership, talent management and development and planning and execution. 224 employees, including 177 Sales Leaders, were

enrolled in these courses for a total of about 4,000 training hours. In the marketing area, 84 leaders received training on topics related to technical marketing skills, for a total of 1,200 hours. The next project will focus on the Operations and R&D teams, who were involved in the Talent Management project in 2011.
  - In connection with the implementation of the 360° assessment process, a total of 4,625 questionnaires were filled out, about 400 reports were delivered to the leaders, with an equal number of Development Plan as an integral part of the Performance Management Program, and several Development Center were established, with the involvement of 63 leaders through interviews, coaching and simulations.
- The Blue Ocean Strategy was launched to challenge the way Sorin looks at its business and explore innovative business models that could create new growth opportunities. The Blue Ocean Strategy concept was originally developed by two professors at the INSEAD Business School. It has been used successfully by major corporations to achieve significant and rapid growth and create new initiatives. The Blue Ocean Strategy is a new way of looking at business strategy and is supported by a unique and rigorous methodology to assess how a company is competing in the marketplace.
- The first members of the STAR Club were selected in 2011, receiving as a prize a free trip to Vietnam in April. The STAR Club is modeled on the President's Club and its purpose is to organize a global competition for Sales Representatives and Sales Leaders. Under this program, employees who produce the best results are enrolled in the Club and receive a special bonus. The parameters of this salesmen's contest include: annual sales growth, increase above budget and size of territory. Sales leaders were selected based on the demonstrated possession of certain soft skills. The prize for the participants in the 2011 competition, who were selected and rewarded based on the same criteria as in the previous competition, was a free trip to Argentina.
- A new sales branch was opened in Poland within the project for the development of the Intercontinental area.
- The Business Development organization was strengthened both at the corporate and business unit level, with the aim of supporting projects for the identification and development of business opportunities focused on long-term growth.
- The 2010 Performance Management cycle was completed, with an assessment of the objectives achieved and the disbursement of the variable bonuses, followed by the start of the 2011 Performance Management cycle and the definition of the assigned objectives and the mid-year review.
- The Customer Service Department was reorganized at the European level to reduce costs, improve service quality, accelerate SAP implementation and encourage the sharing of best practices.
- Long-term incentive plans were expanded with the development of new programs scheduled to lunch in the second half of 2012 that will target High Potential Group employees with the aim of encouraging the achievement of strategic operating objectives, increase the loyalty of key resources and create a more balanced mix of short-term and long-term incentives.
- The Targeted Selection program was launched and implemented in 2011. It involves the use of a methodology that helped improve the speed and quality of employee recruitment thanks to a reengineering of the selection process and training courses based on interview techniques focused on the identification of competencies/behaviors.
- The Clinical Affairs Division was reorganized with the aim of fostering the sharing of best practices among business units, improving data quality and identify potential recovery areas.
- An HE&R (Health Economics & Reimbursement) Division was created to support the Sales and Marketing function and ensure that an adequate level of financing is available to facilitate access to the market for Sorin's technologies. The establishment of relationships and collaborations with the main stakeholders (physicians, patients, payers and decision makers) will provide a better understanding of the needs of new players in the market. A knowledge and understanding of the needs created by a changing context will make it possible to implement processes for the systematic generation and dissemination of clinical and financial factual evidence. The demonstration of the value and economic sustainability of the technological innovations produced by Sorin will thus make it possible to meet Health Technology Assessment requirements, which are increasingly viewed as a fundamental requirement for market access.
- Within the Cardiopulmonary Business Unit, the Munich production hub, where all activities for the manufacture of autotransfusion devices are concentrated, has become a center of excellence for these products, while Mirandola is the center of excellence for disposables.

Intra-Group Transactions and Transactions with Related Parties

Transactions between Sorin Group companies consist mainly of:

- Commercial transactions involving mainly sales to the marketing companies of products produced by the manufacturing companies;
- Transactions involving services provided mainly by Sorin S.p.A. as part of the support it provides to Group companies in the areas of legal issues, taxation and corporate issues;
- Financial transactions executed in connection with the role performed by Sorin S.p.A. in its capacity as intermediary between Group companies and the credit system;
- Tax related transactions between Italian subsidiaries and Sorin S.p.A. in connection with the filing of the national consolidated tax return and the VAT consolidated return.

Information about transactions with other related parties is provided in Note 41 to the consolidated financial statements of the Group.

Transactions with related parties and intra-Group transactions did not constitute atypical or unusual transactions since they were executed in the Groups' normal course of business and were settled on standard market terms.

Main Risks and Uncertainties to Which Sorin S.p.A. and the Group Are Exposed

Risks Related to General Economic Conditions

The Group's operating performance, balance sheet and financial position are affected by a number of factors that define the macroeconomic framework in the countries where it operates, including increases or decreases in GDP, consumer and business confidence levels, and unemployment rates. The repeated crises that have affected the financial markets since produced a significant and pervasive deterioration of market conditions, exacerbated by the severe and generalized difficulties to access credit that affected both consumers and businesses. This negative macroeconomic framework ultimately affected the industrial development of many businesses, even though the impact on the medical device industry, within which the Group operates, has been marginal.

The increasing weakness of the economy in general, the steady deterioration of the credit markets and the decrease in the disposable income of consumers produced a significant reduction in demand. Despite some short-term success, there is still no assurance that the programs implemented by governments and monetary authorities in response to these developments will create the conditions for the resolution of these problems over the long term. Consequently, predicting when markets will return to normal conditions is still exceedingly difficult and many countries understand that their economies may experience a protracted recession. Moreover, while governments are currently implementing a number of initiatives designed to support or stimulate their national economies, they could also decide to take action to address deficit concerns by reducing public spending and health care spending in particular.

The continuation of this situation of extreme weakness and uncertainty for an extended period of time would also have a negative impact on the Group's activities, strategies and outlook.

Risks Related to the Macrovariables that Affect the Group's Operating Performance

Sorin Group is engaged primarily in the production and marketing of heart valves, systems and disposables used in cardiac surgery and cardiac rhythm control devices. These market segments, which normally are characterized by steady growth and have been relatively immune to the consequences of short-term cycles, are more directly affected by long-term technological developments, overall demographic trends pointing to a steady aging of the population, rising wealth in the developing countries and an ongoing and across-the-board increase in the demand for more and more health services and care.

On the other hand, health care spending is controlled by the public sector and the policies adopted in this area by governments in the main countries where the Group operates could have a significant negative impact on its activities and its business outlook and, consequently, on its operating performance and financial position.

Moreover, the profitability of the Group's operations is affected by risks related to fluctuations in exchange rates, interest rates, the rate of inflation, the solvency of its counterparties and the general economic conditions in the various countries where it does business.

Risks Related to Technologies

The Group allocates a considerable portion of its resources to product research and development programs, in a market that, because of the strict regulations governing the introduction and distribution of new products, requires continuous investments in technologies and products based on medium- and long-term horizons. Despite the steady stream of investments that it devotes to research, the Group is exposed to the risk that the development of alternative technologies (in pharmacology, biomedicine, nanotechnology, etc.) could revolutionize the treatment of cardiovascular diseases, with a significant impact on the market for medical devices.

Risks Related to Litigation

The Group operates in the medical field, as a supplier of implantable devices or systems used in cardiac surgery that require maximum reliability and the absence of defects. The presence of defects in implantable devices could require the immediate market recall of those devices and the occurrence of alleged defects attributed to the Group's products or the related surgery procedures could expose the Group to lawsuits by plaintiffs claiming compensation for damages.

Moreover, the technologies incorporated into the Group's products are often protected by patents and, consequently, their use is carefully monitored by industry operators, with the ever present danger of lawsuits for alleged patent infringement.

Risks Related to Exposure to Multiple Taxation Systems

The Group operates in a number of markets, with an organization based on competency, research, production and service centers. Because of its global presence, the Group is subject to taxation under many different systems, particularly with regard to transfer pricing and the levying of tax withholdings and other taxes on subsidiaries that could give rise to disputes with local tax authorities.

Risks Related to Access to Financial Resources

The credit lines provided by lenders are governed by clauses, commitments and covenants. The failure to comply with these provisions can constitute a failure to perform a contractual obligation, which authorizes the lender banks to demand the immediate repayment of the facilities, making it difficult to obtain alternative resources.

Changes in the Group's financial position are the result of a number of factors, specifically including the achievement of budgeted objectives and the trends shaping general economic conditions, the financial markets and the business segments within which the Group operates, which, moreover, require significant investments. Sorin Group expects to generate the resources needed to repay maturing indebtedness and fund scheduled investments from the cash flow produced by its operations, its available liquidity, the renewal or refinancing of bank borrowings and, possibly, access to the capital markets. Even under current market conditions, the Group expects that its operations will generate adequate financial resources. Nevertheless, given the impact of the current financial crisis, the possibility that problems in the banking and monetary markets could hinder the normal handling of financial transactions cannot be excluded.

Lastly, even though the Group continued to enjoy the support of its banking counterparties and of the financial markets with regard to the refinancing of its indebtedness, it could find itself in the position of requiring additional financing under less favorable market conditions, with limited availability of some sources and higher borrowing costs.

Risks Related to Fluctuations in Foreign Exchange and Interest Rates

Because it operates in several markets throughout the globe, Sorin Group is automatically exposed to market risks related to fluctuations in foreign exchange and interest rates. The exposure to foreign exchange risks is due chiefly to the different geographic distribution of its manufacturing and distribution activities, as a result of which export flows are denominated in currencies that are different from those used in the regions of production. Specifically, the Group's main exposure arises from net exports from euro-zone countries to countries where other currencies are used (the U.S. dollar, Japanese yen, Canadian dollar and British pound, primarily).

Consistent with its risk management policies, Sorin Group seeks to hedge its exposure to the risk of fluctuations in foreign exchange and interest rates with financial hedging instruments. However, even though the Group may have hedged its exposure, sudden changes in foreign exchange and interest rates could still have a negative impact on the Group's operating and financial performance.

Risks Related to Transactions with Employees

In many of the countries where the Group operates, its employees are protected by various laws and/or collective bargaining agreements that endow them, through their local or national representatives, with the right to be consulted with regard to specific issues, including the downsizing or closing of departments and staff reductions. The laws and/or collective bargaining agreements that are applicable to the Group could have an impact on its flexibility, as it applies to programs to redefine and/or strategically reposition its activities. Sorin's ability to implement staff downsizing programs or even temporary interruptions of employment relationships is predicated on the approval of government entities and the consent of labor unions. Union-organized work stoppages by employees could have a negative impact on the Company's business.

Risks Related to Transactions with Suppliers

The Group purchases raw materials and components from many suppliers and is dependent on the services and products supplied by companies outside the Group. Some of these companies are highly unionized. A close collaborative relationship between a manufacturer and its suppliers is the norm in the industries in which the operates. While this approach can produce economic benefits in terms of lower costs, it also causes the Group to rely on its suppliers. As a result, any problem affecting a supplier (whether due to external or internal causes) could have a negative impact on the Group.

In addition, the Group manufactures its products at its own facilities or through subcontractors located in various countries in Europe and North America, purchasing the components and materials used to manufacture these products from numerous suppliers in various countries. However, in a few limited cases, specific components and raw materials are purchased from a single supplier for reasons related to quality assurance, cost-effectiveness ratio and availability. While the Group works closely with its suppliers to ensure supply continuity, it cannot guarantee that its efforts will always be successful. Moreover, due to the strict standards and regulations governing the manufacture and marketing of its products, the Group may not be able to quickly locate new supply sources in response to a supply reduction or interruption, with negative effects on its ability to manufacture its products effectively and in a timely fashion.

Risks Related to Manufacturing Activities
The Group manufactures its products at a limited number of centers of excellence or production facilities in Italy, France, Germany, the United States and Canada, which are exposed to the risk of production stoppages caused by exceptional or accidental events (fires, shutdowns of access roads, etc.) or natural calamities (floods, earthquakes, etc.). Even though the Group has implemented all appropriate preventive actions and insurance coverage, the possibility that the occurrence of events of exceptional severity or duration could have an impact on the Group's performance cannot be excluded.

Risks Related to Management's Performance
To a large extent, the Group's success is predicated on the ability of its Executive Directors and other members of the management team to manage the Group and its individual businesses effectively. The loss of the services of an executive Director, senior manager or other key employee without an adequate replacement or the inability to attract and retain new and qualified resources could have a negative impact on the Group's business outlook, activities and operating and financial results.

Risks Related to the High Competitiveness of the Group's Business Segments
The markets within which the Group operates are highly competitive in terms of product quality/reliability and innovation. The Group competes throughout the world — but mainly in Europe, North America and Japan — with large U.S. groups with global operations and with smaller local businesses. The success of the activities pursued by Sorin Group will depend on the Group's ability to maintain and increase its market shares and/or expand into new markets with innovative, high quality products that can deliver adequate profit margins.

Risks Related to International Sales and Exposure to Changing Local Conditions
A significant portion of the Group's manufacturing activities and sales take place outside the European Union. The Group is exposed to the risks inherent in operating a global organization, including exposure to:

- changing local economic and political conditions;
- the enactment of restrictive policies concerning imports, exports and authorization to sell medical devices;
- the effect of dealing with multiple tax systems, particularly with regard to transfer pricing issues, income tax withholdings or other taxes levied on funds transfers or other payments to or from subsidiaries;
- the adoption of policies limiting or restricting foreign investments and/or commerce or foreign exchange controls and the resulting restrictions on capital repatriation.

Risks Related to the Demerger of SNIA S.p.A.
Sorin Group was created as a result of the partial demerger of SNIA S.p.A., which became effective on January 2, 2004. Pursuant to the Italian Civil Code, in a demerger transaction each company is jointly liable, up the actual value of the conveyed or residual shareholders' equity it received, for any debts of the demerged company that existed at the time of the demerger (Article 2506-*quarter*, Section Three of the Civil Code). This liability is secondary in nature and, consequently, arises only when the abovementioned debt obligations are not satisfied by the debtor company. In addition, pursuant to the provisions governing demergers, the demerged company and the beneficiary companies are jointly liable, up to the value of the shareholders' equity conveyed to the beneficiaries, for liabilities the allocation of which cannot be determined based on the demerger proposal (Article 2506-*bis*, Section Three, of the Civil Code).

Risk Related to Environmental Policies
Sorin Group's products and activities are subject to a wide range of local, national and supranational environmental rules and regulations. Moreover, this regulatory framework is being revised and made more restrictive in many of the geographic regions in which the Group operates (this is especially true in the European Union). The abovementioned

regulations concern not only products but also manufacturing facilities, which are required to comply with regulations concerning emissions, the disposal of solid waste and effluents and soil contamination.

Sorin S.p.A., in its capacity as the Group's Parent Company, is essentially exposed to the same risks as uncertainties as those faced by the Group, which are described above.

Report on Corporate Governance and the Company's Ownership Structure

The full Report on Corporate Governance and the Company's Ownership Structure ("Report on Corporate Governance and the Company's Ownership Structure" prepared pursuant to Article 123. *bis* of the Uniform Financial Code) is available on Sorin Group's website at the following address:

http://www.sorin.com/it/investors/relazione-corporate-governance

The Report on Corporate Governance, which is prepared annually to comply with statutory requirements, contains a general description of the corporate governance system adopted by the Group and provides information about the Company's ownership structure and its adoption of the Corporate Governance Code, including a review of the main governance practices applied and the features of the internal risk management and control system, as it applies to the financial reporting process.
The Corporate Governance Code is available on the website of Borsa Italiana S.p.A.: www.borsaitaliana.it.

Compensation Report

The Compensation Report ("Compensation Report" prepared pursuant to Article 84-*quater* of the Regulations adopted by the CONSOB with Resolution No. 11971 of May 14, 1999, as amended) is available on the Investor Relations page of the Company website www.sorin.com.

The "Compensation Report," prepared annually pursuant to law, contains a description of the compensation policies for members of the Board of Directors, General Managers and executives with strategic responsibilities and provides an analysis of the compensation actually paid or awarded to the abovementioned parties during the year.

Significant Events Occurring After December 31, 2011

The following event worthy of mention occurred after the end of 2011: In January 2012, the Company was served with a summons to appear before the Civil Court of Milan at a hearing scheduled for November 20, 2012. This action was filed by SNIA S.p.A., under extraordinary administration, and is aimed at verifying the existence of an alleged joint liability of Sorin S.p.A. with SNIA S.p.A. with regard to any liabilities related to and/or resulting from environmental remediation costs caused by chemical activities operated by SNIA S.p.A. and other companies of the SNIA Group prior to the group's demerger on January 2, 2004. Therefore, this action is being filed merely for verification purposes and not to seek a decision ordering damage compensation. Sorin reviewed the contents of the summons, believes that the arguments presented against it are devoid of merit and plans to join the proceedings to contest SNIA's claims in their entirety and vigorously defend its rights, which it will put forth in the appropriate venue.

No other significant events occurred after December 31, 2011.

Business Outlook

At this point, we believe that the current weakness of the cardiac rhythm management market in the United States could continue in the first half of 2012, with a recovery gradually taking hold in the second half of the year. We are confident that the products that recently were approved for marketing, and those whose approval is expected shortly, coupled with the Group's ongoing expansion in the emerging markets will drive the Group's revenue growth in 2012. Consequently, we project a revenues increase of 2%-4%, at constant exchange rates and scope of consolidation, accompanied by a gain in net income of 5%-10% compared with 2011.

In 2012, the group's strategy will focus on accelerating its long-term growth program through the launch of new products, continuous investments in innovation and development and an expansion of its presence in new emerging markets. These objectives will be pursued while supporting a steady increase in the Group's profitability and cash flow, achieved through a constant improvement in manufacturing efficiency. Lastly, the Group believes that it is important to invest some of its resources in health technology assessments, developing new products that will allow a substantial overall reduction in healthcare costs for the sole benefit of its patients.

Motion to Approve the Financial Statements and Appropriate the 2011 Net Profit

Dear Shareholders:

in submitting for your approval the financial statements for the year ended December 31, 2011, we recommend that the net income earned by Sorin S.p.A. in 2011, amounting to 34,998,912 euros, be allocated as follows:

- 1,749,946 euros to the statutory reserve;
- 33,248,966 euros brought forward as retained earnings.

Milano, March 15, 2012

Rosario Bifulco	*André-Michel Ballester*
Chairman	*Chief Executive Officer*

SORIN GROUP

CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2011

CONTENTS

STATEMENT OF FINANCIAL POSITION

		NOTE	12/31/11	12/31/10
ASSETS				
Non-current assets				
Property, plant and equipment		(3)	**98,156**	94,838
Other intangible assets		(4)	**159,403**	134,991
Goodwill		(5)	**193,271**	192,893
Investments in associates valued by the equity method		(7)	**6,216**	17
Non-current financial assets	(*)	(8)	**989**	1,305
Deferred-tax assets		(9)	**56,806**	50,574
Other non-current assets			**931**	957
Total non-current assets			**515,772**	475,575
Current assets				
Inventories		(10)	**134,333**	131,348
Trade receivables		(11)	**193,701**	182,571
Other receivables		(12)	**20,781**	23,300
Assets from financial derivatives	(*)	(13)	**--**	--
Other current financial assets	(*)	(14)	**2,591**	8,962
Tax credits		(15)	**17,668**	13,712
Cash and cash equivalents	(*)	(16)	**41,900**	29,699
Total current assets			**410,974**	389,592
Total assets			**926,746**	865,167
LIABILITIES AND SHAREHOLDERS' EQUITY				
Consolidated shareholders' equity		(17)	**522,248**	454,031
Non-current liabilities				
Liabilities from financial derivatives	(*)	(13)	**6,290**	6,450
Non-current financial liabilities	(*)	(18)	**98,233**	97,417
Other liabilities			**4,635**	3,420
Provisions		(19)	**527**	2,674
Provision for employee severance indemnities and other provisions for employee benefits		(20)	**26,221**	25,022
Government grants			**1,792**	1,479
Deferred-tax liabilities		(9)	**28,414**	22,638
Total non-current liabilities			**166,112**	159,100
Current liabilities				
Trade payables		(21)	**92,114**	86,145
Other payables		(22)	**71,019**	69,358
Liabilities from financial derivatives	(*)	(13)	**13,757**	4,685
Other current financial liabilities	(*)	(18)	**32,100**	58,963
Provisions		(19)	**7,987**	13,232
Taxes payable		(15)	**21,409**	19,653
Total current liabilities			**238,386**	252,036
Total liabilities and shareholders' equity			**926,746**	865,167

(IN THOUSANDS OF EUROS)

(*) Balance sheet items that are included in the computation of net indebtedness, with the exception of Investments in other companies, which is included in Non-current financial assets.

INCOME STATEMENT

	NOTE	2011	2010
Net revenues	(25)	**743,430**	745,821
Other revenues and income	(25)	**19,026**	22,912
- amount of nonrecurring other revenues		***4,655***	*4,459*
Change in inventory of work in process, semifinished goods and finished goods	(26)	**(6)**	(9,757)
- amount of nonrecurring change in inventory		**--**	*(1,293)*
Increase in Company-produced additions to non-current assets	(27)	**32,048**	28,781
Cost of raw materials and other materials	(28)	**(189,224)**	(183,689)
- amount of nonrecurring cost of raw materials and other materials		**--**	*(207)*
Cost of services used	(28)	**(191,126)**	(198,356)
- amount of nonrecurring cost of services used		***(603)***	*(179)*
Personnel expense	(29)	**(268,129)**	(257,646)
- amount of nonrecurring personnel expense		***(239)***	*(407)*
Miscellaneous operating costs	(28)	**(14,140)**	(28,148)
- amount of nonrecurring miscellaneous operating costs		***(665)***	*(2,700)*
Depreciation, amortization and writedowns	(31)	**(39,837)**	(39,897)
- amount of nonrecurring depreciation, amortization and writedowns		***(250)***	--
Additions to provisions for risks and charges	(31)	**(3,039)**	(4,005)
- amount of nonrecurring additions to provisions		***(1,673)***	*(2,086)*
Restructuring charges and provisions	(32)	**(1,287)**	(4,533)
EBIT		**87,716**	71,483
Financial expense	(33)	**(10,666)**	(11,752)
Financial income	(33)	**1,486**	2,227
Currency translation differences	(33)	**1,833**	(2,065)
Income from (Expenses on) investments in associates	(34)	**(286)**	(34)
Profit (Loss) before taxes		**80,083**	59,859
Income taxes	(35)	**(22,048)**	(17,507)
Profit (Loss) from continuing operations		**58,035**	42,352
Profit (Loss) from divested operations	(36)	**--**	(3,270)
Net profit (loss)		**58,035**	39,082

(IN THOUSANDS OF EUROS)

	NOTE	2011	2010
Earnings per share (in euros)	(37)		
- basic and diluted, as per reported net profit (loss)		**0.122**	0.083
- basic and diluted, as per net profit (loss) from continuing operations		**0.122**	0.090

STATEMENT OF COMPREHENSIVE INCOME

	NOTE	2011	2010
Net profit (loss) for the year		**58,035**	39,082
Gains/(Losses) on cash flow hedges for fluctuations in interest rates	*(13)*	**(296)**	(1,938)
Tax effect		**96**	625
		(200)	(1,313)
Gains/(Losses) on cash flow hedges for fluctuations in foreign exchange rates	*(13)*	**(11,087)**	(4,487)
Tax effect		**3,326**	1,346
		(7,761)	(3,141)
Gains (Losses) recognized directly in the currency translation reserve		**5,193**	11,131
Other components of comprehensive income net of tax effect		**(2,768)**	6,677
Net comprehensive profit for the year net of tax effect		**55,267**	45,759

(IN THOUSANDS OF EUROS)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	CURRENCY TRANSLATION RESERVE	OTHER RESERVES	RETAINED EARNINGS (LOSS CARRY-FORWARD)	TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY
Balance at 12/31/09	**470,412**	**--**	**(4,332)**	**(72,682)**	**11,733**	**405,131**
- Net profit (loss) for the year	--	--	--	--	39,082	39,082
- Other components of comprehensive income	--	--	11,131	(4,454)	--	6,677
- Total comprehensive profit (loss)	**--**	**--**	**11,131**	**(4,454)**	**39,082**	**45,759**
- Appropriation of Sorin S.p.A.'s net profit	--	--	--	107	(107)	--
- Exercise of stock options	20	17	--	(6)	--	31
- Stock options	--	--	--	232	--	232
- Stock grants	--	--	--	2,939	--	2,939
- Other changes	--	--	--	(61)	--	(61)
Balance at 12/31/10	**470,432**	**17**	**6,799**	**(73,925)**	**50,708**	**454,031**
- Net profit (loss) for the year	--	--	--	--	58,035	58,035
- Other components of comprehensive income	--	--	5,193	(7,961)	--	(2,768)
- Total comprehensive profit (loss)	**--**	**--**	**5,193**	**(7,961)**	**58,035**	**55,267**
- Appropriation of Sorin S.p.A.'s net profit	--	--	--	499	(499)	--
- Esercizio *Stock option*	8,306	7,130	--	(2,231)	--	13,205
- Stock grants	--	--	--	4,715	--	4,715
- Purchase of treasury shares	--	--	--	(4,970)	--	(4,970)
Balance at 12/31/1	**478,738**	**7,147**	**11,992**	**(83,873)**	**108,244**	**522,248**

(IN THOUSANDS OF EUROS)

STATEMENT OF CASH FLOWS

	NOTE	2011	2010
Cash flow from operating activities			
Net profit (loss) for the year		**58,035**	39,082
Adjustments to reconcile the profit (loss) for the year to the net cash flow from operating activities:			
Depreciation and amortization	(3) (4)	**37,618**	38,703
Writedowns of property, plant and equipment	(3)	**185**	617
Writedowns of intangibles	(3)	**222**	--
(Gains) Losses on disposal of property, plant and equipment		**(3,585)**	(821)
Gain on the sale of the Angel product lines		**--**	(1,834)
Excess over the purchase price paid for the investment in the Gish Biomedical Inc. subsidiary		**--**	(1,039)
Pro rata interest in the results of associates valued by the equity method		**286**	38
Non-cash stock option and stock grant costs		**5,436**	3,021
Amortized costs of medium- and long-term borrowings		**82**	166
Non-cash hedging costs (income)		**(2,471)**	(257)
Change in inventories and in receivables and payables generated by operating activities		**(545)**	34,041
Change in provisions for risks, provision for employee severance indemnities and other provisions for employee benefits		**(7,269)**	(4,332)
Other changes		**--**	(61)
Net cash from (used in) operating activities		**87,994**	107,324
amount of net cash from (used in) operating activities attributable to divested operations		**--**	*8,812*
Cash flow from (used in) investing activities			
Investments in property, plant and equipment	(3)	**(25,076)**	(24,081)
Investments in intangibles	(4)	**(34,595)**	(22,838)
Investments in associates		**(6,219)**	--
Acquisition of the Gish Biomedical Inc. subsidiary, net of acquired liquid assets		**--**	(139)
Acquisition of the business operations of a distributor in Austria		**--**	(3,454)
Acquisition of Estech's cannulae product line		**(3,863)**	--
Acquisition of the business operations of a distributor in Southern Italy		**(300)**	--
Proceeds from the sale of property, plant and equipment		**5,898**	1,841
Proceeds from the sale of the Angel product lines		**--**	2,095
Net cash from (used in) investing activities		**(64,155)**	(46,576)
amount of net cash from (used in) investing activities attributable to divested operations		**--**	--
Cash from (used in) financing activities			
Capital increase		**13,205**	31
Purchase of treasury shares		**(4,970)**	--
Repayments of medium- and long-term borrowings		**(32,822)**	(35,390)
Change in indebtedness under finance leases		**(208)**	(303)
Net change in financial receivables/payables		**12,917**	(6,405)
Net cash from (used in) financing activities		**(11,878)**	(42,067)
amount of net cash from (used in) financing activities attributable to divested operations		**--**	*(8,812)*
Increase (Decrease) in cash and cash equivalents		**11,961**	18,681
amount of the increase (decrease) in cash and cash equivalents attributable to divested operations		**--**	--
Change in cash and cash equivalents attributable to currency translation differences		**240**	738
Cash and cash equivalents at the beginning of the year	(15)	**29,699**	10,280
Cash and cash equivalents at the end of the year	(15)	**41,900**	29,699
Additional disclosures:			
Income taxes paid		**15,874**	12,525
Interest expense paid		**2,255**	3,387
Interest income earned		**943**	1,444

(IN THOUSANDS OF EUROS)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 – GENERAL INFORMATION AND SCOPE OF CONSOLIDATION

General Information

Sorin S.p.A. is a corporation governed by Italian Law that was established on January 2, 2004 upon the partial, proportional demerger of Snia S.p.A. Its shares are traded on the Online Stock Market of the Milan Securities Exchange and its registered office is located in Milan, Italy.
Sorin S.p.A. and its subsidiaries (the “Group”) operate in the field of medical technology, offering products and services to treat cardiovascular diseases.

On March 15, 2012, the Board of Directors approved the consolidated financial statements of Sorin S.p.A. for the year ended December 31, 2011 and authorized their publication in the manner and within the deadline required by law.

The consolidated financial statements of Sorin Group were prepared in accordance with the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB), as approved by the European Union, and are consistent with the regulations enacted to implement Article 9 of Law No. 38/2005. The abbreviation IFRSs also means the International Accounting Standards (IAS) that are still in effect and all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), including interpretations issued previously by the Standing Interpretations Committee (SIC).

The accounting principles used for these financial statements are those that were in effect at December 31, 2011 and are consistent with those used for the consolidated financial statements at December 31, 2010, except as noted below with regard to revisions and new accounting principles and interpretations issued by the IASB and applicable as of January 1, 2011.

Amendment to IAS 24 – Related-party Disclosures
The IASB issued an amendment to IAS 24 that clarifies the definition of related party. The new definition emphasizes symmetry in identifying related parties and defines more clearly the circumstances under which persons and executives with strategic responsibilities qualify as related parties. In addition, the amendment introduces an exemption from the general related-party disclosure requirements for transactions with a government and when a government has control, joint control or significant influence over an entity or the reporting entity. The adoption of this amendment had no effect on the Group’s financial position or result.

IFRS improvements (issued by the IASB in May 2010): IFRS 7 – *Financial Instruments: Disclosures*
The purpose of this amendment was to simplify and improve the disclosures by, respectively, reducing the volume of information regarding guarantees held and provide more qualitative information to better contextualize the quantitative data.

The following amendments, improvements and interpretations that became applicable on January 1, 2011 did not affect the consolidated financial statements:

- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments
- IFRS improvements (issued by the IASB in May 2010):
  IAS 1 – Presentation of Financial Statements
  IAS 21 – The Effect of Changes in Foreign Exchange Rate
  IAS 27 – Consolidated and Separate Financial Statements
  IAS 28 – Investments in Associates
  IAS 31 – Interests in Joint Ventures
  IAS 32 – Financial Instruments: Presentation
  IAS 34 – Interim Financial Reporting
  IAS 39 – Financial Instruments: Recognition and Measurement
  IFRS 1 – First-time Adoption of IFRSs
  IFRS 3 – Business Combinations

IFRS 7 – Financial Instruments: Disclosures
IFRIC 13 – Customer Loyalty Programs

The separate financial statements at December 31, 2011 of Sorin S.p.A., which are provided in a subsequent section of this Annual Report, were also prepared in accordance with the International Financial Reporting Standards, as required by Legislative Decree No. 38 of February 28, 2005, which introduced into the Italian legal system the obligations set forth in European Regulation No. 1606/2002 enacted by the European Parliament and European Council in July 2002.

The financial statements were prepared in accordance with the cost principle, except for derivatives, which were measured at fair value.

The annual financial statements were prepared on a going concern basis. Specifically, the Group concluded that, despite the current challenging economic and financial environment, there are no material uncertainties (as defined in Paragraph 25 of IAS 1) as to the Company's ability to continue as a going concern, owing in part to the actions already taken to address perceived risks and adapt the Group's operating and financial structure to the new economic environment.

The reference date for the consolidated financial statements is December 31, the same as for Sorin S.p.A., the Group's Parent Company. If a company included in the consolidation uses a different reference date, the company in question is consolidated on the basis of pro forma annual financial statements that match the Group's fiscal year.

Unless otherwise stated, the amounts listed on the accounting schedules and in the notes to the financial statements are in thousands of euros. This approach could require the rounding of figures.

The financial statements were prepared in accordance with the following methods:

- In the statement of financial position, current and non-current assets and current and non-current liabilities are shown separately;
- In the income statement, costs are broken down by type;
- The indirect method was used to prepare the statement of cash flows.

Up to December 31, 2010, as required by IFRS 5, the residual amounts attributable to the Vascular Therapy and Renal Care business operations, which were divested in 2008, were listed separately in the income statement as "Profit (Loss) from divested operations."
No material residual income effects attributable to the divested operations were recognized in 2011.

In May 2011, the Company began to implement a share buyback program, in implementation of a resolutions adopted by the Shareholders' Meeting on September 14, 2010. The purpose of this transaction is to acquire treasury shares that can be used to implement the Stock Grant Plan, reserved for the Chairman and the Chief Executive Officer of Sorin S.p.A. and Group employees, approved by the Shareholders' Meeting on the abovementioned date. The program is also aimed at acquiring shares that could be used to implement stock option plans that may be adopted in the future and, more in general, to stabilize the price of the Company stock, should such a need arise.

Scope of Consolidation

Sorin Group's consolidated financial statements include the financial statements at December 31, 2011 of the Parent Company, Sorin S.p.A., and of the Italian and foreign subsidiaries that are controlled directly or indirectly by Sorin S.p.A. Control occurs when the Group controls the majority of the votes or has the power to make administrative and management decisions and reap the resulting benefits. Companies thus controlled are consolidated into Sorin Group as of the date when control is established and until such control ceases to exist.

A list of the companies included in Sorin Group and schedules showing how the scope of consolidation changed in 2011 are provided in Note 43.

2 – Principles of Consolidation, Valuation Criteria and Accounting Principles

Principles of Consolidation

The consolidation principles applied were the following:

Subsidiaries are consolidated line by line, offsetting the carrying value of the respective investment held by the Parent Company or other consolidated companies against the underlying interest in the respective shareholders' equity.
Associated companies, which are companies that the Group's Parent Company does not control but whose financial and management policies it can influence significantly, directly or indirectly, are valued by the equity method.
Other companies in which the Group's Parent Company has a direct or indirect interest of less than 20% are classified as "available for sale" and, if their fair value cannot be determined lacking a market value or company plans that can be used to determine the value in use with alternative measurement methods, their carrying value is written down for impairment losses.
Investments in subsidiaries are recognized by the purchase method, which consists of valuing at fair value all of the assets and liabilities on the date of purchase. Any difference between fair value and the carrying value of the acquired assets and liabilities is booked as goodwill, if positive, or recognized in the income statement, if negative.

Receivables and payables and revenues and expenses arising from transactions between companies included in the scope of consolidation are eliminated.

Significant earnings included in the inventories of consolidated companies and gains and losses from intra-Group disposals of assets are likewise eliminated. The impact of transactions with associated companies is eliminated in proportion to the interest held by the Group in each investee company.

Dividends distributed by subsidiaries and associated companies are eliminated from the statement of income, if received from a subsidiary, and deducted from the carrying value of the corresponding equity investment, if received from an associated company.

Purchases of minority interest investments are recognized by the entity concept method, according to which any difference between the price paid and the book value of the pro rata interest in the acquired assets is recognized in equity as a transaction between shareholders.

The consolidated financial statements are denominated in euros, which is both the functional and presentation currency used by the Parent Company. Each Group company selects its own functional currency, which it uses to value the components of its financial statements.
Note 43, which contains a list of Sorin Group companies, shows the functional currency used by each of those companies.
Financial statements denominated in foreign currencies are translated into euros using year-end exchange rates for the statement of financial position and average annual exchange rates for the statement of income.
Any differences between the net income translated in euros at average exchange rates and at year-end rates are posted to consolidated shareholders' equity. Exchange differences between the value of the opening balances of shareholders' equity translated at the exchange rates prevailing on the date of the financial statements and those used in the financial statements for the previous fiscal year are reflected directly in consolidated shareholders' equity.

Valuation Criteria and Accounting Principles

The valuation criteria and accounting principles applied by Sorin Group are reviewed below.

Treasury Shares

Purchased treasury shares are recognized at cost and carried as a deduction from shareholders' equity. No gain or loss on purchases, sales or cancellations of treasury shares is recognized in the income statement.

Property, Plant and Equipment

Property, plant and equipment is booked at purchase or production cost plus any incidental charges that are attributable directly to the construction or production of an asset and are necessary to make the asset ready for use.
The initial cost of these assets must include an estimate of asset decommissioning and removal and site remediation costs. The corresponding liability is posted to the provisions for risks and charges.
Maintenance and repair costs that do not extend the useful lives of assets are charged to income in the year they are incurred.

The amounts booked to assets are depreciated annually on a straight-line basis at a rate that reflects the estimated useful lives of the assets. No depreciation is taken until the assets are put into service. Land, including appurtenant land, is not depreciated.

When there is an indication that the value of an asset may have been impaired, its recoverable value is estimated using the method provided by IAS 36 "Impairment of Assets" and any resulting loss is recognized in the income statement, in accordance with the guidelines provided in IAS 36.

Capital grants are recognized when there is a reasonable certainty that they will be collected and that all of the conditions required for collection have been met. Capital grants are booked as deferred income when collected and recognized as income on a pro rata basis over the useful lives of the respective assets. When a grant is directly attributable to a specific asset, the amount of the grant, instead of being provisionally booked as deferred income, is deducted from the gross carrying amount of the corresponding asset, in accordance with the alternative accounting treatment allowed by IAS 20, Paragraph 27. The resulting effect on the income statement is a reduction in depreciation expense.

Leasehold improvements that meet the requirements of IAS 16 "Property, Plant and Equipment" are classified as property, plant and equipment and depreciated over the asset's remaining useful life or the remainder of the lease, whichever is shorter.

Leases

When all risks and benefits inherent in the ownership of the leased assets are transferred to the lessee, assets held under a finance lease are booked as property, plant and equipment and the corresponding liability to the lessor is recognized as a financial liability. At the beginning of a lease, assets held under a finance lease are valued at the lower of their fair value or the present value of the minimum payments owed under the lease. They are depreciated over the asset's estimated useful life in the same manner as property, plant and equipment that the Company owns outright.
Lease payments are broken down between principal, which is deducted from the indebtedness to the lessor, and interest, which is recognized as a financial expense, so that a constant interest rate is applied to the outstanding lease balance.

Goodwill

The goodwill shown on the asset side of the statement of financial position following the acquisition for consideration of controlling interests in other companies represents the portion of the purchase price paid that exceeds the Group's pro rata interest in the fair value of the acquired and identifiable assets, liabilities and contingent liabilities. Goodwill is not amortized but is tested for impairment at least once a year, or whenever the occurrence of events or circumstances could result in the determination that its value has been impaired, using the method provided in IAS 36 "Impairment of Assets."

Other Intangible Assets

Intangibles are recognized on the asset side of the statement of financial position when it is likely that the use of an asset will generate future benefits and its cost can be measured reliably. Intangibles are booked at their purchase price or internal production cost, inclusive of incidental charges and borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Intangibles with an indefinite useful life are not amortized. Instead, they are tested at least once a year for impairment.
Intangibles with a finite useful life are amortized on a straight line, based on an asset's estimated useful life. When there is an indication that the value of an asset may have been impaired, the recoverable value of intangibles is computed in

accordance with the method provided in IAS 36 “Impairment of Assets” and any resulting loss is recognized in the income statement.

As is the case for property, plant and equipment, capital grants are recognized when there is a reasonable certainty that they will be collected and that all of the conditions required for collection have been met. Capital grants are booked as deferred income when collected and recognized as income on a pro rata basis over the useful lives of the respective assets. When a grant is directly attributable to a specific project, the amount of the grant, instead of being provisionally booked as deferred income, is deducted from the gross carrying amount of the corresponding intangible asset, in accordance with the alternative accounting treatment allowed by IAS 20, Paragraph 27. The resulting effect on the income statement is a reduction in amortization expense.

Research costs are charged in full to income in the year they are incurred. All related operating grants are recognized as income when there is a reasonable certainty that they will be collected and all conditions required for collection have been met.

Development costs incurred in connection with a specific project are capitalized only when the Group can demonstrate that it possesses the technical capabilities needed to complete the intangible asset and make it available for use or sale, that it intends to complete the asset for the purpose of using it or selling it, that it has developed methods to enable the asset to generate future economic benefits, that it has the technical, financial and other resources needed to complete the development and that it is able to evaluate reliably the costs attributable to the asset during its development.
During the development period, the asset should be tested annually for impairment. Subsequent to the impairment test, development costs are valued at cost less amortization and any accumulated impairment loss. Amortization begins when the development is completed and the asset is ready for use. The capitalized cost is amortized over the period during which the underlying project is expected to generate revenues for the Group.

Patents are capitalized when they are acquired for consideration from a party outside the Group or when they are produced internally, provided they have been legally recognized and exist as an identifiable asset. Items purchased from outsiders are booked at cost, plus incidentals. Internally produced items are booked on the basis of the direct costs incurred to obtain legal recognition of the protected rights. In both cases, they are amortized over their useful lives, but not in excess of the period of legal protection.

Trademarks, concessions, licenses and similar rights include the costs incurred to secure manufacturing and/or distribution permits in accordance with CE and FDA regulations. The costs of CE and FDA certifications are capitalized as assets if they meet the capitalization requirements of IAS 38 “Intangible Assets” and are amortized over the entire length of the period during which they are expected to generate revenues.

Technologies and other intangible assets refer for the most part to the values attributed to medical technologies and customer lists in connection with acquisitions. Amortization is computed on a straight line over the estimated useful lives of these assets.

Inventories

Raw materials and auxiliaries and finished products are valued at the lower of purchase or production cost or market value. Cost is determined by the FIFO method. The valuation process allocates to each inventory category the average actual costs incurred to purchase raw materials, other materials and merchandise and the average actual direct and indirect costs incurred in the production process.

Work in process is valued at the average cost of production for the year, based on the percentage of completion.
The cost of work in process and finished goods includes the pro-rata share of the depreciation taken on the respective production equipment and indirect production costs.

Receivables and Other Current Financial Assets

Receivables and other current financial assets include trade receivables and other financial receivables generated in the normal course of business and advances to suppliers. Following initial recognition, they are valued at their amortized cost, using the effective discount rate method, net of any provision for impairment losses, in accordance with the guidelines provided by IAS 39 for financial instruments classified as "loans and receivables." Receivables denominated in foreign currencies are adjusted to year-end exchange rates. Any resulting gains or losses are credited or debited to the income statement.
Sorin Group assigns a portion of its trade receivables through factoring transactions or securitization programs.

Securitization of Receivables
Accounts receivable assigned without recourse are deleted from the asset side of the statement of financial position when the assignment transaction transfers substantially all risks and benefits inherent in the ownership of the receivables, as required by IAS 39. In all other cases of assignments without recourse or assignments with recourse, the receivables stay on the statement of financial position and the advance received from the factor is recognized as a financial liability.
Note 11 provides detailed information about the different methods currently used by the Group to assign its receivables.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term deposits, the original maturity of which may not exceed three months.

Payables and Financial Liabilities

Payables and financial liabilities comprise trade payables, other payables, loans payable, including liabilities for loans received as advances for the assignment of receivables, and obligations under finance leases.
Trade payables and other payables are carried at their face value. Loans payable are initially recognized at cost, which are equal to the fair value of the consideration received, net of incidental costs. Subsequently, these payables are shown at their amortized cost, computed taking into account issue costs and any premium or discount applicable upon settlement.
Payables denominated in foreign currencies are adjusted to year-end exchange rates. Any resulting gains or losses are credited or debited to the income statement.

Financial Derivatives

Sorin Group uses financial derivatives (mainly forward currency contracts and interest rate swaps) exclusively for the purpose of hedging the risk of fluctuations in foreign exchange and interest rates.

Initially, derivatives are recognized at their fair value on the date when the contracts are executed. Subsequently, their fair value is tested at regular intervals using for the forward currency contracts the forward interest rates applied to contracts with a similar profile and maturity and for the interest rate swaps the market value for similar instruments. Any gain or loss that results from this valuation process is recognized on the statement of financial position as either an asset or a liability from a financial derivative.

