

CARRARO S.p.A.

Sede in Campodarsego (PD) – Via Olmo n. 37

Share capital Euro 21,840,000 fully paid-up

Padua Companies Register R.E.A. no. 84.033

Tax no. 00202040283

**QUARTERLY REPORT AS OF 31ST MARCH 2002
(CONSOLIDATED DATA) _
THE BOARD OF DIRECTORS' REPORT**

The first quarterly trend is lined up with the budget estimates. The turnover, down 3.31% on the equivalent period of the previous year, reflects the unfavourable trend of the reference markets, still characterised by an uncertain climate. Together with a moderate sprightliness in the tractors market, the Construction Equipment and Material Handling market segments have been quite stable. The Group operating income, if compared to the last period of the previous year, has improved further to the cost reduction activities started in 2001 and to the contribution of the subsidiary company Carraro Argentina S.A. which, after the last painful year end result, thanks to the devaluation and to the restructuring, closed the 1st quarterly with a positive operating result, whereas Germany and Poland suffered a decrease in volumes.

GENERAL INFORMATION

The 1st quarterly 2002 consolidated net turnover totalled Euro 93.424m, down 3.31% compared to the 1st quarterly 2001 (Euro 96.631m).

With regards to the breakdown by business area, the off-highway market sales account 71.5% of the Group total turnover, while the on-highway and material handling account 9.5% of the total sales.

In the quarterly the most significant developments of the Group activities concerned, in the off-highway segment, the sales addressed to the agricultural market, increased if compared to the 1st quarterly of the previous year and, in the on-highway area, both the sales addressed to the Construction Equipment and to the Auto & Trucks markets, recorded a considerable increase.

By destination area, the 1st quarterly 2002 turnover accounted 79.5% in the foreign markets. Especially, exports accounted 23.4% in the North American market, 13.7% in the German one, 10.8% in the British market, 10.5% in the French one and 5.2% in the South American area. The production addressed to the European Union countries - Italy included - accounts 63.6%.

The quarterly **operating income** totalled Euro 4.219m corresponding to 4.5% of turnover, not only a slight increase on the Euro 3.917m (4.1%) accounted in the 1st quarterly of the previous year but, above all, in considerable improvement if compared to the figure at December 31st, 2001 (Euro 9.177m, 2.4% of turnover) thanks to the structure and purchase costs reduction strategies begun during 2001

and to the higher competitiveness of the subsidiary Argentinean company further to the Peso devaluation.

Depreciation totalled Euro 6.441m (Euro 7.341m in the 1st quarterly 2001).

Investments totalled Euro 4.068m (Euro 5.762m at 31.12.2001) related mainly to maintenance activities.

Due to a provisional fluctuation of the receivables vs. Factor, in the quarter the net financial position steps up the debit balance moving from Euro 125.504m accounted at December 31st, 2001 to the actual Euro 136,936m (Euro 142m at 31.3.2001).

The gearing, the ratio between borrowed capital and the Group Shareholders' equity, stood at 230% vs. 189.44% at 31.12.2001 (152.39% at March 31st, 2001).

FORESEEABLE DEVELOPMENTS OF THE ACTIVITY FOR THE CURRENT YEAR

Since the month of April, client orders portfolio has been showing a positive trend, due to a considerable increase in volumes in the agricultural segment, opposite to the persistent weakness of the backhoe loaders and construction equipment markets.

The cost reduction and restructuring activities are still in process. The last ones are already in an advanced stage in all the Italian plants and almost completed in Argentina, whilst a trade union agreement is in its settlement course in Germany: we wish that, even in this country which is distinguishing itself for the very strict and formal - but skilled - approach, the reasonableness will prevail, so that we could go ahead in removing the situation of expectation not helpful for the German company, distressed for a considerable decrease of the orders due to the negative trend of the reference market.

We also have to mention the negative performance of the Polish affiliated company FON from which, up till now, we expect results lower than the budget estimates, due to the suddenly stop of the orders from mining sector and to the deferment of an important job order for Russia. According to the plans, we expect from the next months a gradual improvement of the net indebtedness.

For the whole 2002 financial year we expect a result in further improvement compared to the 1st quarter.

FINANCIAL STATEMENTS

(values in Euro/000)

PROFIT & LOSS STATEMENT

ITEM	March 31, 2002 (YTD)	%	March 31, 2001 (YTD)	%
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Value of production	94.402		102.338	
Turnover	93.424	100,0	96.631	100,0
Other incomes	978	1,0	5.707	5,9
Cost of production	-90.183	-96,5	-98.421	-101,8
Raw, subsidiary and consumables materials and goods	-48.765	-52,2	-57.738	-59,7
Services	-15.461	-16,6	-18.572	-19,2
Leases and rentals	-346	-0,4	-372	-0,4
Payroll and related costs	-17.314	-18,5	-19.422	-20,1
Amortisation/Depreciation	-6.441	-6,9	-7.341	-7,6
Write-downs	-508	-0,5	-97	-0,1
Changes in inventories	-594	-0,6	6.010	6,2
Accruals	-397	-0,4	-503	-0,5
Other operating expenses	-357	-0,4	-386	-0,4
OPERATING INCOME	4.219	4,5	3.917	4,1

SALES BREAKDOWN

BY BUSINESS SECTORS

	March 31, 2002 (YTD)	%	March 31, 2001 (YTD)	%
Off Highway	66.839	71,5	75.447	78,1
On Highway & Material Handling	17.768	19,0	16.057	16,6
Spare parts and other incomes	8.817	9,5	5.127	5,3
Total	93.424	100,0	96.631	100,0

BY GEOGRAPHIC AREA

	March 31, 2002 (YTD)	%	March 31, 2001 (YTD)	%
Nord America	21.850	23,39	21.814	22,57
Germany	12.772	13,67	17.161	17,76
Great Britain	10.104	10,82	9.107	9,42
France	9.794	10,48	13.037	13,49
Korea	2.572	2,75	2.202	2,28

Poland	646	0,69	998	1,03
South America	4.824	5,17	3.647	3,78
Other Extra U.E.	4.095	4,38	1.864	1,93
Other areas in the U.E.	7.625	8,16	6.570	6,80
Total foreign countries	74.282	79,51	76.400	79,06
Italy	19.142	20,49	20.231	20,94
Total	93.424	100,00	96.631	100,00

NET DEBT POSITION

Description	March 31, 2002 (YTD)	March 31, 2001 (YTD)
Bank overdraft and loans:		
- within 12 months	72.484	103.889
- beyond 12 months	17.662	19.193
Payables to other financial institutions:		
- within 12 months	189	234
- beyond 12 months	-	-
- leasing within 12 months	516	503
- leasing after 12 months	1.141	1.270
Bond loans:