Gains or losses that result from the valuation at fair value of financial derivatives that meet the requirements of IAS 39 for hedge accounting treatment are recognized as follows:

- In the income statement when they are realized, if the financial instrument in question is designated as hedging the risk of changes in the fair value of an asset or liability (fair value hedge), thereby offsetting the gains or losses recognized in the income statement as a result of the process of valuing the hedged asset or liability.
- In an equity reserve for the effective portion of the hedge and in the income statement for the ineffective portion of the hedge, if the financial instrument in question is designated as hedging the cash flow of a given asset or liability (cash flow hedge). Gains or losses recognized in equity are transferred to the income statement when

the economic effects of the hedged assets or liabilities are reflected in the result for the period. When a hedge expires or is cancelled, any amount previously recognized in equity is transferred to the income statement.

- In the case of financial instruments that hedge the risk associated with translating into euros the shareholders' equities of consolidated subsidiaries that are not denominated in euros, in an equity reserve, for the amount equal to the effective portion of the hedge, or in the income statement, for the amount equal to the ineffective portion. Upon the expiration of a contract, any realized foreign exchange difference is posted to the Reserve for currency translation differences. When the relevant foreign subsidiary is divested, the cumulative amount of the corresponding gains and losses recognized in the abovementioned equity reserve is posted as an adjustment to the gain or loss generated by the divestment. Currently, this situation does not exist at Sorin Group.

Gains or losses from the valuation of financial derivatives that do not qualify for hedge accounting are recognized in profit or loss.

Accruals and Deferrals

Accrued income and expenses are the offsetting entries of revenues and expenses attributable to two or more years, for which the respective cash entries had not been made on the date of the financial statements.
Prepaid expenses and deferred income represent the portion of cost and revenues attributable to two or more years, which cannot be reflected in the statement of income in the year when the respective cash entry was made.
They are reflected in the financial statements on an accrual basis, in accordance with the general principle of matching costs and revenues.

Provisions for Risks and Charges and Contingent Liabilities

Provisions for future risks and charges are established to recognize a current (legal or implied) obligation that arises from past events, the satisfaction of which will probably require the use of financial resources in an amount that can be estimated reliably.
Provisions for risks and charges set aside to fund a medium- or long-term obligation of a material amount are discounted and any addition to such provisions required to reflect the passing of time is recognized as a financial expense.

Employee Benefits

Provision for Employee Severance Indemnities
The provision for employee severance indemnities, which is mandatory for Italian companies, is considered:

- A defined-benefit plan with respect to the benefits that vested up to December 31, 2006, as well as with respect to benefits vesting from January 1, 2007 on, but limited to employees of companies with 50 employees or less who chose to leave their vested benefits with the company;
- A defined-contribution plan with respect to benefits vesting from January 1, 2007 on for employees who opted for alternative pension plans and, in the case of companies with more than 50 employees, employees who chose to leave their vested benefits with the company.

When the provision for employee severance indemnities can be construed as a defined-benefit plan, it is valued by the Projected Unit Credit Method, based on actuarial and financial assumptions (actuarial assumptions: mortality, turnover, disability of the population included in the plan; financial assumptions: discount rate, rate of wage increases, capitalization rate). The cost representing an increase in the present value of the provision for employee severance indemnities is recognized as personnel expense. In the case of severance benefits vested up to December 31, 2006, the cost no longer includes a component for future wage increases.
Vested severance benefits under a provision for employee severance indemnities, which can be construed as a defined-contribution plan, are also recognized as personnel expense and, until their actual disbursement, the offsetting statement of financial position entry is posted to other current liabilities.

Other Provisions for Employee Benefits
Other provisions for employee benefits, which are recognized by the Group in some European countries, the United States and Japan, are defined-benefit plans. Accordingly, they are valued by the Projected Unit Credit Method, based on actuarial assumptions. The cost representing an increase in the present value of the plans is recognized as personnel expense.

Other Medium/Long-term Employee Benefits
Other medium/long-term benefits include a long-term incentive plan (cash settled) for the benefit of a limited number of key Group manager. The Long-Term Incentive Plan – LTIP is based on a three-year incentivizing cycle tied to the Group's performance.

Equity Settled Compensation Plans
The Group awards additional benefits to some employees through equity settled compensation plans (stock option and stock grant plans). In accordance with IFRS 2 – Share-based Payment, these plans represent a component of the beneficiary's compensation and their cost is measured based on the fair value of the abovementioned instruments on the grant date. Changes in fair value after the grant date have no effect on the valuation of the plans.
The cost of equity settled transactions and the corresponding increase in shareholders' equity are recognized over the period from the grant date to the vesting date. Until the vesting date, the cumulative costs recognized for such transactions at the end of each reporting period reflect vesting period maturities and the best available estimate of the number of equity instruments that will actually vest. The gain or loss recognized in profit or loss is equal to the difference in the cumulative cost recognized at the beginning and the end of the reporting year.

Revenue Recognition

Revenues from the sale of goods, net of returns, discounts, allowances, bonuses and directly related taxes, are deemed to have been earned when the risks and benefits significantly inherent in the ownership of the goods have been transferred and the amount of the revenues can be determined reliably. In the case of the sale of goods, this generally occurs when the merchandise is shipped, except when the merchandise is held by the customer (consignment stock). In this case, revenues are recognized when the goods are used by the customer. Service revenues are recognized based on the progress made in providing the services and the amount of the revenues can be determined reliably.

Income Taxes

Each Group company recognizes its current tax obligation by booking a tax liability based on a reasonable valuation of the amount payable for direct taxes, determined in accordance with the tax laws in force in each country and taking into account any tax loss carryforward or exemptions.
Deferred-tax assets and liabilities are computed on the temporary differences that arise between the carrying amounts and the tax bases of assets and on items like tax loss carryforwards usable in future years that, while not recognized on the statement of financial position, have the potential of creating tax credits un the future.
Deferred-tax assets and liabilities are computed based on projected tax rates in each country in the year in which the assets are realized or the liabilities extinguished.

Deferred-tax liabilities are recognized on all taxable temporary differences, except in the following cases:

- Deferred-tax liabilities on retained earnings of subsidiaries are recognized on retained earnings of subsidiaries only if there is a real intention of distributing those earnings;
- Deferred-tax liabilities on reserves of the Group's Parent Company the taxation of which has been suspended are recognized only if there is a high probability that conditions requiring the payment of income taxes will occur.

Deferred-tax assets, including those arising from a tax loss carryforward and unused tax credits, are recognized in the financial statements only to the extent that it is likely that the Company will generate sufficient taxable income against which these temporary deductible differences can be offset.
Income taxes due on items recognized directly in equity are also reflected directly in equity.

Use of Estimates

The preparation of the consolidated financial statements in accordance with the international accounting principles required the formulation of estimates and assumptions that have an impact on the amounts of assets and liabilities and on revenues and expenses. These estimates were based on past experience and on other factors that were deemed to be reasonable under the relevant circumstances. However, the actual results that will ultimately be recognized may be different from the estimates.

Estimates and valuations are used mainly to recognize any non-recoverable value of non-current assets, including goodwill; additions to the allowances for doubtful accounts and for obsolete and slow-moving inventory items; deferred-tax assets and liabilities and, in general, additions to provisions.

Estimates and assumptions are reviewed on a regular basis and the impact of any change in the estimates is reflected in the result for the period during which the change was made.

New Principles, Amendments and Interpretations Adopted by the European Union not Yet in Effect

IFRS 7 – *Financial Instruments: Disclosures.*

These amendments require additional disclosures when financial instruments are transferred but not derecognized, in order to allow users of financial statements to obtain a better understanding the relationship between derecognized assets and the corresponding liabilities. In addition, these amendments require disclosure of any continuing involvement regarding any transferred and derecognized assets, in order to allow users of financial statements to assess the nature of the entity's continuing involvement in the derecognized assets and the related risks. These amendments are applicable to reporting years beginning on or after July 1, 2011. These amendments affect only financial statement disclosures and will have no impact on the Group's financial position or result.

3 – Property, Plant and Equipment

	LAND AND BUILDINGS	PLANT AND MACHINERY	MANUFACT. AND DISTRIB. EQUIPMENT	CONSTRUC-TION IN PROGRESS	ASSETS UN-DER FINANCE LEASES	OTHER ASSETS	TOTAL
Net carrying value at 12/31/09							
• Gross value	56,018	68,996	100,586	9,715	5,515	26,455	267,285
• Accum. depreciation and impairment losses	(28,052)	(51,956)	(73,234)	--	(3,952)	(18,397)	(175,591)
• **Net carrying value**	**27,966**	**17,040**	**27,352**	**9,715**	**1,563**	**8,058**	**91,694**
Net carrying value at 12/31/10							
• Gross value	58,582	70,234	112,776	12,361	5,385	28,498	287,836
• Accum. depreciation and impairment losses	(31,206)	(52,925)	(84,640)	--	(4,405)	(19,822)	(192,998)
• **Net carrying value**	**27,376**	**17,309**	**28,136**	**12,361**	**980**	**8,676**	**94,838**
Net carrying value at 12/31/11							
• Gross value	57,160	72,099	119,334	15,401	4,278	23,403	291,675
• Accum. depreciation and impairment losses	(31,541)	(54,875)	(87,356)	--	(3,944)	(15,803)	(193,519)
• **Net carrying value**	**25,619**	**17,224**	**31,978**	**15,401**	**334**	**7,600**	**98,156**

(IN THOUSANDS OF EUROS)

The table below shows for each component of property, plant and equipment the changes in net carrying value that occurred in 2011:

	LAND AND BUILDINGS	PLANT AND MACHINERY	MANUFACT. AND DISTRIB. EQUIPMENT	CONSTRUC-TION IN PROGRESS	ASSETS UN-DER FINANCE LEASES	OTHER ASSETS	TOTAL
Net carrying value at 12/31/09	**27,966**	**17,040**	**27,352**	**9,715**	**1,563**	**8,058**	**91,694**
• Additions	1,044	3,299	2,002	8,612	--	1,468	16,425
• Increases for internal production	--	--	4,465	3,061	--	130	7,656
• IFRS 3 business combinations	--	75	--	--	--	--	75
• Disposals	(112)	(243)	(639)	--	--	(26)	(1,020)
• Decreases due to sale of Angel product lines	--	--	(551)	--	--	--	(551)
• Impairment losses recognized in the income statement	--	--	(575)	--	--	(42)	(617)
• Depreciation	(2,523)	(4,036)	(12,063)	--	(583)	(1,919)	(21,124)
• Currency translation differences	1,001	83	963	80	--	129	2,256
• Other changes			(16)	60			44
• Reclassifications	--	1,091	7,198	(9,167)	--	878	--
Net carrying value at 12/31/10	**27,376**	**17,309**	**28,136**	**12,361**	**980**	**8,676**	**94,838**
• Additions	587	1,936	3,478	9,214	--	963	16,178
• Increases for internal production	--	--	5,813	2,855	--	230	8,898
• IFRS 3 business combinations	--	--	--	41	--	--	41
• Disposals	(480)	(25)	(675)	(440)	(4)	(689)	(2,313)
• Impairment losses recognized in the income statement	--	--	(145)	--	--	(40)	(185)
• Depreciation	(2,232)	(4,008)	(10,750)	--	(455)	(1,954)	(19,399)
• Currency translation differences	282	(4)	141	41	--	29	489
• Other changes	--	--	(26)	--	--	(3)	(29)
• Reclassifications	86	2,016	6,006	(8,671)	(187)	388	(362)
Net carrying value at 12/31/11	**25,619**	**17,224**	**31,978**	**15,401**	**334**	**7,600**	**98,156**

(IN THOUSANDS OF EUROS)

The table below provides a breakdown of assets held under finance leases, which consist mainly of plant and machinery, and shows the changes that occurred in each asset group in 2011.

	LAND AND BUILDINGS	PLANT AND MACHINERY	MANUFACT. AND DISTRIB. EQUIPMENT	OTHER ASSETS	TOTAL
Net carrying value at December 31, 2010	**9**	**543**	**122**	**306**	**980**
• Depreciation	(4)	(294)	(78)	(79)	(455)
• Disposals	--	(4)	--	--	(4)
• Reclassifications	--	--	(40)	(147)	(187)
Net carrying value at December 31, 2011	**5**	**245**	**4**	**80**	**334**

(IN THOUSANDS OF EUROS)

Some buildings in Saluggia, which had a net carrying value of 4,203,000 euros at December 31, 2010 (4,577,000 euros at December 31, 2010), were used as collateral to secure medium- and long-term loans used by Sorin Biomedica Cardio S.r.l. and Sorin Site Management S.r.l. to finance a portion of the price of real estate assets purchased at the end of 2004.

No capitalized financial expense was added to property, plant and equipment in 2011.

The minimum and maximum depreciation rates applied in 2011 were as follows:

Buildings	3/20%
Plant and machinery	6/33%
Manufacturing and distribution equipment	5/40% (1)
Other assets	5/34%

Assets held under finance leases are depreciated at the rates applicable to the asset categories to which they belong.

4 – OTHER INTANGIBLE ASSETS

	DEVELOP-MENT COSTS	PATENTS AND PATENT LICENSES	TRADEMARKS, CONCESSIONS, LICENSES AND SIMILAR RIGHTS	WORK IN PROGRESS	TECHNOL-OGIES AND SUNDRY INTANGIBLES	TOTAL
Net carrying value at 12/31/09						
• Gross value	48,189	40,812	68,675	225	104,434	262,335
• Accumulated amortization and impairment losses	(4,707)	(35,870)	(43,031)	--	(56,750)	(140,358)
• **Net carrying value**	**43,482**	**4,942**	**25,644**	**225**	**47,684**	**121,977**
Net carrying value at 2010						
• Gross value	64,902	41,303	73,970	315	113,723	294,213
• Accumulated amortization and impairment losses	(7,825)	(37,412)	(46,127)	--	(67,858)	(159,222)
• **Net carrying value**	**57,077**	**3,891**	**27,843**	**315**	**45,865**	**134,991**
Net carrying value at 2011						
• Gross value	84,047	41,537	80,353	6,201	126,182	338,320
• Accumulated amortization and impairment losses	(11,981)	(38,637)	(50,878)	--	(77,421)	(178,917)
• **Net carrying value**	**72,066**	**2,900**	**29,475**	**6,201**	**48,761**	**159,403**

(IN THOUSANDS OF EUROS)

(1) In some cases, the maximum depreciation rate is 50%, since it is based on the length of the contract that applies to assets provided to third parties under gratuitous loans.

The table below shows for each component of intangible assets the changes in net carrying value that occurred during the year:

	DEVELOPMENT COSTS	PATENTS AND PATENT LICENSES	TRADEMARKS, CONCESSIONS, LICENSES AND SIMILAR RIGHTS	WORK IN PROGRESS	TECHNOLOGIES AND SUNDRY INTANGIBLES	TOTAL
Net carrying value at 12/31/09	**43,482**	**4,942**	**25,644**	**225**	**47,684**	**121,977**
• Additions	42	319	1,347	230	738	2,676
• Increases for internal production	16,140	--	4,011	11	--	20,162
• IFRS 3 business combinations	--	--	--	--	3,274	3,274
• Decreases due to sale of Angel product lines	--	--	(60)	--	--	(60)
• Amortization	(2,679)	(1,410)	(4,820)	--	(8,670)	(17,579)
• Currency translation differences	901	40	1,061	--	2,636	4,638
• Other changes	(509)	--	632	(123)	(97)	(97)
• Reclassifications	(300)	--	28	(28)	300	--
Net carrying value at 12/31/10	**57,077**	**3,891**	**27,843**	**315**	**45,865**	**134,991**
• Additions	--	156	1,125	6,066	3,632	10,979
• Increases for internal production	19,570	--	3,970	22	54	23,616
• IFRS 3 business combinations	--	--	--	--	7,790	7,790
• Amortization	(4,437)	(1,134)	(4,216)	--	(8,432)	(18,219)
• Impairment losses recognized in profit or loss	(222)	--	--	--	--	(222)
• Currency translation differences	78	(1)	256	15	473	821
• Other changes	--	(12)	--	--	(703)	(715)
• Reclassifications	--	--	497	(217)	82	362
Net carrying value at 12/31/11	**72,066**	**2,900**	**29,475**	**6,201**	**48,761**	**159,403**
- assets with a finite useful life	72,066	2,900	25,843	6,201	48,761	155,771
- assets with an indefinite useful life	--	--	3,632	--	--	3,632

(IN THOUSANDS OF EUROS)

Development costs refer to about 50 projects that concern all business units. The main investment projects carried out in 2011 include the following: for the Cardiopulmonary Business Unit, development of the Inspire family of new adult oxygenators; for the Cardiac Rhythm Management Business Unit, development of the remote monitoring system; and for the Heart Valves Business Unit, development of the Perceval tissue valve.

Patents and licenses for patents includes 2,275,000 euros for Medtronic licenses on devices to control heart rhythm.

The largest amount included under trademarks, concessions, licenses and similar rights refers to the capitalized costs incurred to secure FDA (Food and Drug Administration) approval to sell Group products in the United States. At December 31, 2011, the net carrying value of these assets was 21,625,000 euros (19,822,000 euros at December 31, 2010). This asset class also includes the Carbomedics trademark (3,632,000 euros) and sundry intangibles of 4,218,000,000 euros that consist mainly of software licenses. The Carbomedics trademark is deemed to have an indefinite useful life, since the Company believes that there is no time limit to its use and to the future economic benefits associated with it. Consequently, this trademark is not amortized. It is tested for impairment at least annually or whenever the occurrence of events or circumstances indicates that an impairment loss may have occurred. The test is carried out using the method provided in IAS 36 “Impairment of Assets.” A test of this asset and goodwill for the Heart Valves cash generating unit provided no indication that an impairment loss occurred in 2011. The main assumptions used for impairment test purposes are explained in Note 6.

Technologies and sundry intangibles reflect mainly the values attributed to medical technologies and customer lists in earlier years in connection with acquisitions of operations in North America.

In 2011, consistent with the adoption of IAS 23R, financial expense totaling 178,000 euros was capitalized under intangible assets. The rate used to determine capitalizable financial expense was 4.25%, which is the Group's average borrowing cost.

The minimum and maximum amortization rates applied in 2010 were as follows:

Development costs	7/20%(1)
Patents and patent licenses	5/33%
Trademarks, concessions, licenses and similar rights	7/33%
Technologies and sundry intangibles	7/33%

Research and development costs totaling 70,079,000 euros were charged in full to income in 2011, compared with 66,919,000 euros in 2010. Development costs that are charged to income in the year they are incurred are those that do not meet the requirements for capitalization.

5 – GOODWILL

	GROSS VALUE	IMPAIRMENT LOSSES	NET VALUE
Balance at December 31, 2009	**191,981**	**--**	**191,981**
• Currency translation differences	912	--	912
Balance at December 31, 2010	**192,893**	**--**	**192,893**
• Currency translation differences	378	--	378
Balance at December 31, 2011	**193,271**	**--**	**193,271**

(IN THOUSANDS OF EUROS)

As allowed under an option provided by IFRS 1, the Group decided not to apply IFRS 3 "Business Combinations" retroactively to business acquisitions completed before January 1, 2004. As a result, the carrying amount of goodwill recognized as of that date was the same as the amount determined in accordance with Italian accounting principles, provided it was fully recoverable, net of accumulated amortization through January 1, 2004.
Moreover, insofar as acquisitions completed prior to 1993 and received by the Company as a result of the Snia S.p.A. demerger are concerned, goodwill does not include the amount by which certain investments exceeded the interests held in the shareholders' equities of the consolidated companies. This is because the excess amount was deducted directly from reserves, as allowed by the rules then in effect, and was not recognized as an asset.

The Group tests goodwill for impairment annually (at December 31) and whenever circumstance indicate the recoverable value of goodwill may have been impaired. The test performed to determine whether the value of goodwill and other intangible assets with and indefinite useful life has been impaired is based on computing the value in use of these assets. Value in use was computed by discounting projected cash flows (discounted cash flow method). The variables used to determine the recoverable value of the cash generating units (CGUs), which correspond to the business units, are reviewed in the Note that follows.

The impairment test performed at the end of 2010 showed that no impairment loss had occurred.

(1) Based on the useful life of the product for which the development costs were incurred.

6 – GOODWILL IMPAIRMENT TEST

For the purpose of performing an impairment test, the goodwill acquired though business combinations was allocated to the following cash generating units:

- Cardiopulmonary
- Heart Valves
- Cardiac Rhythm Management,

consistent with the Group's operating characteristics and management's strategic vision.

The recoverable value of the cash generating units was determined based on their value in use, computed by projecting their future cash flows in accordance with the latest 2011-2015 five-year strategic plan approved by the Board of Directors of Sorin S.p.A. and using the same impairment method as in previous years. The new strategic, five-year plan will be available in the second half of 20012. The 2011-2015 strategic plan was appropriately modified to include 2012 forecast data and the plan's extension to 2016, consistent with the fundamental parameters of the strategic plan originally approved. The main assumptions used for computation purposes are the following:

- The cash flow projection period includes five years of explicit projection and a terminal value based on projecting the last year of the explicit plan for an additional 15 years, with no growth assumed for the year following the explicit projection year (*g*=0%). In the case of the Heart Valves CGU, consistent with the approach followed the previous year, the explicit plan period was extended to 2017 in order to reflect the results of long-term investments in development projects, which are expected to produce returns beyond the horizon of the five-year plan.
- The revenue growth rate for the explicit projection period is consistent with the average growth rate forecasted for the market of the Cardiopulmonary CGU, which operates in a more mature market segment in which the Group is the leader, and is slightly higher than the average growth rate forecasted for the Heart Valves and Cardiac Rhythm Management CGUs due to greater market opportunities and the existing product pipeline.
- All of the CGUs are expected to improve their marginal profitability, due to a more profitable product/market mix, the impact of the restructuring and reorganization plans of the recent past and the effects of programs specifically designed to increase manufacturing margins.
- The discount rate applied to projected cash flows was equal to the weighted average cost of capital (WACC) after taxes:

	2011	2010
- Cardiopulmonary	7.3%	7.3%
- Heart Valves	8.7%	7.7%
- Cardiac Rhythm Management	8.2%	7.4%
- Sorin Group	7.9%	7.5%

  Compared with the previous year, the discount rate used was less favorable on average due a deterioration of business conditions in the Group's target markets and in the financial markets.
- The debt/equity ratio used for all CGUs was the same as that of Sorin Group at the end of 2011.
- Different levered ß coefficients were used for each CGU. These coefficient, which were computed as the average of the ß coefficients of the main competitors for the past two years, are as follows:

- Cardiopulmonary	0.74
- Heart Valves	0.89
- Cardiac Rhythm Management	0.86
- Sorin Group	0.81

- The yield rate for riskless assets used was 2.0% (ten-year German Bund). The market risk premium was computed for each CGU based on the geographic distribution of its revenues.
- The average cost of debt capital used was 4.2% (2.9% net of the tax effect).

The net carrying value of goodwill attributed to each CGU is as follows:

	12/31/11	12/31/10
• Cardiopulmonary	**107,614**	107,611
• Heart Valves	**15,809**	15,434
• Cardiac Rhythm Management	**69,848**	69,848
Total	**193,271**	192,893

(IN THOUSANDS OF EUROS)

A sensitivity analysis of all three CGUs showed no indication of problems, even assuming a deterioration of the *WACC* (+1.5%) or of the *g* parameter (-1%).

7 – Investments in Associates Valued by the Equity Method

	12/31/11		12/31/10	
	% INTEREST HELD	THOUSANDS OF EUROS	% INTEREST HELD	THOUSANDS OF EUROS
• La Bouscarre S.C.I.	**50,000%**	**14**	50,000%	14
• LMTB - Laser und Medizin Technologie Gmbh	**22,548%**	**3**	22,548%	3
• MD START S.A.	**20,930%**	**320**	--	--
• MD START I K.G.	**20,930%**	**572**	--	--
• Enapace Biomedical Ltd.	**25,062%**	**5,307**	--	--
Total		**6,216**		17

(IN THOUSANDS OF EUROS)

In February 2011, the Group acquired a minority interest in MD Start S.A., based in Lausanne, Switzerland, and MD Start I K.G., based in Dresden, Germany. MD Start, Europe's first venture capital incubator supported by operators in the medical technology sector, offers to promoters of innovative ideas an important opportunity to turn into reality their medical device development projects. MD Start's mission is to stimulate innovation by providing scientists and physicians with the financial and technical competencies and the strategic resources needed to identify and validate new ideas.

In addition, a 25.0625% interest in Enopace Biomedical Inc. was acquired in October 2011. This startup is working on the development of a neuromodulation system for patients suffering from congestive heart failure. Sorin Group's investment of US$7.0 million will help fund initial clinical studies and product development.

Given the inconsequential amount involved, the investment in LMTB – Laser und Medizin Technologie GmbH is valued at cost.

8 – NON-CURRENT FINANCIAL ASSETS

Non-current financial assets consist of investments in other companies. The table below shows the value of these investments:

	12/31/11		12/31/10	
	% INTEREST HELD	THOUSANDS OF EUROS	% INTEREST HELD	THOUSANDS OF EUROS
• Istituto Europeo di Oncologia S.r.l.	1,172%	951	1,172%	951
• Sphere Medical Holding PLC	0,909%	--	0,909%	267
• Consorzio Medal Energia	7,692%	1	7,692%	1
• Sundry companies	--	2	--	2
Total		**954**		1,221

(IN THOUSANDS OF EUROS)

At December 31, 2011, non-current financial assets included medium- and long-term loans receivable totaling 35,000 euros (84,000 euros at December 31, 2010).
The amount due after one year (75,000 euros) included in the balance at December 31, 2010, which referred to receivable owed by Cytomedix Inc. for the sale of the Angel product lines, was collected ahead of schedule, due to a revision of the sales agreement stipulated in the first half of 2011.

The investment in Sphere Medical Holding PLC was written down by 267,000 euros in 2011. This writedown, which was reflected in the income statement as a financial expense, aligns the investment's carrying amount to the value of the Group's pro rata interest in the underlying shareholders' equity.

9 – Deferred-tax Assets and Deferred-tax Liabilities

Deferred-tax assets, net of deferred-tax liabilities, amounted to 28,392,000 euros, compared with 27,936,000 euros at the end of the previous year.

	12/31/11		12/31/10	
	AMOUNT OF DIFFER-ENCES	TAX EFFECT	AMOUNT OF DIFFER-ENCES	TAX EFFECT
Deferred-tax liabilities for:				
- Depreciation of property, plant and equipment	64,988	21,153	55,796	18,301
- Revaluations at fair value	15,574	4,672	5,407	1,599
- Recognition (Derecognition) of assets (liabilities)	3,395	961	3,625	1,042
- Other items	5,639	1,628	5,888	1,696
Total deferred-tax liabilities	**89,596**	**28,414**	**70,716**	**22,638**
Deferred-tax assets arising from:				
- Provision for risks and charges	37,635	11,804	39,886	11,566
- Depreciation of property, plant and equipment	18,072	5,483	17,797	5,401
- Value adjustments on financial assets	168	56	-	-
- Inventories and eliminations of inventory gains	43,043	13,607	40,919	13,017
- Revaluations at fair value	28,499	8,920	14,539	4,597
- Recognition (Derecognition) of liabilities (assets)	574	158	834	191
- Other items	11,030	3,481	9,578	2,991
Subtotal	**139,021**	**43,509**	**123,553**	**37,763**
Deferred-tax assets arising from tax loss carryforward	**44,112**	**13,297**	**42,221**	**12,811**
Total deferred-tax assets	**183,133**	**56,806**	**165,774**	**50,574**
Total deferred-tax assets, net of deferred-tax liabilities		**28,392**		**27,936**
Temporary differences excluded from the computation of deferred taxes for:				
- Reserves the taxation of which has been suspended	33,824	10,225	33,824	10,225
- Other items	1,414	389	1,414	389
Total	**35,238**	**10,614**	**35,238**	**10,614**
Temporary differences excluded from the computation of deferred-tax assets	**198,845**	**26,966**	**200,150**	**28,682**
Tax loss carryforward excluded from the computation of deferred-tax assets	**184,392**	**60,202**	**212,967**	**65,795**

(IN THOUSANDS OF EUROS)

Deferred-tax liabilities totaled 28,414,000 euros, compared with 22,638,000 euros in 2010. The recognition of deferred-tax liability in connection with the hedge accounting treatment of foreign exchange hedges and capitalized development costs account for most of the year-over-year increase.

Deferred-tax assets amounted to 56,806,000 euros, up from 50,574,000 euros the previous year. This increase reflects primarily the recognition of deferred-tax assets in connection with the hedge accounting treatment of foreign exchange hedges.

Temporary differences related to reserves the taxation of which has been suspended were excluded from the computation of deferred taxes because the Company does not expect to use those reserves in a manner that would make them taxable. Moreover, deferred taxes were not computed on the retained earnings of subsidiaries because there is no plan to distribute those earnings.
The computation of prepaid taxes does not include a portion of the amounts attributable to the tax loss carryforward and other temporary differences because the possibility that Group companies will generate sufficient taxable income to utilize them in the near term and/or, in any case, within the time limits allowed under the specific national laws of the countries where the Group operates is viewed as improbable.

At December 31, 2011, the Group's tax loss carryforward amounted to 228,504,000 euros. A breakdown by expiration date is as follows:

Year of expiration	
- 2012	2,065
- 2013	2,109
- 2014	10,578
- 2015	4,804
Expiration after 2015	138,385
No expiration date	70,563
Total tax loss carryforward	**228,504**

(IN THOUSANDS OF EUROS)

Note 35 shows a breakdown of the income taxes recognized in the income statement and provides a reconciliation between the tax liability at the statutory rate and the tax liability actually recognized.

10 – INVENTORIES

	12/31/11	12/31/10
• Raw materials and auxiliaries	**34,136**	31,872
• Work in process and semifinished goods	**30,434**	30,993
• Finished goods and merchandise	**69,763**	68,483
Total	**134,333**	131,348

(IN THOUSANDS OF EUROS)

Inventories are net of an allowance for inventory writedowns that amounted to 14,519,000 euros at the end of 2011 (14,044,000 euros at December 31, 2010).

The size of the inventory of finished goods reflects the policy, standard in the cardiovascular business, of allowing customers to hold on deposit a certain volume of products, particularly with regard to implantable products (pacemakers, defibrillators and heart valves).

11 – TRADE RECEIVABLES

	12/31/11	12/31/10
• Trade receivables:		
- from outsiders	**193,701**	182,571
- from associated companies	--	--
- from other related parties	--	--
Total	**193,701**	182,571

(IN THOUSANDS OF EUROS)

Trade receivables include 2.9 million euros related to the Vascular Therapy and Renal Care business operations, which were divested at the end of 2008 (6.0 million euros at December 31, 2010), net of an allowance for doubtful accounts of 4.8 million euros (5.0 million euros at December 31, 2010).

Trade receivables are shown net of an allowance for doubtful accounts, which is detailed below:

Balance at December 31, 2009	**27,204**
- Additions	4,142
- Utilizations	(311)
- Reversals in earnings	(328)
- IFRS 3 business combinations	14
- Currency translation differences	59
Balance at December 31, 2010	**30,780**
- Additions	1,742
- Utilizations	(1,904)
- Reversals in earnings	(39)
- Currency translation differences	22
Balance at December 31, 2011	**30,601**

(IN THOUSANDS OF EUROS)

In 2011, no amount was added to the allowance for doubtful accounts to cover receivables assigned under the securitization program.

The average number of days of sales outstanding was 86 days at the end of 2011, up from 81 days at December 31, 2010. This increase is chiefly the result of a deteriorating financial situation in the Eurozone, as a result of which public administration in some countries, Spain above all, lengthened payment delays (see Note 24 for additional information).

The Group's customer base includes hospitals, other health care facilities, distributors, organized buying groups and public or private entities with which the users (medical specialists) are associated. The actual payment terms vary greatly, depending on the type of customer (public or private institution) and the geographic region. Given the lengthy payment terms and the resulting high level of trade receivables, the Group has always used factoring arrangements, both with and without recourse, as part of its overall funds procurement strategy.

Securitization and Factoring Contracts

In 2008, acting within the framework of the existing securitization program, Sorin entered into an additional agreement with Crédit Agricole for the assignment on a revolving basis of receivables owed by a portfolio of Italian and French customers. Under this agreement, the full credit risk was transferred to Crédit Agricole and, consequently, the Group deconsolidated the assigned receivables. Sorin's only remaining risk was the risk of dilution (credit notes), for which Sorin S.p.A. provided a deposit as cash collateral.
Sorin terminated the securitization program for its French receivables, buying back the existing balance in May 2011, and stopped assigning its Italian receivables in March 2011.

With regard to the derecognition of assigned assets, the outstanding receivables assigned without recourse to Crédit Agricole totaled 2,400,000 euros at December 31, 2011 (31,694,000 euros at December 31, 2010) and Sorin S.p.A. provided security deposits totaling 295,000 euros (4,361,000 euros at December 31, 2010) (Note 14).
As of the same date, the total value of outstanding receivables assigned without recourse to Crédit Agricole and to four other factors amounted to 47,039,000 euros (44,195,000 euros at December 31, 2010).

In May 2009, the Group signed a factoring contract with Ifitalia (BNP Paribas Group) for the assignment without recourse of receivables owed by Italian customers. The structure of this transaction, which originally did not meet the derecognition requirements of IAS 39, was modified and made IAS compliant in March 2010.

In June 2010, the non-recourse factoring contract signed with Ifitalia in 2009 was also applied to Sorin Group España for the assignment of a portfolio of receivables owed by public hospitals.
Because this transaction does not meet the derecognition requirements of IAS 39, the Group continues to show these trade receivables as assets and carries the amounts it received from the factor as liabilities for advances.

In December 2010, the Group signed a factoring contract with Unicredit Factoring for the assignment with recourse on a revolving basis of receivable owed by Italian customers for a maximum amount of 30 million euros.

In June 2011, the Group executed the following new factoring contracts:
- with Unicredit Factoring, for the assignment without recourse of receivables owed by Italian customers;
- with Ifitalia, for the assignment without recourse of receivables owed by French customers.
Both contract meet the derecognition requirements of IAS 39.

At December 31, 2011, trade receivables included receivables assigned through factoring that did not meet the derecognition requirements of IAS 39, totaling 28,189,000 euros (24,191,000 euros at December 31, 2010). These assigned receivables were offset by liabilities for advances of the same amount (Note 18).

A breakdown of assigned trade receivables is provided below:

	12/31/11	12/31/10
• **Assigned trade receivables**		
- Not removed from the financial statements:		
. Assigned to Crédit Agricole (formerly Calyon)	**--**	4,988
. Assigned to Ifitalia/BNP Paribas	**17,801**	12,076
. Assigned to Unicredit Factoring	**9,587**	6,820
. Assigned to other factors	**801**	307
	28,189	24,191
- Removed from the financial statements:		
. Assigned to Crédit Agricole (formerly Calyon)	**2,400**	31,694
. Assigned to Ifitalia	**14,531**	4,330
. Assigned to Unicredit Factoring	**20,919**	--
. Sumitomo Mitsui Banking Corporation Europe	**7,282**	5,953
. Assigned to other factors	**1,907**	2,218
	47,039	44,195

(IN THOUSANDS OF EUROS)

12 – OTHER RECEIVABLES

	12/31/11	12/31/10
• Other receivables:		
- from outsiders	**12,309**	12,444
- from associated companies	**--**	--
- from other related parties	**--**	--
• Advances to suppliers	**1,262**	1,033
• Prepaid expenses	**7,210**	9,823
Total	**20,781**	23,300

(IN THOUSANDS OF EUROS)

Other receivables, which are not interest bearing, consist mainly of current security and guarantee deposits, and receivables from employees and social security and employee benefit entities.

13 – ASSETS AND LIABILITIES FROM FINANCIAL DERIVATIVES

	12/31/11			12/31/10		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Liabilities from financial derivatives						
- Foreign exchange contracts [1]	**13,754**	**-**	**13,754**	4,107	-	4,107
- Interest rate contracts [2]	**3**	**6,290**	**6,293**	578	6,450	7,028
	13,757	**6,290**	**20,047**	4,685	6,450	11,135

(IN THOUSANDS OF EUROS)

(1) The impact on earnings is included in foreign exchange translation differences.

(2) The impact on earnings is included in interest income and expense.

Financial Derivatives that Hedge the Risk of Fluctuations in Foreign Exchange Rates

The Group uses different types of contracts to hedge the risk of fluctuations in foreign exchange rates. Specifically, with regard to the foreign exchange risk associated with commercial transactions, in 2011, the Group hedged about 100% of the net positions determined based on projected revenue and expense flows denominated in U.S. dollars, Canadian dollars, Australian dollars, Japanese yen, British pounds and Swiss francs. For trade flows that involve less used currencies (Swedish kronor, Polish zloty, etc.) the Group establishes special hedges whenever a foreign currency receivable or payable arises.

As of January 1, 2010, in accordance with the provisions of IAS 39, the Group adopted the tools needed to apply hedge accounting to financial derivatives that hedge the risk of fluctuations in foreign exchange rates on commercial transactions in a foreign currency of a highly probable nature (cash flow hedge).
The effective hedging portion of gains or losses from the measurement of financial derivatives that qualify for hedge accounting treatment under IAS 39 is recognized in a shareholders' equity reserve, while the non-effective portion is recognized in profit or loss, provided the financial derivative has been designated as a cash flow hedge (hedging the cash flows of an asset or liability). Gains or losses recognized in equity are transferred to the income statement when the economic effects of the hedged assets and liabilities is reflected in the result for the period. If a hedging instrument expires or is closed out, the amounts previously recognized in equity are transferred to the income statement.
Gains and losses resulting from the measurement of financial derivatives that do not qualify for hedge accounting are recognized in profit or loss.

Additional information about the market risk created by fluctuations in foreign exchange rates is provided in Note 24.

The table below shows a breakdown of contracts hedging foreign exchange risk that were outstanding at December 31, 2011:

FINANCIAL DERIVATIVES THAT HEDGE FOREIGN EXCHANGE RISKS	POSITION	TYPE OF TRANSACTION	CURRENCY	NOTIONAL AMOUNT	MEASUREMENT AT FAIR VALUE
On commercial flows	Buy	Forward	U.S. dollar	68	-
			Australian dollar	968	24
	Vende	Forward	U.S. dollar	52,022	(2,602)
			Japanese yen	99,266	(10,231)
			British pound	15,095	(543)
			Canadian dollar	5,089	(165)
			Australian dollar	6,397	(188)
			Swiss franc	3,545	244
		Options	U.S. dollar	7,021	(289)
Total hedge accounting					**(13,750)**
On commercial flows	Sell	Forward	Polish zloty	449	(2)
			Swedish kronor	73	(1)
On medium/long-term borrowings	Buy	Forward	U.S. dollar	32,330	104
On other assets/ liabilities	Buy	Forward	U.S. dollar	6,444	2
			Japanese yen	1,797	-
			British pound	3,745	9
			Canadian dollar	29,055	7
	Sell	Forward	U.S. dollar	447	-
			Japanese yen	10,827	(98)
			Swiss franc	1,014	(3)
			Australian dollar	3,695	(26)
			Norwegian kroner	764	(4)
			Polish zloty	557	8
Total non-hedge accounting					**(4)**
TOTAL					**(13,754)**

(IN THOUSANDS OF EUROS)

The Group's Finance Department performs periodically prospective and retrospective tests to verify the effectiveness of the existing hedges.
The effectiveness of the hedges is tested by comparing only the changes in the foreign exchange component of the hedging derivatives, which, consequently, are computed against the spot exchange rate, with the changes in the value of the future underlying sales for the hedged risk.
Prospective tests, which are suitable for showing whether, at the beginning and for the entire duration of an established hedging relationship, a hedging instrument is highly effecting in compensating for changes in the value of the underlying cash flows caused by the hedged risk, are performed using simulations of spot exchange rates.
Retrospective tests are performed to verify the effectiveness of a highly effective hedging relationship, quantified within a range of 80% to 125%, as required by the reference accounting principle.

At December 31, 2011, the cash flow hedge reserve, which reflects changes in the values of instruments hedging the risk of fluctuations in foreign exchange rates, was negative by 15,574,000 euros (10,902,000 euros net of tax effect).

The table below shows the changes that occurred in the cash flow hedge reserve:

	12/31/11	12/31/10
Cash flow hedge reserve - Foreign exchange risk		
Opening balance	**(4,487)**	--
Positive (+)/negative (-) changes in the CFH reserve for recognition of new effectiveness	**(12,733)**	(15,202)
Positive (+)/negative (-) changes for derecognition of effectiveness from shareholders' equity and recognition of financial expense/income in profit or loss:		
- adjustment to operating revenues	**(1,466)**	(10,706)
- to financial expense/income due to lack of underlying item	**(180)**	(9)
Closing balance	**(15,574)**	(4,487)
Ineffective portion	**1,599**	71

(IN THOUSANDS OF EUROS)

Financial Derivatives that Hedge the Risk of Fluctuations in Interest Rates

The Group executes interest rate swaps to hedge the risk of the impact of fluctuations in interest rates on its medium- and long-term borrowings by converting variable-rate borrowings into fixed-rate facilities.

As of January 1, 209, the Group adopted the tools necessary to verify whether a financial derivative that hedged the risk of fluctuations in interest rates (cash flow hedge) qualified for hedge accounting and, consequently, began to apply hedge accounting treatment.
The effective hedging portion of gains or losses from the measurement of financial derivatives that qualify for hedge accounting treatment under IAS 39 is recognized in a shareholders' equity reserve, while the non-effective portion is recognized in profit or loss, provided the financial derivative has been designated as a cash flow hedge (hedging the cash flows of an asset or liability). Gains or losses recognized in equity are transferred to the income statement when the economic effects of the hedged assets and liabilities is reflected in the result for the period. If a hedging instrument expires or is closed out, the amounts previously recognized in equity are transferred to the income statement.

Gains or losses from the measurement of financial derivatives that do not qualify for hedge accounting are recognized in profit or loss.

Additional information about the market risk created by fluctuations in interest rates is provided in Note 24.

At December 31, 2011, the status of interest rate swaps hedging interest risk was as follows:

DERIVATIVE	HEDGED BORROWINGS[1]	EXPIRATION DATE	NOTIONAL AMOUNT	MEASUREMENT AT FAIR VALUE	FIXED RATE
Cash flow hedge	tranche EUR 59,500,000	6/30/14	EUR 59.500	4,338	4.266% [2]
	tranche USD 47,075,000 (EIB medium/long-term facility)	6/30/14	USD 47.075	1,952	2.952% [2]
				6,290	
Total hedge accounting					
Cash flow hedge	(syndicated Mediobanca, Intesa San Paolo, MCC and BNP Paribas medium/ long-term facility)	6/22/12	EUR 248	3	4.066%
Total not hedge accounting				3	
Totale				**6,293**	

(IN THOUSANDS OF EUROS)

(1) The amount of the facilities shown above includes incidental costs and the current portion of the loans.
(2) Average fixed rate.

The Group's Finance Department performs periodically prospective and retrospective tests to verify the effectiveness of the existing hedges.
The effectiveness of hedging transactions is documented both at the transaction's inception and periodically (as a minimum, in connection with the publication of the annual report and interim reports) and is measured by comparing changes in the fair values of the derivative and in the underlying item, both measured on the date of the financial statements based on actual end-of-period data (retrospective test) and on market conditions shock assumptions (prospective test).
Prospective tests are suitable for showing whether, at the beginning and for the entire duration of an established hedging relationship, a hedging instrument is highly effecting in compensating for changes in the underlying cash flow caused by the hedged risk.
Retrospective tests are performed to verify the effectiveness of a highly effective hedging relationship, quantified within a range of 80% to 125%.

At December 31, 2011, the cash flow hedge reserve, which reflects changes in the values of instruments hedging the risk of fluctuations in interest rates, had a negative balance of 4,793,000 euros (3,245,000 euros net of tax effect). The table below shows the changes that occurred in the cash flow hedge reserve:

	12/31/11	12/31/10
Cash flow hedge reserve - Interest rate risk		
Opening balance	**(4,496)**	(2,558)
Positive (+)/negative (-) changes in the CFH reserve for recognition of new effectiveness	**(2,725)**	(5,941)
Positive (+)/negative (-) changes for derecognition of effectiveness from shareholders' equity and recognition of financial expense/income in profit and loss	**(2,428)**	(4,003)
Closing balance	**(4,793)**	(4,496)

(IN THOUSANDS OF EUROS)

The table that follows provides a forward projection of the hedged flows of interest expense that, based on the forward curves of market interest rates at December 31, the Group estimates it will be required to pay, based on the financial liabilities subject of cash flow hedging, net of contractual spreads:

	12/31/11	12/31/10
Flows within 3 months	**--**	--
Flows from 3 to 6 months	**(627)**	(1,075)
Flows from 6 months to 1 year	**(675)**	(1,005)
Flows from 1 to 2 years	**(611)**	(1,518)
Flows from 2 to 5 years	**(1,370)**	(564)
Flows after 5 years	**--**	--
Total	**(3,283)**	(4,162)

(IN THOUSANDS OF EUROS)

14 – OTHER CURRENT FINANCIAL ASSETS

Other current financial assets totaled 2,591,000 euros (8,962,000 euros at December 31, 2010). This item includes a security deposit of 295,000 euros (4,361,000 euros at December 31, 2010) provided as cash collateral in connection with receivables assigned without recourse to Crédit Agricole (formerly Calyon). At December 31, 2010, this item included the current portion of the financial receivable owed by Cytomedix Inc. for the sale of the Angel product line (1,497,000 euros, equal to US$2,000,000), which collected in full during the first half of 2011.
Other financial assets, which accounted for the balance, amounted to 2,296,000 euros (3,104,000 euros at December 31, 2010), net of an allowance for writedowns of 1,549,000 euros, unchanged compared with December 31, 2010.

This item includes 4,000 euros owed by related parties (Note 41).

15 – TAX CREDITS AND TAXES PAYABLE

	12/31/11	12/31/10
• Tax credits	**17,668**	13,712
• Taxes payable	**(21,409)**	(19,653)
Tax credits (taxes payable), net	**(3,741)**	(5,941)

(IN THOUSANDS OF EUROS)

The net tax credits (taxes payable) represent the Group's position vis-à-vis the tax authorities for income taxes (including regional taxes for Italian Group companies) and indirect taxes.

16 – Cash and Cash Equivalents

	12/31/11	12/31/10
• Cash on hand	**35**	31
• Bank and postal accounts	**41,865**	29,668
Total	**41,900**	29,699

(IN THOUSANDS OF EUROS)

Cash and cash equivalents, which constitute the liquid assets used by the Group to meet its short-term obligations, earn interest at variable rates.

Bank account credit balances include 9,419,000 euros deposited with related parties (Note 41).

17 – Consolidated Shareholders' Equity

The consolidated shareholders' equity is entirely owned by the Group.

The table below shows the changes that occurred compared with December 31, 2010.

	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	CURRENCY TRANSLATION RESERVE	OTHER RESERVES	RETAINED EARNINGS (LOSS CARRY-FORWARD)	TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY
Balance at 12/31/10	**470,432**	**17**	**6,799**	**(73,925)**	**50,708**	**454,031**
- Net profit (loss) for the year	--	--	--	--	58,035	58,035
- Other components of comprehensive income	--	--	5,193	(7,961)	--	(2,768)
- Total comprehensive profit (loss)	**--**	**--**	**5,193**	**(7,961)**	**58,035**	**55,267**
- Appropriation of Sorin S.p.A.'s net profit	--	--	--	499	(499)	--
- Esercizio *Stock option*	8,306	7,130	--	(2,231)	--	13,205
- Stock grants	--	--	--	4,715	--	4,715
- Purchase of treasury shares	--	--	--	(4,970)	--	(4,970)
Balance at 12/31/1	**478,738**	**7,147**	**11,992**	**(83,873)**	**108,244**	**522,248**

(IN THOUSANDS OF EUROS)

The Company's share capital consists exclusively of common shares, par value 1 euro each:

	Share capital of Sorin S.p.A.		
	AUTHORIZED	SUBSCRIBED	PAID-IN
Number of shares at December 31, 2009	**488,355,259**	**470,412,144**	**470,412,144**
- Subscriptions for exercise of stock options (Plan 5)	--	20,000	20,000
Number of shares at December 31, 2010	**488,355,259**	**470,432,144**	**470,432,144**
- Subscriptions for exercise of stock options (Plan 5)	--	8,306,000	8,306,000
- Options expired on June 30, 2011 Plan 5)	(9,617,115)	--	--
Number of shares at December 31, 2011	**478,738,144**	**478,738,144**	**478,738,144**

(IN EUROS)

The Group maintains an adequate level of capital to meet the growth and operating needs of the business units and protect its viability as a going concern.
The appropriate balance of funding sources, which also serves the purpose of lowering the overall cost of capital, is achieved by an effective mix of risk capital, which is provided permanently by shareholders, and debt capital, which must also be diversified in terms of maturities and currency denominations.
To achieve these goals, management constantly monitors the Group's debt exposure, in terms of the ratios of indebtedness to shareholders' equity and EBITDA, and the business units' cash flow generating ability.

Information about the stock option plans is provided in Note 30.

Availing itself of one of the alternatives provided by IFRS 1 upon first-time adoption of the international accounting principles, Sorin Group opted for the undifferentiated inclusion in equity reserves of the differences generated by translating financial statements of foreign companies that had accumulated as of the transition date. Retained earnings (loss carryforward) that had accumulated as of the transition date were also included in other reserves without differentiation.
Consequently, other reserves include the following:

- The reserves of Sorin S.p.A., the Group's Parent Company, with the exception of the additional paid-in capital, which is listed separately.
- Retained earnings (loss carryforward) and translation differences accumulated as of January 2, 2004.
- The reserve generated upon first-time adoption of the international accounting principles.
- Consolidation differences, including the amounts by which the investment carrying values exceeded the pro rata interests held in the shareholders' equities of consolidated companies that could not be attributed to individual assets or liabilities in connection with acquisitions completed prior to 1993 and conveyed upon the Snia S.p.A. demerger. These differences had been deducted from consolidated shareholders' equity, as allowed under the rules then in force (Note 5).

At December 31, 2011, Sorin S.p.A. held 2,933,600 treasury shares (purchased in 2011 at an average cost of 1.6141 euros per share), equal to 0.6128% of the share capital comprised of 478,738,144 common shares, par value 1 euro each. The treasury shares held are reserved for use in connection with the stock grant plan reserved for the Chairman, the Chief Executive Officer and Group employees, which is described in Note 30.

Treasury shares are carried as a deduction from shareholders' equity. The original cost of treasury shares, the proceeds from their sale and any subsequent sales are recognized as changes to shareholders' equity.

18 – Non-current Financial Liabilities and Other Current Financial Liabilities

	12/31/11	12/31/10
Non-current financial liabilities		
Due to banks:		
- European Investment Bank (EIB)	**95,882**	94,589
- Banca Regionale Europea	**2,345**	2,602
- Intesa San Paolo	**--**	156
Due under finance leases	**6**	70
Total non-current financial liabilities	**98,233**	97,417
Other current financial liabilities		
Overdraft facilities and other short-term indebtedness	**3,358**	2,001
Advances on assigned trade receivables (Note 11)	**28,189**	24,191
Current portion of medium- and long-term indebtedness:		
- Due to banks:		
• Mediobanca, Intesa San Paolo, MCC and BNP Paribas syndicated loan (Tranches A and B)	**--**	30,682
• European Investment Bank (EIB)	**--**	1,350
• Banca Regionale Europea	**257**	244
• Intesa San Paolo	**--**	154
- Due under finance leases	**60**	204
Other financial liabilities	**236**	137
Total other current financial liabilities	**32,100**	58,963

(IN THOUSANDS OF EUROS)

Non-current financial liabilities include the portion of medium- and long-term debt due after one year.

Checking account overdrafts and other short-term indebtedness includes utilizations of revocable credit lines, none of which has been collateralized.
At December 31, 2011, the Group had unused credit lines totaling about 78 million euros (95 million euros at December 31, 2010).

At December 31, 2011, financial liabilities did not include liabilities arising from transactions with related parties.

The table below provides information about the main financing facilities provided to the Group by credit institutions.

	FACE VALUE IN THOUSANDS OF EUROS (1)	MATURITY	% INTEREST RATE
- **EIB:**			
Tranche 1	59,500	June 30, 2014 (4)	Six month Euribor + spread from 1.75% to 0.45% (3)
Tranche 2 (2)	36,382	June 30, 2014 (4)	Six month Libor + spread from 1.75% to 0.45% (3)
	95,882		
- **Banca Regionale Europea**	**2,602**	January 10, 2020	Six month Euribor + spread of 1.30%

(IN THOUSANDS OF EUROS)

(1) Includes current installments.
(2) Loan disbursed in U.S. dollars.
(3) Spread subject to change upon Sorin Group achieving certain ratios of net indebtedness to EBITDA.
(4) Single maturity.

As was the case for the Mediobanca, Intesa San Paolo, MCC and BNP syndicated facility repaid in 2011, the EIB loan is subject to terms and conditions that are typical of facilities of this type. They include the following:

- Financial parameters that set maximum and minimum limits in the consolidated financial statements for the ratios of debt to equity, debt to EBITDA and EBITDA to net borrowing costs;
- Financial parameters that set maximum and minimum limits in the consolidated financial statements for shareholders' equity, indebtedness and capital expenditures;
- So-called *pari passu* clauses, pursuant to which the financing facility may not be subordinated to other borrowings, except for obligations that enjoy a senior status pursuant to law;
- Negative pledge clauses, which place limits on the Group's ability to provide collateral; and
- Other clauses that are normally included in loan agreements of this type, including restrictions on dividend payments and asset sales.

At December 31, 2011, the Group was abundantly in with compliance the covenants of the abovementioned loan agreement.

In 2011, in addition to repaying the installments due during the year totaling 16.1 million euros, Sorin S.p.A. carried out a mandatory early repayment, ahead of the scheduled due dates, of an installment of both facilities for a total of 3.6 million euros, as required by the "excess cash flow" clause. Pursuant to this clause, a portion of the excess cash flow generated the previous year, net of loan installments repaid during the same period, must be used for early repayment of the loan.

Also worth mentioning is the voluntary early repayment by Sorin S.p.A., in July 2011, of the syndicated Mediobanca facility for a total amount of 12.6 million euros, including 10.6 million euros for the tranche of the facility in euros and US$2.6 million for the tranche in U.S. dollars.

The loan provided by the Banca Regionale Europea is secured by a mortgage on certain buildings at the Saluggia production facility (Note 3). No collateral has been provided to secure other loans.

19 – Provisions

	PROVISION FOR WARRANTIES	PROVISION FOR RESTRUCTURING PROGRAMS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
NON-CURRENT				
Balance at December 31, 2009	**--**	**--**	**2,674**	**2,674**
Balance at December 31, 2010	**--**	**--**	**2,674**	**2,674**
• Additions	--	--	106	106
• Reversals in earnings	--	--	(2,253)	(2,253)
Balance at December 31, 2011	**--**	**--**	**527**	**527**
CURRENT				
Balance at December 31, 2009	**1,286**	**5,088**	**11,499**	**17,873**
• Additions	1,614	3,659	2,391	7,664
• Utilizations	(1,188)	(2,793)	(8,826)	(12,807)
• Reversals in earnings	--	(225)	(30)	(255)
• Reclassifications	--	16	--	16
• Currency translation differences	45	53	643	741
Balance at December 31, 2010	**1,757**	**5,798**	**5,677**	**13,232**
• Additions	1,000	1,656	1,933	4,589
• Utilizations	(1,144)	(5,963)	(1,755)	(8,862)
• Reversals in earnings	--	(876)	(93)	(969)
• Reclassifications	--	(147)	--	(147)
• Currency translation differences	62	35	47	144
Balance at December 31, 2011	**1,675**	**503**	**5,809**	**7,987**

(IN THOUSANDS OF EUROS)

The provision for warranties represents the Group's best estimate, based on past experience, of the amount that will be needed to defray future costs arising from contractual commitments to guarantee products sold.

The utilizations of the provision for restructuring programs recognized in 2010 reflect the ongoing implementation of the restructuring process launched in accordance with the programs approved by the Board of Directors of Sorin S.p.A. Specific activities included the following:

- Project to complete the plan of a new manufacturing structure for the Cardiac Rhythm Management business operations at the Clamart facility;
- The gradual termination of employees of Sorin Biomedica Cardio S.r.l., who were enrolled in the Special Layoff Benefits Fund following the divestment of the Vascular Therapy Business Unit;
- A reduction in the number of management levels at various departments throughout the Group.

Additions to Other provisions for risks and charges were recognized primarily in connection with litigation and disputes involving some employees

Utilizations of Other provisions for current risks and charges reflect for the most part the payment of legal expenses incurred for proceedings involving Group companies in the United States in connection with product liability or other issues, including the settlement reached with the U.S. Department of Justice in 2010.

The reversal into earnings of Other provisions for non-current risks and charges reflects the positive conclusion of potential disputes with the public administration.

20 – Provision for Employee Severance Indemnities (PESI) and Other Provisions for Employee Benefits

	PESI	OTHER PROVISIONS FOR EMPLOYEE BENEFITS	TOTAL
Balance at December 31, 2009	**18,004**	**5,878**	**23,882**
• Additions	949	2,007	2,956
• Utilizations (1)	(892)	(629)	(1,521)
• Currency translation differences	--	253	253
• Reclassifications	--	(548)	(548)
Balance at December 31, 2010	**18,061**	**6,961**	**25,022**
• Additions	31	2,979	3,010
• Utilizations (1)	(1,339)	(829)	(2,168)
• Currency translation differences	--	210	210
• Reclassifications	--	147	147
Balance at December 31, 2011	**16,753**	**9,468**	**26,221**

(IN THOUSANDS OF EUROS)

(1) In the case of Other provisions for employee benefits, utilizations refers to benefits disbursed, net of contributions paid by the employer to increase plan assets.

A new Long-term Incentive Plan (LTIP) for the achievement of multi-year objectives and benefiting a select number of key managers was introduced in 2009. This Plan is based on a three-year incentivizing cycle tied to Group performance targets.
Specifically, the Plan calls for the award of a bonus at the end of a cycle. The vesting conditions include the beneficiary's continuing employment at a Group company on the date the bonus is paid and the achievement by the Group of the applicable performance targets.
For financial statement recognition purposes, this Plan was classified in the Other long-term benefits category and accounted for in accordance with the rules provided in IAS 19 for this benefit category, together with the applicable social security contributions.
The cost attributable to 2011, which was included in Additions to other provisions for employee benefits totaled 993,000 euros (488,000 euros in 2010).

Additions to other provisions for employee benefits includes the social security contributions owed on plans with share-based payment (stock grants), accounted for in accordance with IAS 37, amounting to 721,000 euros (377,000 euros in 2010). The cost of the plan was recognized as an addition to shareholders' equity, as required by IFRS 2.

A breakdown of additions for the year, the entire amount of which was included in personnel costs and is shown net of projected income from plan assets, is as follows:

	2011		
	PESI	OTHER PROVISIONS FOR EMPLOYEE BENEFITS	TOTAL
• Cost of defined-benefit plans:			
. social security contributions	27	1,268	1,295
. financial expense	740	512	1,252
. actuarial (gains) losses	(736)	478	(258)
• Cost of plans with share based payment: stock grants (social security contributions)	--	721	721
Total	**31**	**2,979**	**3,010**

(IN THOUSANDS OF EUROS)

	2010		
	PESI	OTHER PROVISIONS FOR EMPLOYEE BENEFITS	TOTAL
• Cost of defined-benefit plans:			
. social security contributions	29	627	656
. financial expense	774	509	1,283
. actuarial (gains) losses	146	494	640
• Cost of plans with share based payment: stock grants (social security contributions)	--	377	377
Totale	**949**	**2,007**	**2,956**

(IN THOUSANDS OF EUROS)

The provision for employee severance indemnities was computed based on the following assumptions:

Demographic assumptions	
- Mortality rate	IPS55 mortality chart
- Disability rate	INPS 2000 tables
- Employee turnover rate	3.75%
Financial assumptions	
- Inflation rate	2.25%
- Discount rate	4.60%
- Average rate of wage increase (only for defined-benefit plans)	3.0%

A breakdown of defined-benefit plans by geographic region at December 31, 2011 is as follows:

	EUROPE	NORTH AMERICA	JAPAN AND AUSTRALIA	TOTAL
Obligations under defined-benefit plans	5,259	7,529	2,130	14,918
Fair value of plan assets	(433)	(4,654)	(1,461)	(6,548)
Total	**4,826**	**2,875**	**669**	**8,370**

(IN THOUSANDS OF EUROS)

With regard to other provisions for employee benefits, the changes in obligations assumed under defined-benefit plans and in the fair value of plan assets that occurred in 2011 are shown below:

	OBLIGATIONS ASSUMED UNDER DEFINED-BENEFIT PLANS	FAIR VALUE OF PLAN ASSETS
Balance at December 31, 2010	**12,431**	**(5,847)**
• Benefit costs	1,487	--
• Expected return on plan assets		(219)
• Financial expense	512	--
• Actuarial (gains) losses	457	21
• Contributions provided by employer	--	(607)
• Benefits disbursed	(765)	543
• Currency translation differences	455	(245)
• Reclassifications	341	(194)
Balance at December 31, 2011	**14,918**	**(6,548)**

(IN THOUSANDS OF EUROS)

Both Group obligations under the defined-benefit plans and the plans' assets were valued in accordance with the actuarial method. The following assumptions were used in 2011:

	EUROPE	U.S.A.	JAPAN
Discount rate (%)	4.75-5.45	5.33	1.50
Expected return on plan assets (%)	3.80	5.00	0.75
Forecast of remaining number of employee work years	5.00-11.60	11.08	6.60

In the United States, other provisions for employee benefits refer mainly to Sorin Group USA Inc. and are related to employees of the old Sorin Biomedical Inc., which was merged into Sorin Group USA Inc. in 1999.
At the time of the merger, the employees were not transferred to Sorin Group USA Inc., but the company maintained the obligations that existed under the Sorin Biomedical Inc. pension plan.

21 – Trade Payables

	12/31/11	12/31/10
• Trade payables owed to:		
- outsiders	**92,100**	86,127
- associated companies	**--**	--
- other related parties	**14**	18
Total	**92,114**	86,145

(IN THOUSANDS OF EUROS)

Trade payables do not accrue interest.

The Group produces highly specialized medical devices, the production of which requires the use of very high quality and highly reliable components and materials. Some of these components and materials are purchased from a limited number of strategic suppliers, due to the special characteristics of the materials used and products' safety requirements. The limited number of suppliers used could be a source of price risk. The actions taken by the Group to minimize this risk include both maintaining an ongoing relationship with its existing suppliers and identifying alternative sources.
For risk assessment purposes, the Group discloses that, in terms of exposure, its top five suppliers accounted for 13.3% of the materials and services used (14.3% in 2010).

Both in 2011 and 2010, accounts payable to related parties refer to Mittel Corporate Finance S.p.A., as described in Note 41.

22 – Other Payables

	12/31/11	12/31/10
• Other current obligations and liabilities owed to:		
- outsiders	68,999	67,673
- associated companies	--	--
- other related parties	--	--
• Deferred income	2,020	1,685
Total	**71,019**	69,358

(IN THOUSANDS OF EUROS)

Other current payables and liabilities do not accrue interest. They consist mainly of amounts owed to pension and social security institutions and to employees, and include the accrued portion of employee payrolls.

23 – COMMITMENTS, GUARANTEES PROVIDED AND CONTINGENT LIABILITIES

Commitments Under Finance Leases

A breakdown of future lease payments by maturity is as follows:

	12/31/11	12/31/10
• Due within one year	**60**	214
• Due between one and five years	**6**	63
• Due after five years		--
Total lease payments	**66**	277
(Financial expense)	**--**	(3)
Total present value of lease payments	**66**	274

(IN THOUSANDS OF EUROS)

Commitments Under Operating Leases and Building Leases

A breakdown by period of future payments due under operating leases and building leases executed by the Group is as follows:

	OPERATING LEASES		BUILDING LEASES	
	12/31/11	12/31/10	12/31/11	12/31/10
• Due within one year	**5,022**	4,614	**10,027**	10,735
• Due between one and five years	**8,109**	7,603	**29,160**	28,589
• Due after five years	**--**	--	**8,877**	12,422
Total lease payments	**13,131**	12,217	**48,064**	51,746

(IN THOUSANDS OF EUROS)

Guarantees Provided

The following guarantees provided by the Group were outstanding at December 31, 2011:

- Endorsements provided to credit institutions for sureties they provided in connection with bidding on calls for tenders for Group products (18,596,000 euros). At December 31, 2010, endorsements totaled 12,390,000 euros.
- Sureties totaling 878,000 euros provided to the Italian Tax Administration – Milan VAT Office, in connection with the filing of a consolidated VAT return;
- Other sureties provided to outsiders, mainly in connection with the provision of services, totaling 1,287,000 euros (2,443,000 euros at December 31, 2010).

In addition, as stated in Note 3, some buildings in Saluggia collateralize loans received to purchase those buildings.

Litigation and Contingent Liabilities

Even though the Group is exposed to the risk of litigation related to product liability, which is inherent in the development, production and distribution of medical devices, there were no administrative, judicial or arbitration proceedings outstanding at December 31, 2011 that could have a material impact on the Group's operating performance or financial position. Moreover, the Group has secured international insurance coverage that it believes is adequate to cover its civil liability and product liability exposure.

As for proceedings involving issues other than product liability, on November 9, 2010, the French antitrust authorities (L'Autorité de la Concurrence) launched an investigation of the cardiac rhythm management device industry in France. The antitrust authorities requested and received information from all of the companies active in this industry in the French market, including the direct and indirect subsidiaries of Sorin S.p.A. (Sorin CRM S.A.S. and Sorin Group France S.A.S.), and by the French industry association (Syndicat National de l'Industrie des Technologies Médicales - SNITEM). Sorin is fully cooperating with this investigation, which is still ongoing and in connection with which no evidence has been produced or formal charges filed against any Group affiliate. At this preliminary stage, it is impossible to identify or quantify the financial or economic impact, if any, of this investigation.

In January 2012, in another action that did not involve product liability, the Company was served with a summons to appear before the Civil Court of Milan at a hearing scheduled for November 20, 2012. This action was filed by SNIA S.p.A., under extraordinary administration, and is aimed at verifying the existence of an alleged joint liability of Sorin S.p.A. with SNIA S.p.A. with regard to any liabilities related to and/or resulting from environmental remediation costs caused by chemical activities operated by SNIA S.p.A. and other companies of the SNIA Group prior to the group's demerger on January 2, 2004. Therefore, this action is being filed merely for verification purposes and not to seek a decision ordering damage compensation. Sorin reviewed the contents of the summons, believes that the arguments presented against it are devoid of merit and plans to join the proceedings to contest SNIA's claims in their entirety and vigorously defend its rights, which it will put forth in the appropriate venue.

As for tax-related disputes, in a tax audit report notified on October 30, 2009, the Regional Internal Revenue Office of Lombardy informed Sorin Group Italia S.r.l. that, among several issues, it was disallowing in part (for a total of 102.6 million euros) a tax deductible writedown of the investment in the U.S. company Cobe Cardiovascular Inc., which Sorin Group Italia S.r.l. recognized in 2002 and deducted in five equal installments, beginning in 2002. In December 2009, the Internal Revenue Office issued three notices of assessment for 2002, 2003 and 2004. The assessments for 2002 and 2003 were automatically voided by virtue of their lack of merit. In December 2010, the Internal Revenue Office issued a notice of assessment for 2005. In October 2011, the Internal Revenue Office issued a notice of assessment for 2006.
The Company, being confident that it can fully justify and defend its position, appealed the assessments for 2004 and 2005 before the Provincial Tax Commissions of venue. The notice of assessment for 2006 will be challenged shortly.
On November 24, 2011, Section 9 of the Bologna Provincial Tax Commission heard the challenge filed against the assessment for 2004. The Company is waiting to learn the details of the Commission's decision.
The total amount of the contested losses is 62.6 million euros. The Company believes that it can provide evidence that it correctly interpreted and applied the relevant laws.

24 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Group uses a number of instruments to finance its operations, including: medium- and long-term financing facilities provided by credit institutions and other lenders, finance leases, short-term bank loans and advances against trade receivables assigned under factoring and securitization contracts. Other financial instruments available to the Group include trade payables and receivables generated by its operations, equity investments in other companies, assets and liabilities from financial derivatives (mainly interest rate swaps and forward currency contracts) and other receivables and payables, except for those involving transactions with employees, the tax administration and social security institutions.

Consistent with the recommendations of IFRS 7 "Financial Instruments: Disclosures," the schedules provided on subsequent pages of this Report contain the following information: classification of financial instruments, disclosure of fair value, the hierarchical ranking used to determine fair value, and interest income and expense on financial instruments not valued at fair value.

Classification of Financial Instruments

The following process was applied in developing a classification of financial instruments in accordance with guidelines provided by IAS 39:

- Assets and liabilities from financial derivative contracts executed to hedge the impact of foreign exchange risk on the import/export flows were classified as "Hedging derivatives," when they met the requirements for hedge accounting treatment, or as "Financial assets/liabilities held for trading (at fair value through profit or loss)," when they did not meet the requirements for hedge accounting treatment.
- Assets and liabilities from financial derivative contracts executed to hedge the impact of interest rate risk were classified under Hedging derivatives, when they met the requirements for hedge accounting, and under Financial assets/liabilities held for trading (at fair value through profit or loss), when they did not meet those requirements.
- Trade receivables include receivables assigned to outsiders under a securitization program and factoring contracts that do not meet the requirements of IAS 39 for deconsolidation. The assignment of these receivables was offset by liabilities for advances, which were classified as Financial liabilities at amortized cost (Note 11).

The schedule that provides a classification of financial instruments also shows the fair value of each line item in the financial statements. The following method was applied to determine fair value:

- Assets and liabilities from financial derivatives that hedge interest rate risk (interest rate swaps): Present value of the interest flows generated on the notional amount, computed separately for the fixed rate portion and the variable rate portion. The computation for the latter was based on the forward rate curve at December 31.
- Assets and liabilities from financial derivatives that hedge foreign exchange risk (forward contracts): Present value of the differentials between the contractual forward exchange rate and the forward rate for similar transactions executed on December 31.
- Financial liabilities at amortized cost: Present value of borrowing flows (counting both principal and interest). Future interest flows were computed using the forward rate curve at December 31 and were discounted to present value using rates adjusted to the market credit spread at December 31, using the curve of the zero-coupon interest rate swaps as of the same date.

The carrying value of other financial instruments was roughly the same as their fair value. Specifically, the carrying value of investments in other companies, which are instruments that are not traded on active markets, is realistically representative of their fair value.
The fair value of the remaining financial assets and liabilities (trade receivables and payables, miscellaneous receivables and payables and short-term financial receivables and payables) is also consistent with their carrying value, of which it represents a reasonable approximation.

Classification of Financial Instruments at December 31, 2011

	CLASSIFICATION							CARRYING VALUE			FAIR VALUE
	FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE WITH CHANGES RECOGNIZED IN EARNINGS	FINANCIAL ASSETS/ LIABILITIES HELD FOR TRADING	LOANS AND OTHER RECEIVABLES	HELD-TO-MATURITY FINANCIAL ASSETS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES AT AMORTIZED COST	HEDGING DERIVATIVES	TOTAL	CURRENT AMOUNT	NON-CURRENT AMOUNT	
Assets											
Financial assets	--	--	35	--	954	--	--	989	--	989	989
Other assets	--	--	931	--	--	--	--	931	--	931	931
Trade receivables	--	--	193,701	--	--	--	--	193,701	193,701	--	193,701
Other receivables	--	--	20,400	--	--	--		20,400	20,400	--	20,400
Assets from financial derivatives	--	--	--	--	--	--	--	--	--	--	--
Other financial assets	--	--	2,591	--	--	--	--	2,591	2,591	--	2,591
Cash and cash equivalents	--	--	41,900	--	--	--	--	41,900	41,900	--	41,900
Total financial assets	**--**	**--**	**259,558**	**--**	**954**	**--**	**--**	**260,512**	**258,592**	**1,920**	**260,512**
Liabilities											
Financial liabilities	--	--	--	--	--	98,550	--	98,550	317	98,233	92,250
Other liabilities	--	--	--	--	--	4,635	--	4,635	--	4,635	4,635
Trade payables	--	--	--	--	--	92,114	--	92,114	92,114	--	92,114
Other payables	--	--	--	--	--	22,530	--	22,530	22,530	--	22,530
Liabilities from financial derivatives	--	7	--	--	--	--	20,040	20,047	13,757	6,290	20,047
Other financial liabilities	--	--	--	--	--	31,783	--	31,783	31,783	--	31,783
Total financial liabilities	**--**	**7**	**--**	**--**	**--**	**249,612**	**20,040**	**269,659**	**160,501**	**109,158**	**263,359**

(IN THOUSANDS OF EUROS)

Classification of Financial Instruments at December 31, 2010

	CLASSIFICATION							CARRYING VALUE			FAIR VALUE
	FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE WITH CHANGES RECOGNIZED IN EARNINGS	FINANCIAL ASSETS/ LIABILITIES HELD FOR TRADING	LOANS AND OTHER RECEIVABLES	HELD-TO-MATURITY FINANCIAL ASSETS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES AT AMORTIZED COST	HEDGING DERIVATIVES	TOTAL	CURRENT AMOUNT	NON-CURRENT AMOUNT	
Assets											
Financial assets	--	--	84	--	1,221	--	--	1,305	--	1,305	1,305
Other assets	--	--	957	--	--	--	--	957	--	957	957
Trade receivables	--	--	182,571	--	--	--	--	182,571	182,571	--	182,571
Other receivables	--	--	22,890	--	--	--		22,890	22,890	--	22,890
Assets from financial derivatives	--	--	--	--	--	--	--	--	--	--	--
Other financial assets	--	--	8,962	--	--	--	--	8,962	8,962	--	8,962
Cash and cash equivalents	--	--	29,699	--	--	--	--	29,699	29,699	--	29,699
Total financial assets	**--**	**--**	**245,163**	**--**	**1,221**	**--**	**--**	**246,384**	**244,122**	**2,262**	**246,384**
Liabilities											
Financial liabilities	--	--	--	--	--	130,051	--	130,051	32,634	97,417	127,201
Other liabilities	--	--	--	--	--	3,420	--	3,420	--	3,420	3,420
Trade payables	--	--	--	--	--	86,145	--	86,145	86,145	--	86,145
Other payables	--	--	--	--	--	21,905	--	21,905	21,905	--	21,905
Liabilities from financial derivatives	--	634	--	--	--	--	10,501	11,135	4,685	6,450	11,135
Other financial liabilities	--	--	--	--	--	26,329	--	26,329	26,329	--	26,329
Total financial liabilities	**--**	**634**	**--**	**--**	**--**	**267,850**	**10,501**	**278,985**	**171,698**	**107,287**	**276,135**

(IN THOUSANDS OF EUROS)

Fair Value – Hierarchical Ranking

The Group uses the following hierarchical ranking to determine and document the fair value of financial instruments, based on valuation techniques:

Level 1: unadjusted prices quoted in an active market for identical assets or liabilities;
Level 2: other techniques in which all inputs that have a material impact on recognized fair value can be observed, either directly or indirectly;
Level 3: techniques in which all inputs that have a material impact on recognized fair value are not based on observable market data.

The Group held the following financial instruments measured at fair value:

	Amount at		Level 1		Level 2		Level 3	
	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Assets measured at fair value								
- Assets from financial derivatives - non-hedging	**--**	--	--	--	**--**	--	--	--
Liabilities measured at fair value								
- Liabilities from financial derivatives - hedging	**20,040**	10,501	--	--	**20,040**	10,501	--	--
- Liabilities from financial derivatives - non-hedging	**7**	634	--	--	**7**	634	--	--

(IN THOUSANDS OF EUROS)

During the year ended December 31, 2011, there were no item transfers between Level 1 and Level 2 and no items were transferred to or from Level 3 in the fair value ranking.

Interest Income and Expense

	2011	2010
Interest earned on financial assets not valued at fair value		
• Trade receivables and other receivables	**697**	1,411
• Other financial assets	**41**	137
• Cash and cash equivalents	**275**	37
Interest paid on financial liabilities not valued at fair value		
• Other payables	**--**	60
• Taxes payable	**93**	--
• Financial liabilities and other financial liabilities	**292**	442
• Borrowings	**2,012**	2,761

(IN THOUSANDS OF EUROS)

Financial Risks Management

Because of the nature of its business operations, the Group is exposed to the following financial risks:

- Credit risk, which rather than to the potential insolvency of customers is related to a high level of trade receivables, reflective of DSO (Days of Sales Outstanding) averages that in some geographic regions are quite high.
- Liquidity risk, which reflects the need to meet financial obligations arising from operating and investing activities in accordance with stipulated terms and deadlines.
- Market risk, which includes both the foreign exchange risk and the interest rate risk.

To address these risks Sorin S.p.A., the Group's Parent Company, has taken the following actions:

- It published policies and procedures that are binding on all Group companies.
- Through corporate-level departments, it constantly monitors risk exposure levels.
- It uses derivatives exclusively for non-speculative purposes.
- It acts as the only counterparty of Group companies in derivatives that hedge market risk related to fluctuations in foreign exchange rates.
- It manages the Group's financial resources through a centralized cash management system, obtaining adequate credit lines and monitoring liquidity projections, consistent with the corporate planning process.
- It appropriately balances the average maturity, flexibility and diversification of funding sources.

Quantitative and qualitative information about the Group's exposure to financial risks is provided below.

Credit Risk

The table below shows the Group' s maximum theoretical exposure to risk. The amounts are those recognized in the financial statements at December 31, 2011 and 2010.

	12/31/11	12/31/10
• Financial assets	**989**	1,305
• Other assets	**931**	957
• Trade receivables	**193,701**	182,571
• Other receivables	**13,190**	13,067
• Assets from financial derivatives	**--**	--
• Other financial assets	**2,556**	8,873
• Bank and postal accounts	**41,865**	29,668
• Irrevocable commitments to provide financing	**--**	--
• Guarantees	**20,761**	14,833
Total	**273,993**	251,274

IN THOUSANDS OF EUROS)

The risk related to bank accounts, financial assets and assets from financial derivatives is quite small because all bank and financial counterparts have very high credit ratings.

Most of the guarantees provided by the Group derive from statutory obligations (endorsements given to credit institutions for sureties they provided in connection with bidding on calls for tenders and sureties provided to the revenue administration for the VAT consolidated return). As historical data show, any resulting risk is remote.

Because they operate in the medical technology industry, the companies of the Group are not exposed to a significant risk of non-payment by customers because public institutions represent a significant portion of the customer portfolio.

However, because their trade receivable balance is large due to a high DSO index, they are exposed to a liquidity risk due to the aging of the receivables.

While the Group addresses positions that have become objectively uncollectible (bankruptcies, litigation, etc.) by writing down the corresponding receivables, in order to monitor and minimize the credit risk on its trade receivable exposure, Sorin S.p.A. has issued the following policies:

- Credit and Collection Management Policy, which sets forth a series of control, prevention and verification activities to monitor and manage credit risk in terms both of default and delinquency. Specifically, the Policy establishes procedures regarding:
  - credit limits for individual private-sector customers;
  - authorization levels required to exceed those limits;
  - guidelines for securing payment guarantees by customers in at-risk countries (in certain countries sales are allowed only against the issuance of a letter of credit);
  - guidelines for granting payment terms that deviate from standard market terms.

  In addition, pursuant to the Policy, a Credit Committee has been established to supervise risk situations.
- The Bad Debt Policy, which, based on the average DSO of each Group company and the aging of each receivable, defines the method that should be used to compute the amount that should be added to the allowance for past-due accounts of private-sector customers.

The changes that occurred in allowances for doubtful accounts are discussed in Notes 11 and 14.

A schedule showing the aging of Sorin Group's financial assets is provided below, as part of the credit risk disclosure:

	12/31/11	12/31/10
Trade receivables		
• Current	**114,184**	113,228
• Less than 30 days past due	**19,486**	15,243
• 31 to 120 days past due	**17,482**	23,374
• 121 to 365 days past due	**23,468**	12,661
• 366 to 730 days past due	**11,998**	11,550
• more than 730 days past due	**7,083**	6,515
Total	**193,701**	182,571

(IN THOUSANDS OF EUROS)

Of the receivables that were more than one year past due, which amounted to 19,081,000 euros at December 31, 2011 (18,065,000 euros at December 31, 2010), 85.6% was owed by public hospitals, mainly in Italy and Spain, that require from their suppliers payment terms averaging more than six months. The remaining 14.4% was owed by private-sector customers, clinics and distributors, with whom the Group has negotiated repayment plans and new payment terms.
Out of the total past due accounts outstanding, trade receivables totaling 5,566,000 euros were included in 12 repayment plans at December 31, 2011, compared with 10,206,000 euros and 23 repayment plans at December 31, 2010.

Trade receivable with current status (receivables that were not past due and had not been written down) totaled 114,184,000 euros (113,228,000 euros at December 31, 2010). As the table below shows, public institutions owed 45.6% of this amount (28.7% at December 31, 2010):

	12/31/11			12/31/10		
	TOTAL	CURRENT	PAST DUE	TOTAL	CURRENT	PAST DUE
BY SECTOR						
• Public	**107,657**	**52,091**	**55,566**	69,139	32,472	36,667
• Private	**86,044**	**62,093**	**23,951**	113,432	80,756	32,676
Total	**193,701**	**114,184**	**79,517**	182,571	113,228	69,343

(IN THOUSANDS OF EUROS)

The breakdown by geographic region shown in the table that follows is being provided to further facilitate an assessment of the risk entailed by Sorin Group's trade receivables:

	12/31/11				12/31/10			
	D.S.O.	TOTAL	CURRENT	PAST DUE	D.S.O.	TOTAL	CURRENT	PAST DUE
BY GEOGRAPHIC REGION								
Italy	**158**	**36,644**	**12,730**	**23,914**	169	41,028	15,067	25,961
Spain	**369**	**35,555**	**7,998**	**27,557**	272	26,091	8,721	17,370
France	**43**	**14,999**	**12,048**	**2,951**	42	14,866	12,022	2,844
Germany	**32**	**4,005**	**3,292**	**713**	30	3,878	2,923	955
Rest of Europe	**69**	**24,329**	**17,251**	**7,078**	67	23,586	17,564	6,022
North America	**56**	**32,091**	**22,944**	**9,147**	50	22,793	18,612	4,181
Japan	**54**	**12,107**	**12,662**	**(555)**	53	6,628	3,379	3,249
Rest of the world	**116**	**33,971**	**25,847**	**8,124**	110	43,701	34,940	8,761
Total	**86**	**193,701**	**114,772**	**78,929**	81	182,571	113,228	69,343

(IN THOUSANDS OF EUROS)

The Group's five largest customers in terms of exposure (equal to 8.9% of the total in 2011 and 10.9% in 2010) accounted for 2.4% of revenues (2.7% in 2010).

The average number of days of sales outstanding was 86 days at the end of 2011, up from 81 days at December 31, 2010. This increase is chiefly due to a deteriorating financial situation in the Eurozone, as a result of which public administration in some countries, Spain above all, lengthened payment delays.

The DSO (Days of Sales Outstanding), or average time to collection, is computed as the ratio of total trade receivables at the end of the period to revenues for the preceding 12 months:
DSO ratio = (Trade receivables/Revenues) * 365
In order to make data homogeneous, revenues include VAT.

To complete the information provided with regard to credit risk, the Group discloses that Other assets, Other receivables and Other financial assets do not include material amounts that are past due.

Liquidity Risk

The liquidity risk is the risk that the financial resources available to the Group may not be sufficient to meet financial obligations arising from operating and investment activities in accordance with stipulated terms and deadlines.
The Group's policy is to achieve a balance between average maturity and flexibility and diversification of financial sources. Because the Parent Company manages directly the Group's financial resources (centralized management of liquidity and bank borrowings, negotiation of adequate credit lines and monitoring of future liquidity needs consistent with the corporate planning process), this goal is generally pursued by securing access to overdraft facilities, medium- and long-term financing, finance leases, securitization/factoring of trade receivables and, lastly, maintaining a minimum required level of liquidity.
At December 31, 2011, the Group had unused short-term credit lines of about 78 million euros (95 million euros at December 31, 2010). On the same date, medium- and long-term borrowings were equal to about 98.7% of the Group's total net indebtedness (80.7% at December 31, 2010, not counting current installments). Additional information about non-current and current financial liabilities is provided in Note 18.

At December 31, 2011, the Group was fully in compliance with the covenants of the facility provided by the European Investment Bank.

As part of the process of disclosing information about Sorin Group's exposure to the liquidity risk, the schedules that follow provide a breakdown by maturity of the its financial liabilities. Because the amounts shown in the abovementioned schedules represent cash flows that have not been discounted, liabilities that are presented in the financial statements at their amortized cost are being shown here at their face value.

The following information is relevant with regard to guarantees:

- 19,474,000 euros derive from statutory obligations, such as endorsements given to credit institutions for sureties they provided in connection with bidding on calls for tenders and sureties provided to the revenue administration for the consolidated VAT return;
- 1,287,000 euros are mainly for guarantees provided mainly in connection with the supply of services.

Considering the resources that will be generated by the Group's operations, the existing cash and cash equivalents, which are readily convertible into cash, and its available lines of credit, the Group believes that it will be able to meet its obligations as they arise from its investing activities, working capital requirements and debt repayment obligations, based on their scheduled due dates.

Breakdown by Maturity at December 31, 2011

	WITHIN 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 2 YEARS	2 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financial instruments other than derivatives						
Trade payables	91,893	221	--	--	--	92,114
Borrowings						
• committed lines	126	131	296	96,764	1,167	98,484
• uncommitted lines (*)	5,577	11,510	14,460	--	--	31,547
Financial liabilities (1)	1,190	898	1,792	1,022	181	5,083
Other liabilities	13,874	146	10,040	560	--	24,620
Total	**112,660**	**12,906**	**26,588**	**98,346**	**1,348**	**251,848**
Liabilities from financial derivatives						
- for foreign exchange risk	381	10,803	2,570	--	--	13,754
- for interest rate risk	1,179	1,180	2,353	1,176	--	5,888
Total	**114,220**	**24,889**	**31,511**	**99,522**	**1,348**	**271,490**
(1) Amount for interest on borrowings and financial liabilities.	897	897	1,785	1,021	181	4,781

(IN THOUSANDS OF EUROS)

(*) Includes the flows from Advances on assigned trade receivables.

Breakdown by Maturity at December 31, 2010

	WITHIN 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 2 YEARS	2 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financial instruments other than derivatives						
Trade payables	86,145	--	--	--	--	86,145
Borrowings						
• committed lines	20,356	12,156	389	95,471	1,487	129,859
• uncommitted lines (*)	662	12,991	10,893	--	--	24,546
Financial liabilities (1)	2,936	904	808	1,112	86	5,846
Other liabilities	11,205	328	9,568	1,908	--	23,009
Total	**121,304**	**26,379**	**21,658**	**98,491**	**1,573**	**269,405**
Liabilities from financial derivatives						
- for foreign exchange risk	29	3,982	96	--	--	4,107
- for interest rate risk	1,756	1,562	2,708	4,062	--	10,088
Total	**123,089**	**31,923**	**24,462**	**102,553**	**1,573**	**283,600**
(1) Amount for interest on borrowings and financial liabilities.	971	882	740	1,110	86	3,789

(IN THOUSANDS OF EUROS)

(*) Includes the flows from Advances on assigned trade receivables.

Market Risk Related to Fluctuations in Foreign Exchange Rates

Sorin Group includes companies located both in Europe and elsewhere in the world (a list of Group companies is provided in Note 43). Accordingly, it manufactures and distributes its products around the world and settles its commercial transactions in various currencies. As a result of the geographic footprint of its operations, the currencies to which the Group has its greatest exposure are the U.S. dollar, the Japanese yen, the British pound and the Canadian dollar.
With regard to financial instruments denominated in currencies other than the reporting currency of the company holding them, the largest exposures are those in U.S. dollars and Japanese yen. A breakdown by currency is provided below:

	12/31/11				
	EUR	USD	JPY	OTHER	TOTAL
Assets					
Cash and cash equivalents in foreign currencies	9,004	492	100	1,143	10,739
Foreign currency trade receivables	95	16,581	1,493	2,749	20,918
Foreign currency financial assets	--	--	--	14	14
Other foreign currency assets	--	1	111	75	187
Total assets	**9,099**	**17,074**	**1,704**	**3,981**	**31,858**
Liabilities					
Foreign currency trade payables	(65)	(7,095)	(150)	(948)	(8,258)
Foreign currency financial liabilities	--	(36,385)	--	(13)	(36,398)
Other foreign currency liabilities	(24)	(157)	--	(24)	(205)
Total liabilities	**(89)**	**(43,637)**	**(150)**	**(985)**	**(44,861)**
Net exposure	**9,010**	**(26,563)**	**1,554**	**2,996**	**(13,003)**
Assets from financial derivatives					
- non-hedging (1)	--	--	--	--	--
- hedging	--	--	--	--	--
Liabilities from financial derivatives					
- non-hedging (1)	--	106	(99)	(11)	(4)
- hedging	--	(4,843)	(10,230)	(629)	(15,702)
Total	**--**	**(4,737)**	**(10,329)**	**(640)**	**(15,706)**
Net overall exposure	**9,010**	**(31,300)**	**(8,775)**	**2,356**	**(28,709)**

(IN THOUSANDS OF EUROS)

(1) For hedging transactions that do not qualify for hedge accounting.

	12/31/10				
	EUR	USD	JPY	OTHER	TOTAL
Assets					
Cash and cash equivalents in foreign currencies	2	2,528	10	271	2,811
Foreign currency trade receivables	409	17,114	6,650	3,168	27,341
Foreign currency financial assets	--	--	--	62	62
Other foreign currency assets	--	11	10	57	78
Total assets	**411**	**19,653**	**6,670**	**3,558**	**30,292**
Liabilities					
Foreign currency trade payables	(29)	(5,498)	(26)	(1,168)	(6,721)
Foreign currency financial liabilities	--	(44,254)	--	--	(44,254)
Other foreign currency liabilities	(50)	(47)	--	(23)	(120)
Total liabilities	**(79)**	**(49,799)**	**(26)**	**(1,191)**	**(51,095)**
Net exposure	**332**	**(30,146)**	**6,644**	**2,367**	**(20,803)**
Assets from financial derivatives					
- non-hedging (1)	--	--	--	--	--
- hedging	--	--	--	--	--
Liabilities from financial derivatives					
- non-hedging (1)	--	(591)	(114)	71	(634)
- hedging	--	(809)	(4,098)	(484)	(5,391)
Total	**--**	**(1,400)**	**(4,212)**	**(413)**	**(6,025)**
Net overall exposure	**332**	**(31,546)**	**2,432**	**1,954**	**(26,828)**

(IN THOUSANDS OF EUROS)

(1) For hedging transactions that do not qualify for hedge accounting.

In order to minimize its foreign exchange risk exposure, the Group uses both indebtedness in currencies other than the euro and financial derivatives to hedge in the forward market import/export flows into and from the Eurozone.

To support the implementation of the abovementioned guidelines, Sorin S.p.A. published a Foreign Exchange Management Policy that defines the following:

- The distinction between "transactional" risk, which is quantified at the outset in the budget, and "translational" risk, which arises from the translation of the shareholders' equities of foreign subsidiaries that prepare their financial statements in currencies other than the euro.
- The criteria for determining and quantifying risk.
- The approach that must be followed with regard to hedging foreign exchange risk: mandatory for "transactional" risk, with 100% coverage of the net positions determined in the annual budget, and optional for "translational" risk.
- The management level that can authorize hedging the abovementioned risks.
- The operational procedures, pursuant to which subsidiaries are not allowed to execute hedging transactions with outsiders. Only Sorin S.p.A. can hedge the foreign exchange risk of its subsidiaries, using approved instruments, and having as its counterparts Group companies on one side and, on the other, one of the credit and financial institutions included in a list provided in the Policy.
- The functions and responsibilities of Sorin S.p.A., which is responsible for defining guidelines for the management of foreign exchange risk, identifying their occurrence within the Group and determining and monitoring their magnitude.
- The financial instruments that may be used as hedges: forward foreign exchange contracts, currency swaps, borrowings in foreign currencies and foreign exchange options.

In 2011, with regard to transactional risk, the Group hedged about 100% of its net positions in U.S. dollars, Canadian dollars, Australian dollars, Japanese yen, British pounds and Swiss francs. The derivatives used included forward foreign exchange contracts and options. Beginning on January 1, 2009, the Group adopted the necessary tools to apply hedge accounting treatment to financial derivatives that hedge the risk of fluctuations in foreign exchange rates (cash flow hedges).
The effective hedging portion of gains or losses from the valuation of financial derivatives that qualify for hedge accounting treatment under IAS 39 is recognized in a shareholders' equity reserve, while the non-effective portion is recognized in profit or loss, provided the financial derivative has been designated as a cash flow hedge (hedging the cash flows of an asset or liability). Gains or losses recognized in equity are transferred to the income statement when the economic effects of the hedged assets and liabilities is reflected in the result for the period. When a hedging instrument expires or is closed out, the amounts previously recognized in equity are transferred to the income statement.
Gains or losses from the valuation of financial derivatives that do not qualify for hedge accounting are recognized in profit or loss.
In 2011, the nature and structure of the Group's exposure to transactional risk and its hedging policies did not materially differ from the previous year.

Additional details about the financial instruments used to hedge foreign exchange risk is provided in Note 13.

In order to illustrate the risk to which the Group is exposed as a result of changes in foreign exchange rates, a sensitivity analysis that shows the impact on the income statement of upward and downward changes in the parities between the euro and other currencies is provided on the following page.

The variation used for sensitivity analysis purposes was +/-10% from the exchange rate at December 31, applied to the euro/U.S. dollar, euro/Japanese yen and euro/other currencies exchange rates for all financial instruments included in the financial statements.

	USD		JPY		OTHER CURRENCIES	
	12/31/11		12/31/11		12/31/11	
	SHOCK UP	SHOCK DOWN	SHOCK UP	SHOCK DOWN	SHOCK UP	SHOCK DOWN
Assets						
Cash and cash equivalents in foreign currencies	-45	+55	-9	+11	-105	+125
Foreign currency trade receiv.	-1,507	+1,842	-136	+166	-251	+305
Foreign currency financial assets	--	--	--	--	-1	+1
Other foreign currency assets	--	--	-10	+12	-9	+9
Total assets	**-1,552**	**+1,897**	**-155**	**+189**	**-366**	**+440**
Liabilities						
Foreign currency trade payables	+645	-788	+14	-17	+87	-105
Foreign currency financial liabilities	+3,308	-4,043	--	--	+1	-1
Other foreign currency liabilities	+14	-17	--	--	+2	-2
Total liabilities	**+3,967**	**-4,848**	**+14**	**-17**	**+90**	**-108**
Assets from financial derivatives						
- non-hedging (1)	--	--	--	--	--	--
- hedging	--	--	--	--	--	--
Liabilities from financial derivatives						
- non-hedging (1)	-3,463	+4,230	+829	-1,013	-2,379	+2,906
- hedging	+5,375	-6,650	+9,859	-12,057	+2,668	-3,257
Total financial derivatives	**+1,912**	**-2,420**	**+10,688**	**-13,070**	**+289**	**-351**
Total	**+4,327**	**-5,371**	**+10,547**	**-12,898**	**+13**	**-19**

(IN THOUSANDS OF EUROS)

(1) For hedging transactions that do not qualify for hedge accounting.

	USD		JPY		ALTRE VALUTE	
	12/31/10		12/31/10		12/31/10	
	SHOCK UP	SHOCK DOWN	SHOCK UP	SHOCK DOWN	SHOCK UP	SHOCK DOWN
Assets						
Cash and cash equivalents in foreign currencies	-230	+281	-1	+1	-27	+29
Foreign currency trade receiv.	-1,556	+1,902	-605	+739	-296	+343
Foreign currency financial assets	--	--	--	--	-6	+6
Other foreign currency assets	-1	+1	-1	+1	-7	+7
Total assets	**-1,787**	**+2,184**	**-607**	**+741**	**-336**	**+385**
Liabilities						
Foreign currency trade payables	+500	-611	+2	-3	+106	-129
Foreign currency financial liabilities	+4,023	-4,917	--	--	--	--
Other foreign currency liabilities	+4	-5	--	--	+2	-2
Total liabilities	**+4,527**	**-5,533**	**+2**	**-3**	**+108**	**-131**
Assets from financial derivatives						
- non-hedging (1)	--	--	--	--	--	--
- hedging	--	--	--	--	--	--
Liabilities from financial derivatives						
- non-hedging (1)	-3,620	+4,425	+910	-1,112	-2,411	+2,941
- hedging	+5,628	-10,106	+5,317	-6,160	+2,548	-3,110
Total financial derivatives	**+2,008**	**-5,681**	**+6,227**	**-7,272**	**+137**	**-169**
Total	**+4,748**	**-9,030**	**+5,622**	**-6,534**	**-91**	**+85**

(IN THOUSANDS OF EUROS)

(1) For hedging transactions that do not qualify for hedge accounting.

Market Risk Related to Fluctuations in Interest Rates

Sorin Group is exposed to the risk that arises from fluctuations in interest rates because the cost of all of its financial liabilities is incurred at variable rates.
To minimize the risk posed by increases in short-term interest rates, Sorin S.p.A. issued an "Interest rate Risk Management Policy" that provides guidelines with regard to:

- The need to assess on a regular basis the interest rate risk and its impact on the Group's income statement;
- The roles and responsibilities with regard to risk management decision, with the requirement that all planned hedging transactions must be approved by the Board of Directors in advance;
- Interest rate risk hedging transactions executed for specific financing facilities or transactions and the terms of the hedging instruments used, so as to ensure that they are entirely consistent with the hedged financing facilities or financial liabilities;
- The types of financial derivatives that may be used (interest rate swaps and options) and the approved bank counterparties for transactions hedging variable-rate financing facilities (up to 100% of the risk exposure may be hedged).

With regard to its medium- and long-term indebtedness, the Group executed derivatives that hedge the risk of interest rate fluctuations for a notional amount of 96.1 million euros, equal to about 64% of the consolidated financial liabilities at

December 31, 2011. At December 31, 2010, the notional amount of interest rate derivatives was 127.4 million euros, equal to about 76% of the consolidated financial liabilities.
Beginning on January 1, 2009, as required by the "Interest Rate Risk Management" policy published by Sorin S.p.A. at the end of 2008, the Group adopted appropriate procedures to determine whether financial derivatives that hedge the risk of fluctuations in interest rates (cash flow hedges) meet the requirements for hedge accounting treatment.
The effective hedging portion of gains or losses from the valuation of financial derivatives that qualify for hedge accounting treatment under IAS 39 is recognized in a shareholders' equity reserve, while the non-effective portion is recognized in profit or loss, provided the financial derivative has been designated as a cash flow hedge (hedging the cash flows of an asset or liability). Gains or losses recognized in equity are transferred to the income statement when the economic effects of the hedged assets and liabilities is reflected in the result for the period. When a hedging instrument expires or is closed out, the amounts previously recognized in equity are transferred to the income statement.
Gains or losses from the valuation of financial derivatives that do not qualify for hedge accounting are recognized in profit or loss.
The status of the abovementioned contracts at December 31, 2010 is shown in Note 13.

In order to illustrate the risks to which the Group is exposed as a result of fluctuations in interest rates, a sensitivity analysis that shows the impact on the income statement of changes in interest rates is provided below.

The following assumptions were used to perform the sensitivity analysis in 2011:

- Interest bearing assets: change of +0.25% -0.25% for short-term interest rates at December 31, 2011;
- Financial liabilities, including derivatives: change of +1% -0.5% in the interest rate curve at December 31, 2011, for euro and U.S. dollar interest rates.

The following assumptions were used to perform the sensitivity analysis in 2010:

- Interest bearing assets: change of + 0.25% - 0.25% for short-term interest rates at December 31, 2010;
- Financial liabilities, including derivatives: change of + 1% - 0.5% in the interest rate curve at December 31, 2010, for euro and U.S. dollar interest rates.

In the table that follows, a plus sign in the "income statement" columns means an increase in financial expense, while a plus sign in the "reserves" columns means an increase in reserves.

Sensitivity Analysis

	REFERENCE RATE	CARRYING VALUE		INCOME STATEMENT				RESERVES			
				Shock up		Shock down		Shock up		Shock down	
		12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Interest bearing assets (1)	Eonia	**33,737**	28,205	**-84**	-71	**+84**	+71	**--**	--	**--**	--
Non-hedged variable rate financial liabilities (1)	Six-month Euribor Six-month USD Libor	**(29,882)**	(28,042)	**+299**	+280	**-149**	-140	**--**	--	**--**	--
Hedged variable rate financial liabilities	Six-month Euribor Six-month USD Libor	**(95,882)**	(126,621)	**+959**	+1,266	**-479**	-633	**--**	--	**--**	--
Derivatives that do not qualify for hedge accounting - cash flow (2)	Six-month Euribor Six-month USD Libor	**--**	--	**--**	--	**--**	--	**--**	--	**--**	--
Derivatives that do not qualify for hedge accounting	Six-month Euribor Six-month USD Libor	**--**	--	**--**	--	**--**	--	**--**	--	**--**	--
Derivatives that qualify for hedge accounting - cash flow (2)	Six-month Euribor Six-month USD Libor	**--**	--	**-961**	-1,274	**+481**	+637	**--**	--	**--**	--
Derivatives that qualify for hedge accounting (3)	Six-month Euribor Six-month USD Libor	**(6,293)**	(7,008)	**n.s.**	-42	**n.s.**	+49	**--**	--	**--**	--
Derivatives that qualify for hedge accounting (4)	Six-month Euribor Six-month USD Libor		--		--		--	**+2,241**	+2,858	**-1,110**	-1,455
Totale		**(98,320)**	(133,466)	**+213**	+159	**-63**	-16	**+2,241**	+2,858	**-1,110**	-1,455

(IN THOUSANDS OF EUROS)

(1) Average of the quarterly values.
(2) Shock values in the year.
(3) Interest rate swaps: non-effective component
(4) Interest rate swaps: effective component

25 – Net Revenues and Other Revenues and Income

	2011	2010
Sales revenues	**736,329**	739,888
Service revenues	**4,071**	3,361
Recoveries of costs	**3,030**	2,800
Divested operations	**--**	(228)
Net revenues	**743,430**	745,821
Grants and other research income	**6,482**	8,057
Royalty income	**107**	105
Gains on the sale of property, plant and equipment	**3,941**	1,271
Gains on the sale of intangibles	**--**	--
Other income	**8,496**	13,682
Divested operations	**--**	(203)
Other revenues and income	**19,026**	22,912

(IN THOUSANDS OF EUROS)

Research grants and other research income were provided to Italian, French and Spanish companies. All of the conditions required to receive the grants have been met and there is no risk with regard to their collection.

In 2011, gains of divestments of property, plant and equipment included nonrecurring income of 3,926,000 euros from the sale of a building located in Montrouge.
Also in 2011, other income included reversals in earnings of 575,000 euros for the surplus amounts of provisions for non-current receivables and 154,000 euros for prior-period nonrecurring income.

In 2010, other revenues and income included nonrecurring revenues totaling 4,459,000 euros, broken down as follows: 1,198,000 euros from the sale of a building in Saluggia, 1,834,000 euros from the sale of the Angel® (whole blood separation system) and activAT® (autologous thrombin preparation system) product lines to Cytomedix Inc., 1,039,000 euros from the acquisition of Gish Biomedical Inc. from Ventizz Capital Partners, 338,000 euros from the collection of an unexercised real estate put option and 50,000 euros from the reversal into earnings of excess provisions recognized in previous years.

26 – Change in Inventory of Work in Process, Semifinished Goods and Finished Goods

This account was negative by 6,000 euros (negative by 9,757,000 euros in 2010).
The nonrecurring negative amount of 1,293,000 euros shown in 2010 referred to a writedown of the finished goods inventory bought from distributors upon the termination of distribution contracts.

27 – Increase in Company-produced Additions to Non-current Assets

	2011	2010
• Property, plant and equipment	**8,659**	7,608
• Intangibles	**23,389**	21,173
Increase in Company-produced additions to non-current assets	**32,048**	28,781

(IN THOUSANDS OF EUROS)

Company-produced additions to intangibles refer mainly to development costs incurred by the Cardiac Rhythm Management, Cardiopulmonary and Heart Valves Business Units amounting to 19,348,000 euros (17,155,000 euros in 2010), and costs incurred to secure approval from the Food and Drug Administration (FDA) to sell valves and pacemakers in the United States totaling 3,958,000 euros in 2011 (4,007,000 euros in 2010).

28 – Cost of Raw Materials, Other Materials and Services Used, and Miscellaneous Operating Costs

	2011	2010
Purchases of raw materials and other materials	**191,347**	180,478
Change in inventories	**(2,123)**	3,332
Divested operations	**--**	(121)
Cost of raw materials and other materials	**189,224**	183,689
Industrial services	**21,923**	25,357
Rent, rentals and lease payments	**18,186**	17,297
Royalty expense	**480**	689
Variable selling costs	**34,078**	36,230
Consulting and other professional services	**45,081**	39,527
Advertising and promotions	**16,170**	19,119
Internal transportation, travel and ancillary expenses	**20,842**	24,641
Janitorial and security services	**3,213**	3,824
Communications, telephone, and postage expenses, etc.	**3,484**	3,650
Insurance	**2,875**	2,887
Employee training and development	**3,768**	3,466
Other services	**21,026**	21,762
Divested operations	**--**	(93)
Service costs	**191,126**	198,356
Losses on the sale of property, plant and equipment	**356**	450
Other costs	**13,784**	27,789
Divested operations	**--**	(91)
Miscellaneous operating costs	**14,140**	28,148

(IN THOUSANDS OF EUROS)

Other services include the costs of information technology and fees paid to Statutory Auditors and Independent Auditors. Fees paid to the Statutory Auditors of the Group's Parent Company totaled 156,000 euros.

In 2011, service costs reflect nonrecurring expenses of 603,000 euros for consulting services received in connection with special business development projects.

In 2010, service costs included nonrecurring expenses of 179,000 euros, including 110,000 euros for the acquisition of the Group's distributor in Austria and 69,000 euros for the sale of a building in Saluggia.

In 2011, miscellaneous operating costs included a charge of 1,466,000 euros (10,706,000 euros in 2010) for the reversal of the cash flow hedge reserve for fluctuations in foreign exchange rates, due to the recognition in the result for the period of the economic effects of the hedged assets and liabilities.
They also included nonrecurring charges of 665,000 euros, broken down as follows: 627,000 euros for disputed items and litigation and 38,000 euros for costs incurred to close the Sorin Group Importaçao e Venda de Dispositivos Medicos Ltda subsidiary.

In 2010, miscellaneous operating costs included nonrecurring charges of 2,700,000 euros broken down as follows: 1,502,000 euros for disputed items and litigation, 806,000 euros for the acquisition of Gish Biomedical Inc., 300,000 euros to transfer the ATS lines from Sorin Group Italia S.r.l. to Sorin Group Deutschland GmbH, 67,000 euros for the sale of the Angel product line, and 25,000 euros for prior-period expenses.

Transactions with related parties generated service costs totaling 56,000 euros (204,000 euros in 210) (Note 41).

29 – PERSONNEL EXPENSE

	2011	2010
Wages and salaries	**254,477**	249,004
Additions to provision for employee severance indemnities and other provisions for employee benefits:		
- Amount for defined-benefit plans	**1,296**	2,091
- Amount for defined-contribution plans (1)	**5,927**	3,042
- Amount for Long Term Incentive Plan	**993**	488
Cost of stock options	**--**	232
Cost of stock grants	**5,436**	2,789
Personnel expense	**268,129**	257,646
Number of employees:		
- At December 31	**3,745**	3,749
- Average for the year	**3,763**	3,738

(IN THOUSANDS OF EUROS)

(1) The undisbursed portion is recognized as a current liability on the statement of financial position.

At December 31, 2011, no employees were enrolled in the Special Layoff Benefits Fund (44 employees at December 31, 2010).

A Long-term Incentive Plan (LTIP) for the achievement of multi-year objectives and benefiting a select number of key managers was introduced in 2009. This Plan is based on a three-year incentivizing cycle tied to Group performance targets.

Specifically, the Plan calls for the award of a bonus at the end of the three-year period. The vesting conditions include the beneficiary's continuing employment at a Group company on the date the bonus is paid and the achievement by the Group of the applicable performance targets.
The cost attributable to 2011, which was included in Other provisions for employee benefits – Amount for long-term incentive plan, totaled 993,000 euros (488,000 euros in 2010).

In addition, as required by IFRS 2, the Group recognized costs of 5,436,000 euros attributable to 2011 (2,789,000 euros in 2010) for the long-term incentive plan with grants of Sorin S.p.A. stock, approved by the Shareholders' Meeting on September 14, 2010. The Plan, which runs for three cycles of three years each, is tied to and conditional on the achievement by the Group of specific EBITDA margin and consolidated net profit targets and the beneficiary's continuing employment at a Group company on the date the bonus is paid.
The abovementioned amount includes social security contributions totaling 721,000 euros (377,000 euros in 2010).

Personnel expense includes fees paid to the Directors of the Group's Parent Company, amounting to 2,416,000 euros (2,595,000 euros in 2010).

This item also included nonrecurring charges of 239,000 euros (407,000 euros in 2010), as the net result of an expense of 795,000 euro recognized due to the measurement in accordance with IAS 19 of the defined-benefit plan for U.S. employees of the former Sorin Biomedical, Inc., and a gain of 566,000 euros resulting from the effect of the "Save Italy" Decree on the actuarial computation of the provisions for employee severance indemnities of Italian companies.

30 – SHARE-BASED PAYMENTS

Stock Options

The Group established five stock option plans, including four that expired in 2009 (Plans 1, 2, 3 and 4) and one that expired on June 30, 2011 (Plan 5).

Information about these stock option plans is provided in the "Report on Corporate Governance and the Company's Ownership Structure," the full text of which is available on Sorin Group's website, at the following address:
http://www.sorin.com/it/investors/relazione-corporate-governance.

The table below shows the number of options awarded and the average option exercise price:

	12/31/11		12/31/10	
	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE EUROS	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE EUROS
Options outstanding at January 1	**8,471,000**	**1.593**	**8,915,000**	**1.598**
New options awarded	--	--	--	--
Expired options	(165,000)	1.731	--	--
Cancelled options (1)	--	--	(424,000)	1.707
Options exercised	(8,306,000)	1.590	(20,000)	1.566
Options outstanding at December 31	**--**	**--**	**8,471,000**	**1.593**
- options exercisable at December 31	--	--	8,471,000	1.593

(1) These options, which can no longer be exercised, had been awarded to plan beneficiaries who later left the Group.

Valuation of Stock Options

Stock options are valued at fair value on grant date, in accordance with the method provided in IFRS 2. The cost thus determined is allocated over the entire length of the period between grant date and vesting date.

Stock options awarded under Plan 5 that were outstanding at December 31, 2010 expired on June 30, 2001, which was the final exercise deadline.

No cost was recognized in 2011 (232,000 euros in 2010), since the final vesting date was December 31, 2010.

Stock Grants

On September 14, 2010, the Shareholders' Meeting approved a stock grant plan reserved for the Chairman, the Chief Executive Officer and employees of Sorin Group, which will be implemented either through a bonus capital increase, pursuant to Article 2349 of the Italian Civil Code, or by using the treasury shares acquired through the buyback plan, and granted to the Board of Directors all necessary and appropriate powers to establish and implement the plan.
The plan, which is designed to incentivize and increase the loyalty of management, further align the interests of management with those of the shareholders and achieve the medium/long-term objectives of the Strategic Plan, is tied to and conditional on the Group attaining specific targets in terms of EBITDA margin and consolidated net profit.
Specifically, the Shareholders' Meeting approved the following resolutions:
i) Convened in extraordinary session, pursuant to Article 2443 of the Italian Civil Code, a resolution authorizing the Board of Directors, for a period of five years from the date of the resolution, to carry out a bonus capital increase, in one transaction or multiple transactions, for a maximum amount of 13,000,000 euros, through the issuance of up to 13,000,000 common shares, which would be awarded to employees in accordance with existing and future stock grant plans implemented by the Company, in accordance with Article 2349 of the Italian Civil Code;
ii) Convened in ordinary session, a resolution approving the Plan and granting to the Board of Directors the powers required to implement it, as well as a plan to purchase and dispose of treasury shares, pursuant to Article 2357 and Article 2357-*ter* of the Italian Civil Code and granting to the Board of Directors the power required to implement it. The authorization to purchase the treasury shares was granted for a period of up to 18 months from the date of the approval resolution by the Shareholders' Meeting and is valid for 4,704,121 common shares, par value 1 euro each, equal to1% of the subscribed capital.

The plan runs for three cycles of three years each (2009-2011, 2010-2012 and 2011-2013). The first cycle is limited to the beneficiaries of the 2009 Long-term Cash Incentive Plan who joined the Plan and exercised the option of converting into shares the cash bonus originally provided by the abovementioned 2009 Long-term Incentive Plan.

Additional information about the stock grant plan is provided in the "Report on Corporate Governance and the Company's Ownership Structure," the full text of which is available on Sorin Group's website, at the following address:
http://www.sorin.com/it/investors/relazione-corporate-governance.

The table below shows the number of share awarded and outstanding at December 31, 2011:

Plan	Number of shares	*Cycle*
2010 Stock Grant	1,281,787	2009-2011
	2,871,203	2010-2012
	3,088,728	2011-2013

Valuation of Stock Grants

Stock grants are value at fair value on the grant date, in accordance with the method of IFRS 2, and the cost thus determined is allocated over the period between grant date and vesting date.

The fair value used to compute the accrued cost for the abovementioned incentive plan corresponds to the price of Sorin S.p.A. shares on the grant date, which was 1.729 euros for the first and second cycle and, for the third cycle, amounted to 1.912 euros for the grant of March 14, 2011 and 1.969 euros for the grant of July 29, 2011.
The total cost recognized in profit or loss in 2011 for the abovementioned plan, which amounted to 5,436,000 euros (including social security contribution of 721,000 euros), was determined based on the number of shares awarded, taking into account the probability that the beneficiaries will earn the right to receive the shares based on the plan's vesting conditions.

31 – Depreciation, Amortization, Writedowns and Provisions for Risks and Charges

	2011	2010
Depreciation of property, plant and equipment	**19,399**	21,124
Amortization of intangible assets	**18,219**	17,579
Writedowns of property, plant and equipment	**185**	617
Writedowns of intangible assets	**222**	--
Writedowns of trade receivables	**1,742**	4,142
Writedowns of other receivables	**70**	0
Divested operations	**--**	(3,565)
Depreciation, amortization and writedowns	**39,837**	39,897
Addition to the provision for product warranties	**1,000**	1,614
Addition to other provisions for risks and charges	**2,039**	2,391
Additions to provisions for risks and charges	**3,039**	4,005

(IN THOUSANDS OF EUROS)

The amounts shown in 2011 for Divested operations refer to writedowns of receivables.

The writedowns recognized in 2011 reflect a nonrecurring charge of 250,000 euros that includes 80,000 euros related to trade receivables for product lines divested in previous years and 170,000 euros related to capitalized development costs.
Additions to other provisions for risks and charges included 1,673,000 euros in nonrecurring costs incurred in connection with litigation and disputes with employees.

In 2010, additions to other provisions for risks and charges included 2,086,000 euros for nonrecurring costs broken down as follows: 634,000 euros for plant safety projects at some facilities in Saluggia, 110,000 euros for planned costs in connection with the sale of a building in Saluggia, and 1,342,000 euros for additions related to litigation.

32 – Restructuring Charges and Provisions

The balance of 1,287,000 euros shown in 2011 for restructuring charges and provisions is the net result of charges amounting to 507,000 euros and provisions totaling 1,656,000 euros, offset in part by reversals in earnings of 876,000 euros in provisions established in previous years that were found to be larger than necessary in 2011.

33 – Financial Expense, Financial Income and Currency Translation Differences

	2011	2010
Interest paid and other bank charges	**3,235**	4,021
Losses on financial derivatives	**2,138**	3,547
Losses from discounting assets and liabilities to present value	**144**	226
Financial discounts and fees resulting from the factoring of trade receivables	**3,315**	3,425
Financial discounts granted to customers	**1,355**	1,312
Other expenses	**212**	125
Writedown of investment in Sphere Medical	**267**	--
Divested operations	**--**	(904)
Financial expense	**10,666**	11,752
Bank interest earned	**275**	37
Gains from discounting assets and liabilities to present value	**82**	110
Delinquent interest earned	**697**	1,301
Other income	**432**	779
Financial income	**1,486**	2,227
Foreign exchange gains (losses)	**1,833**	(2,065)
Total financial expense (income)	**7,347**	11,590

(IN THOUSANDS OF EUROS)

Net financial expense decreased by 4,243,000 euros compared with the previous year, reflecting primarily the impact of translation differences, which were positive by 1,833,000 euros in 2011, as against negative translation differences of 2,065,000 euros in 2010. When the data are restated without the translation differences and the writedown of the investment in Sphere Medical, net financial expense shows a reduction of 612,000 euros. The main reasons for this decrease compared with the previous year include:

- lower average indebtedness for the year;
- a reduction in the interest rate spread on medium/long-term borrowings due to the ratchet mechanism, which causes borrowing costs to decrease if the Group achieves certain operating and financial performance targets;
- a decrease in costs on financial derivatives that reflects a reduced use of interest rate hedges (interest rate swaps) caused by contractually stipulated repayments of hedged loan amounts.

As explained in Note 41, related-party transactions generated financial expense of 36,000 euros and financial income of 100,000 euros.

34 – INCOME FROM (EXPENSES ON) INVESTMENTS IN ASSOCIATES

The amount recognized for expenses on investments in associates (286,000 euros) refers to the following adjustments to the carrying value of investments: 103,000 euros for Enopace Biomedical Inc., 180,000 euros for MD Start SA and 3,000 euros for MD Start K.G.

35 – INCOME TAXES

	2011	2010
Taxes in the income statement:		
Current taxes		
- for the year	**18,084**	15,349
- for previous years	**564**	50
	18,648	15,399
Deferred taxes		
- depreciation of property, plant and equipment	**2,701**	607
- revaluations at fair value	**3,073**	1,517
- recognition (derecognition) of assets (liabilities)	**(79)**	(263)
- other items	**(79)**	(3,240)
	5,616	(1,379)
Prepaid taxes		
- taxed provisions for risks and charges	**(239)**	1,777
- depreciation of property, plant and equipment	**(32)**	(2,124)
- value adjustments on financial assets	**(56)**	3,797
- inventories and eliminations of inventory gains	**(208)**	(2,440)
- revaluations at fair value	**(902)**	(1,777)
- recognition (derecognition) of liabilities (assets)	**33**	7
- other items	**(484)**	89
- tax loss carryforward	**(328)**	3,081
	(2,216)	2,410
	22,048	16,430
Divested operations	**--**	1,077
	22,048	17,507

(IN THOUSANDS OF EUROS)

The increase in current taxes reflects the improvement in operating results, the full utilization of available tax losses in France and new rules for the utilization of tax losses in Italy.
The negative impact of deferred taxes (as against a positive impact the previous year) is due mainly to the recognition of higher deferred taxes on development costs and foreign exchange transactions that qualified for hedge accounting.
The positive impact of prepaid taxes (as against a negative impact the previous year) is due to a reduced utilization (reversal) of prepaid taxes recognized on adjustment to the carrying amounts of financial assets and to the recognition of higher prepaid taxes on tax losses generated in Italy under the new carryforward rules introduced in Italy.

A reconciliation of the statutory tax liability to the tax liability recognized in the income statements is as follows:

	2011			2010		
	Corporate income taxes (IRES)	Regional taxes (IRAP)	Total	Corporate income taxes (IRES)	Regional taxes (IRAP)	Total
Profit (Loss) before taxes	**80,083**	**--**	**80,083**	**59,859**	**--**	**59,859**
Profit (Loss) before taxes from divested operations	--	--	--	(4,347)	--	(4,347)
Loss on divestment				--	--	--
Pre-tax profit (loss) before divestment	**80,083**	**--**	**80,083**	**55,512**	**--**	**55,512**
Statutory tax liability (1)	22,023	4,856	26,879	15,266	4,780	20,046
- Utilization of tax loss carryforward (2)	(126)	--	(126)	(1,763)	--	(1,763)
- Tax impact of permanent differences	3,026	(1,074)	1,952	(131)	(1,188)	(1,319)
- Unrecognized (deferred)/prepaid taxes for the year	(3,379)	--	(3,379)	(388)	--	(388)
- Deferred/(Prepaid) taxes for previous years recognized and/or derecognized in the year	(6,232)	(11)	(6,243)	(2,276)	3	(2,273)
- Income taxes paid outside Italy	40	--	40	142	--	142
- Greater (Lesser) impact of tax liability of foreign companies	2,505	--	2,505	1,881	--	1,881
- Other items	420	--	420	104	--	104
	18,277	**3,771**	**22,048**	**12,835**	**3,595**	**16,430**
Divested operations	--	--	--	1,081	(4)	1,077
Income tax liability for the year	**18,277**	**3,771**	**22,048**	**13,916**	**3,591**	**17,507**

(IN THOUSANDS OF EUROS)

(1) The statutory income tax liability was computed by applying the statutory corporate income tax (IRES) rate in force in Italy (27.5%).

(2) Tax loss carryforward for which prepaid taxes have not been recognized.

36 – PROFIT (LOSS) FROM DIVESTED OPERATIONS

Two major transactions involving divestments of business operations were executed in the closing months of 2008:

- On November 30, 2008, the Group sold its Vascular Therapy business unit, which included Sorin's global vascular coronary business operations and the related portfolio of intellectual property assets, to CID Investimenti S.r.l., an investment consortium headed by IP Investimenti e Partecipazioni S.p.A., an independent private equity company.
- On December 30, 2008, the Group completed the sale of its Renal Care business unit, which included all of the business activities that operate globally in the kidney hemodialysis area with the Bellco and Laboratoire Soludia brands. The buyer was a consortium headed by Argos Soditic, an independent European private equity fund, and MPS Venture SGR, which represented the Emilia Venture closed-end fund.

Through December 31, 2010, as required by IFRS 5, the residual amounts attributable to the divested Vascular Therapy and Renal Care business operations were listed separately in the income statement as "Profit (Loss) from divested operations."

In 2011, the data attributable to the abovementioned operations are not shown separately because the amounts involved are inconsequential.

A breakdown of the data for 2010 is provided below:

	2011	2010
Net revenues	--	228
Other revenues and income	--	203
Change in inventory of work in process, semifinished goods and finished goods	--	(4)
Cost of raw materials and other materials	--	(121)
Cost of services used	--	(93)
Miscellaneous operating costs	--	(91)
Depreciation, amortization and writedowns	--	(3,565)
EBIT	--	(3,443)
Financial income (expense)	--	(904)
Profit (Loss) before taxes	--	(4,347)
Income taxes	--	1,077
Net profit (loss)	--	(3,270)
Gain (Loss) on divestment	--	--
Profit (Loss) from divested operations	--	(3,270)

(IN THOUSANDS OF EUROS)

Earnings per share (in euros):		
- basic and diluted from divested operations	--	(0.007)

37 – Earnings per Share

Basic earnings per share were computed by dividing the Group's interest in net profit by the weighted average number of shares outstanding during the year.

Diluted earnings per share were computed by dividing the Group's interest in net profit by the weighted average number of shares outstanding during the year, augmented by the number of potential shares that could be issued if the stock options were exercised.

The table below shows the data used to compute earnings per share.

	2011	2010
Profit (loss) from continuing operations	**58,035**	42,352
Profit (loss) from divested operations	**--**	(3,270)
Net profit (loss)	**58,035**	39,082
Weighted average number of Sorin S.p.A. shares	**474,496,273**	470,417,671
Dilutive effect:		
- Stock options	**--**	19,462
Adjusted weighted average number of Sorin S.p.A. shares	**474,496,273**	470,437,133
Earnings per share (in euros)		
- basic net profit (loss)	0.122	0.083
- diluted net profit (loss)	0.122	0.083
- basic net profit (loss) from continuing operations	0.122	0.090
- diluted net profit (loss) from continuing operations	0.122	0.090

(IN THOUSANDS OF EUROS)

38 – ACQUISITIONS AND DIVESTMENTS

Acquisitions

The acquisition of a major distributor operating in the Dutch market was completed in 2011, as part of a program to strengthen the Group's direct sales organization.
The deferred consideration, tied to sales targets for the 2011-2012 period, is estimated at 1,450,000 euros (discounted value of 1,385,000 euros).

The fair value of the identifiable assets on the date of acquisition is as follows:

	FAIR VALUE RECOGNIZED AT ACQUISITION
Intangible assets	1,385
Net assets	1,385
Excess over cost	-
Total cost	1,385

(IN THOUSANDS OF EUROS)

The intangible assets correspond to the customer list.

In July 2011, Sorin Group USA Inc. (USA) acquired from Endoscopic Technologies Inc. (USA) its arterial and venous cannula product line at a price of US$5 million. Endoscopic Technologies Inc. (Estech), a privately held company based in California (USA), develops and markets a wide range of innovative, disposable medical devices that are used by surgeons worldwide to perform a series of traditional and minimally invasive surgical procedures.
Estech's cannula product line generated revenues of about 1.0 million euros in 2011.

	FAIR VALUE RECOGNIZED AT ACQUISITION (thousands of EUR)	(thousands of USD)
Property, plant and equipment [1]	41	53
Intangible assets [1]	3,505	4,535
Inventories [1]	317	410
Net assets [1]	3,863	4,998
Excess over cost [2]	-	-
Total cost [1]	3,863	4,998

(1) Amount translated at year-end exchange rates.
(2) Amount translated at average exchange rates for the year.

Acquisition costs of 33,000 euros are reflected in the income statement under cost of services used and in the statement of cash flows under cash flow from operating activities.

The assets of a distributor operating in some regions of Southern Italy were acquired in October 2011 at a price of 2,900,000 euros (300,000 euros already paid), resulting in the recognition of intangible assets (customer list) of equal amount.

	FAIR VALUE RECOGNIZED AT ACQUISITION
Intangible assets	2,900
Net assets	2,900
Excess over cost	-
Total cost	2,900

(IN THOUSANDS OF EUROS)

39 – IMPACT OF MATERIAL NONRECURRING EVENTS AND TRANSACTIONS

The following material nonrecurring transactions affecting the income statement occurred in 2011:

- sale of a building located in Montrouge (Note 25);
- reversal into earnings of surplus provisions (Note 25);
- consulting services for special business development projects (Note 28);
- writedown of receivables related to product lines divested in previous years (Note 31);
- litigation and other disputes (Notes 25, 28 and 31);
- valuation of employee benefit provisions (Note 29);

- sundry items (Notes 25, 28 and 31);
- restructuring programs (Note 32).

The table below shows the main impact of these transactions on the Group's income statement:

	PROFIT (LOSS) BEFORE TAXES (thousands of EUR)	%
2011 financial statement amounts	**80,083**	**100.0**
Proceeds from the sale of a building in Montrouge	3,926	4.90
Reversal into earnings of surplus provisions	575	0.72
Consulting services for special business development projects	(603)	(0.75)
Litigation, various disputes and sundry items	(2,188)	(2.73)
Valuation of employee benefit provisions	(239)	(0.30)
Other items	(246)	(0.31)
Impact of restructuring programs	(1,287)	(1.61)
Total impact of material nonrecurring events and transactions	**(62)**	
2011 financial statement amounts including the impact of material nonrecurring events and transactions	**80,145**	**100.08**

40 – NET FINANCIAL POSITION

A breakdown of Sorin Group's net financial position is provided below:

		12/31/11			12/31/10		
		Total	Amount with related parties	% of total	Total	Amount with related parties	% of total
- Cash on hand		35	--	--	31	--	--
- Bank and postal accounts		41,865	9,419	22.5	29,668	15,968	53.8
Cash and cash equivalents	**1)**	**41,900**	9,419	22.5	**29,699**	15,968	53.8
- Current financial assets	1)	2,591	4	--	8,962	4	--
- Assets from financial derivatives	1)	--	--	--	--	--	--
Current financial receivables		**2,591**	4	--	**8,962**	4	--
- Overdraft facilities and other current financial liabilities		(3,358)	--	--	(2,001)	--	--
- Current portion of on-current debt		(317)	--	--	(32,634)	(1,841)	5.6
- Advances on assigned trade receivables		(28,189)	--	--	(24,191)	--	--
- Miscellaneous financial liabilities		(236)	--	--	(137)	--	--
Other current financial liabilities	1)	(32,100)	--	--	(58,963)	--	--
Liabilities from financial derivatives	1)	(13,757)	--	--	(4,685)	--	--
Current financial liabilities		**(45,857)**	--	--	**(63,648)**	(1,841)	2.9
Net current indebtedness		**(1,366)**	9,423	n.s.	**(24,987)**	14,131	n.s.
Non-current financial receivables	2)	**35**	--	--	**84**	--	--
- Liabilities from financial derivatives	1)	(6,290)	--	--	(6,450)	--	--
- Non-current bank debt		(98,227)	--	--	(97,347)		--
- Non-current liabilities under finance leases		(6)	--	--	(70)	--	--
Non-current financial liabilities		**(104,523)**	--	--	**(103,867)**	--	--
Net non-current indebtedness		**(104,488)**	--	--	**(103,783)**	--	--
Net indebtedness		**(105,854)**	9,423	n.s.	**(128,770)**	14,131	n.s.

(IN THOUSANDS OF EUROS)

(1) Statement of financial position item.

(2) Non-current financial assets, as listed on the statement of financial position, excluding Investments in other companies.

41 – Transactions with Related Parties

Sorin Group's consolidated financial statements include the financial statements of Sorin S.p.A., the Group's Parent Company, and those of Italian and foreign companies that are controlled directly and indirectly by Sorin S.p.A. A list of Sorin Group companies and schedules showing the changes in the scope of consolidation that occurred in 2011 are provided in Note 43.

Intra-Group transactions between consolidated companies have been eliminated and are not covered in this Note.

None of the transactions executed with related parties can be classified as atypical or unusual.

Transactions with Unconsolidated Group Companies

Balances at December 31, 2011 include financial receivables of 4,000 euros owed by La Bouscarre and dividends receivable and service costs of 19,000 euros owed by LMTB – Laser Medizin Technologie GmbH.

Transactions with Other Related Parties

The table below shows the income statement and statement of financial position items generated by transactions with other related parties:

	2011		2010	
		% OF TOTAL		% OF TOTAL
- Service costs:				
• Mittel Corporate Finance S.p.A.	**37**	-	65	-
• Studio Zulli, Tabanelli & Associati	**--**	-	100	0.1%
- Financial expense:				
• Banca Monte Paschi Siena S.p.A.	**23**	0.2%	60	0.5%
• Banca Monte Paschi Siena (France)	**7**	0.1%	--	-
• UGF Banca S.p.A.	**6**	0.1%	--	-
- Financial income:				
• Banca Monte Paschi Siena S.p.A.	**81**	5.5%	--	-
• UGF Banca S.p.A.	**19**	1.3%	--	-

(IN THOUSANDS OF EUROS)

	12/31/11		12/31/10	
		% OF TOTAL		% OF TOTAL
- Cash and cash equivalents:				
• Banca Monte Paschi Siena S.p.A.	**6,851**	16.4%	15,864	53.4%
• UGF Banca S.p.A.	**2,568**	6.1%	104	0.4%
- Trade payables:				
• Mittel Corporate Finance S.p.A.	**14**	-	18	-
- Non-current financial liabilities and other current financial liabilities:				
• Banca Monte Paschi Siena S.p.A.	**--**	-	1,841	1.2%

(IN THOUSANDS OF EUROS)

In 2011, the Company renewed the contract with Mittel Corporate Finance S.p.A., a company whose Chief Executive Officer is Francesco Silva, a Director of Sorin S.p.A., calling for the provision of consulting and other services in the area of subsidized financing.

The contract was submitted for approval to the Board of Directors, which took into account the recommendations of the Internal Control Committee, in accordance with the guidelines of the Corporate Governance Code.

Banca Monte dei Paschi di Siena S.p.A. is a shareholder of Sorin S.p.A. who, jointly with other parties who signed a shareholders' agreement concerning the Sorin S.p.A. shares that became effective on November 18, 2009, owns an equity interest greater than 10%.
Financial transactions with this credit institution, which are executed on market terms and for which no guarantee was provided, refer to its participation in the medium/long-term facility syndicated by Mediobanca, Intesa San Paolo, MCC and BNP Paribas, which was repaid in full in 2011, and to the credit balances in checking accounts opened at the abovementioned bank by Group companies, for a total of 6,851,000 euros.

At December 31, 2011, the checking account opened at UGF Banca S.p.A., a member of Unipol Gruppo Finanziario S.p.A., of which Claudio Albertini, a Director of Sorin S.p.A., is an officer, had a credit balance of 2,568,000 euros.

Benefits Provided to Directors and Group Executives with Strategic Responsibilities

The compensation paid to Directors and Group executives with strategic responsibilities is shown below:

	2011		2010	
	DIRECTORS	EXECUTIVES	DIRECTORS	EXECUTIVES
- Fees/Salaries (1)	**1,030**	**2,766**	1,011	2,077
- Other compensation (2) (3)	**821**	**1,754**	1,087	2,150
Total annual compensation	**1,851**	**4,520**	2,098	4,227
- Provision for severance indemnities at December 31 (4)	**--**	**4**	--	4
Number of stock options awarded (5) (6)	**1,600,000**	**2,475,000**	1,600,000	2,325,000
- Number of stock options exercised	**1,600,000**	**2,475,000**	--	--
Number of stock grants awarded (5)	**1,338,907**	**2,538,402**	760,160	1,342,942

(IN THOUSANDS OF EUROS)

1) Excluding fees paid to the companies to which the Directors belonged and not to the Directors themselves.
2) Including non-cash benefits.
3) Other compensation paid to Directors includes the salary paid to the Chief Executive Officer as a Company employee.
4) As stated in Note 20, the amount of severance benefits vested at December 31, 2006 was updated based on actuarial computations.
5) Total number of options/stock grants awarded and outstanding at the end of the year.
6) Options awarded to Directors include those awarded to the current Chief Executive Officer when he was an employee of another Group company.

Additional information about the stock option and stock grant plans is provided in Note 30 and the "Report on Corporate Governance and the Company's Ownership Structure," the full text of which is available on Sorin Group's website, at the following address: http://www.sorin.com/it/investors/relazione-corporate-governance.

42 – SEGMENT INFORMATION BY AREAS OF BUSINESS AND GEOGRAPHIC REGIONS

The operating segments through which the Group carries out its activities were identified consistent with the reports that management uses to assess performance and make strategic decisions.
These reports, which reflect the Group's current organizational structure, are based on the different products and services offered by the Group and are produced using the same accounting principles and valuation criteria as those adopted to prepare the consolidated financial statements, as described in Note 2 "Principles of Consolidation, Valuation Criteria and Accounting Principles."

The chosen operating segments generate revenues through their core production and sales activities, as follows:

- The Cardiopulmonary segment generates revenues through the production and marketing of disposable biomedical devices and systems for extracorporeal circulation during surgery.
- The Heart Valves segment generates revenues through the production and marketing of implantable prostheses to replace or repair native heart valves (and acting as an indirect supplier in the endovascular segment).
- The Cardiac Rhythm Management segment generates revenues through the production and marketing of implantable devices, monitoring systems and accessories to treat cardiac rhythm dysfunctions.

No operating segment was aggregated to create operating segments for reporting purposes.

The segment revenues shown are those directly booked by or attributed to a segment and are generated by the segment's core business. Revenues include both the amounts generated by transactions with external customers and those from transactions with other segments.

The operating performance of each segment is measured in terms of the EBIT it generates.

The segment assets included in management's review process are those that a segment uses in its core business activities or which can reasonably be allocated to a segment, consistent with the segment's core business activities. These assets include: Property, plant and equipment; Goodwill and Other intangible assets; Investments in associates valued by the equity method; Investments in other companies; and Inventories.

Segment Information by Areas of Business

	CONTINUING OPERATIONS									
	CARDIOPULMUNARY OPERATIONS		HEART VALVES OPERATIONS		CARDIAC RHYTM M. OPERATIONS		HOLDING COS. AND NON-ATTRIBUT. AMTS		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net revenues										
- Net revenues from outsiders	344,922	337,805	119,025	121,455	277,497	284,588	1,986	1,973	743,430	745,821
-Inter-Segment net revenues	--	--	--	--	--	--	--	--	--	--
Total net revenues	**344,922**	**337,805**	**119,025**	**121,455**	**277,497**	**284,588**	**1,986**	**1,973**	**743,430**	**745,821**
EBIT	**66,028**	**59,542**	**5,725**	**6,063**	**33,543**	**27,310**	**(17,580)**	**(21,432)**	**87,716**	**71,483**
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Segment assets	251,779	239,328	138,835	136,211	198,562	175,422	3,157	4,347	**592,333**	**555,308**
Unallocated Group assets							334,413	309,859	**334,413**	**309,859**
Total assets									**926,746**	**865,167**

(IN THOUSANDS OF EUROS)

Segment Information by Geographic Region

The Group is based in Italy. In 2011, revenues from external customers generated in Italy totaled 76,896,000 euros (80,788,000 euros in 2010), while revenues generated in the Rest of the World amounted to 666,534,000 euros (665,033,000 euros in 2010).

A breakdown of revenues from external customers generated in the Rest of the World is provided below:

	2011	2010
France	**117,786**	118,466
Germany	**40,590**	43,004
Spain	**33,377**	33,183
United Kingdom	**21,927**	24,158
Other countries in Europe	**101,697**	101,471
Total Europe (excluding Italy)	**315,377**	320,282
United States	**157,446**	170,272
Canada	**38,873**	38,075
Total North America	**196,319**	208,347
Japan	**72,661**	68,399
China	**20,683**	16,441
Other countries	**61,494**	51,564
Total countries outside Europe and North America	**154,838**	136,404
Total revenues from external customers in the Rest of the World	**666,534**	665,033

(EURO/MIGLIAIA)

Lastly, both in 2011 and in 2010, no single external customer generated revenues amounting to more than 10% of the Group's total revenues.

The total value of non-current assets, excluding financial instruments and Group deferred-tax assets located in Italy amounted to 111,916,000 euros at December 31, 2011 (97,355,000 euros at December 31, 2010), while the total value of non-current assets located in the Rest of the World amounted to 345,130,000 euros (325,384,000 euros at December 31, 2010).

A breakdown of non-current assets located in the Rest of the World is as follows:

	12/31/11	12/31/10
France	**123,048**	104,269
Germany	**13,810**	12,081
Spain	**1,257**	1,127
United Kingdom	**3,291**	3,090
Other countries in Europe	**7,804**	7,856
Total Europe (excluding Italy)	**149,210**	128,423
United States	**174,425**	175,329
Canada	**18,681**	18,411
Total North America	**193,106**	193,740
Japan	**2,500**	2,816
Australia	**238**	387
Other countries	**76**	18
Total countries outside Europe and North America	**2,814**	3,221
Total non-current assets in the Rest of the World	**345,130**	325,384

(IN THOUSANDS OF EUROS)

43 – List of Sorin Group Companies and Changes in the Scope of Consolidation

Sorin Group Companies at December 31, 2011

This list includes all of the companies in which Sorin S.p.A. has a consolidated direct or indirect Group interest equal to or greater than 10%.

COMPANY	REGISTERED OFFICE	CUR-RENCY	EQUITY CAPITAL AT 12/31/11	PAR VALUE PER SHARE OR PARTNERSHIP INTEREST	CONSOLIDATED % INTEREST HELD BY THE GROUP	INVESTOR COMPANY NAME	INVESTOR COMPANY % INTEREST HELD (1)
Parent Company							
Sorin S.p.A.	Milan	EUR	478,738,144	1	--		--
Companies consolidated line-by-line							
Sorin CRM S.A.S.	Clamart (France)	EUR	50,000,000	20	100.000	Sorin S.p.A.	100.000
Sorin Biomedica Cardio S.r.l.	Milan	EUR	4,732,000	4,732,000	100.000	Sorin S.p.A.	100.000
Sorin Group Italia S.r.l.	Milan	EUR	8,479,240	1	100.000	Sorin S.p.A.	87.924
						Sorin Site Management S.r.l.	7.103
						Sorin Biomedica Cardio S.r.l.	3.197
						Sorin CRM S.r.l.	1.776
Sorin Group Nederland N.V.	Amsterdam (Netherlands)	EUR	29,044,000	1,000	100.000	Sorin S.p.A.	100.000
Sorin Site Management S.r.l.	Milan	EUR	2,489,586	1	100.000	Sorin S.p.A.	86.423
						Sorin Biomedica Cardio S.r.l.	13.577
Sorin Group International S.A.	Lausanne (Switzerland)	CHF	2,200,000	100	100.000	Sorin S.p.A.	100.000
Sorin Cardio - Comercialização e Distribuição de Equipamentos Medicos Lda	Alges (Portugal)	EUR	784,314	1	100.000	Sorin CRM S.A.S.	100.000
Sorin CRM S.r.l.	Milan	EUR	5,000,000	5,000,000	100.000	Sorin CRM S.A.S.	100.000
Sorin Group France S.A.S.	Clamart (France)	EUR	82,200,000	10	100.000	Sorin CRM S.A.S.	100.000
Sorin Group USA Inc.	Wilmington Delaware (USA)	USD	102.55	0.01	100.000	Sorin Group Italia S.r.l.	100.000
Sorin Group Asia PTE Ltd	Singapore	SGD	4,864,002	wpv	100.000	Sorin Group Italia S.r.l.	100.000
Sorin Group Deutschland GmbH	Munich (Germany)	EUR	1,667,000	1	100.000	Sorin Group Italia S.r.l.	100.000

(1) Unless otherwise stated, the % voting shares is the same as the % interest held
wpv = without par value

Companies consolidated line-by-line (continued):

COMPANY	REGISTERED OFFICE	CUR-RENCY	EQUITY CAPITAL AT 12/31/11	PAR VALUE PER SHARE OR PARTNERSHIP INTEREST	CONSOLIDATED % INTEREST HELD BY THE GROUP	INVESTOR COMPANY NAME	INVESTOR COMPANY % INTEREST HELD (1)
Sorin Group Finland OY	Helsinki (Finland)	EUR	151,369.13	16.82	100.000	Sorin Group Italia S.r.l.	100.000
Sorin Group Scandinavia AB	Sollentuna (Sweden)	SEK	2,100,000	100	100.000	Sorin Group Italia S.r.l.	100.000
Sorin CRM USA Inc.	Wilmington Delaware (USA)	USD	1,527	1	100.000	Sorin Group USA Inc.	100.000
Sorin Group Canada Inc.	Markham (Canada)	CAD	943,000	wpv	100.000	Sorin Group USA Inc.	100.000
Sorin Group Australia PTY Limited	West End (Australia)	AUD	3,010,000	10	100.000	Sorin Group Nederland N.V.	100.000
Sorin Group Belgium S.A.	Zaventem (Belgium)	EUR	6,384,207	wpv	100.000	Sorin Group Nederland N.V. Fiduciari	99.981 0.019
Sorin Group Espana S.L.	Sant Cugat Del Valles (Spain)	EUR	3,149,240	6.01	100.000	Sorin Group Nederland N.V. Sorin CRM S.A.S.	57.252 42.748
Sorin Group UK Limited	Gloucester (UK)	GBP	1,540,000	1	100.000	Sorin Group Nederland N.V.	100.000
Sorin Group Japan K.K.	Tokyo (Japan)	JPY	470,000,000	wpv	100.000	Sorin Group Nederland N.V.	100.000
Sorin Group Austria GmbH	Vienna (Austria)	EUR	35,000	35,000.00	100.000	Sorin Group Nederland N.V.	100.000
Sorin Group Polska Sp.Z.o.o.	Warsaw (Poland)	PLN	2,000,000	50.00	100.000	Sorin Group Nederland N.V. Fiduciari	99.990 0.010
Sobedia Energia	Saluggia (Vercelli)	EUR	5,000	1,250	75.000	Sorin Biomedica Cardio S.r.l. Sorin CRM S.r.l. Sorin Site Management S.r.l.	25.000 25.000 25.000
Sorin Group Norway AS	Oslo (Norway)	NOK	200,000	2,000	100.000	Sorin Group Scandinavia AB	100.000

(1) Unless otherwise stated, the % voting shares is the same as the % interest held
wpv = without par value

COMPANY	REGISTERED OFFICE	CUR-RENCY	EQUITY CAPITAL AT 12/31/11	PAR VALUE PER SHARE OR PARTNERSHIP INTEREST	CONSOLIDATED % INTEREST HELD BY THE GROUP	INVESTOR COMPANY NAME	INVESTOR COMPANY % INTEREST HELD (1)
Companies valued by the equity method:							
La Bouscarre S.C.I.	Fourquevaux (France)	EUR	9,180	153.00	50.000	Sorin Group France S.A.S.	50.000
LMTB - Laser und Medizin Technologie Gmbh	Berlin (Germany)	EUR	226,757.97	1	22.548	Sorin Group Deuschland Gmbh	22.548
Enopace Biomedical Ltd.	Cesarea (Israel)	USD	492	wpv	25.063	Sorin CRM S.A.S.	25.063
MD START S.A.	Lausanne (Switzerland)	CHF	2,666,000	0.20	20.930	Sorin Group Italia S.r.l.	20.930
MD START I K.G.	Dresden (Germany)	EUR	2,300,000	wpv	20.930	Sorin Group Deuschland Gmbh	20.930

(1) Unless otherwise stated, the % voting shares is the same as the % interest held
wpv = without par value

Changes in the Scope of Consolidation in 2011

COMPANIES ADDED TO THE SCOPE OF CONSOLIDATION

COMPANY	REGISTERED OFFICE	CURRENCY	EQUITY CAPITAL AT 12/31/1	CONSOLIDATED % INTEREST HELD BY THE GROUP
Newly established company				
Sorin Group Polska Sp.Z.o.o.	Warsaw (Poland)	PLN	2,000,000.00	100.000

COMPANIES REMOVED FROM THE SCOPE OF CONSOLIDATION

COMPANY	REGISTERED OFFICE	CURRENCY	EQUITY CAPITAL AT 12/31/11	CONSOLIDATED % INTEREST HELD BY THE GROUP
Companies dissolved				
Gish Biomedical Inc.	Rancho Santa Margarita California (USA)	USD	--	100.000
Sorin Group Importação e Venda de Dispositivos Medicos Ltda	Bairro São Paulo (Brazil))	BRL	30,653,526	100.000

44 – OTHER INFORMATION

Translation of Financial Statements of Foreign Companies

The table below shows the exchange rates used to translate into euros the data of companies outside the Eurozone:

EXCHANGE RATES FOR OTHER CURRENCIES VERSUS THE EURO	2011 Average	2011 at 12/31/11	2010 Average	2010 at 12/31/10
Swiss franc	1.233	1.216	1.380	1.250
British pound	0.868	0.835	0.858	0.861
Norwegian krone	7.793	7.754	8.004	7.800
Swedish kronor	9.030	8.912	9.537	8.966
U.S. dollar	1.392	1.294	1.326	1.336
Australian dollar	1.348	1.272	1.442	1.314
Canadian dollar	1.376	1.322	1.365	1.332
Singapore dollar	1.749	1.682	1.806	1.714
Japanese yen	110.960	100.200	116.240	108.650
Brazilian real	2.327	2.416	2.331	2.218
Polish zloty	4.121	4.458	3.995	3.975

45 – EVENTS OCCURRING AFTER DECEMBER 31, 2011

In January 2012, in a development worthy of mention that occurred after the end of the reporting year, the Company was served with a summons to appear before the Civil Court of Milan at a hearing scheduled for November 20, 2012. This action was filed by SNIA S.p.A., under extraordinary administration, and is aimed at verifying the existence of an alleged joint liability of Sorin S.p.A. with SNIA S.p.A. with regard to any liabilities related to and/or resulting from environmental remediation costs caused by chemical activities operated by SNIA S.p.A. and other companies of the SNIA Group prior to the group's demerger on January 2, 2004. Therefore, this action is being filed merely for verification purposes and not to seek a decision ordering damage compensation. Sorin reviewed the contents of the summons, believes that the arguments presented against it are devoid of merit and plans to join the proceedings to contest SNIA's claims in their entirety and vigorously defend its rights, which it will put forth in the appropriate venue.

No other significant events requiring disclosure occurred after December 31, 2011.

Milan, March 15, 2012

Rosario Bifulco
Chairman

André-Michel Ballester
Chief Executive Officer

ANNEX

DISCLOSURE REQUIRED PURSUANT TO ARTICLE 149-*DUODECIES* OF THE CONSOB'S ISSUERS' REGULATIONS

The table below, which was prepared pursuant to Article 149-*duodecies* of the Consob's Issuers' Regulations, shows the amount attributable to 2011 of the fees paid to Reconta Ernst & Young S.p.A. and other companies within its network for independent auditing services and for services other than those related to the performance of independent audits.

	PARTY PROVIDING THE SERVICE	PARTY RECEIVING THE SERVICE	FEE AMOUNT ATTRIBUTABLE TO 2011
Independent auditing	Reconta Ernst & Young S.p.A.	Parent Company - Sorin S.p.A.	258
	Reconta Ernst & Young S.p.A.	Subsidiaries	214
	Ernst & Young network	Subsidiaries	707
Attestation services	Reconta Ernst & Young S.p.A.	Parent Company - Sorin S.p.A.[1]	11
	Reconta Ernst & Young S.p.A.	Subsidiaries [1]	18
	Ernst & Young network	Subsidiaries [1]	24
Other services	Rete Ernst & Young	Parent Company - Sorin S.p.A.[2]	98
Total			**1,330**

(IN THOUSANDS OF EUROS)

1) Services provided in connection with tax filings.
2) Other professional services.

ATTESTATION

OF THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011
PURSUANT TO ARTICLE 154-*BIS* OF LEGISLATIVE DECREE NO. 58/98

1. We, the undersigned André-Michel Ballester, in my capacity as Chief Executive Officer, and Demetrio Mauro, in my capacity as Corporate Accounting Documents Officer of Sorin S.p.A., taking into account the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, attest that the administrative and accounting procedures followed during the 2011 reporting year in connection with the preparation of the consolidated financial statements:
   - were adequate in relation to the characteristics of the Group's business operations; and
   - were effectively applied.

2. The methodology and operational approach used to assess the effectiveness of the administrative and accounting procedures followed to prepare the consolidated financial statements at December 31, 2011 were consistent with the operational guidelines of the CoSO framework "ICFR-Guidance for Smaller Public Companies," which constitute a reference model generally accepted internationally.

3. We further attest that:

   3.1 the consolidated financial statements:
   - were prepared in accordance with the applicable International Financial Reporting Standards, as adopted by the European Union pursuant to Regulations (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002, and comply with the regulations enacted to implement Legislative Decree No. 38/2005;
   - are consistent with the data in the books of accounts and other accounting records;
   - adequately provide a truthful and fair presentation of the statement of financial position, operating performance and cash flow of the issuer and of the companies included in the scope of consolidation;

   3.2 the Report on Operations provides a reliable presentation of the issuer's performance and result from operations, as well as of its financial position and the financial position of all of the companies included in the scope of consolidation, and describes the main risks and uncertainties to which they are exposed.

Milan, March 15, 2012

André-Michel Ballester
Chief Executive Officer

Demetrio Mauro
Corporate Accounting
Documents Officer

SORIN S.p.A.

STATUTORY FINANCIAL STATEMENTS

AT DECEMBER 31, 2011

CONTENTS

STATEMENT OF FINANCIAL POSITION

		NOTE	12/31/11	12/31/10
ASSETS				
Non-current assets				
Property, plant and equipment		(3)	385,233	775,184
Intangible assets		(4)	3,278,762	4,007,006
Investments in subsidiaries		(5) (6)	674,618,141	672,818,141
Non-current financial assets	(*)	(7)	986,284	1,218,161
Deferred-tax assets		(8)	6,860,660	4,974,102
Other non-current assets		(9)	5,170,702	1,950,324
Total non-current assets			691,299,782	685,742,918
Current assets				
Trade receivables		(10)	1,354,606	1,860,482
Other receivables		(11)	11,123,330	13,422,672
Assets from financial derivatives	(*)	(12)	13,900,748	4,962,929
Other current financial assets	(*)	(13)	154,528,653	109,421,299
Tax credits		(14)	6,539,469	5,636,840
Cash and cash equivalents	(*)	(15)	21,147,845	21,331,501
Total current assets			208,594,651	156,635,723
Total assets			899,894,433	842,378,641
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity				
Share capital			478,738,144	470,432,144
Additional paid-in capital			7,146,736	16,636
Statutory reserve			63,292,268	62,792,784
Other reserves			40,948,160	34,143,923
Net profit (loss) for the year			34,998,912	9,989,671
Total shareholders' equity		(16)	625,124,220	577,375,158
Non-current liabilities				
Liabilities from financial derivatives	(*)	(12)	6,290,024	6,450,195
Non-current financial liabilities	(*)	(17)	95,881,915	94,589,032
Provision for employee severance indemnities and other provisions for employee benefits		(18)	336,779	295,662
Deferred-tax liabilities		(8)	108,341	263,095
Total non-current liabilities			102,617,059	101,597,984
Current liabilities				
Trade payables		(19)	6,055,077	4,245,811
Other payables		(20)	6,885,329	11,468,189
Liabilities from financial derivatives	(*)	(12)	13,766,923	5,058,274
Other current financial liabilities	(*)	(17)	137,602,403	142,371,825
Taxes payable		(14)	7,843,422	261,400
Total current liabilities			172,153,154	163,405,499
Total liabilities and shareholders' equity			899,894,433	842,378,641

(IN EUROS)

(*) Financial statement items that are included in the computation of net indebtedness, with the exception of Investments in other companies, which is included in Non-current financial assets.

INCOME STATEMENT

	NOTE	2011	2010
Net revenues	(23)	**12,871,255**	13,925,554
Other revenues and income	(23)	**696,993**	942,352
Cost of raw materials and other materials	(24)	**(87,297)**	(119,958)
Cost of services used	(24)	**(16,753,841)**	(15,699,539)
Personnel expense	(25)	**(8,695,179)**	(8,385,036)
Miscellaneous operating costs	(24)	**(586,404)**	(421,837)
Depreciation, amortization and writedowns	(27)	**(1,471,473)**	(1,388,377)
EBIT		**(14,025,946)**	(11,146,841)
Financial expense	(28)	**(5,681,886)**	(6,813,281)
Financial income	(28)	**3,683,587**	2,238,319
Currency translation differences	(28)	**173,526**	(2,022,110)
Income from (Expenses on) investments in subsidiaries	(29)	**44,521,097**	21,570,306
Profit before taxes		**28,670,378**	3,826,393
Income taxes	(30)	**6,328,534**	6,163,278
Profit from continuing operations		**34,998,912**	9,989,671
Profit (Loss) from divested operations		**--**	--
Net profit (loss)		**34,998,912**	9,989,671

(IN EUROS)

STATEMENT OF COMPREHENSIVE INCOME

	NOTE	2011	2010
Net profit for the year		**34,999**	9,990
Gains/(Losses) on cash flow hedges for interest rate fluctuations	(12)	**(296)**	(1,938)
Tax effect		**96**	625
Other components of comprehensive income net of tax effect		**(200)**	(1,313)
Total comprehensive profit for the year net of tax effect		**34,799**	8,677

(IN THOUSANDS OF EUROS)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	SHAREHOLDERS' EQUITY						
	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	STATUTORY RESERVE	OTHER RESERVES	RETAINED EARNINGS (LOSS CARRY-FORWARD)	NET PROFIT FOR THE YEAR	TOTAL
Balance at 12/31/09	**470,412**	**--**	**62,686**	**30,261**	**--**	**2,138**	**565,497**
- Net profit for the year	--	--	--	--	--	9,990	9,990
- Other components of comprehensive income	--	--	--	(1,313)	--	--	(1,313)
- Total comprehensive profit	**--**	**--**	**--**	**(1,313)**	**--**	**9,990**	**8,677**
- Appropriation of the net profit of Sorin S.p.A.	--	--	107	--	2,031	(2,138)	--
- Exercise of stock options	20	17	--	(6)	--	--	31
- Stock options	--	--	--	232	--	--	232
- Stock grants	--	--	--	2,938	--	--	2,938
Balance at 12/31/10	**470,432**	**17**	**62,793**	**32,112**	**2,031**	**9,990**	**577,375**
- Net profit for the year	--	--	--	--	--	34,999	34,999
- Other components of comprehensive income	--	--	--	(200)	--	--	(200)
- Total comprehensive profit	**--**	**--**	**--**	**(200)**	**--**	**34,999**	**34,799**
- Appropriation of the net profit of Sorin S.p.A.	--	--	499	--	9,491	(9,990)	--
- Exercise of stock options	8,306	7,130	--	(2,231)	--	--	13,205
- Stock grants	--	--	--	4,715	--	--	4,715
- Purchases of treasury shares	--	--	--	--	(4,970)	--	(4,970)
Balance at 12/31/11	**478,738**	**7,147**	**63,292**	**34,396**	**6,552**	**34,999**	**625,124**

(IN THOUSANDS OF EUROS)

STATEMENT OF CASH FLOWS

	NOTE	2011	2010
Cash flow from operating activities			
Net profit (loss) for the year		**34,999**	9,990
Adjustments to reconcile the profit (loss) for the year to the net cash flow from operating activities:			
Depreciation and amortization	*(3) (4)*	**1,402**	1,358
(Gains) Losses on disposal of property, plant and equipment		**58**	--
(Revaluations) Writedowns of equity investments		**(1,800)**	--
Non-cash stock option and stock grant costs		**1,495**	840
Amortized costs of medium- and long-term borrowings		**82**	166
Non-cash hedging costs		**(686)**	(1,670)
Change in receivables and payables generated by operating activities		**4,730**	(1,328)
Change in provisions for risks and provision for severance indemnities		**41**	(8)
Net cash from (used in) operating activities		**40,321**	9,348
Cash flow from investing activities			
Investments in property, plant and equipment	*(3)*	**(27)**	(55)
Investments in intangibles	*(4)*	**(315)**	(482)
Equity investments in subsidiaries and other companies		**--**	--
Proceeds from the sale of property, plant and equipment		**--**	--
Net cash from (used in) investing activities		**(342)**	(537)
Cash flow from financing activities			
Capital increase		**13,205**	31
Purchases of treasury shares		**(4,970)**	--
Repayments of medium- and long-term borrowings		**(32,268)**	(34,615)
Change in indebtedness under finance leases		**(113)**	(186)
Change in financial assets and other loans receivable		**(44,839)**	(4,256)
Cash impact of derivatives executed as equity hedges		**--**	--
Change in other liabilities and loans payable		**28,822**	51,244
Net cash from (used in) financing activities		**(40,163)**	12,218
Increase (Decrease) in cash and cash equivalents		**(184)**	21,029
Cash and cash equivalents at the beginning of the year	*(15)*	**21,332**	303
Cash and cash equivalents at the end of the year	*(15)*	**21,148**	21,332
Additional disclosures:			
Income taxes paid		**--**	--
Interest expense paid		**2,945**	2,897
Interest income earned		**3,684**	2,238

(IN THOUSANDS OF EUROS)

STATEMENT OF FINANCIAL POSITION (CONSOB RESOLUTION OF 7/27/06)

Pursuant to Consob Resolution No. 15519 of July 27, 2006.

		NOTE	12/31/11	AMT. WITH RELATED PARTIES (NOTE 32)	12/31/10	AMT. WITH RELATED PARTIES (NOTE 32)
ASSETS						
Non-current assets						
Property, plant and equipment		(3)	**385**		775	
Intangible assets		(4)	**3,279**		4,007	
Investments in subsidiaries		(5) (6)	**674,618**		672,818	
Non-current financial assets	(*)	(7)	**986**		1,218	
Deferred-tax assets		(8)	**6,861**		4,974	
Other non-current assets		(9)	**5,170**	**5,170**	1,951	1,951
Total non-current assets			**691,299**		685,743	
Current assets						
Trade receivables		(10)	**1,355**	**1,225**	1,860	1,805
Other receivables		(11)	**11,123**	**9,962**	13,422	12,387
Assets from financial derivatives	(*)	(12)	**13,901**	**13,901**	4,963	4,963
Other current financial assets	(*)	(13)	**154,528**	**154,165**	109,422	105,050
Tax credits		(14)	**6,540**		5,637	
Cash and cash equivalents	(*)	(15)	**21,148**	**9,419**	21,332	15,937
Total current assets			**208,595**		156,636	
Total assets			**899,894**		842,379	
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity						
Share capital			**478,738**		470,432	
Additional paid-in capital			**7,147**		17	
Statutory reserve			**63,292**		62,793	
Other reserves			**40,948**		34,143	
Net profit (loss) for the year			**34,999**		9,990	
Total shareholders' equity		(16)	**625,124**		577,375	
Non-current liabilities						
Liabilities from financial derivatives	(*)	(12)	**6,290**		6,450	
Non-current financial liabilities	(*)	(17)	**95,882**		94,589	
Provision for employee severance indemnities and other provisions for employee benefits		(18)	**337**		296	
Deferred-tax liabilities		(8)	**108**		263	
Total non-current liabilities			**102,617**		101,598	
Current liabilities						
Trade payables		(19)	**6,055**	**758**	4,246	263
Other payables		(20)	**6,885**	**4,375**	11,468	8,775
Liabilities from financial derivatives	(*)	(12)	**13,767**	**10**	5,059	374
Other current financial liabilities	(*)	(17)	**137,602**	**137,555**	142,372	112,033
Taxes payable		(14)	**7,844**		261	
Total current liabilities			**172,153**		163,406	
Total liabilities and shareholders' equity			**899,894**		842,379	

(IN THOUSANDS OF EUROS)

(*) Financial statement items that are included in the computation of net indebtedness, with the exception of Investments in other companies, which is included in Non-current financial assets.

INCOME STATEMENT (CONSOB RESOLUTION OF 7/27/06)

Pursuant to Consob Resolution No. 15519 of July 27, 2006.

	NOTE	2011	2011 AMT. WITH RELATED PARTIES (NOTE 32)	2010	2010 AMT. WITH RELATED PARTIES (NOTE 32)
Net revenues	*(23)*	**12,871**	**12,833**	13,926	13,845
Other revenues and income	*(23)*	**697**	**248**	942	494
Cost of raw materials and other materials	*(24)*	**(87)**		(120)	
Cost of services used	*(24)*	**(16,753)**	**(3,195)**	(15,700)	(2,356)
Personnel expense	*(25)*	**(8,695)**		(8,385)	
Miscellaneous operating costs	*(24)*	**(586)**		(422)	
Depreciation, amortization and writedowns	*(27)*	**(1,472)**		(1,388)	
EBIT		**(14,025)**		(11,147)	
Financial expense	*(28)*	**(5,682)**	**(938)**	(6,813)	(196)
Financial income	*(28)*	**3,683**	**3,532**	2,238	2,210
Currency translation differences	*(28)*	**173**	**11,449**	(2,022)	15,800
Income from (Expenses on) investments in subsidiaries	*(29)*	**44,521**		21,570	
Profit before taxes		**28,670**		3,826	
Income taxes	*(30)*	**6,329**		6,164	
Profit from continuing operations		**34,999**		9,990	
Profit (Loss) from divested operations		**--**		--	
Net profit		**34,999**		9,990	

(IN THOUSANDS OF EUROS)

NOTES TO THE FINANCIAL STATEMENTS

1 – GENERAL INFORMATION

General Information

Sorin S.p.A. is a corporation governed by Italian Law that was established on January 2, 2004 upon the partial, proportional demerger of Snia S.p.A. Its shares are traded on the Online Stock Market of the Milan Securities Exchange and its registered office is located in Milan, Italy.
Sorin S.p.A. is the Parent Company of a Group that operates in the field of medical technology, offering products and services to treat cardiovascular diseases.

On March 15, 2012, the Board of Directors approved the draft financial statements of Sorin S.p.A. for the year ended December 31, 2011 and authorized their publication in the manner and within the deadlines required by law.

The 2011 statutory financial statements, which constitute the separate financial statements of Sorin S.p.A., were prepared in accordance with the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB), as approved by the European Union, and are consistent with the regulations enacted to implement Article 9 of Law No. 38/2005. The abbreviation IFRSs also means the International Accounting Standards (IAS) that are still in effect and all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), including interpretations issued previously by the Standing Interpretations Committee (SIC).

The accounting principles used for these financial statements are those that were in effect at December 31, 2011 and are consistent with those used for the financial statements at December 31, 2010, except for the information provided below with regard to revisions and new accounting principles and interpretations issued by the IASB and applicable as of January 1, 2011.

Amendment to IAS 24 – Related-party Disclosures
The IASB issues an amendment to IAS 24 that clarifies the definition of related party. The new definition emphasizes symmetry in identifying related parties and defines more clearly the circumstances under which persons and executives with strategic responsibilities qualify as related parties. In addition, the amendment introduces an exemption from the general related-party disclosure requirements for transactions with a government and when a government has control, joint control or significant influence over an entity or the reporting entity. The adoption of this amendment had no effect on the Company's financial position or result.

IFRS Improvements (issued by IASB in May 2010): IFRS 7 Financial Instruments: Disclosures
The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

The following amendments, improvements and interpretations that became applicable on January 1, 2011 did not affect the statutory financial statements:

- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments
- IFRS improvements (issued by the IASB in May 2010):
  IAS 1 – Presentation of Financial Statements
  IAS 21 – The Effect of Changes in Foreign Exchange Rate
  IAS 27 – Consolidated and Separate Financial Statements
  IAS 28 – Investments in Associates
  IAS 31 – Interests in Joint Ventures
  IAS 32 – Financial Instruments: Presentation
  IAS 34 – Interim Financial Reporting
  IAS 39 – Financial Instruments: Recognition and Measurement

IFRS 1 – First-time Adoption of International Financial Reporting Standards
IFRS 3 – Business Combinations
IFRS 7 – Financial Instruments: Disclosures.
IFRIC 13 – Customer Loyalty Programs.

These financial statements were prepared in accordance with the cost principle, except for derivatives, which were measured at fair value.

The annual financial statements were prepared on a going concern basis. Specifically, the Company concluded that, despite the current challenging economic and financial environment, there are no material uncertainties (as defined in Paragraph 25 of IAS 1) as to the Company's ability to continue as a going concern, owing in part to the actions already taken to address perceived risks and adapt the Company's operating and financial structure to the new economic environment.

The reference date for the financial statements is December 31.

Unless otherwise stated, the amounts listed on the accounting schedules and in the notes to the financial statements are in thousands of euros. This approach could require the rounding of figures.

The financial statements were prepared in accordance with the following methods:
- In the statement of financial position, current and non-current assets and current and non-current liabilities are shown separately;
- In the income statement, costs are broken down by type;
- The indirect method was used to prepare the statement of cash flows.

In May 2011, the Company began to implement a share buyback program, in implementation of a resolutions adopted by the Shareholders' Meeting on September 14, 2010. The purpose of this transaction is to acquire treasury shares that can be used to implement the Stock Grant Plan, reserved for the Chairman and the Chief Executive Officer of Sorin S.p.A. and Group employees, approved by the Shareholders' Meeting on the abovementioned date. The program is also aimed at acquiring shares that could be used to implement stock option plans that may be adopted in the future and, more in general, to stabilize the price of the Company stock, should such a need arise.

In 2011, the Company did not execute any atypical or unusual transactions.

2 – VALUATION CRITERIA AND ACCOUNTING PRINCIPLES

The main valuation criteria and accounting principles applied by Sorin S.p.A. are reviewed below.

Treasury Shares

Purchased treasury shares are recognized at cost and carried as a deduction from shareholders' equity. No gain or loss on purchases, sales or cancellations of treasury shares is recognized in the income statement.

Property, Plant and Equipment

Property, plant and equipment is booked at purchase cost plus any directly attributable incidental expenses that are necessary to make the asset ready for use.
The initial cost of these assets must also include an estimate of asset decommissioning and removal and site remediation costs. The corresponding liability is posted to the provisions for risks and charges.
Maintenance and repair costs that do not extend the useful lives of assets are charged to income in the year they are incurred.

The amounts booked to assets are depreciated annually on a straight-line basis at a rate that reflects the estimated useful lives of the assets. No depreciation is taken until the assets are put into service.

When there is an indication that the value of an asset may have been impaired, its recoverable value is estimated using the method provided by IAS 36 “Impairment of Assets” and any resulting loss is recognized in the income statement, in accordance with the guidelines provided in IAS 36.

Leasehold improvements that meet the requirements of IAS 16 “Property, Plant and Equipment” are classified as property, plant and equipment and depreciated over the asset’s remaining useful life or the remainder of the lease, whichever is shorter.

Leases
When all risks and benefits inherent in the ownership of the leased assets are transferred to the lessee, assets held under a finance lease are booked as property, plant and equipment and the corresponding liability to the lessor is recognized as a financial liability. At the beginning of a lease, assets held under a finance lease are valued at the lower of their fair value or the present value of the minimum payments owed under the lease. They are depreciated over the asset’s estimated useful life in the same manner as property, plant and equipment that the Company owns outright.
Lease payments are broken down between principal, which is deducted from the indebtedness to the lessor, and interest, which is recognized as a financial expense, so that a constant interest rate is applied to the outstanding lease balance.

Intangible Assets

Intangibles are recognized on the asset side of the statement of financial position when it is likely that the use of an asset will generate future benefits and its cost can be measured reliably. Intangibles are booked at their purchase price or internal production cost, inclusive of incidental charges and borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Intangibles with an indefinite useful life are not amortized. Instead, they are tested at least once a year for impairment.
Intangibles with a finite useful life are amortized on a straight line, based on an asset's estimated useful life. When there is an indication that the value of an asset may have been impaired, the recoverable value of intangibles is computed in accordance with the method provided in IAS 36 “Impairment of Assets” and any resulting loss is recognized in the income statement.

Investments in Subsidiaries

Interests held in subsidiaries and affiliated companies that represent long-term equity investments are recognized at the cost incurred to acquire them or establish them or is determined by an independent appraiser when an acquisition is carried out by means of a conveyance.
Annually or whenever there is an indication that the value of an investment may have been impaired, the recoverable value of intangibles is computed in accordance with the method provided in IAS 36 “Impairment of Assets” and any resulting loss is recognized in the income statement.

Available-for-sale Investments in Other Companies

Investments in companies other those in subsidiaries and affiliated companies are classified as available-for-sale investments and, when the information needed to determine their fair value is not available, they are carried at cost, adjusted for any impairment losses.

Receivables and Other Current Financial Assets

Receivables and other current financial assets include trade receivables and other financial receivables generated by Sorin S.p.A. acting in its capacity as intermediary between Group companies and the banking system. Following initial recognition, receivables and other current financial assets are valued at their amortized cost, using the effective discount rate method, net of any provision for impairment losses, in accordance with the guidelines provided by IAS 39 for financial instruments classified as "loans and receivables." Receivables denominated in foreign currencies are adjusted to year-end exchange rates. Any resulting gains or losses are credited or debited to the income statement.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term deposits, the original maturity of which may not exceed three months.

Payables and Financial Liabilities

Payables and financial liabilities comprise trade payables; other payables; loans payable, which include obligations under finance leases; and indebtedness generated by Sorin S.p.A. acting in its capacity as intermediary between Group companies and the banking system.
Trade payables and other payables are carried at their face value. Loans payable are initially recognized at cost, which are equal to the fair value of the consideration received, net of incidental costs. Subsequently, these payables are shown at their amortized cost, computed taking into account issue costs and any premium or discount applicable upon settlement.
Payables denominated in foreign currencies are adjusted to year-end exchange rates. Any resulting gains or losses are credited or debited to the income statement.

Financial Derivatives

Sorin S.p.A., acting primarily in support of its subsidiaries, executes financial derivatives (mainly forward currency contracts and interest rate swaps) exclusively for the purpose of hedging the risk of fluctuations in foreign exchange and interest rates.
Initially, derivatives are recognized at their fair value on the date when the contracts are executed. Subsequently, their fair value is tested at regular intervals using for the forward currency contracts the forward interest rates applied to contracts with a similar profile and maturity and for the interest rate swaps the market value for similar instruments. Any gain or loss that results from this valuation process is recognized on the statement of financial position as either an asset or a liability from financial derivatives.
Gains or losses that result from the valuation at fair value of financial derivatives that meet the requirements of IAS 39 for hedge accounting treatment are recognized as follows:

- In the income statement when they are realized, if the financial instrument in question is designated as hedging the risk of changes in the fair value of an asset or liability (fair value hedge), thereby offsetting the gains or losses recognized in the income statement as a result of the process of valuing the hedged asset or liability.
- In an equity reserve for the effective portion of the hedge and in the income statement for the ineffective portion of the hedge, if the financial instrument in question is designated as hedging the cash flow of a given asset or liability (cash flow hedge). Gains or losses recognized in equity are transferred to the income statement when the economic effects of the hedged assets or liabilities are reflected in the result for the period. When a hedge expires or is cancelled, any amount previously recognized in equity is transferred to the income statement. Currently, this situation does not exist at Sorin S.p.A.

Gains or losses from the valuation of financial derivatives that do not qualify for hedge accounting are recognized in profit or loss.

Accruals and Deferrals

Accrued income and expenses are the offsetting entries of revenues and expenses attributable to two or more years, for which the respective cash entries had not been made on the date of the financial statements.
Prepaid expenses and deferred income represent the portion of cost and revenues attributable to two or more years, which cannot be reflected in the statement of income in the year when the respective cash entry was made.
They are reflected in the financial statements on an accrual basis, in accordance with the general principle of matching costs and revenues.

Provisions for Risks and Charges and Contingent Liabilities

Provisions for future risks and charges are established to recognize a current (legal or implied) obligation that arises from past events, the satisfaction of which will probably require the use of financial resources in an amount that can be estimated reliably.
Provisions for risks and charges set aside to fund a medium- or long-term obligation of a material amount are discounted and any addition to such provisions required to reflect the passing of time is recognized as a financial expense.

Employee Benefits

Provision for Employee Severance Indemnities
The provision for employee severance indemnities is treated as:

- A defined-benefit plan with respect to the benefits that vested up to December 31, 2006;
- A defined-contribution plan with respect to benefits vesting from January 1, 2007 on, both for employees who opted for alternative pension plans and for employees who choose to leave their vested benefits with the Company.

Severance indemnities that vested up to December 31, 2006 are valued by the Projected Unit Credit Method, based on actuarial, demographic and financial assumptions, which no longer include the rate of wage increases. The cost representing an increase in the present value of the provision for employee severance indemnities is recognized as personnel expense.
Vested severance benefits under a provision for employee severance indemnities, which can be construed as a defined-contribution plan, are also recognized as personnel expense and, until their actual disbursement, the offsetting entry in the statement of financial position is posted to other current liabilities.

Other Medium/Long-term Employee Benefits
Other medium/long-term benefits include a long-term incentive plan (cash settled) for the benefit of a limited number of key Group manager. The Long-Term Incentive Plan – LTIP is based on a three-year incentivizing cycle tied to the Group's performance.

Equity Settled Compensation Plans
The Company awards additional benefits to some employees through equity settled compensation plans (stock option and stock grant plans). In accordance with IFRS 2 – Share-based Payment, these plans represent a component of the beneficiary's compensation and their cost is measured based on the fair value of the abovementioned instruments on the grant date. Changes in fair value after the grant date have no effect on the valuation of the plans.
The cost of equity settled transactions and the corresponding increase in shareholders' equity are recognized over the period from the grant date to the vesting date. Until the vesting date, the cumulative costs recognized for such transactions at the end of each reporting period reflect vesting period maturities and the best available estimate of the number of equity instruments that will actually vest. The gain or loss recognized in profit or loss is equal to the difference in the cumulative cost recognized at the beginning and the end of the reporting year.
The cost thus determined is recognized as a personnel expense, for options awarded to employees of Sorin S.p.A., or as an increase in the value of equity investments, for options awarded to employees of other Group companies. In both cases, the offset is posted to an equity reserve.

Revenue Recognition

Revenues, net of returns, discounts, allowances, bonuses and directly related taxes, are recognized based on the progress made in providing the services and when the amount of the revenues can be determined reliably.

Dividends

Dividends are recognized in earnings in the year in which they are declared by the disbursing company.

Income Taxes

The subsidiaries Sorin Site Management S.r.l. (formerly Sorin Biomedica S.r.l.), Sorin Biomedica Cardio S.r.l., Sorin Biomedica CRM S.r.l. and Sorin Group Italia S.r.l. are included in the national consolidated tax return filed by Sorin S.p.A. as the controlling company. As a result, current taxes include, in addition to the provision for regional taxes (IRAP), the corporate income tax obligations/credits that arise from a consolidated tax filing, offset in the statement of financial position by payables to/receivables from the subsidiaries. The current tax obligation is recognized by booking a tax liability based on a reasonable valuation of the amount payable for direct taxes, determined in accordance with the tax laws in force and taking into account any tax loss carryforward or exemptions.
Deferred-tax assets and liabilities are computed on the temporary differences that arise between the values assigned to assets for reporting and tax purposes and on those items, like tax loss carryforwards, that, while not recognized on the statement of financial position, have the potential of creating future tax credits.

Deferred-tax assets and liabilities are computed based on projected tax rates in the year in which the assets are realized or the liabilities extinguished.
Deferred-tax liabilities are recognized on all taxable temporary differences, except for deferred-tax liabilities on reserves the taxation of which has been suspended, which are recognized only if there is a high probability that conditions requiring the payment of income taxes will occur.
Deferred-tax assets, including those arising from tax loss carryforwards and unused tax credits, are recognized in the financial statements only to the extent that it is likely that the Company will generate sufficient taxable income against which these temporary deductible differences can be offset.
Income taxes due on items recognized directly in equity are also reflected directly in equity.

Use of Estimates

The preparation of the financial statements in accordance with the international accounting principles required the formulation of estimates and assumptions that have an impact on the amounts of assets and liabilities and on revenues and expenses. These estimates were based on past experience and on other factors that were deemed to be reasonable under the relevant circumstances. However, the actual results that will ultimately be recognized may be different from the estimates.
Estimates and assumptions are reviewed on a regular basis and the impact of any change in the estimates is reflected in the result for the period during which the change was made.

New Principles, Amendments and Interpretations Adopted by the European Union not Yet in Effect

IFRS 7 – Financial Instruments: Disclosures
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011.The amendment affects disclosure only and will have no impact on the Company's financial position or performance.

3 – PROPERTY, PLANT AND EQUIPMENT

	MANUFACT. AND DISTRIB. EQUIP.	ASSETS UNDER FINANCE LEASES	OTHER ASSETS	TOTAL
At December 31, 2009				
• Gross value	952	893	751	2,596
• Accumulated depreciation and impairment losses	(548)	(452)	(498)	(1,498)
• **Net carrying value**	**404**	**441**	**253**	**1,098**
At December 31, 2010				
• Gross value	952	893	806	2,651
• Accumulated depreciation and impairment losses	(707)	(581)	(588)	(1,876)
• **Net carrying value**	**245**	**312**	**218**	**775**
At December 31, 2011				
• Gross value	1,258	--	1,140	2,398
• Accumulated depreciation and impairment losses	(1,147)	--	(866)	(2,013)
• **Net carrying value**	**111**	**--**	**274**	**385**

(IN THOUSANDS OF EUROS)

The table below shows for each component of property, plant and equipment the changes that occurred during the year:

	MANUFACT. AND DISTRIB. EQUIP.	ASSETS UNDER FINANCE LEASES	OTHER ASSETS	TOTAL
Net carrying value at 12/31/09	**404**	**441**	**253**	**1,098**
• Additions	--	--	55	55
• Depreciation	(159)	(129)	(90)	(378)
Net carrying value at 12/31/10	**245**	**312**	**218**	**775**
• Additions	--	--	27	27
• Depreciation	(159)	(125)	(75)	(359)
• Disposals	--	--	(58)	(58)
• Reclassifications	25	(187)	162	--
Net carrying value at 12/31/11	**111**	**--**	**274**	**385**

(IN THOUSANDS OF EUROS)

The table below provides a breakdown by type of leased assets, which consist of furniture and fixtures for the Via B. Crespi headquarters, in Milan. The lease expired in 2011 and the residual value was reclassified to Company-owned assets.

	MANUFACT. AND DISTRIB. EQUIP	OTHER ASSETS	TOTAL
Net carrying value at 12/31/09	**192**	**249**	**441**
• Depreciation	(77)	(52)	(129)
Net carrying value at 12/31/10	**115**	**197**	**312**
• Depreciation	(75)	(50)	(125)
• Reclassifications	(40)	(147)	(187)
Net carrying value at 12/31/11	**--**	**--**	**--**

(IN THOUSANDS OF EUROS)

It is hereby certified that the carrying value of the Company's assets at December 31, 2011 has not been revalued to reflect changes in economic value or the effects of inflation.

No capitalized interest was added to property, plant and equipment in 2010.

The annual depreciation rates applied in 2011 were as follows:

- Manufacturing and distribution equipment 16.66%

Other assets:
- Office furniture and machines and electronic equipment 12%/20%/ 33.33%

Assets held under leases are depreciated at the rates applicable to the types of asset to which they belong.

4 – Intangible Assets

	PATENTS AND PATENT LICENSES	TRADEMARKS, CONCESSIONS, LICENSES AND SIMIL. RIGHTS	SUNDRY INTANGIBLES	TOTAL
At December 31, 2009				
• Gross value	6,659	1,252	2,553	10,464
• Accumulated amortization and impairment losses	(3,052)	(1,134)	(1,773)	(5,959)
• **Net carrying value**	**3,607**	**118**	**780**	**4,505**
At December 31, 2010				
• Gross value	6,659	1,259	3,028	10,946
• Accumulated amortization and impairment losses	(3,718)	(1,171)	(2,050)	(6,939)
• **Net carrying value**	**2,941**	**88**	**978**	**4,007**
At December 31, 2011				
• Gross value	6,659	1,259	3,343	11,261
• Accumulated amortization and impairment losses	(4,384)	(1,208)	(2,390)	(7,982)
• **Net carrying value**	**2,275**	**51**	**953**	**3,279**

(IN THOUSANDS OF EUROS)

The table below shows for each component of intangible assets the changes that occurred during the year:

	PATENTS AND PATENT LICENSES	TRADEMARKS, CONCESSIONS, LICENSES AND SIMIL. RIGHTS	SUNDRY INTANGIBLES	TOTAL
Net carrying value at 12/31/09	**3,607**	**118**	**780**	**4,505**
• Additions	--	7	475	482
• Amortization	(666)	(37)	(277)	(980)
Net carrying value at 12/31/10	**2,941**	**88**	**978**	**4,007**
• Additions	--	--	315	315
• Ammortamenti	(666)	(37)	(340)	(1,043)
Net carrying value at 12/31/11	**2,275**	**51**	**953**	**3,279**
- assets with a finite useful life	2,275	51	953	3,279
- assets with an indefinite useful life	--	--	--	--

(IN THOUSANDS OF EUROS)

Patent licenses refer exclusively to Medtronic licenses on devices to control heart rhythm.
Licenses and sundry intangibles refer to software and to consulting services and research for software development.

No capitalized interest was added to intangible assets in 2011.

The amortization rates applied in 2011, which were approved by the Board of Statutory Auditors, were as follows:

Patents and patent licenses	10%
Trademarks, concessions, licenses and similar rights	20%/33%
Sundry intangibles	20%/33%

5 – Equity Investments in Subsidiaries

Net carrying value at December 31, 2009	
• Cost	748,860
• Impairment loss	(78,825)
• Stock options	2,617
Net carrying value	**672,652**
Net carrying value at December 31, 2010	
• Cost	748,860
• Impairment loss	(78,825)
• Stock options	2,783
Net carrying value	**672,818**
Net carrying value at December 31, 2011	
• Cost	748,860
• Impairment loss	(77,025)
• Stock options	2,783
Net carrying value	**674,618**

(IN THOUSANDS OF EUROS)

The table below shows the changes that occurred in 2011 in the net carrying value of the investments in subsidiaries:

Net carrying value at December 31, 2009	**672,652**
• Stock options	166
Net carrying value at December 31, 2010	**672,818**
• Impairment loss	(32,500)
• Reversal of writedown	34,300
Net carrying value at December 31, 2011	**674,618**

(IN THOUSANDS OF EUROS)

As required by Article 10 of Law No. 72 of March 19, 1983 and Article 2427 of the Italian Civil Code, it is hereby certified that the carrying value of the Company's equity investments at December 31, 2011 has not been adjusted upwards to reflect changes in economic value or the effects of inflation.

The schedule that follows provides the information about the Company's equity investments required by Article 2427 of the Italian Civil Code.

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES

(pursuant to Article 2427 of the Italian Civil Code)

COMPANY	HEAD OFFICE	CURRENCY	SHARE CAPITAL	PAR VALUE PER SHARE OR INTEREST IN CAPITAL	% INTEREST HELD	NUMBER OF SHARES OR INTERESTS IN CAPITAL HELD	COST (EUROS)	IMPAIR-MENT LOSS (EUROS)	CARRYING VALUE AT 12/31/11 (EUROS)	SHAREHOLD-ERS' EQUITY IN LATEST APPROVED FIN. STAT. (EUROS)	PRO RATA INTEREST IN SHARE-HOLDERS' EQUITY (EUROS)	EARNINGS IN LATEST APPROVED FINANCIAL STATEM. (EUROS)
SORIN GROUP ITALIA S.r.l.	Milan											
Balance at 12/31/10		EUR	8,479,240	1	87.924	7,455,296	435,881,269	21,600,000				
Reversal of writedown		EUR						(18,800,000)				
Balance at 12/31/11		EUR	8,479,240	1	87.924	7,455,296	435,881,269	2,800,000	433,081,269	266,677,517	234,473,540	34,148,947
SORIN CRM S.A.S.	Clamart (France)											
Balance at 12/31/10		EUR	50,000,000	20	100.000	2,500,000	186,433,426	7,900,000		(1)	(1)	(1)
Reversal of writedown		EUR						(7,900,000)				
Balance at 12/31/11		EUR	50,000,000	20	100.000	2,500,000	186,433,426	0	186,433,426	91,094,426	91,094,426	5,317,788
SORIN BIOMEDICA CARDIO S.r.l.	Milan											
Balance at 12/31/10		EUR	4,732,000	4,732,000	100.000	1	48,241,343	5,800,000				
Impairment loss		EUR						32,500,000				
Balance at 12/31/11		EUR	4,732,000	4,732,000	100.000	1	48,241,343	38,300,000	9,941,343	15,533,969	15,533,969	(930,373)
SORIN GROUP NEDERLAND N.V.	Amsterdam (Netherlands)											
Balance at 12/31/10		EUR	29,044,000	1,000	100.000	29,044	54,001,918	33,264,641				
Reversal of writedown		EUR						(7,600,000)				
Balance at 12/31/11		EUR	29,044,000	1,000	100.000	29,044	54,001,918	25,664,641	28,337,277	8,206,000	8,206,000	40,372
SORIN SITE MANAGEMENT S.r.l.	Milan											
Balance at 12/31/10		EUR	2,489,586	1	86.423	2,151,586	16,185,611					
Balance at 12/31/11		EUR	2,489,586	1	86.423	2,151,586	16,185,611		16,185,611	22,149,108	19,141,924	3,593,495
SORIN GROUP INTERNATIONAL S.A.	Lausanne (Switzerland)											
Balance at 12/31/10		CHF	2,200,000	100	100.000	22,000	10,899,887	10,260,672		(1)	(1)	(1)
Balance at 12/31/11		CHF	2,200,000	100	100.000	22,000	10,899,887	10,260,672	639,215	782,091	782,091	(116,380)
TOTAL EQUITY INVESTMENTS IN SUBSIDIARIES AT 12/31/11		EUR					**751,643,454**	**77,025,313**	**674,618,141**			

(1) Data from the financial statements at December 31, 2010.

6 – IMPAIRMENT TEST OF THE CARRYING VALUE OF EQUITY INVESTMENTS IN SUBSIDIARIES

Even though the companies of Sorin Group are multi-business enterprises and the direct subsidiaries of Sorin S.p.A. in turn control several companies that are mainly distribution companies, the carrying value of equity investments in subsidiaries was tested for impairment based on the same cash generating units as those used for goodwill impairment in the consolidated financial statements (Cardiopulmonary, Heart Valves and Cardiac Rhythm Management).

To verify whether the value of these assets had been impaired, the goodwill acquired through business combinations was allocated to the following Cash Generating Units (CGUs):

- Cardiopulmonary
- Heart Valves
- Cardiac Rhythm Management

in accordance with the Group's operating characteristics and consistent with management's strategic vision.
The recoverable value of the cash generating units was determined based on their value in use, computed by projecting their future cash flows in accordance with the latest 2011-2015 five-year strategic plan approved by the Board of Directors of Sorin S.p.A. and using the same impairment method as in previous years. The new strategic, five-year plan will be available in the second half of 20012. The 2011-2015 strategic plan was appropriately modified to include 2012 forecast data and the plan's extension to 2016, consistent with the fundamental parameters of the strategic plan originally approved. The main assumptions used for computation purposes are the following:

- The cash flow projection period includes five years of explicit projection and a terminal value based on projecting the last year of the explicit plan for an additional 15 years, with no growth assumed for the year following the explicit projection year (*g*=0%). In the case of the Heart Valves CGU, consistent with the approach followed the previous year, the explicit plan period was extended to 2017 in order to reflect the results of long-term investments in development projects, which are expected to produce returns beyond the horizon of the five-year plan.
- The revenue growth rate for the explicit projection period is consistent with the average growth rate forecasted for the market of the Cardiopulmonary CGU, which operates in a more mature market segment in which the Group is the leader, and is slightly higher than the average growth rate forecasted for the Heart Valves and Cardiac Rhythm Management CGUs due to greater market opportunities and the existing product pipeline.
- All of the CGUs are expected to improve their marginal profitability, due to a more profitable product/market mix, the impact of the restructuring and reorganization plans of the recent past and the effects of programs specifically designed to increase manufacturing margins.
- The discount rate applied to projected cash flows was equal to the weighted average cost of capital (WACC) after taxes:

	2011	2010
- Cardiopulmonary	7.3%	7.3%
- Heart Valves	8.7%	7.7%
- Cardiac Rhythm Management	8.2%	7.4%
- Sorin Group	7.9%	7.5%

  Compared with the previous year, the discount rate used was less favorable on average due a deterioration of business conditions in the Group's target markets and in the financial markets.
- The debt/equity ratio used for all CGUs was the same as that of Sorin Group at the end of 2011.
- Different levered ß coefficients were used for each CGU. These coefficient, which were computed as the average of the ß coefficients of the main competitors for the past two years, are as follows:

- Cardiopulmonary	0.74
- Heart Valves	0.89
- Cardiac Rhythm Management	0.86
- Sorin Group	0.81

- The yield rate for riskless assets used was 2.0% (ten-year German Bund). The market risk premium was computed for each CGU based on the geographic distribution of its revenues.
- The average cost of debt capital used was 4.2% (2.9% net of the tax effect).

A sensitivity analysis of all three CGUs showed no indication of problems, even assuming a deterioration of the *WACC* (+1.5%) or of the *g* parameter (-1%).

The assumptions summarized above were used to determine the recoverable value for each cash generating unit. The values of the cash generating units thus determined were allocated to the various investments in subsidiaries of Sorin S.p.A. attributing to each subsidiary its pro rata share of the fair value of each cash generating unit based on a set of parameters combined in a manner that would allocate the economic value attributable to industrial and research and development activities separately from that of the sales and marketing activities, in view of the fact that many Group companies operate simultaneously for all three CGUs.

The carrying value of the equity investments was compared with their recoverable value and the results showed a need for a writedown of the investment in Sorin Biomedica Cardio S.r.l.(32,500,000 euros) and reversals of writedowns for the investments in Sorin Group Italia S.r.l. (18,800,000 euros), Sorin CRM Sas (7,900,000 euros) and Sorin Group Nederland N.V. (7,600,000 euros).

7 – OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets include equity interests of 1.172% in Istituto Europeo di Oncologia S.r.l. (951,000 euros) and 0.909% in Sphere Medical Holding PLC.
The full amount of the investment in Sphere Medical Holding PLC (267,000 euros) was written off in 2011. This writedown, which was reflected in the income statement as a financial expense, was recognized to align the carrying amount with the pro rata interest in the investee company's shareholders' equity.

At December 31, 2011, Other non-current financial assets included 35,000 euros for other medium- and long-term financial receivables from outsiders.

8 – DEFERRED-TAX ASSETS AND DEFERRED-TAX LIABILITIES

	12/31/11		12/31/10	
	AMOUNT OF DIF-FERENCES	TAX EFFECT	AMOUNT OF DIF-FERENCES	TAX EFFECT
Deferred-tax liabilities for:				
- Recognition (Derecognition) of assets (liabilities)	339	108	678	218
- Other items			164	45
Total deferred-tax liabilities (A)	**339**	**108**	**842**	**263**
Deferred-tax assets arising from:				
- Depreciation of property, plant and equipment			--	--
- Revaluations at fair value	4,793	1,548	4,494	1,452
- Recognition (Derecognition) of assets (liabilities)	113	6	299	14
- Provision for risks and charges	149	7	149	7
- Other items			3	1
Subtotal (B)	**5,055**	**1,561**	**4,945**	**1,474**
Deferred-tax assets arising from tax loss carryforward (C)	**19,273**	**5,300**	**12,727**	**3,500**
Total deferred-tax assets (B + C)	**24,328**	**6,861**	**17,672**	**4,974**
Total deferred-tax assets, net of deferred-tax liabilities (B + C - A)		**6,753**		**4,711**
Temporary differences excluded from the computation of deferred taxes for:				
- Reserves the taxation of which has been suspended	33,824	10,225	33,824	10,225
Total	**33,824**	**10,225**	**33,824**	**10,225**
Temporary differences excluded from the computation of deferred-tax assets	**6,009**	**1,724**	**5,431**	**1,381**
Tax loss carryforward excluded from the computation of deferred-tax assets	**19,521**	**5,368**	**31,522**	**8,669**

(IN THOUSANDS OF EUROS)

Temporary differences related to reserves the taxation of which has been suspended were excluded from the computation of deferred-tax liabilities because the Company does not expect to use those reserves in a manner that would make them taxable.

Deferred-tax assets, net of deferred-tax liabilities, amounted to 6,753,000 euro, compared with 4,711,000 euros the previous year.
The increase is due mainly to the recognition of higher deferred-tax assets for tax losses resulting from the new carryforward rules introduced by Decree Law No. 98 of July 6, 2011.
The total effect of 2,042,000 euros was allocated as follows: 1,946,000 euros to the income statement and 96,000 euros to a shareholders' equity reserve.
At December 31, 2011, the tax loss carryforward of Sorin S.p.A. totaled 38,794,000 euros and, under the new carryforward rules, it has no expiration date.

Note 30 shows a breakdown of the income taxes recognized in the income statement and provides a reconciliation between the tax liability at the statutory rate and the tax liability actually recognized.

9 – OTHER NON-CURRENT ASSETS

Other non-current assets represent the amounts owed by subsidiaries for the transferred obligation to pay bonuses consisting of stock grants, pursuant to specific contracts.

A breakdown showing the amount owed by each subsidiary is provided below:

	12/31/11	12/31/10
• Sorin CRM S.A.S.	**1,386**	551
• Sorin Group USA Inc.	**830**	318
• Sorin Biomedica Cardio S.r.l.	**768**	315
• Sorin Group France S.A.S.	**706**	251
• Sorin Group Italia S.r.l.	**650**	240
• Sorin Group International S.A.	**350**	123
• Sorin Group Canada Inc.	**162**	68
• Sorin CRM USA Inc.	**98**	32
• Sorin Group Deutschland Gmbh	**60**	15
• Sorin Group Espana SL	**41**	13
• Sorin Group Australia	**43**	13
• Sorin Group Asia Pte Ltd	**36**	12
• Sorin Group Scandinavia AB	**3**	--
• Sorin Group Japan K.K.	**5**	--
• Sorin Cardio Com. Distr. Equip. Medicos Lda	**2**	--
• Sorin CRM S.r.l.	**3**	--
• Sorin Group Belgium S.A.	**7**	--
• Sorin Group Nederland N.V.	**11**	--
• Sorin Group UK Ltd.	**2**	--
• Sorin Group Austria GmbH	**7**	--
Total	**5,170**	1,951

(IN THOUSANDS OF EUROS)

10 – TRADE RECEIVABLES

	12/31/11	12/31/10
Trade receivables:		
- from outsiders	**130**	55
- from subsidiaries	**1,225**	1,805
Total	**1,355**	1,860

(IN THOUSANDS OF EUROS)

Trade receivables are net of an allowance for doubtful accounts, which is detailed below:

Balance at December 31, 2009	**200**
- Additions	30
Balance at December 31, 2010	**230**
- Additions	--
Balance at December 31, 2011	**230**

(IN THOUSANDS OF EUROS)

All trade receivables were due within one year.

A breakdown showing the amount owed by each subsidiary is provided below:

	12/31/11	12/31/10
• Sorin Group Italia S.r.l.	**398**	477
• Sorin Biomedica Cardio S.r.l.	**182**	265
• Sorin CRM S.A.S.	**234**	262
• Sorin Group USA Inc.	**25**	173
• Sorin CRM S.r.l.	**119**	104
• Sorin Group Deutschland Gmbh	**84**	96
• Sorin Group Canada Inc.	**23**	84
• Sorin Group Japan K.K.	**10**	82
• Sorin Group France S.A.S.	**24**	77
• Sorin CRM USA Inc.	**(10)**	41
• Sorin Group UK Ltd.	**22**	27
• Sorin Group Austria GmbH	**12**	27
• Sorin Group Espana SL	**23**	23
• Sorin Site Management S.r.l.	**17**	16
• Sorin Group Belgium S.A.	**13**	11
• Sorin Group Nederland N.V.	**16**	11
• Sorin Group International S.A.	**13**	10
• Sorin Group Australia PTY Limited	**4**	8
• Sorin Group Scandinavia AB	**5**	6
• Sorin Cardio Com. Distr. Equip. Medicos Lda	**3**	5
• Sorin Group Asia Pte Ltd	**1**	1
• Sorin Group Norway AS	**--**	(1)
• Sorin Group Finland OY	**2**	--
• Sorin Group Polska	**5**	--
Total	**1,225**	1,805

(IN THOUSANDS OF EUROS)

11 – OTHER RECEIVABLES

	12/31/11	12/31/10
• Other receivables:		
- from outsiders	**166**	148
- from subsidiaries	**9,962**	12,387
• Prepaid expenses	**995**	887
Total	**11,123**	13,422

(IN THOUSANDS OF EUROS)

Other receivables owed by subsidiaries correspond to positions resulting from the filing of a national consolidated income tax return.

A breakdown showing the amount owed by each subsidiary is provided below:

	12/31/11	12/31/10
• Sorin Group Italia S.r.l.	**9,962**	11,045
• Sorin CRM S.r.l.	**--**	836
• Sorin Site Management S.r.l.	**--**	506
Total	**9,962**	12,387

(IN THOUSANDS OF EUROS)

12 – ASSETS AND LIABILITIES FROM FINANCIAL DERIVATIVES

	12/31/11			12/31/10		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Assets from financial derivatives						
- Foreign exchange contracts (1)	**13,901**	**-**	**13,901**	4,963	-	4,963
- Interest rate contracts (2)			**-**	-	-	-
	13,901	**-**	**13,901**	4,963	-	4,963
Liabilities from financial derivatives						
- Foreign exchange contracts (1)	**13,764**	**-**	**13,764**	4,481	-	4,481
- Interest rate contracts (2)	**3**	**6,290**	**6,293**	578	6,450	7,028
	13,767	**6,290**	**20,057**	5,059	6,450	11,509

(IN THOUSANDS OF EUROS)

(1) The impact on earnings is included in foreign exchange translation differences.

(2) The impact on earnings is included in interest income and expense.

Current liabilities from financial derivatives include 13,757,000 euros from transactions with outsiders and 10,000 euros from transactions with subsidiaries, while current assets reflect transactions with subsidiaries totaling 13,901,000 euros. Non-current liabilities from financial derivatives include 6,290,000 euros owed to outsiders.
At December 31, 2010, current liabilities from financial derivatives included 4,685,000 euros from transactions with outsiders and 374,000 euros from transactions with subsidiaries. Current assets reflected transactions with subsidiaries totaling 4,963,000 euros. Non-current liabilities from financial derivatives included 6,450,000 euros owed to outsiders.

Financial Derivatives that Hedge the Risk of Fluctuations in Foreign Exchange Rates

In 2011, as part of the financial activities it carries out to help and support its subsidiaries, Sorin S.p.A. executed derivatives (forward currency contracts) with credit institutions, on one side, and with Group companies, on the other side, with the objective of hedging the risk of fluctuations in foreign exchange rates on the flow of imports and exports involving euro-zone subsidiaries.
In addition, the Company executed buy and sell contracts in currencies other than the euro to hedge intra-Group positions.

Additional information about the market risk created by fluctuations in foreign exchange rates is provided in Note 22.

The table that follows shows a breakdown of contracts hedging foreign exchange risks that were outstanding at December 31, 2011.

COUNTERPARTY	POSITION	TYPE OF TRANSACTION	CURRENCY	NOTIONAL AMOUNT	MEASUREMENT AT FAIR VALUE
Subsidiaries	Buy	Currency swaps	U.S. dollar	83,768	3,021
			British pound	15,095	543
			Japanese yen	99,256	10,242
			Australian dollar	5,442	152
			Polish zloty	449	2
			Swiss franc	3,100	(212)
			Swedish kronor	73	1
			Canadian dollar	5,089	165
					13,914
	Sell	Currency swaps	U.S. dollar	33,365	(23)
					(23)
Outsiders		Option	U.S. dollar	7,021	(289)
					(289)
	Buy	Forward	U.S. dollar	38,842	106
			British pound	3,745	9
			Japanese yen	1,797	-
			Canadian dollar	29,055	7
			Australian dollar	968	24
					146
	Sell	Forward	U.S. dollar	52,469	(2,602)
			British pound	15,095	(543)
			Japanese yen	110,093	(10,329)
			Australian dollar	10,092	(214)
			Polish zloty	1,006	6
			Norwegian krone	764	(4)
			Swedish kronor	73	(1)
			Canadian dollar	5,089	(165)
			Swiss franc	4,559	241
					(13,611)
					137

(IN THOUSANDS OF EUROS)

Financial Derivatives that Hedge the Risk of Fluctuations in Interest Rates

Sorin S.p.A. executes interest rate swaps to hedge the risk of the impact of fluctuations in interest rates on its medium- and long-term borrowings by converting variable-rate borrowings into fixed-rate facilities.

Effective January 1, 2009, the Company adopted appropriate procedures to determine whether financial derivatives that hedge the risk of fluctuations in interest rates (cash flow hedges) meet the requirements for hedge accounting treatment. The effective hedging portion of gains or losses from the valuation of financial derivatives that qualify for hedge accounting treatment under IAS 39 is recognized in a shareholders' equity reserve, while the non-effective portion is recognized in profit or loss, provided the financial derivative has been designated as a cash flow hedge (hedging the cash flows of an asset or liability). Gains or losses recognized in equity are transferred to the income statement when the economic effects of the hedged assets and liabilities is reflected in the result for the period. If a hedging instrument expires or is closed out, the amounts previously recognized in equity are transferred to the income statement.

Additional information about the market risk created by fluctuations in interest rates is provided in Note 22, later in this Report.

At December 31, 2011, the status of interest rate swaps hedging interest rate risks was as follows:

DERIVATIVE	HEDGED BORROWINGS [1]	EXPIRATION DATE	NOTIONAL AMOUNT	MEASUREMENT AT FAIR VALUE	FIXED RATE
Cash flow hedge	tranche EUR 59,500	6/30/14	EUR 59,500	4,338	4.266% [2]
	tranche USD 47,075	6/30/14	USD 47,075	1,952	2.952% [2]
	(EIB medium/long-term facility)				
Totale hedge accounting				6,290	
Cash flow hedge	(syndicated Mediobanca, Intesa San Paolo, MCC and BNP Paribas medium/long-term facility)	6/22/12	EUR 248	3	4.066%
Total non-hedge accounting				3	
Total hedge accounting				**6,293**	

(IN THOUSANDS OF EUROS)

(1) The amount of the facilities shown above includes incidental costs and the current portion of the loans.

(2) Average fixed rate.

The Finance Department of Sorin S.p.A. performs periodically prospective and retrospective tests to verify the effectiveness of the existing hedges.

The effectiveness of hedging transactions is documented both at the transaction's inception and periodically (as a minimum in connection with the publication of the annual report and interim reports) and is measured by comparison changes in the fair values of the derivative and the underlying item, both measured on the date of the financial statements based on actual end-of-period data (retrospective test) and on market conditions shock assumptions (prospective test).

Prospective tests can be used to show whether a hedging instrument is highly effective, from the beginning and over the entire length of the hedging relationship, in compensating for changes in the underlying cash flow caused by the hedged risk.

Retrospective tests are used to verify if the hedging relationship was in fact highly effective, within a range of 80% to 125%.

At December 31, 2011, the cash flow hedge reserve, which reflects changes in the values of instruments hedging the risk of fluctuations in interest rates, had a negative balance of 4,793,000 euros (3,245,000 euros net of tax effect).

The table below shows the changes that occurred in the cash flow hedge reserve:

	12/31/11	12/31/10
Cash flow hedge reserve - Interest rate risk		
Opening balance	**(4,496)**	(2,558)
Amount to cash flow hedge reserve during the year	**(2,725)**	(5,941)
Amount from cash flow hedge reserve to income statement: - to financial expense/income	**(2,428)**	(4,003)
Closing balance	**(4,793)**	(4,496)

(IN THOUSANDS OF EUROS)

The table below provides a forward projection of the hedged flows of interest expense that, based on the forward curves of market interest rates at December 31, the Company estimates it will be required to pay, based on the financial liabilities subject of cash flow hedging, net of contractual spreads:

	12/31/11	12/31/10
Flows within 3 months	**--**	--
Flows from 3 to 6 months	**(627)**	(1,075)
Flows from 6 months to 1 year	**(675)**	(1,005)
Flows from 1 to 2 years	**(611)**	(1,518)
Flows from 2 to 5 years	**(1,370)**	(564)
Flows after 5 years	**--**	--
Total	**(3,283)**	(4,162)

(IN THOUSANDS OF EUROS)

13 – OTHER CURRENT FINANCIAL ASSETS

In 2008, acting within the framework of a securitization program, Sorin entered into an agreement with Crédit Agricole for the assignment on a revolving basis of receivables owed by a portfolio of Italian and French customers. Under this agreement, the full credit risk was transferred to Crédit Agricole, which, consequently, allowed the deconsolidation of the assigned receivables. Sorin's only remaining risk was the risk of dilution (credit memos), for which Sorin S.p.A. provided a deposit as cash collateral.
In May 2011, Sorin ended the securitization program for the French customers, buying back the remaining balance, and stopped assigning Italian receivables in March 2011.

Other current financial assets totaled 154,528,000 euros at December 31, 2011 (109,422,000 euros at December 31, 2010).
This item also includes a deposit in the amount of 295,000 euros (4,361,000 euros at December 31, 2010) provided as cash collateral in connection with receivables assigned without recourse to Crédit Agricole (formerly Calyon), under a securitization program, as well as amounts owed by subsidiaries in connection with current accounts they maintain with the Group's Parent Company, as part of the centralized cash management system, and lending accounts denominated both in euros and foreign currencies totaling 154,165,000 euros and other financial receivables from outsiders amounting to 68,000 euros.

The exposure of each subsidiary is listed below:

	12/31/11	12/31/10
• Sorin Biomedica Cardio S.r.l.	**54,097**	43,178
• Sorin Group Deutschland Gmbh	**18,539**	22,315
• Sorin Group Japan K.K.	**9,068**	10,057
• Sorin Group Nederland N.V.	**10,503**	10,008
• Sorin Group Espana SL	**6,030**	5,068
• Sorin Group USA Inc.	**--**	4,392
• Sorin Group Austria GmbH	**1,362**	3,687
• Sorin Group Australia PTY	**3,804**	2,424
• Sorin Cardio Com. Distr. Equip. Medicos Lda	**2,744**	2,017
• Sorin Group International S.A.	**766**	1,140
• Sorin Group Norway AS	**780**	763
• Sorin Group Scandinavia AB	**--**	1
• Sorin CRM S.A.S.	**38,310**	--
• Sorin CRM S.r.l.	**7,759**	--
• Sorin Group Polska	**403**	--
Total	**154,165**	105,050

(IN THOUSANDS OF EUROS)

14 – TAX CREDITS AND TAXES PAYABLE

	12/31/11	12/31/10
• Tax credits	**6,540**	5,637
• Taxes payable	**(7,844)**	(261)
Tax credits (taxes payable), net	**(1,304)**	5,376

(IN THOUSANDS OF EUROS)

Tax credits include 47,000 euros (18,000 euros at December 31, 2010) receivable from the tax authorities for taxes withheld on interest income and 6,491,000 euros (5,619,000 euros at December 31, 2010) in VAT overpayments (including 6,413,000 euros from the filing of a national consolidated VAT return) and 2,000 euros for amounts withheld on behalf of the tax administration from compensation paid to employee.
Taxes payable include 6,341,000 euros for consolidated VAT, 1,163,000 euros for corporate income tax (IRES) payable and 340,000 euros withheld on behalf of the tax administration from compensation paid to employees and independent contractors.

15 – Cash and Cash Equivalents

	12/31/11	12/31/10
• Cash on hand	**13**	12
• Bank and postal accounts	**21,135**	21,320
Total	**21,148**	21,332

(IN THOUSANDS OF EUROS)

The bank account balances include amounts attributable to transactions with related parties totaling 9,419,000 euros (Note 32).

16 – Shareholders' Equity

The shareholders' equity consists exclusively of common shares, par value 1 euro each:

	Share capital of Sorin S.p.A.		
	AUTHORIZED	SUBSCRIBED	PAID-IN
Number of shares at December 31, 2009	**488,355,259**	**470,412,144**	**470,412,144**
- Subscriptions for exercise of stock options (Plan 5)	--	20,000	20,000
Number of shares at December 31, 2010	**488,355,259**	**470,432,144**	**470,432,144**
- Subscriptions for exercise of stock options (Plan 5)	--	8,306,000	8,306,000
- Options expired on June 30, 2011 (Plan 5)	(9,617,115)	--	--
Number of shares at December 31, 2011	**478,738,144**	**478,738,144**	**478,738,144**

(IN EUROS)

The Company maintains an adequate level of capital to meet the growth and operating needs of its subsidiaries and protect its viability as a going concern.
An appropriate balance of funding sources, which also serves the purpose of lowering the overall cost of capital, is achieved by an effective mix of risk capital, which is provided permanently by shareholders, and debt capital, which must also be diversified in terms of maturities and currencies. To achieve these goals, management constantly monitors the Company's debt exposure, in terms of the ratios of indebtedness both to shareholders' equity and EBITDA, and the Business Units' cash flow generating ability.

Information about the stock option and stock grant plans is provided in Note 26.

At December 31, 2011, Additional paid-in capital amounted to 7,147,000 euros. The increase of 7,130,000 euros reflects the share capital increase resulting from the exercise of stock options in 2011.

The statutory reserve grew to 63,292,000 euros at December 31, 2011. The increase of 499,000 euros compared with December 31, 2010, reflects the appropriation of the 2010 net profit.

Other reserves include the following:

	12/31/11	12/31/10
• Reserve for inflation adjustment pursuant to Law No. 72 of 3/19/83	**20,146**	20,146
• Reserve for inflation adjustment pursuant to Law No. 413 of 12/30/91	**844**	844
• Reserve for reinvested capital gains (Article 1 of Law No. 169/83)	**3,931**	3,931
• Earnings reserve	**3,966**	3,798
• Other capital reserves	**1,099**	832
• Stock option reserve	**--**	2,667
• Stock grant reserve	**7,654**	2,938
• Cash flow hedge reserve	**(3,244)**	(3,044)
• Retained earnings	**6,552**	2,031
Total	**40,948**	34,143

(IN THOUSANDS OF EUROS)

Availing itself of one of the alternatives provided by IFRS 1 in connection with first-time adoption of the international accounting principles, Sorin S.p.A. opted to include in “Other reserves” the reserve generated upon first-time adoption of the International Financial Reporting Standards, the stock option reserve and all other reserves, with the exception of additional paid-in capital and the statutory reserve, which are shown separately.

The stock option reserve, which totaled 2,667,000 euros at December 31, 2010, had a zero balance at the end of 2011 due to the expiration of the respective stock option plans. The balance corresponding to unexercised options was reclassified to earnings reserves, for the portion attributable to employees of Sorin S.p.A. and to capital reserves for the portion attributable to employees of other Group companies.

The stock grant reserve refers to the long-term incentive plan with grants of Sorin S.p.A. shares, which was approved by the Shareholders’ Meeting on September 14, 2010. It includes 2,484,000 euros attributable to employees of Sorin S.p.A. and 5,170,000 euros attributable to employees of other Group companies.

The cash flow hedge reserve, which had a negative balance of 3,244,000 euros, corresponds to the effective portion of the hedges (net of taxes).

The earnings reserves totaled 3,966,000 euros.

At December 31, 2011, Sorin S.p.A. held 2,933,600 treasury shares (purchased in 2011 at an average cost of 1.6141 euros per share), equal to 0.6128% of the share capital comprised of 478,738,144 common shares, par value 1 euro each. The treasury shares held are reserved for use in connection with the stock grant plan reserved for the Chairman, the Chief Executive Officer and Group employees, which is described in Note 26.

Treasury shares are carried as a deduction from shareholders’ equity. The original cost of treasury shares, the proceeds from their sale and any subsequent sales are recognized as changes to shareholders’ equity.

It is worth mentioning that, in accordance with a resolution approved by the Shareholders’ Meeting of September 14, 2010 in connection with the Stock Grant Plan, the Company is committed to earmark for purchases of treasury shares an amount corresponding to up to 4,704,121 shares, limited to the amount of the available earnings and reserves shown in the latest approved financial statements.

Origin of the Components of Shareholders' Equity and Distributable and Available Amounts

	AMOUNT	UTILIZATION OPTION	AVAILABLE AMOUNT
Share capital	**478,738**		
Reserves			
- Additional paid-in capital (1)	7,147	A,B,C	--
- Statutory reserve	63,292	B	--
- Reserve for inflation adjustments	20,990	A,B	20,990
- Reserve for reinvested capital gains	3,931	A,B,C	3,931
- Earnings reserve	3,966	A,B,C	3,966
- Other capital reserves	1,099	A,B,C	1,099
- Stock option reserve	--	--	--
- Stock grant reserve	7,654	--	--
- Cash flow hedge reserve	(3,244)	--	--
- Retained earnings	6,552	A,B,C	6,552
Total	**590,125**		

(IN THOUSANDS OF EUROS)

Legend:
A: for capital increases
B: to cover losses
C: for distribution to shareholders
(1) Pursuant to Article 2431 of the Italian Civil Code, the entire amount of this reserve can be distributed only if the statutory reserve has reached the level required by Article 2430 of the Italian Civil Code.

17 – Non-current Financial Liabilities and Other Current Financial Liabilities

	12/31/11	12/31/10
Non-current financial liabilities		
Due to banks:		
- European Investment Bank (EIB)	**95,882**	94,589
Total non-current financial liabilities	**95,882**	94,589
Other current financial liabilities		
Checking account overdrafts and other short-term indebtedness	**27**	13
Current portion of medium- and long-term indebtedness:		
- Due to banks:		
- Mediobanca, Intesa San Paolo, MCC and BNP Paribas syndicated loan (Tranches A and B)	**--**	30,682
- European Investment Bank (EIB)	**--**	1,350
- Due under finance leases	**--**	113
Other financial liabilities toward subsidiaries	**137,555**	110,192
Other financial liabilities	**20**	22
Total other current financial liabilities	**137,602**	142,372

(IN THOUSANDS OF EUROS)

Non-current financial liabilities include the portion of medium- and long-term debt due after one year, amounting to 95,882,000 euros.

Checking account overdrafts and other short-term indebtedness includes utilizations of revocable credit lines, none of which has been collateralized.
At December 31, 2011, Sorin S.p.A. had unused credit lines totaling about 76 million euros (78 million euros at December 31, 2010).

Other current financial liabilities include amounts owed to subsidiaries that consist mainly of balances in intra-Group current accounts established as part of the centralized cash management system.

The table below shows a breakdown of the amounts owed to each subsidiary:

	12/31/11	12/31/10
• Sorin Group Italia S.r.l.	**18,863**	44,772
• Sorin Group Canada Inc.	**29,143**	27,571
• Sorin CRM S.A.S.	**--**	16,569
• Sorin Group France S.A.S.	**73,069**	6,825
• Sorin CRM S.r.l.	**--**	5,620
• Sorin Group UK Ltd	**4,384**	3,891
• Sorin Group Belgium S.A.	**1,832**	1,590
• Sorin Group Asia Ltd.	**1,409**	1,185
• Sorin Site Management S.r.l.	**2,136**	1,160
• Sorin Group Finland OY	**1,262**	907
• Sorin Group Scandinavia AB	**437**	102
• Sorin Group USA Inc.	**5,020**	--
Total	**137,555**	110,192

(IN THOUSANDS OF EUROS)

The table below provides information about the EIB facility:

	FACE VALUE IN THOUSANDS OF EUROS	MATURITY	% INTEREST RATE
- **IEB:**			
Tranche 1	59,500	June 30, 2014 (3)	Six month Euribor + spread from 1.75% to 0.45% (2)
Tranche 2 (1)	36,382	June 30, 2014 (3)	Six month Libor + spread from 1.75% to 0.45% (2)
	95,882		

(IN THOUSANDS OF EUROS)

(1) Loan disbursed in U.S. dollars.

(2) Spread subject to change upon Sorin Group achieving certain ratios of net indebtedness to EBITDA.

(3) Single maturity.

The EIB loan and the syndicated financing facility provided by Mediobanca, Intesa San Paolo, MCC and BNP, which was repaid in 2011, are subject to terms and conditions that are typical of facilities of this type. They include the following:

- Financial parameters that set maximum and minimum limits in the consolidated financial statements for the ratios of debt to equity, debt to EBITDA and EBITDA to net borrowing costs;
- Financial parameters that set maximum and minimum limits in the consolidated financial statements for shareholders' equity, indebtedness and capital expenditures;
- So-called *pari passu* clauses, pursuant to which the financing facility may not be subordinated to other borrowings, except for obligations that enjoy a senior status pursuant to law;
- Negative pledge clauses, which place limits on the Group's ability to provide collateral;
- and other clauses that are normally included in loan agreements of this type, including restrictions on dividend payments and asset sales.

At December 31, 2011, the Group was abundantly in with compliance the covenants of the abovementioned loan agreements.

In 2011, in addition to repaying the installments due during the year totaling 16.1 million euros, Sorin S.p.A. carried out a mandatory early repayment, ahead of the scheduled due dates, of an installment of both facilities for a total of 3.6 million euros, as required by the "excess cash flow" clause. Pursuant to this clause, a portion of the excess cash flow generated the previous year, net of loan installments repaid during the same period, must be used for early repayment of the loan.

In July 2011, the Company voluntarily repaid in advance the Mediobanca syndicated facility, for a total amount of 12.6 million euros, including 10.6 million euros for the tranche in euros and $2.6 million for the tranche in U.S. dollars.

The EIB facility is secured by a 10-million-euro guarantee provided by Sorin Biomedica Cardio S.r.l., a subsidiary of Sorin S.p.A.

18 – Provision for Employee Severance Indemnities and Other Provisions for Employee Benefits

	PROVISION FOR EMPLOYEE SEVERANCE INDEMNITIES	OTHER PROVISIONS FOR EMPLOYEE BENEFITS	TOTAL
Balance at December 31, 2009	**252**	**265**	**517**
• Intra-Group transfers	(1)	--	(1)
• Additions	13	(8)	5
• Utilizations	(12)	--	(12)
• Reclassifications	--	(213)	(213)
Balance at December 31, 2010	**252**	**44**	**296**
• Additions	(1)	42	41
Valore al 31 dicembre 2011	**251**	**86**	**337**

(IN THOUSANDS OF EUROS)

A new Long-term Incentive Plan (LTIP) for the achievement of multi-year objectives and benefiting a select number of key managers was introduced in 2009. This Plan is based on a three-year incentivizing cycle tied to Group performance targets.
Specifically, the Plan calls for the award of a bonus at the end of a cycle. The vesting conditions include the beneficiary's continuing employment at a Group company on the date the bonus is paid and the achievement by the Group of the applicable performance targets.
For financial statement recognition purposes, this Plan was classified in the Other long-term benefits category and accounted for in accordance with the rules provided in IAS 19 for this benefit category, together with the applicable social security contributions.
The cost accrued in 2011 amounted to 42,000 euros (as against a gain of 8,000 euros in 2010 that reflected a revision of the previous year's estimate).

A breakdown of additions to the Provision for Employee Severance Indemnities, the entire amount of which was included in personnel costs, is as follows:

	2011	2010
• Financial expense	**10**	11
• Actuarial (gains) losses	**(11)**	2
Total	**(1)**	13

(IN THOUSANDS OF EUROS)

The provision for employee severance indemnities was computed based on the following assumptions:

Demographic assumptions

- Mortality rate	IPS55 mortality chart
- Disability rate	INPS 2000 tables
- Employee turnover rate	3.75%

Financial assumptions

- Inflation rate	2.25%
- Discount rate	4.60%
- Average rate of wage increase	3.00%

19 – TRADE PAYABLES

	12/31/11	12/31/10
Trade payables owed to:		
- outsiders	**5,297**	3,983
- subsidiaries	**744**	245
- other related parties	**14**	18
Total	**6,055**	4,246

(IN THOUSANDS OF EUROS)

Trade payables do not accrue interest.

Accounts payable to other related parties refer to consulting services provided by Mittel Corporate Finance S.p.A., a company whose Chief Executive Officer is Francesco Silva, a Director of Sorin S.p.A. (Note 32).

The table below shows a breakdown of the amounts owed to each subsidiary:

	12/31/11	12/31/10
• Sorin CRM S.A.S.	**400**	102
• Sorin Group USA Inc.	**58**	63
• Sorin Group International S.A.	**234**	52
• Sorin Site Management S.r.l.	**15**	15
• Sorin Group Italia S.r.l.	**22**	5
• Sorin Biomedica Cardio S.r.l.	**5**	4
• Sorin Group Belgium	**6**	4
• Sorin Group Espana SL	**4**	--
Total	**744**	245

(IN THOUSANDS OF EUROS)

20 – OTHER PAYABLES

	12/31/11	12/31/10
• Other payables and current liabilities:		
- outsiders	**2,510**	2,693
- subsidiaries	**4,375**	8,775
Total	**6,885**	11,468

(IN THOUSANDS OF EUROS)

Other current obligations and liabilities do not accrue interest. They consist mainly of amounts payable in connection with the national consolidated income tax return, amounts owed to pension and social security institutions and to employees, and include the accrued portion of employee payrolls.

At December 31, 2011, accounts payable to subsidiaries included 4,375,000 euros for the national consolidated corporate income tax return.
At December 31, 2010, they included 3,500,000 euros for the national consolidated corporate income tax return and 5,275,000 euros for the national consolidated VAT return.
In 2011, the balances resulting from the national consolidated VAT return were included in Tax credits and taxes payable, respectively.

A breakdown of the amounts owed to each subsidiary is as follows:

	12/31/11	12/31/10
• Sorin Biomedica Cardio S.r.l.	**3,778**	6,124
• Sorin CRM S.A.S.	**589**	1,612
• Sorin CRM S.r.l.	**8**	1,039
Total	**4,375**	8,775

(IN THOUSANDS OF EUROS)

21 – Commitments, Guarantees Provided and Contingent Liabilities

Commitments Under Finance Leases

There were no finance leases outstanding at December 31, 2011.
The leases executed by Sorin S.p.A. in 2007 concerning furniture and fixtures for its Via B. Crespi headquarters in Milan expired in 2011.

	12/31/11	12/31/10
• Due within one year	--	115
• Due between one and five years	--	--
• Due after five years	--	--
Total lease payments	--	115
(Financial expense)	--	(2)
Total present value of lease payments	--	113

(IN THOUSANDS OF EUROS)

Commitments Under Operating Leases and Building Leases

	OPERATING LEASES		BUILDING LEASES	
	12/31/11	12/31/10	12/31/11	12/31/10
• Due within one year	**213**	315	**1,138**	1,696
• Due between one and five years	**426**	636	**3,507**	1,131
• Due after five years	**--**	--	**1,081**	--
Total lease payments	**639**	951	**5,726**	2,827

(IN THOUSANDS OF EUROS)

Future payments under building leases refer to the Via B. Crespi building in Milan (5,241,000 euros) and to six leases for premises used as guesthouses for traveling employees (485,000 euros).

Guarantees Provided

At December 31, 2011, Sorin S.p.A. had provided the following guarantees and sureties to outsiders on behalf of the subsidiaries listed below:

- Sorin Biomedica Cardio S.r.l. (1,680,000 euros) and Sorin Site Management S.r.l. (922,000 euros), provided to Banca Regionale Europea to secure financing facilities.
- Sorin Espana S.A., 709,000 euros provided to Intesa SanPaolo to secure bank overdraft facilities.
- Sorin Biomedica Cardio S.r.l., 3,706,000 euros provided to Unicredit to secure bank overdraft facilities.
- Sorin Biomedica Cardio S.r.l., 12,000 euros provided to Centro Leasing to guarantee purchases of leased assets.
- Sorin Group Japan K.K., 220,000 euros provided to Intesa San Paolo to secure bank overdraft facilities.
- Sorin Group Deutschland GmbH, 314,000 euros provided to Unicredit to secure bank overdraft facilities.
- Sorin Group UK Limited, 338,000 euros provided to Intesa San Paolo to secure payment of rent on S.G. UK's offices.

- Sorin Group Italia S.r.l., 942,000 euros provided to Banca Popolare dell'Emilia to secure bank overdraft facilities.
- Sorin Biomedica Cardio S.r.l., 130,000 euros provided to E.on Energia S.p.A. to guarantee commercial supply contracts.
- Sorin Group Polska, 29,000 euros provided to Unicredit to secure bank overdraft facilities.
- Sorin Group USA Inc., 232,000 euros provided to Bank of the West to secure bank overdraft facilities.
- Sorin Biomedica Cardio S.r.l., 878,000 euros provided to the Italian Tax Administration – Milan VAT Office in connection with the filing of a consolidated VAT return and countersigned for the full amount by the interested company.

In addition, a guarantee of 378,000 euros was provided by Banca Popolare dell'Emilia to Maciachini Properties on behalf of Sorin S.p.A. to secure the payment of rent for the Via B. Crespi headquarters in Milan. Sorin S.p.A. is jointly liable for this surety.

Lastly, to cover the risk of dilution related to the securitization program, Sorin S.p.A. provided cash collateral benefiting Crédit Agricole (formerly Calyon) totaling 295,000 euros on behalf of Sorin Group Italia S.r.l.

Litigation and Contingent Liabilities

In January 2012, the Company was served with a summons to appear before the Civil Court of Milan at a hearing scheduled for November 20, 2012. This action was filed by SNIA S.p.A., under extraordinary administration, and is aimed at verifying the existence of an alleged joint liability of Sorin S.p.A. with SNIA S.p.A. with regard to any liabilities related to and/or resulting from environmental remediation costs caused by chemical activities operated by SNIA S.p.A. and other companies of the SNIA Group prior to the group's demerger on January 2, 2004. Therefore, this action is being filed merely for verification purposes and not to seek a decision ordering damage compensation. Sorin reviewed the contents of the summons, believes that the arguments presented against it are devoid of merit and plans to join the proceedings to contest SNIA's claims in their entirety and vigorously defend its rights, which it will put forth in the appropriate venue.

Information about any legal disputes and contingent liabilities concerning the Group's subsidiaries is provided below.

Even though the Group is exposed to the risk of litigation related to product liability, which is inherent in the development, production and distribution of medical devices, there were no judicial, administrative or arbitration proceedings outstanding at December 31, 2011 that could have a material impact on the Group's operating performance or financial position. Moreover, the Group has secured international insurance coverage that it deems adequate to cover its civil liability and product liability exposure.

As for proceedings involving issues other than product liability, on November 9, 2010, the French antitrust authorities (L'Autorité de la Concurrence) launched an investigation of the cardiac rhythm management device industry in France. The antitrust authorities requested and received information from all of the companies active in this industry in the French market, including the direct and indirect subsidiaries of Sorin S.p.A. (Sorin CRM S.A.S. and Sorin Group France S.A.S.), and by the French industry association (Syndicat National de l'Industrie des Technologies Médicales - SNITEM). Sorin is fully cooperating with this investigation, which is still ongoing and in connection with which no evidence has been produced or formal charges filed against any Group affiliate. At this preliminary stage, it is impossible to identify or quantify the financial or economic impact, if any, of this investigation.

As for tax-related disputes, in a tax audit report notified on October 30, 2009, the Regional Internal Revenue Office of Lombardy informed Sorin Group Italia S.r.l. that, among several issues, it was disallowing in part (for a total of 102.6 million euros) a tax deductible writedown of the investment in the U.S. company Cobe Cardiovascular Inc., which Sorin Group Italia S.r.l. recognized in 2002 and deducted in five equal installments, beginning in 2002. In December 2009, the Internal Revenue Office issued three notices of assessment for 2002, 2003 and 2004. The assessments for 2002 and

2003 were automatically voided by virtue of their lack of merit. In December 2010, the Internal Revenue Office issued a notice of assessment for 2005. In October 2011, the Internal Revenue Office issued a notice of assessment for 2006.
The Company, being confident that it can fully justify and defend its position, challenged the assessments for 2004 and 2005 before the relevant Provincial Tax Commissions. The notice of assessment for 2006 will be challenged shortly.
On November 24, 2011, Section 9 of the Bologna Provincial Tax Commission heard the challenge filed against the assessment for 2004. The Company is waiting to learn the details of the Commission's decision.
The total amount of the contested losses is 62.6 million euros. The Company believes that it can provide evidence that it correctly interpreted and applied the relevant laws.

22 – Financial Instruments and Managing Financial Risk

Financial Instruments

The main purpose of the financial activities carried out by Sorin S.p.A. is to provide support, coordination and control to its subsidiaries by managing centrally the Group's financial flows and entering into agreements with the credit system in its capacity as agent for its subsidiaries.
The main tools used to finance the Group's operations include: medium- and long-term financing from banks and other lenders, sight and short-term bank deposits and a securitization program, under which trade receivables of subsidiaries that meet certain requirements are assigned to a factor.
Other financing tools used by Sorin S.p.A include trade accounts payable (generated mainly by operating activities carried out directly and on behalf of subsidiaries), accounts receivable (mostly intra-Group), equity investments in other companies, assets and liabilities from financial derivatives (mainly interest rate swaps and forward currency contracts executed primarily to hedge the risk related to the impact of currency fluctuations on Group subsidiaries) and other receivables and payables, except for those involving transactions with employees, the tax administration and social security institutions.

Consistent with the recommendations of IFRS 7 "Financial Instruments: Disclosures," the schedules provided on subsequent pages of this Report contain the following information: classification of financial instruments, disclosure of fair value, the hierarchical ranking used to determine fair value, the gains and losses for each class of financial instrument, and interest income and expense on financial instruments not valued at fair value.

Classification of Financial Instruments

The following process was applied in developing a classification of financial instruments in accordance with guidelines provided by IAS 39:

- Assets and liabilities from financial derivatives executed with outsiders and Group companies to hedge the impact of foreign exchange risk on the import/export flows were classified under Financial assets/liabilities held for trading (at fair value through profit and loss) because they did not meet the requirements for hedge accounting treatment.
- Assets and liabilities from financial derivative contracts executed to mitigate interest rate risk were classified under Hedging derivatives, when they met the requirements for hedge accounting, and under Financial assets/liabilities held for trading (at fair value through profit and loss), when they did not meet those requirements.

The schedule that provides a classification of financial instruments also shows the fair value of each line item in the financial statements. The following method was applied to determine fair value:

- Assets and liabilities from financial derivatives that hedge interest rate risk (interest rate swaps): Present value of the interest flows generated on the notional amount, computed separately for the fixed rate portion and the variable rate portion. The computation for the latter was based on the forward rate curve at December 31.
- Assets and liabilities from financial derivatives that hedge foreign exchange risk (forward contracts): Present value of the differentials between the contractual forward exchange rate and the forward rate for similar transactions executed on December 31.

- Financial liabilities at amortized cost: Present value of borrowing flows (counting both principal and interest). Future interest flows were computed using the forward rate curve at December 31 and were discounted to present value using rates adjusted to the market credit spread at December 31, using the curve of the zero-coupon interest rate swaps as of the same date.

The carrying value of other financial instruments was roughly the same as their fair value. Specifically, the carrying value of investments in other companies, which are instruments that are not traded on active markets, is realistically representative of their fair value.
The fair value of the remaining financial assets and liabilities (trade receivables and payables, miscellaneous receivables and payables and short-term financial receivables and payables) is also consistent with their carrying value, of which it represents a reasonable approximation.

Classification of Financial Instruments at December 31, 2011

	CLASSIFICATION							CARRYING VALUE			FAIR VALUE
	FINANCIAL ASSETS/ LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS/ LIABILITIES HELD FOR TRADING	LOANS AND OTHER RECEIVABLES	HELD-TO-MATURITY FINANCIAL ASSETS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES AT AMORTIZED COST	HEDGING DERIVATIVES	TOTAL	CURRENT AMOUNT	NON-CURRENT AMOUNT	
Assets											
Financial assets	–	--	35	--	951	--	–	986	–	986	986
Trade receivables	--	–	1,355	--	–	--	–	1,355	1,355	–	1,355
Other receivables	–	--	11,817	--	–	--		11,817	6,647	5,170	11,817
Assets from financial derivatives	–	13,901	--	--	–	--	–	13,901	13,901	–	13,901
Other financial assets	–	--	154,528	--	–	--	–	154,528	154,528	–	154,528
Cash and cash equivalents	–	--	21,148	--	–	--	–	21,148	21,148	–	21,148
Total financial assets	**–**	**13,901**	**188,883**	**--**	**951**	**–**	**--**	**203,735**	**197,579**	**6,156**	**203,735**
Liabilities											
Financial liabilities	--	–	--	--	–	95,882	–	95,882	–	95,882	89,582
Trade payables	--	–	--	--	–	6,055	–	6,055	6,055	–	6,055
Other payables	--	–	--	--	–	488	–	488	488	–	488
Liabilities from financial derivatives	--	13,767	--	--	–	--	6,290	20,057	13,767	6,290	20,057
Other financial liabilities	--	–	--	--	–	137,602	–	137,602	137,602	–	137,602
Total financial liabilities	**–**	**13,767**	**--**	**--**	**--**	**240,027**	**6,290**	**260,084**	**157,912**	**102,172**	**253,784**

(IN THOUSANDS OF EUROS)

Classification of Financial Instruments at December 31, 2010

	CLASSIFICATION							CARRYING VALUE			FAIR VALUE
	FINANCIAL ASSETS/ LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS/ LIABILITIES HELD FOR TRADING	LOANS AND OTHER RECEIVABLES	HELD-TO-MATURITY FINANCIAL ASSETS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES AT AMORTIZED COST	HEDGING DERIVATIVES	TOTAL	CURRENT AMOUNT	NON-CURRENT AMOUNT	
Assets											
Financial assets	–	--	--	--	1,218	--	–	1,218	–	1,218	1,218
Trade receivables	--	–	1,860	--	–	--	–	1,860	1,860	–	1,860
Other receivables	–	--	15,282	--	–	--		15,282	13,331	1,951	15,282
Assets from financial derivatives	–	4,963	--	--	–	--	–	4,963	4,963	–	4,963
Other financial assets	–	--	109,422	--	–	--	–	109,422	109,422	–	109,422
Cash and cash equivalents	–	--	21,332	--	–	--	–	21,332	21,332	–	21,332
Total financial assets	**–**	**4,963**	**147,896**	**--**	**1,218**	**–**	**--**	**154,077**	**150,908**	**3,169**	**154,077**
Liabilities											
Financial liabilities	--	–	--	--	–	126,734	–	126,734	32,145	94,589	123,884
Trade payables	--	–	--	--	–	4,246	–	4,246	4,246	–	4,246
Other payables	--	–	--	--	–	8,877	–	8,877	8,877	–	8,877
Liabilities from financial derivatives	--	4,481	--	--	–	--	7,028	11,509	5,059	6,450	11,509
Other financial liabilities	--	–	--	--	–	110,227	–	110,227	110,227	–	110,227
Total financial liabilities	**–**	**4,481**	**--**	**--**	**--**	**250,084**	**7,028**	**261,593**	**160,554**	**101,039**	**258,743**

(IN THOUSANDS OF EUROS)

Fair Value – Hierarchical Ranking

Sorin S.p.A. uses the following hierarchical ranking to determine and document the fair value of financial instruments, based on valuation techniques:

Level 1: unadjusted prices quoted in an active market for identical assets or liabilities;
Level 2: other techniques in which all inputs that have a material impact on recognized fair value can be observed, either directly or indirectly;
Level 3: techniques in which all inputs that have a material impact on recognized fair value are not based on observable market data.

At December 31, the Company held the following financial instruments measured at fair value:

	Amount at		Level 1		Level 2		Level 3	
	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Assets measured at fair value								
- Assets from financial derivatives - non-hedging	**13,901**	4,963		--	**13,901**	4,963		--
Liabilities measured at fair value								
- Liabilities from financial derivatives - hedging	**6,290**	7,028		--	**6,290**	7,028		--
- Liabilities from financial derivatives - non-hedging	**13,767**	4,481		--	**13,767**	4,481		--

(IN THOUSANDS OF EUROS)

During the year ended December 31, 2011, there were no item transfers between Level 1 and Level 2 and no items were transferred to or from Level 3.

Interest Income and Expense

	2011	2010
Interest income on financial assets not valued at fair value		
• Financial assets	**4**	6
• Other financial assets	**3,432**	2,210
• Cash and cash equivalents	**247**	22
Interest expense on financial liabilities not valued at fair value		
• Financial liabilities and other financial liabilities	**1,099**	375
• Borrowings	**1,943**	2,679

(IN THOUSANDS OF EUROS)

Managing Financial Risks

Due mainly to the nature of the business operations of its subsidiaries, Sorin S.p.A. is exposed to the following financial risks:

- Credit risk, which rather than to the potential insolvency of customers is related to a high level of trade receivables, reflective of DSO (Days Sales Outstanding) averages that in some geographic regions are quite high.
- Liquidity risk, which reflects the need to meet financial obligations arising from operating and investing activities in accordance with stipulated terms and deadlines.
- Market risk, which includes both the foreign exchange risk and the interest rate risk.

To address these risks Sorin S.p.A., the Group's Parent Company, has taken the following actions:

- It published policies and procedures that are binding on all Group companies.
- Through corporate-level departments, it constantly monitors risk exposure levels.
- It uses derivatives exclusively for non-speculative purposes.
- It acts as the only counterparty of Group companies in derivatives that hedge market risk related to fluctuations in foreign exchange rates.
- It manages directly the Group's financial resources by centrally managing liquidity and bank borrowings, negotiating adequate credit lines and monitoring future liquidity needs, consistent with the corporate planning process.
- It appropriately balances the average maturity, flexibility and diversification of funding sources.

Additional information about the Group's exposure to financial risks is provided in Note 24 to the Consolidated Financial Statements.

The risks to which Sorin S.p.A. is exposed are reviewed below.

Credit Risk

The table below shows the maximum theoretical credit risk exposure of Sorin S.p.A. The amounts are those recognized in the financial statements at December 31, 2011 and 2010.

	12/31/11	12/31/10
• Financial assets	**951**	1,218
• Trade receivables	**1,355**	1,860
• Other receivables	**15,197**	14,395
• Assets from financial derivatives	**13,901**	4,963
• Other financial assets	**154,493**	109,422
• Bank and postal accounts	**21,135**	21,320
• Guarantees	**10,785**	15,528
Total	**217,817**	168,706

(IN THOUSANDS OF EUROS)

The total credit risk amount includes 194,830,000 euros from transactions with subsidiaries (141,306,000 euros at December 31, 2010).

The risk related to bank accounts, financial assets involving outsiders and receivables under financial derivatives owed by credit institutions is quite small because all bank and financial counterparties have very high credit ratings.

Most of the guarantees provided by the Company, mainly on behalf of other Group companies and counter-guaranteed by them, derive from statutory obligations (endorsements given to credit institutions for sureties they provided in connection with bids submitted in response to calls for tenders or research projects). As historical data show, the resulting risk is remote.

To complete the information provided with regard to credit risk, Sorin S.p.A. discloses that the balances in the various accounts do not include material amounts that are past due.

Liquidity Risk

The liquidity risk is the risk that the financial resources available to the Group may not be sufficient to meet financial obligations arising from operating and investment activities in accordance with stipulated terms and deadlines.

It is the policy of Sorin S.p.A. to achieve at the Group level a balance between average maturity and flexibility and diversification of funding sources by securing access to overdraft facilities, medium- and long-term financing, finance leases and, lastly, by maintaining a minimum required level of liquidity.

At December 31, 2011, the Company had unused short-term credit lines of about 76 million euros (78 million euros at December 31, 2010).

As part of the process of disclosing information about the exposure of Sorin S.p.A. to the liquidity risk, the tables on the pages that follow provide a breakdown by maturity of its financial liabilities. Because the amounts shown in the abovementioned tables represent cash flows that have not been discounted, liabilities that are presented in the financial statements at their amortized cost are being shown here at their face value.

Guarantees provided on behalf of subsidiaries include the following items:

- 6,152,000 euros for guarantees provided in connection with bank credit lines;
- 295,000 euros for the cash collateral provided to Crédit Agricole (formerly Calyon) for the dilution risk related to the securitization program;
- 2,602,000 euros to secure bank loans;
- 858,000 euros to secure miscellaneous supply contracts;
- 878,000 euros to meet statutory requirements: i.e., sureties provided to the Revenue Administration in connection with the consolidated VAT return.

Considering the resources that will be generated by the Company's operations, the existing cash and cash equivalents, which are readily convertible into cash, and its available credit lines, Sorin S.p.A. believes that it will be able to meet its obligations as they arise from its investing activities, working capital requirements and debt repayment obligations, based on their scheduled due dates.

Breakdown by Maturity at December 31, 2011

	WITHIN 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 2 YEARS	2 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financial instruments other than derivatives						
Trade payables	6,055	--	--	--	--	6,055
Borrowings						
• committed lines	--	--	--	95,882	--	95,882
• uncommitted lines	27	--	--	--	--	27
Financial liabilities (1)	138,439	865	1,725	864	--	141,893
Other liabilities	488	4,375	--	--	--	4,863
Total	**145,009**	**5,240**	**1,725**	**96,746**	**--**	**248,720**
Liabilities from financial derivatives						
- for foreign exchange risk	391	10,803	2,570	--	--	13,764
- for interest rate risk	1,179	1,180	2,353	1,176	--	5,888
Total	**146,579**	**17,223**	**6,648**	**97,922**	**--**	**268,372**
(1) Interest on borrowings and financial liabilities.	864	865	1,725	864	--	4,318

(IN THOUSANDS OF EUROS)

Breakdown by Maturity at December 31, 2010

	WITHIN 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 2 YEARS	2 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financial instruments other than derivatives						
Trade payables	4,246	--	--	--	--	4,246
Borrowings						
• committed lines	20,006	12,108	--	94,589	--	126,703
• uncommitted lines	13	--	--	--	--	13
Financial liabilities (1)	111,282	898	740	1,110	--	114,030
Other liabilities	8,793	--	84	--	--	8,877
Total	**144,340**	**13,006**	**824**	**95,699**	**--**	**253,869**
Liabilities from financial derivatives						
- for foreign exchange risk	--	4,481	--	--	--	4,481
- for interest rate risk	1,756	1,562	2,708	4,062	--	10,088
Total	**146,096**	**19,049**	**3,532**	**99,761**	**--**	**268,438**
(1) Interest on borrowings and financial liabilities.	971	882	740	1,110	--	3,703

(IN THOUSANDS OF EUROS)

Market Risk Related to Fluctuations in Foreign Exchange Rates

A breakdown by currency of financial instruments of Sorin S.p.A. denominated in currencies other than the euro is provided below:

	12/31/11					
	USD	GBP	CAD	JPY	OTHER	TOTAL
Assets						
Cash and cash equivalents in foreign currencies	265	585	--	100	337	1,287
Foreign currency trade receivables	--	--	--	--	--	--
Foreign currency financial assets	--	--	--	9,068	5,753	14,821
Other foreign currency assets	--	--	--	--	--	--
Total assets	**265**	**585**	**--**	**9,168**	**6,090**	**16,108**
Liabilities						
Foreign currency trade payables	(112)	(1)	(1)	--	(62)	(176)
Foreign currency financial liabilities	(42,810)	(4,424)	(29,143)	--	(413)	(76,790)
Other foreign currency liabilities	--	--	--	--	--	--
Total liabilities	**(42,922)**	**(4,425)**	**(29,144)**	**--**	**(475)**	**(76,966)**
Net exposure	**(42,657)**	**(3,840)**	**(29,144)**	**9,168**	**5,615**	**(60,858)**
Assets from financial derivatives						
- non-hedging (1)	3,008	543	165	10,242	(57)	13,901
- hedging	--	--	--	--	--	--
Liabilities from financial derivatives						
- non-hedging (1)	(2,796)	(534)	(159)	(10,328)	53	(13,764)
- hedging	(1,952)	--	--	--	--	(1,952)
Total	**(1,740)**	**9**	**6**	**(86)**	**(4)**	**(1,815)**
Net overall exposure	**(44,397)**	**(3,831)**	**(29,138)**	**9,082**	**5,611**	**(62,673)**

(IN THOUSANDS OF EUROS)

(1) For hedging transactions that do not qualify for hedge accounting.

	12/31/10					
	USD	GBP	CAD	JPY	OTHER	TOTAL
Assets						
Cash and cash equivalents in foreign currencies	2,445	116	--	10	--	2,571
Foreign currency trade receivables	--	--	--	--	--	--
Foreign currency financial assets	4,392	--	--	10,057	4,328	18,777
Other foreign currency assets	--	--	--	--	--	--
Total assets	**6,837**	**116**	**--**	**10,067**	**4,328**	**21,348**
Liabilities						
Foreign currency trade payables	(102)	--	--	--	(52)	(154)
Foreign currency financial liabilities	(45,435)	(3,891)	(27,571)	--	(102)	(76,999)
Other foreign currency liabilities	--	--	--	--	--	--
Total liabilities	**(45,537)**	**(3,891)**	**(27,571)**	**--**	**(154)**	**(77,153)**
Net exposure	**(38,700)**	**(3,775)**	**(27,571)**	**10,067**	**4,174**	**(55,805)**
Assets from financial derivatives						
- non-hedging (1)	13	(95)	73	4,829	143	4,963
- hedging	--	--	--	--	--	--
Liabilities from financial derivatives						
- non-hedging (1)	(277)	51	76	(4,168)	(163)	(4,481)
- hedging	(1,915)	--	--	--	--	(1,915)
Total	**(2,179)**	**(44)**	**149**	**661**	**(20)**	**(1,433)**
Net overall exposure	**(40,879)**	**(3,819)**	**(27,422)**	**10,728**	**4,154**	**(57,238)**

(IN THOUSANDS OF EUROS)

(1) For hedging transactions that do not qualify for hedge accounting.

In order to minimize the Group's foreign exchange risk exposure, Sorin S.p.A., in its capacity as the intermediary between the companies of the Group and the banking system, uses both indebtedness in currencies other than the euro and financial derivatives to hedge in the forward market import/export flows into and from the euro zone and a portion of the shareholders' equities and results of foreign subsidiaries that are required to prepare their financial statements in currencies other than the euro.

To support the implementation of the abovementioned guidelines, Sorin S.p.A. published a Foreign Exchange Management Policy that defines the following:

- The distinction between "transactional" risk, which is quantified at the outset in the budget, and "translation" risk, which arises from the translation of the shareholders' equities of foreign subsidiaries that prepare their financial statements in currencies other than the euro.
- The criteria for determining and quantifying risk.
- The approach that must be followed with regard to hedging foreign exchange risk: mandatory for "transactional" risk, with 100% coverage of the net positions determined in the annual budget, and optional for "translational" risk.
- The management level that can authorize hedging the abovementioned risks.
- The operational procedures, pursuant to which subsidiaries are not allowed to execute hedging transactions with outsiders. Only Sorin S.p.A. can hedge the foreign exchange risk of its subsidiaries, using approved instruments,

and having as its counterparts Group companies on one side and, on the other, one of the credit and financial institutions included in a list provided in the Policy.

- The functions and responsibilities of Sorin S.p.A., which is responsible for defining guidelines for the management of foreign exchange risk, identifying their occurrence within the Group and determining and monitoring their magnitude.
- The financial instruments that may be used as hedges: forward foreign exchange contracts, currency swaps, borrowings in foreign currencies and foreign exchange options.

In 2011, the nature and structure of the Company’s exposure to transactional risk and its hedging policies did not materially differ from the previous year.

Additional details about the financial instruments used to hedge foreign exchange risk is provided in Note 12.

In order to illustrate the risk to which the Company is exposed as a result of changes in foreign exchange rates, a sensitivity analysis that shows the impact on the income statement of upward and downward changes in the parities between the euro and other currencies is provided below.

The variation used for sensitivity analysis purposes was +/-10% from the exchange rate at December 31, applied to the euro/U.S. dollar, euro/Japanese yen and euro/other currencies exchange rates for all financial instruments included in the financial statements.

Sensitivity Analysis – Impact on the Income Statement

	USD		GBP		CAD		JPY		OTHER CURRENCIES	
	12/31/11		12/31/11		12/31/11		12/31/11		12/31/11	
	SHOCK UP	SHOCK DOWN	SHOCK UP	SHOCK DOWN	SHOCK UP	SHOCK DOWN	SHOCK UP	SHOCK DOWN	SHOCK UP	SHOCK DOWN
Assets										
Cash and cash equivalents in foreign currencies	-24	+29	-53	+65	--	--	-9	+11	-30	+38
Foreign currency trade receivables	--	--	--	--	--	--	--	--	--	--
Other foreign currency assets	--	--	--	--	--	--	-824	+1,008	-524	+640
Total assets	**-24**	**+29**	**-53**	**+65**	**--**	**--**	**-833**	**+1,019**	**-554**	**+678**
Liabilities										
Foreign currency trade payables	+10	-12	--	--	--	--	--	--	+6	-7
Foreign currency financial liabilities	+3,892	-4,756	+402	-491	+2,649	-3,238	--	--	+38	-46
Total liabilities	**+3,902**	**-4,768**	**+402**	**-491**	**+2,649**	**-3,238**	**--**	**--**	**+44**	**-53**
Assets from financial derivatives										
- non-hedging (1)	-3,076	+3,678	-341	+416	-2,632	+3,216	+829	-1,013	+583	-714
- hedging										
Liabilities from financial derivatives										
- non-hedging (1)	--	--	--	--	--	--	--	--	--	--
- hedging	+177	-217	--	--	--	--	--	--	--	--
Total financial derivatives	**-2,899**	**+3,461**	**-341**	**+416**	**-2,632**	**+3,216**	**+829**	**-1,013**	**+583**	**-714**
Total	**+979**	**-1,278**	**+8**	**-10**	**+17**	**-22**	**-4**	**+6**	**+73**	**-89**

(IN THOUSANDS OF EUROS)

(1) For hedging transactions that do not qualify for hedge accounting.

	USD		GBP		CAD		JPY		ALTRE VALUTE	
	12/31/10		12/31/10		12/31/10		12/31/10		12/31/10	
	SHOCK UP	SHOCK DOWN	SHOCK UP	SHOCK DOWN	SHOCK UP	SHOCK DOWN	SHOCK UP	SHOCK DOWN	SHOCK UP	SHOCK DOWN
Assets										
Cash and cash equivalents in foreign currencies	-222	+272	-11	+13	--	--	-1	+1	--	--
Foreign currency trade receivables	--	--	--	--	--	--	--	--	--	--
Other foreign currency assets	-399	+488	--	--	--	--	-914	+1,117	-393	+481
Total assets	**-621**	**+760**	**-11**	**+13**	**--**	**--**	**-915**	**+1,118**	**-393**	**+481**
Liabilities										
Foreign currency trade payables	+9	-11	--	--	--	--	--	--	+5	-6
Foreign currency financial liabilities	+4,130	-5,048	+354	-432	+2,506	-3,063	--	--	+9	-11
Total liabilities	**+4,139**	**-5,059**	**+354**	**-432**	**+2,506**	**-3,063**	**--**	**--**	**+14**	**-17**
Assets from financial derivatives										
- non-hedging (1)	-2,867	+3,278	-386	+472	-2,495	+3,049	+307	-862	+366	-446
- hedging	--	--	--	--	--	--	--	--	--	--
Liabilities from financial derivatives										
- non-hedging (1)	--	--	--	--	--	--	--	--	--	--
- hedging	+36	-44	--	--	--	--	--	--	--	--
Total financial derivatives	**-2,831**	**+3,234**	**-386**	**+472**	**-2,495**	**+3,049**	**+307**	**-862**	**+366**	**-446**
Total	**+687**	**-1,065**	**-43**	**+53**	**+11**	**-14**	**-608**	**+256**	**-13**	**+18**

(IN THOUSANDS OF EUROS)

(1) For hedging transactions that do not qualify for hedge accounting.

Market Risk Related to Fluctuations in Interest Rates

Sorin S.p.A. is exposed to the risk that arises from fluctuations in interest rates because the cost of all of its financial liabilities is incurred at variable rates.

To minimize the risk posed by increases in short-term interest rates, Sorin S.p.A. issued an "Interest rate Risk Management Policy" that provides guidelines with regard to:

- The need to assess on a regular basis the interest rate risk and its impact on the Company's income statement;
- The roles and responsibilities with regard to risk management decision, with the requirement that all planned hedging transactions must be approved by the Board of Directors in advance;
- Interest rate risk hedging transactions executed for specific financing facilities or transactions and the terms of the hedging instruments used, so as to ensure that they are entirely consistent with the hedged financing facilities or financial liabilities;
- The types of financial derivatives that may be used (interest rate swaps and options) and the approved bank counterparties for transactions hedging variable-rate financing facilities (up to 100% of the risk exposure may be hedged).

With regard to medium- and long-term indebtedness, Sorin S.p.A. executed derivatives that hedge the risk of foreign exchange fluctuations for a notional amount of 96.1 million euros. Beginning on January 1, 2009, as required by the "Interest Rate Risk Management" policy published by Sorin S.p.A. at the end of 2008, the Company adopted appropriate

procedures to determine whether financial derivatives that hedge the risk of fluctuations in interest rates (cash flow hedges) meet the requirements for hedge accounting treatment.
The effective hedging portion of gains or losses from the valuation of financial derivatives that qualify for hedge accounting treatment under IAS 39 is recognized in a shareholders' equity reserve, while the non-effective portion is recognized in profit or loss, provided the financial derivative has been designated as a cash flow hedge (hedging the cash flows of an asset or liability). Gains or losses recognized in equity are transferred to the income statement when the economic effects of the hedged assets and liabilities is reflected in the result for the period. When a hedging instrument expires or is closed out, the amounts previously recognized in equity are transferred to the income statement.
Gains or losses from the valuation of financial derivatives that do not qualify for hedge accounting are recognized in profit or loss.
The status of the abovementioned contracts at December 31, 2011 is shown in Note 12.

In order to illustrate the risks to which the Company is exposed as a result of fluctuations in interest rates, a sensitivity analysis that shows the impact on the income statement of changes in interest rates is provided below.

The following assumptions were used to perform the sensitivity analysis in 2011:

- Interest bearing assets: change of +0.25% -0.25% in the short-term interest rates at December 31, 2011;
- Intra-Group financial assets: change of +1% -0.50% in the interest rate curve at December 31, 2011;
- Intra-Group financial liabilities: change of +1% -0.50% in the interest rate curve at December 31, 2011;
- Financial liabilities, including derivatives: change of +1% -0.50% in the interest rate curve at December 31, 2011.

The following assumptions were used to perform the sensitivity analysis in 2010:

- Interest bearing assets: change of +0.25% -0.25% in the short-term interest rates at December 31, 2010;
- Intra-Group financial assets: change of +1% -0.50% in the interest rate curve at December 31, 2010;
- Intra-Group financial liabilities: change of +1% -0.50% in the interest rate curve at December 31, 2010;
- Financial liabilities, including derivatives: change of +1% -0.50% in the interest rate curve at December 31, 2010.

In the table that follows, a plus sign in the "income statement" columns means an increase in financial expense, while a plus sign in the "reserves" columns means an increase in reserves.

Sensitivity Analysis

	REFERENCE RATE	CARRYING VALUE		INCOME STATEMENT				RESERVES			
				Shock up		*Shock down*		*Shock up*		*Shock down*	
		12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Interest bearing assets (1)	Eonia	**23,149**	16,504	**-58**	-41	**+58**	+41		--		--
Non-hedged variable rate financial assets	One-month Euribor and Libor	**154,165**	105,050	**-1,542**	-1,051	**+774**	+525		--		--
Non-hedged variable rate financial liabilities (1)	Six-month Euribor Six-month USD Libor	**(137,555)**	(110,305)	**+1,376**	+1,103	**-688**	-552		--		--
Hedged variable rate financial liabilities	Six-month Euribor Six-month USD Libor	**(95,882)**	(126,621)	**+959**	+1,266	**-479**	-633		--		--
Derivatives that do not qualify for hedge accounting - cash flow (2)	Six-month Euribor Six-month USD Libor								--		--
Derivatives that do not qualify for hedge accounting	Six-month Euribor Six-month USD Libor								--		--
Derivatives that qualify for hedge accounting - cash flow (2)	Six-month Euribor Six-month USD Libor			**-961**	-1,274	**+481**	+637		--		--
Derivatives that qualify for hedge accounting (3)	Six-month Euribor Six-month USD Libor	**(6,293)**	(7,008)		-42		+49		--		--
Derivatives that qualify for hedge accounting (4)	Six-month Euribor Six-month USD Libor							**+2,241**	+2,858	**-1,110**	-1,455
Total		**(62,416)**	(122,380)	**-226**	-39	**+146**	+67	**+2,241**	+2,858	**-1,110**	-1,455

(IN THOUSANDS OF EUROS)

(1) Average of the quarterly values.
(2) Shock values in the year.
(3) Interest rate swaps: non-effective component.
(4) Interest rate swaps: effective component.

23 – Net Revenues and Other Revenues and Income

	2011			2010		
	SUBSIDIARIES	OUTSIDERS	TOTAL	SUBSIDIARIES	OUTSIDERS	TOTAL
Service revenues	**5,674**	**--**	**5,674**	6,367	--	6,367
Recoveries of costs	**7,159**	**38**	**7,197**	7,478	81	7,559
Net revenues	**12,833**	**38**	**12,871**	13,845	81	13,926
Other income	**248**	**449**	**697**	494	448	942
Other revenues and income	**248**	**449**	**697**	494	448	942

(IN THOUSANDS OF EUROS)

Service revenues from subsidiaries refer primarily to support provided in the areas of finance, law, taxation, corporate affairs, the development of human resources and information technology services. The companies with which these transactions were executed are listed below:

	2011	2010
• Sorin Group Italia S.r.l.	**1,294**	1,456
• Sorin Biomedica Cardio S.r.l.	**804**	975
• Sorin CRM S.A.S.	**708**	804
• Sorin Group USA Inc.	**562**	633
• Sorin Group Deutschland Gmbh	**381**	426
• Sorin Group Canada Inc.	**371**	411
• Sorin CRM S.r.l.	**363**	384
• Sorin Group France S.A.S.	**311**	371
• Sorin CRM USA Inc.	**140**	164
• Sorin Site Management S.r.l.	**125**	133
• Sorin Group UK Ltd.	**109**	124
• Sorin Group Japan K.K.	**118**	117
• Sorin Group Espana SL	**99**	105
• Sorin Group Nederland N.V.	**86**	79
• Sorin Group Belgium S.A.	**58**	62
• Sorin Group Austria GmbH	**31**	23
• Sorin Group Scandinavia AB	**19**	22
• Sorin Group International S.A.	**32**	22
• Sorin Group Australia PTY Limited	**23**	20
• SorinCardio Comerc. e Distrib. Lda	**15**	17
• Sorin Group Asia Pte Ltd	**7**	7
• Sorin Group Finland OY	**7**	6
• Sorin Group Norway AS	**6**	6
• Sorin Group Polska	**5**	--
Totale	**5,674**	6,367

(IN THOUSANDS OF EUROS)

Recoveries of costs, billed almost entirely to subsidiaries, refer for the most part to outsourced information technology services.

These items were billed to the following companies:

	2011	2010
• Sorin Group Italia S.r.l.	**1,955**	2,058
• Sorin CRM S.A.S.	**1,530**	1,639
• Sorin Biomedica Cardio S.r.l.	**1,215**	1,256
• Sorin Group Deutschland Gmbh	**596**	700
• Sorin CRM S.r.l.	**417**	441
• Sorin Group France S.A.S.	**274**	321
• Sorin Group USA Inc.	**445**	214
• Sorin Group UK Ltd.	**181**	196
• Sorin Group Espana SL	**110**	140
• Sorin Group Japan K.K.	**1**	124
• Sorin Group Canada Inc.	**146**	87
• Sorin Group Belgium S.A.	**65**	83
• Sorin Group Nederland N.V.	**50**	54
• Sorin Group Austria GmbH	**39**	50
• Sorin Group Scandinavia AB	**32**	36
• Sorin Group International S.A.	**23**	19
• SorinCardio Comerc. e Distrib. Lda	**15**	18
• Sorin Group Finland OY	**6**	14
• Sorin Site Management S.r.l.	**12**	11
• Sorin Group Asia Pte Ltd	**1**	8
• Sorin Group Norway AS	**5**	6
• Sorin CRM USA Inc.	**20**	3
• Sorin Group Polska	**21**	--
Total	**7,159**	7,478

(IN THOUSANDS OF EUROS)

24 – Cost of Raw Materials, Other Materials and Services Used, and Miscellaneous Operating Costs

	2011			2010		
	SUBSIDIARIES	OUTSIDERS	TOTAL	SUBSIDIARIES	OUTSIDERS	TOTAL
Purchases of other materials		87	87	--	120	120
Cost of raw materials and other materials	--	87	87	--	120	120
Rent and payments under operating leases	--	2,158	2,158	--	1,365	1,365
Other rental payments	--	--	--	--	--	--
EDP services	--	4,889	4,889	--	5,438	5,438
Administrative and general services	--	232	232	--	236	236
Consulting and other professional services	--	3,534	3,534	--	2,647	2,647
Fees to Statutory Auditors (1)	--	161	161	--	160	160
Rebilling of costs	3,158	--	3,158	2,291	--	2,291
Fees to Independent Auditors	--	309	309	--	306	306
Other costs	--	2,312	2,312	--	3,257	3,257
Service costs	3,158	13,595	16,753	2,291	13,409	15,700
Losses on the sale of property, plant and equipment	--	58	58	--	--	--
Cost of Shareholders' Meetings and financial statements	--	30	30	--	20	20
Other costs	--	498	498	--	402	402
Miscellaneous operating costs	--	586	586	--	422	422

(IN THOUSANDS OF EUROS)

(1) Includes reimbursement of out-of-pocket costs and retirement benefits.

Service costs include the costs incurred on behalf of subsidiaries, mainly for information technology services, which are offset by revenues totaling 4,717,000 euros (5,263,000 euros in 2010).

Service costs and Miscellaneous operating costs include 3,158,000 euros (2,291,000 euros in 2010) for services received from the following subsidiaries:

	2011	2010
• Sorin CRM S.A.S.	974	1,234
• Sorin Group International S.A.	1,274	567
• Sorin Group USA Inc.	605	238
• Sorin Site Management S.r.l.	151	151
• Sorin Group Asia Pte Ltd	--	72
• Sorin Group Italia S.r.l.	124	14
• Sorin Group Belgium	13	11
• Sorin Biomedica Cardio S.r.l.	17	4
Total	3,158	2,291

(IN THOUSANDS OF EUROS)

In 2011, service costs included 37,000 euros from transactions with related parties (65,000 euros in 2010) (Note 32).

25 – Personnel Expense

	2011	2010
Wages and salaries (1)	**6,778**	7,428
Additions to provision for employee severance indemnities and other provisions for employee benefits(1)		
- Amount for defined-benefit plans	**(1)**	13
- Amount for defined-contribution plans (2)	**381**	112
- Amount for Long Term Incentive Plan	**42**	(8)
Cost of stock options	**--**	66
Cost of stock grants	**1,495**	774
Personnel expense	**8,695**	8,385
Number of employees:		
- At December 31	**35**	35
- Average for the year	**35**	32

(IN THOUSANDS OF EUROS)

(1) Includes contributions to social security institutions.

(2) The undisbursed portion is recognized as a current liability on the statement of financial position.

A Long-term Incentive Plan (LTIP) for the achievement of multi-year objectives and benefiting a select number of key managers was introduced in 2009. This Plan is based on a three-year incentivizing cycle tied to Group performance targets.
Specifically, the Plan calls for the award of a bonus at the end of the three-year period. The vesting conditions include the beneficiary's continuing employment at a Group company on the date the bonus is paid and the achievement by the Group of the applicable performance targets.
The cost accrued in 2011 amounted to 42,000 euros (as against a reversal of 8,000 euros in 2010 that reflected a revision of the previous year's estimate).

In addition, as required by IFRS 2, the Company recognized costs of 1,495,000 euros attributable to 2011 (774,000 euros in 2010) for the long-term incentive plan with grants of Sorin S.p.A. stock, approved by the Shareholders' Meeting of September 14, 2010. The Plan, which runs for three cycles of three years each, is tied to and conditional on the achievement by the Group of specific EBITDA margin and consolidated net profit targets and the beneficiary's continuing employment at a Group company on the date the bonus is paid.

Personnel expense includes fees paid to Directors, amounting to 2,309,000 euros (2,489,000 euros in 2010).

The average number of employees for each category is as follows:

	2011	2010
• Executives	**13**	11
• Middle managers	**12**	10
• Office staff	**10**	11
Total	**35**	32

26 – SHARE-BASED PAYMENTS

Stock Options

The Group established five stock option plans, including four (Plan 1, Plan 2, Plan 3 and Plan 4) that expired in 2009 and one (Plan 5) that expired on June 30, 2011.

Information about these stock option plans is provided in the "Report on Corporate Governance and the Company's Ownership Structure," the full text of which is available on the Sorin Group website, at: http://www.sorin.com/it/investors/relazione-corporate-governance.

The table below shows the number of options awarded and the average option exercise price:

	12/31/11			
	NUMBER OF OPTIONS AWARDED TO EMPLOYEES AND DIRECTORS		AVERAGE EXERCISE PRICE FOR EMPLOYEES AND DIRECTORS	
	SORIN S.P.A.	OTHER GROUP COMPANIES	SORIN S.P.A.	OTHER GROUP COMPANIES
Options outstanding at January 1	**1,927,000**	**6,544,000**	**1.640**	**1.579**
Options exercised	(1,902,000)	(6,404,000)	1.636	1.576
Expired options	(25,000)	(140,000)	1.940	1.694
Options outstanding at December 31	**--**	**--**	**--**	**--**
- options exercisable at December 31	--	--	--	--

	12/31/10			
	NUMBER OF OPTIONS AWARDED TO EMPLOYEES AND DIRECTORS		AVERAGE EXERCISE PRICE FOR EMPLOYEES AND DIRECTORS	
	SORIN S.P.A.	OTHER GROUP COMPANIES	SORIN S.P.A.	OTHER GROUP COMPANIES
Options outstanding at January 1	**1,927,000**	**6,988,000**	**1.640**	**1.586**
Cancelled options (1)	--	(424,000)	--	1.707
Options exercised	--	(20,000)	--	1.566
Options outstanding at December 31	**1,927,000**	**6,544,000**	**1.640**	**1.579**
- options exercisable at December 31	1,927,000	6,544,000	1.640	1.579

(1) These options, which can no longer be exercised, were awarded to employees who later left the Group.

Valuation of Stock Options

Stock options are valued at fair value on grant date, in accordance with the method provided in IFRS 2. The cost thus determined is allocated over the entire length of the period between grant date and vesting date.

The options outstanding at December 31, 2010, which pertained to Plan 5, expired on June 30, 2011, the final exercise deadline.

No charge or increase in the value of the corresponding equity investments was recognized in 2011, since the vesting period ended on December 31, 2010.

Stock Grants

On September 14, 2010, the Shareholders' Meeting approved a stock grant plan reserved for the Chairman, the Chief Executive Officer and employees of Sorin Group, which will be implemented either through a bonus capital increase, pursuant to Article 2349 of the Italian Civil Code, or by using the treasury shares acquired through the buyback plan, and granted to the Board of Directors all necessary and appropriate powers to establish and implement the plan.
The Plan, which is designed to incentivize and increase the loyalty of management, further align the interests of management with those of the shareholders and achieve the medium/long-term objectives of the Strategic Plan, is tied to and conditional on the Group attaining specific targets in terms of EBITDA margin and consolidated net profit.
Specifically, the Shareholders' Meeting approved the following resolutions:
i) Convened in extraordinary session, pursuant to Article 2443 of the Italian Civil Code, a resolution authorizing the Board of Directors, for a period of five years from the date of the resolution, to carry out a bonus capital increase, in one transaction or multiple transactions, for a maximum amount of 13,000,000 euros, through the issuance of up to 13,000,000 common shares, which would be awarded to employees in accordance with existing and future stock grant plans implemented by the Company, in accordance with Article 2349 of the Italian Civil Code;
ii) Convened in ordinary session, a resolution approving the Plan and granting to the Board of Directors the powers required to implement it, as well as a plan to purchase and dispose of treasury shares, pursuant to Article 2357 and Article 2357-*ter* of the Italian Civil Code and granting to the Board of Directors the power required to implement it. The authorization to purchase the treasury shares was granted for a period of up to 18 months from the date of the approval resolution by the Shareholders' Meeting and is valid for 4,704,121 common shares, par value 1 euro each, equal to1% of the subscribed capital.

The plan runs for three cycles of three years each (2009-2011, 2010-2012 and 2011-2013). The first cycle is limited to the beneficiaries of the 2009 Long-term Cash Incentive Plan who joined the Plan and exercised the option of converting into shares the cash bonus originally provided by the abovementioned 2009 Long-term Incentive Plan.

Additional information about the stock grant plan is provided in the "Report on Corporate Governance and the Company's Ownership Structure," the full text of which is available on the Sorin Group website, at: http://www.sorin.com/it/investors/relazione-corporate-governance.

The table below shows the number of share awarded and outstanding at December 31, 2011:

Plan	Number of shares		Cycle
	SORIN S.P.A.	OTHER GROUP COMPANIES	
2010 stock grants	531,517	750,270	2009-2011
	879,517	1,991,686	2010-2012
	856,611	2,232,117	2011-2013

Valuation of Stock Grants

Stock grants are value at fair value on the grant date, in accordance with the method of IFRS 2, and the cost thus determined is allocated over the period between grant date and vesting date.

The fair value used to compute the accrued cost for the abovementioned incentive plan corresponds to the price of Sorin S.p.A. shares on the grant date, which was 1.729 euros for the first and second cycle and, for the third cycle, amounted to 1.912 euros for the grant of March 14, 2011 and 1.969 euros for the grant of July 29, 2011.
The total cost recognized in profit or loss in 2011 for the abovementioned plan applicable to employees and Directors of Sorin S.p.A., which amounted to 1,495,000 euros (774,000 euros in 2010), was determined based on the number of shares awarded, taking into account the probability that the plan's beneficiaries will earn the right to receive the shares, based on the plan's vesting conditions.
Using the same method, the charge incurred in 2011 for stock grants awarded to employees of other Group companies and, consequently, added to carrying value of the corresponding equity investments, amounted to 3,219,000 euros (1,951,000 euros in 2010).

27 – DEPRECIATION, AMORTIZATION AND WRITEDOWNS

	2011	2010
Depreciation of property, plant and equipment	**359**	378
Amortization of intangibles	**1,043**	980
Writedowns of receivables and promissory notes	**--**	30
Writedowns of other receivables	**70**	--
Depreciation, amortization and writedowns	**1,472**	1,388

(IN THOUSANDS OF EUROS)

28 – FINANCIAL EXPENSE, FINANCIAL INCOME AND CURRENCY TRANSLATION DIFFERENCES

	2011	2010
Interest paid and other bank charges	**2,181**	2,863
Interest and other charges paid to subsidiaries	**915**	136
Losses on financial derivatives	**2,138**	3,546
Losses from discounting assets and liabilities to present value	**82**	166
Writedown of investment in Sphere Medical	**267**	--
Other expenses	**99**	102
Financial expense	**5,682**	6,813
Bank interest earned	**247**	22
Interest and other income from subsidiaries	**3,432**	2,210
Other income	**4**	6
Financial income	**3,683**	2,238
Foreign exchange gains (losses)	**173**	(2,022)
Net financial expense (income)	**1,826**	6,597

(IN THOUSANDS OF EUROS)

Sorin S.p.A., working through its centralized cash management system, interacts with the banking system as an intermediary for its subsidiaries. In this capacity, it executes derivative contracts and obtains loans in currencies different from the euro in order to minimize the risk of fluctuations in foreign exchange rates for Group companies.

Financial income and expense received from/paid to subsidiaries refers mainly to the following companies:

	2011		2010	
	INTEREST EXPENSE	INTEREST INCOME	INTEREST EXPENSE	INTEREST INCOME
• Sorin CRM S.A.S (F)	13	548	20	--
• Sorin Biomedica Cardio S.r.l.	--	1,296	--	934
• Sorin Group Canada Inc.	183	--	63	--
• Sorin Group France S.A.S.	559	6	8	8
• Sorin Group Italia S.r.l.	104	9	29	2
• Sorin Group Nederland N.V.	--	299	--	231
• Sorin Group USA Inc.	--	26	--	112
• Sorin Group Espana S.L.	--	134	--	166
• Sorin Group Deutschland Gmbh	--	500	--	313
• Sorin Group UK Ltd	6	--	3	--
• Sorin Group Belgium S.A.	11	--	2	--
• Sorin Site Management S.r.l.	13	--	1	10
• Sorin Group Finland OY	7	--	1	--
• SorinCardio LDA	--	54	--	35
• Sorin Group Japan K.K.	--	160	--	156
• Sorin Group Scandinavia	1	1	--	3
• Sorin Group International S.A.	--	17	--	16
• Sorin Group Norway AS	--	34	--	35
• Sorin Group Australia Pty Limited	--	203	--	128
• Sorin CRM S.r.l.	14	74	8	--
• Sorin Group Austria GmbH	--	65	--	61
• Sorin Group Asia Pte Ltd	1	--	1	--
• Sorin Group Polska	3	6	--	--
Total	915	3,432	136	2,210

(IN THOUSANDS OF EUROS)

The balance of foreign exchange differences includes foreign exchange gains of 11,449,000 euros (gains of 15,800,000 euros in 2010) generated by transactions with subsidiaries.

As shown in Note 32, financial expense totaling 23,000 euros and financial income of 100,000 were generated by transactions with related parties.

29 – Income from (Expenses on) Investments in Subsidiaries

	2011	2010
Dividends from:		
• Sorin Site Management S.r.l.	**1,829**	323
• Sorin Group Italia S.r.l.	**40,892**	21,247
	42,721	21,570
(Writedowns) Reversals of writedowns of equity investments in:		
• Sorin Group Italia S.r.l.	**18,800**	--
• Sorin Biomedica Cardio S.r.l.	**(32,500)**	--
• Sorin CRM S.A.S (F)	**7,900**	--
• Sorin Group Nederland N.V.	**7,600**	--
	1,800	--
	44,521	21,570

(IN THOUSANDS OF EUROS)

30 – Income Taxes

	2011	2010
Taxes in the income statement:		
Current taxes		
- for the year	**(4,384)**	(8,840)
- for previous years	**1**	(65)
	(4,383)	(8,905)
Deferred taxes		
- recognition (derecognition) of assets (liabilities)	**(110)**	(56)
- other items	**(45)**	(425)
	(155)	(481)
Prepaid taxes		
- depreciation of property, plant and equipment	**--**	72
- recognition (derecognition) of assets (liabilities)	**9**	(14)
- taxed provisions for risks and charges	**--**	(7)
- tax loss carryforward	**(1,800)**	3,169
- other items	**--**	2
	(1,791)	3,222
	(6,329)	(6,164)

(IN THOUSANDS OF EUROS)

The balance shown for current taxes reflects the benefits generated by filing a national consolidated income tax return. The lower benefit reported compared with 2010 is due mainly to the new loss utilization rules introduced by Decree Law No. 98 of July 6, 2011.
The positive impact of prepaid taxes (negative impact in 2010) is due to the higher amount recognized in prepaid taxes for tax losses resulting from the new carryforward rules introduced by Decree Law No. 98 of July 6, 2011.

Information about deferred-tax liabilities and assets is provided in Note 8.

A reconciliation of the theoretical tax liability to the tax liability recognized in the income statements is as follows:

	2011			2010		
	Corporate income tax (IRES)	Regional tax (IRAP)	Total	Corporate income tax (IRES)	Regional tax (IRAP)	Total
Profit (Loss) before taxes	**28,670**	**--**	**28,670**	3,826	--	3,826
Theoretical tax liability [(1)]	7,884	--	7,884	1,052	--	1,052
- Tax impact of permanent differences	(11,206)	--	(11,206)	(6,865)	--	(6,865)
- Unrecognized (deferred)/prepaid taxes for the year	330	--	330	728	--	728
- Income taxes paid outside Italy	40	--	40	47	--	47
- Unrecognized (deferred)/prepaid taxes for the previous year	(3,371)	--	(3,371)	(1,101)	--	(1,101)
- Other items	(6)	--	(6)	(25)	--	(25)
Income tax liability for the year	**(6,329)**	**--**	**(6,329)**	(6,164)	--	(6,164)

(IN THOUSANDS OF EUROS)

(1) The theoretical income tax liability was computed by applying the corporate income tax (IRES) rate in force in Italy (27.5%).

31 – NET FINANCIAL POSITION

A breakdown of the net financial position of Sorin S.p.A. is provided below:

		12/31/11			12/31/10		
		Total	Amount with related parties	% of total	Totale	Amount with related parties	% of total
- Cash on hand		13		--	12	--	--
- Bank and postal accounts		21,135	9,419	44.6	21,320	15,937	74.8
Cash and cash equivalents	**1)**	**21,148**	**9,419**	44.5	**21,332**	**15,937**	74.7
- Current financial assets	1)	154,528	154,165	99.8	109,422	105,050	96.0
- Assets from financial derivatives	1)	13,901	13,901	100.0	4,963	4,963	100.0
Current financial receivables		**168,429**	**168,066**	99.8	**114,385**	**110,013**	96.2
- Checking account overdrafts and other current financial liabilities		(13)	--	--	(13)	--	--
- Current installments of non-current indebtedness		--	--	--	(32,032)	(1,841)	5.7
- Miscellaneous financial liabilities		(137,589)	(137,555)	99.9	(110,327)	(110,192)	99.9
- Other current financial liabilities	1)	(137,602)	(137,555)	99.9	(142,372)	(112,033)	78.7
- Liabilities from financial derivatives	1)	(13,767)	(10)	0.1	(5,059)	(374)	7.4
Current financial liabilities		**(151,369)**	**(137,565)**	90.9	**(147,431)**	**(112,407)**	76.2
Net current indebtedness		**38,208**	**39,920**	**n.s.**	**(11,714)**	**13,543**	**n.s.**
Non-current financial receivables	2)	**35**	--	--	**--**	--	--
- Liabilities from financial derivatives	1)	(6,290)	--	--	(6,450)	--	--
- Non-current bank debt		(95,882)	--	--	(94,589)	--	--
- Non-current liabilities under finance leases		--	--	--	--	--	--
Non-current financial liabilities		**(102,172)**	**--**	--	**(101,039)**	**--**	--
Net non-current indebtedness		**(102,137)**	**--**	--	**(101,039)**	**--**	--
Net indebtedness		**(63,929)**	**39,920**	**n.s.**	**(112,753)**	**13,543**	**n.s.**

(IN THOUSANDS OF EUROS)

(1) Statement of financial position item.

(2) Non-current financial assets, as listed on the statement of financial position, excluding Investments in other companies.

32 – Transactions with Related Parties

No transactions executed with related parties, including those between Group companies, could be qualified as atypical or unusual. All such transactions were executed by Sorin S.p.A. in the normal course of its business operations.

Transactions Between Sorin S.p.A. and Other Group Companies

Sorin S.p.A. provides support and guidance to other Group companies in the areas of human resources development and cash management, including centralized cash management services and the execution of Group-wide agreements with credit institutions, and on legal, tax and corporate issues.
Payment for these services is due at the end of each month. Interest is charged at market rates.

	SUBSIDIARIES			
	2011		2010	
		% OF TOTAL		% OF TOTAL
• Net revenues	12,833	99.7%	13,845	99.4%
• Other revenues and income	248	35.6%	494	52.4%
• Cost of services	3,158	18.9%	2,291	14.6%
• Financial expense	915	16.1%	136	2.0%
• Financial income	3,432	93.2%	2,210	98.7%
• Foreign exchange gains (losses)	11,449	n.s.	15,800	n.s.

(IN THOUSANDS OF EUROS)

	SUBSIDIARIES			
	12/31/11		12/31/10	
		% OF TOTAL		% OF TOTAL
Assets				
• Other non-current assets	5,170	100.0%	1,951	100.0%
• Trade receivables	1,225	90.4%	1,805	97.0%
• Other receivables	9,962	89.6%	12,387	92.3%
• Assets from financial derivatives	13,901	100.0%	4,963	100.0%
• Other current financial assets	154,165	99.8%	105,050	96.0%
Liabilities				
• Trade payables	744	12.3%	245	5.8%
• Other payables	4,375	63.5%	8,775	76.5%
• Liabilities from financial derivatives	10	0.1%	374	7.4%
• Other current financial liabilities	137,555	100.0%	110,192	77.4%

(IN THOUSANDS OF EUROS)

Sorin S.p.A., in its capacity as the Group's Parent Company, and its Italian subsidiaries have agreed to file a national consolidated tax return pursuant to Article 117 and following of Presidential Decree No. 917/86. The transactions carried out between Sorin S.p.A. and its Italian subsidiaries in connection with the abovementioned tax filing are governed by individual contracts with the same terms and conditions for all consolidated companies.
In addition, Italian Group companies settle their VAT positions on a Group basis, pursuant to and for the purposes of Article 73 of Presidential Decree No. 633/72.

Principal Intra-Group Transactions Carried Out in 2011

- Capital increase contribution of 70.0 million euros provided to Sorin Group France S.A.S. by Sorin CRM S.A.S.;
- Capital increase contribution of 2.0 million Polish zloty provided to Sorin Group Polska Sp.Z.o.o. by Sorin Group Nederland N.V.;
- Capital increase contribution of 2.0 million euros provided to Sorin Group Austria GmbH by Sorin Group Nederland N.V.

Transactions with Other Related Parties

Income statement and statement of financial position transactions with other related parties are summarized below:

	2011		2010	
		% OF TOTAL		% OF TOTAL
- Service costs:				
• Mittel Corporate Finance S.p.A.	**37**	0.2%	65	0.4%
- Financial expense:				
• Banca Monte Paschi di Siena s.p.A.	**22**	0.4%	60	0.5%
• UGF Banca S.p.A.	**1**	0.0%	--	0.0%
- Financial income				
• Banca Monte Paschi di Siena s.p.A.	**81**	2.2%	--	0.0%
• UGF Banca S.p.A.	**19**	0.5%	--	0.0%

(IN THOUSANDS OF EUROS)

	12/31/11		12/31/10	
		% OF TOTAL		% OF TOTAL
- Cash and cash equivalents				
• Banca Monte Paschi Siena S.p.A.	**6,851**	32.4%	15,833	74.2%
• UGF Banca S.p.A.	**2,568**	12.1%	104	0.5%
- Trade payables				
• Mittel Corporate Finance S.p.A.	**14**	0.2%	18	0.4%
- Non-current financial liabilities and other current financial liabilities				
• Banca Monte Paschi Siena S.p.A.	**--**	-	1,841	0.8%

(IN THOUSANDS OF EUROS)

In 2011, the Company renewed the contracts with Mittel Corporate Finance S.p.A., a company whose Chief Executive Officer is Francesco Silva, a Director of Sorin S.p.A., calling for the provision of consulting and other services in the area of subsidized financing.

The contract was submitted for approval to the Board of Directors, which took into account the recommendations of the Internal Control Committee, in accordance with the guidelines of the Corporate Governance Code.

Banca Monte dei Paschi di Siena S.p.A. is a shareholder of Sorin S.p.A. that, jointly with other parties who signed a shareholders' agreement concerning the Sorin S.p.A. shares that became effective on November 18, 2009, owns an equity interest greater than 10%.
Financial transactions with this credit institution, which were executed on market terms and for which no guarantee was provided, refer to its participation in the medium/long-term facility syndicated by Mediobanca, Intesa San Paolo, MCC and BNP Paribas, which was repaid in full in 2011, and to a checking account opened at the abovementioned bank, with a balance of 6,851,000 euros.

At December 31, 2011, a checking account opened at UGF Banca S.p.A. (member of Unipol Gruppo Finanziario S.p.A.), of which Claudio Albertini, a Director of Sorin S.p.A., is an officer, had a credit balance of 2,568,000 euros.

Benefits Provided to Directors and Group Executives with Strategic Responsibilities

The table below shows the compensation paid to Directors and to executives of Sorin S.p.A. with strategic responsibilities:

	2011		2010	
	DIRECTORS	EXECUTIVES	DIRECTORS	EXECUTIVES
- Fees/Salaries (1)	**1,030**	**589**	1,011	572
- Other compensation (2) (3)	**714**	**231**	982	441
Total compensation attributable to the reporting year	**1,744**	**820**	1,993	1,013
- Provision for severance indemnities at December 31 (4)	**--**	**4**	--	4
Number of stock options awarded (5) (6)	**1,600,000**	**600,000**	1,600,000	600,000
- Number of stock options exercised	**1,600,000**	**600,000**	--	--
Number of stock grants awarded (5)	**1,338,907**	**638,235**	760,160	374,384

(IN THOUSANDS OF EUROS)

1) Excluding fees paid to the companies to which the Directors belonged and not to the Directors themselves.
2) Including non-cash benefits.
3) Other compensation paid to Directors includes the salary paid to the Chief Executive Officer as a Company employee.
4) As stated in Note 18, the amount of severance benefits vested at December 31, 2006 was updated based on actuarial computations.
5) Total number of options awarded and outstanding at the end of the year.
6) Options awarded to Directors include those awarded to the current Chief Executive Officer when he was an employee of another Group company.

Additional information about the stock option and stock grant plans is provided in Note 26 and in the "Report on Corporate Governance and the Company's Ownership Structure," the full text of which is available on the Sorin Group website, at: http://www.sorin.com/it/investors/relazione-corporate-governance.

33 – Other Information

Compensation Paid to Directors, Statutory Auditors and General Managers

PARTY	DESCRIPTION OF POST HELD		COMPENSATION (IN THOUSANDS OF EUROS)			
FIRST AND LAST NAME	POST HELD	TERM OF OFFICE	COMPEN-SATION FOR POST HELD	NON-CASH BENEFITS	BONUS AND OTHER IN-CENTIVES (1)	OTHER COMPEN-SATION
Rosario Bifulco	Chairman of the Board of Directors	Until approval of the financial statements at 12/31/11	500	4	250	
Pavese Giovanni	Deputy Chairman	Until approval of the financial statements at 12/31/11	105			
André-Michel Ballester	Chief Executive Officer	Until approval of the financial statements at 12/31/11	530	55	486	27
Claudio Albertini	Director	Until approval of the financial statements at 12/31/11	20			
Giuliano Asperti	Director	Until approval of the financial statements at 12/31/11	52			
Paolo Baessato	Director	Until approval of the financial statements at 12/31/11	60			
Andrea Bovone	Director	Until approval of the financial statements at 12/31/11	60			
Giorgio Fossa	Director	Until approval of the financial statements at 12/31/11	20			
Pietro Guindani	Director	Until approval of the financial statements at 12/31/11	32			
Ettore Morezzi	Director	Until approval of the financial statements at 12/31/11	20			
Enzo Nicoli	Director	Until approval of the financial statements at 12/31/11	20			
Luigi Ragno	Director	Until approval of the financial statements at 12/31/11	30			10 (2)
Francesco Silva	Director	Until approval of the financial statements at 12/31/11	20			
Massimo Tononi	Director	Until approval of the financial statements at 12/31/11	60			
Claudio Agostino Zulli	Director	Until approval of the financial statements at 12/31/11	55			

(1) Includes compensation for work performed as an employee.

(2) Refers to the fee received for serving on the Oversight Board.

PARTY	DESCRIPTION OF POST HELD		COMPENSATION (IN THOUSANDS OF EUROS)			
FIRST AND LAST NAME	POST HELD	TERM OF OFFICE	COMPEN-SATION FOR POST HELD	NON-CASH BENEFITS	BONUS AND OTHER IN-CENTIVES (1)	OTHER COMPEN-SATION
Cesare Piovene Porto Godi	Chairman of the Board of Statutory Auditors	Until approval of the financial statements at 12/31/12	62			
Paolo Gualtieri	Statutory Auditor	Until approval of the financial statements at 12/31/12	42			
Andrea Zaglio	Statutory Auditor	Until approval of the financial statements at 12/31/12	42			10 (1)

(1) Refers to the fee received for serving on the Oversight Board.

Stock Options Awarded to Directors and General Managers

FIRST AND LAST NAME	POST HELD	OPTIONS HELD AT THE BEGINNING OF THE YEAR			OPTIONS AWARDED DURING THE YEAR			OPTIONS EXERCISED DURING THE YEAR			OPTIONS EXPIRED IN 2011	OPTIONS HELD AT THE END OF THE YEAR		
		No. OF OPTIONS	EXERCISE PRICE	EXPIRATION DATE	No. OF OPTIONS	EXERCISE PRICE	EXPIRATION DATE	No. OF OPTIONS	EXERCISE PRICE	EXPIRATION DATE	No. OF OPTIONS	No. OF OPTIONS	EXERCISE PRICE	EXPIRATION DATE
André-Michel Ballester	Chief Executive Officer	800,000	1.566	6/30/11	--	--	--	800,000	1.566	6/30/11	--	--	--	--
		800,000	1.762	6/30/11	--	--	--	800,000	1.762	6/30/11	--	--	--	--

Stock Grants Awarded to Directors and General Managers

FIRST AND LAST NAME	POST HELD	STOCK GRANTS AWARDED AND OUTSTANDING AT BEGINNING OF YEAR	AWARDED DURING THE YEAR	STOCK GRANTS AWARDED AND OUTSTANDING AT END OF YEAR
		Number of shares	Number of shares	Number of shares
Rosario Bifulco	Chairman	193,548	193,548	387,096
André-Michel Ballester	CEO	566,612	385,199	951,811

34 – EVENTS OCCURRING AFTER DECEMBER 31, 2011

With regard to events worthy of mention that occurred after the end of 2011, the Company discloses that, in January 2012, it was served with a summons to appear before the Civil Court of Milan at a hearing scheduled for November 20, 2012. This action was filed by SNIA S.p.A., under extraordinary administration, and is aimed at verifying the existence of an alleged joint liability of Sorin S.p.A. with SNIA S.p.A. with regard to any liabilities related to and/or resulting from environmental remediation costs caused by chemical activities operated by SNIA S.p.A. and other companies of the SNIA Group prior to the group's demerger on January 2, 2004. Therefore, this action is being filed merely for verification purposes and not to seek a decision ordering damage compensation. Sorin reviewed the contents of the summons, believes that the arguments presented against it are devoid of merit and plans to join the proceedings to contest SNIA's claims in their entirety and vigorously defend its rights, which it will put forth in the appropriate venue.

No other significant events requiring disclosure occurred after December 31, 2011.

Milan, March 15, 2012

Rosario Bifulco
Chairman

André-Michel Ballester
Chief Executive Officer

ANNEX

DISCLOSURE REQUIRED PURSUANT TO ARTICLE 149-*DUODECIES* OF THE CONSOB'S ISSUERS' REGULATIONS

The table below, which was prepared pursuant to Article 149-*duodecies* of the Consob's Issuers' Regulations, shows the amount attributable to 2011 of the fees paid to Reconta Ernst & Young S.p.A. and other companies within its network for independent auditing services and for services other than those related to the performance of independent audits.

	PARTY PROVIDING THE SERVICE	FEE AMOUNT ATTRIBUTABLE TO 2011
Independent auditing	Reconta Ernst & Young S.p.A.	258
Attestation services	Reconta Ernst & Young S.p.A. (1)	11
Other services	Ernst & Young network (2)	98
Total		**367**

(IN THOUSANDS OF EUROS)

1) Services provided in connection with the filing of tax returns and similar assignments.
2) Other professional services.

ATTESTATION

OF THE STATUTORY FINANCIAL STATEMENTS AT DECEMBER 31, 2011 PURSUANT TO ARTICLE 154-*BIS* OF LEGISLATIVE DECREE NO. 58/98

1. We, the undersigned André-Michel Ballester, in my capacity as Chief Executive Officer, and Demetrio Mauro, in my capacity as Corporate Accounting Documents Officer of Sorin S.p.A., taking into account the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, attest that:
   - the administrative and accounting procedures followed during the 2011 reporting year in connection with the preparation of the statutory financial statements are adequate in relation to the characteristics of the Company's business operations; and
   - were effectively applied.

2. The methodology and operational approach used to assess the effectiveness of the administrative and accounting procedures followed to prepare the statutory financial statements at December 31, 2011 are consistent with the operational guidelines of the CoSO framework "ICFR-Guidance for Smaller Public Companies," which constitute a reference model generally accepted internationally.

3. We further attest that:

   3.1 the statutory financial statements:
   - were prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union pursuant to Regulations (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002, and comply with the regulations enacted to implement Legislative Decree No. 38/2005;
   - are consistent with the data in the books of accounts and other accounting records;
   - adequately provide a truthful and fair presentation of the issuer's statement of financial position, operating performance and cash flow;

   3.2 the Report on Operations provides a reliable presentation of the issuer's performance, result from operations and financial position, and describes the main risks and uncertainties to which the issuer is exposed.

Milan, March 15, 2012

André-Michel Ballester
Chief Executive Officer

Demetrio Mauro
Corporate Accounting
Documents Officer

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING OF SORIN S.p.A.
(pursuant to Article 153 of Legislative Decree No. 58/98 and Article 2429, Section 3, of the Italian Civil Code)

Dear Shareholders,

During the year ended December 31, 2011, we carried out the oversight activity required pursuant to law, adopting, inter alia, the Principles of Conduct recommended by the Italian Board of Certified Public Accountants and Bookkeepers. More specifically, in accordance with the guidelines provided by the Consob with Communication No. 1025564 of April 6, 2001, as amended, and the provision of Article 19 of Legislative Decree No. 39 of January 27, 2010 regarding the Internal Control and Auditing Committee, a function that, in the case of listed companies, is performed by the Board of Statutory Auditors, we report the following.
The financial statements of Sorin S.p.A. for the year ended December 31, 2011 that are being submitted for your approval, which were prepared in accordance with the International Financial Reporting Standards (IFRSs), show a profit of 34,998,912 euros.
You are also being provided with the consolidated financial statements for the year ended December 31, 2011, which show Group net profit of 58,035,000 euros.
The Report of the Board of Directors reviews the Group's performance during the year and provides information about major transactions executed in 2011 and regarding investments in research and development and in programs to strengthen the sales organization. The Report also provides information, which the Board of Statutory Auditors deems exhaustive, about the Group's operating performance financial position and cash flow. The Report of Board of Directors also provides information about significant events occurring after December 31, 2011.
The Company's financial statements and the Group's consolidated financial statements were prepared by the Board of Directors pursuant to law and supplied to the Board of Statutory Auditors together with the reports on operations of the Company and the Group, respectively. To the best of our knowledge, the Directors complied with the provisions that govern the preparation of financial statements and included in their financial report the disclosures required by Document No. 2 published jointly by the Bank of Italy, Consob and Isvap on February 6, 2009 and the subsequent document published on March 4, 2010.
We report that we monitored compliance with the law and the Bylaws, attending meetings of the Board of Directors, the Executive Committee and the Internal Control Committee, and periodically performed reviews and held meetings.

1. Material transactions affecting the Company's income statement, cash flow and financial position in 2011 are described exhaustively by the Board of Directors in the Report on Operations. The Board of Statutory Auditors was informed about these transactions by attending meetings of the Board of Directors and the Executive Committee and through contacts with the Company's senior executives and managers.
   The Board of Statutory Auditors was able to determine that the abovementioned transactions were neither dangerous nor reckless, did not give rise to conflicts of interest, were not in contrast with resolutions adopted by the Shareholders' Meeting or the Bylaws and did not impair the value of the corporate assets.
2. In 2011, the Company did not execute atypical and/or unusual transactions with outsiders, Group companies or related parties. Transactions between Sorin and other Group companies or related parties, which are reviewed also with regard to their financial impact in the Section of the Report of the Board of Directors entitled "Intra-Group Transactions and Transactions with Related Parties," were contractually settled on standard market terms. The Board of Statutory Auditors believes that these transactions were fair and in the Company's interest. The Notes to the Consolidated and Statutory Financial Statements include special schedules that list material transactions with related parties and with subsidiaries and affiliated companies. These transactions involve primarily the cash management process and the centralized handling of cash flows, carried out through the provision of financial consulting services that include the execution of Group-wide agreements with the banking system, and consulting services in the areas of taxation, general counsel, contract law and human resource management. The Board of Statutory Auditors believes that the abovementioned transactions were in the Group's interest and settled based on fair financial terms. No transactions were executed with unconsolidated Group companies. As required by Consob Resolution No. 17221 of March 12, 2010, as amended by Resolution No. 17389 of June 23, 2010, a Procedure for

Transactions with Related Parties is currently in effect and is applied on a regular basis whenever conditions require it.

3. In the opinion of the Board of Statutory Auditors, the disclosures about transactions with related parties and intra-Group transactions provided by the Board of Directors in the Report on Operations are adequate.
4. On April 5, 2012, Reconta Ernst & Young, having audited the separate and consolidated financial statements, issued the corresponding reports, which contained no qualifications and required no supplemental disclosures. The independent auditors also informed us about the content of the report required by Article 19, Section 3, of Legislative Decree No. 39/2010, which is in the process of been issued but apparently contains no qualifications or mention of material issues requiring disclosure.
   The independent auditors also verified that the Company was in compliance with the going concern principle and the other requirements of the document published jointly by the Bank of Italy, Consob and Isvap on February 6, 2009 and the subsequent document published on March 4, 2010.
5. The Board of Statutory Auditors received no complaints pursuant to Article 2408 of the Italian Civil Code.
6. No memoranda were filed with the Board of Statutory Auditors in 2011.
7. In 2011, Sorin Group asked the independent auditors Reconta Ernst & Young and other companies included in the same independent auditor network to provide auditing and other services for a total amount of 1,330,000 euros. Schedules showing the fees attributable to 2011, broken down in the manner required by Article 149 *duodecies* of the Issuers' Regulations, are annexed to the statutory and consolidated financial statements. The Board of Statutory Auditors believes that the services that the independent auditors were asked to provide and the corresponding fees did not impair their independence.
8. In 2011, the Board of Statutory Auditors provided, when necessary, the opinions and advice required pursuant to law with regard to the compensation of Directors who perform special functions and about related-party transactions. The substance of the advice given was not in conflict with subsequent resolutions adopted by the Board of Directors.
9. In 2011, the Board of Directors met 5 times and the Executive Committee and the Internal Control Committee held 13 meetings and 5 meetings, respectively. At least one member of the Board of Statutory Auditors always attended these meetings. The Board of Statutory Auditors met 8 times and its members met collectively and/or individually with the independent auditors Reconta Ernst & Young. No material data or information requiring disclosure in this Report were discussed at those meetings.
10. In the opinion of the Board of Statutory Auditors, the Company complied with the principles of sound management and the resolutions adopted and implemented by the Board of Directors were in the Company's interest. At its meetings, the Board of Directors carefully analyzed and discussed in detail interim reports on the Company's performance, comparing actual results with plans, budgets and updated forecasts, as well as all relevant issues of material transactions.
11. Insofar as the areas under its jurisdiction are concerned, the Board of Statutory Auditors assessed and monitored the effectiveness of the Company's accounting and organizational system and the system's reliability in presenting fairly the results from operations. It accomplished this task by obtaining information from the manager of the Accounting Department, reviewing corporate documents and analyzing the results of the work performed by the independent auditors. The Chief Executive Officer and the Corporate Accounting Documents Officer provided a special report attesting that the accounting procedures are adequate and are being effectively implemented, the content of the accounting documents complies with the IFRS/IAS international accounting principles, and the accounting documents are consistent with the data in the accounting records and other corporate documents and present fairly the Company's balance sheet, operating performance and financial position. The Board of Statutory Auditors reviewed organization charts, responsibility and authority levels and the flow of instructions, assessing the organization's ability to establish adequate strategic and management guidelines and carry out the necessary control of the technical, commercial and accounting operations of the entire Group.
12. The Board of Statutory Auditors assessed and monitored the system of internal controls, meeting for this purpose on a regular basis with the Internal Control Officer, who is also in charge of the Internal Auditing Department, and gathering information from Directors and the independent auditors. The Board of Statutory Auditors determined that the Company responded appropriately to the suggestions it generated in the course of its control activities, particularly with regard to organizational and control requirements.
    The Board of Directors, having been informed of the favorable opinion rendered by the Board of Statutory Auditors, approved the 2012 Audit Plan.

In the “Report on Corporate Governance and the Company’s Ownership Structure” included in the Annual Report, the Board of Directors provides detailed information about the system of corporate governance, as updated in December 2011, showing that it substantially complies with the guidelines contained in the latest edition of the Corporate Governance Code, as amended. The Board of Statutory Auditors reports that the Board of Directors carried out a self-assessment procedure, as recommended by the Corporate Governance Code, which produced positive findings and no evidence of shortcomings.

On March 15, 2012, the Board of Directors verified that the independent Directors currently in office met the independence requirements of Article 3 of the Corporate Governance Code and Article 148, Section 3, Letters b) and c), of Legislative Decree No. 58/98. The Board of Statutory Auditors believes that the correct verification criteria and procedures were applied by the Board of Directors to assess compliance with the independence requirements.

The Board of Statutory Auditors used the same criteria to verify the independence qualifications of its members.

The Company has adopted for some time a Code of Ethics, an Organization, Management and Control Model (duly updated to comply with subsequent amendments to Legislative Decree No. 231/2001) and established an Oversight Board. The Oversight Board is comprised of a member of the Board of Statutory Auditors, who serves as Chairman, the manager of the Internal Auditing Department and an independent Director.

We monitored the adequacy and timeliness of the instructions provided by the Company to its subsidiaries with regard to the disclosure requirements arising from the relevant statutes and Articles 2497 and following of the Italian Civil Code.

Specifically, in view of the fact that the Company exercises management and coordination authority over its domestic subsidiaries, as defined in Articles 2497 and following of the Italian Civil Code, in the course of meetings with the Boards of Statutory Auditors of Italian subsidiaries, we verified compliance with the rules of conduct applicable to the abovementioned subsidiaries, with the aim of ascertaining that the coordination and control obligations and the transparency and public disclosure requirement of current laws were being met.

13. In the course of its oversight activity, the Board of Statutory Auditors uncovered no omissions, objectionable facts or irregularities that would warrant reporting them to the Shareholders’ Meeting, as required by Article 153, Section 1, of Legislative Decree No. 58/98.
14. The Board of Statutory Auditors has no motion to submit to the Shareholders’ Meeting, as would be required by Article 153, Section 2, of Legislative Decree No. 58/98, except for the indications provided below with regard to the approval of the financial statements.

As required by the Article 144 *quinquiesdecies* of the Issuers’ Regulations, a list of the governance posts currently held by the members of the Board of Statutory Auditors is annexed to this Report.

Based on the considerations outlined above, the Board of Statutory Auditors, insofar as the areas under its jurisdiction are concerned, has no objection to the approval of the financial statements at December 31, 2011 and concurs with the motion for the appropriation of the year’s profit.

Milan, April 5, 2012

The Board of Statutory Auditors

Cesare Piovene Porto Godi (Chairman)
Paolo Gualtieri (Statutory Auditor)
Andrea Zaglio (Statutory Auditor)

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Relazione della società di revisione
ai sensi degli artt. 14 e 16 del D. Lgs. 27.1.2010, n. 39

Agli Azionisti
della Sorin S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio consolidato, costituito dalla situazione patrimoniale-finanziaria, dal conto economico, dal conto economico complessivo, dalle variazioni del patrimonio netto, dal rendiconto finanziario e dalle relative note esplicative, della Sorin S.p.A. e sue controllate ("Gruppo Sorin") chiuso al 31 dicembre 2011. La responsabilità della redazione del bilancio in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n. 38/2005, compete agli amministratori della Sorin S.p.A.. E' nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla Consob. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio consolidato sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

   Per il giudizio relativo al bilancio consolidato dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 4 aprile 2011.

3. A nostro giudizio, il bilancio consolidato del Gruppo Sorin al 31 dicembre 2011 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n. 38/2005; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa del Gruppo Sorin per l'esercizio chiuso a tale data.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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4. La responsabilità della redazione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari, pubblicata nella sezione "Investitori - Corporate Governance" del sito internet della Sorin S.p.A., in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli amministratori della Sorin S.p.A.. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione e delle informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D. Lgs. n. 58/1998, presentate nella relazione sul governo societario e gli assetti proprietari, con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla Consob. A nostro giudizio la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D. Lgs. n. 58/1998 presentate nella relazione sul governo societario e gli assetti proprietari sono coerenti con il bilancio consolidato del Gruppo Sorin al 31 dicembre 2011.

Milano, 5 aprile 2012

Reconta Ernst & Young S.p.A.

Felice Persico
(Socio)

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ai sensi degli artt. 14 e 16 del D. Lgs. 27.1.2010, n. 39

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della Sorin S.p.A.

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   Per il giudizio relativo al bilancio d'esercizio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 4 aprile 2011.

3. A nostro giudizio, il bilancio d'esercizio della Sorin S.p.A. al 31 dicembre 2011 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n. 38/2005; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa della Sorin S.p.A. per l'esercizio chiuso a tale data.

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Milano, 5 aprile 2012

Reconta Ernst & Young S.p.A.

Felice Persico
(Socio)

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AT THE HEART OF MEDICAL TECHNOLOGY

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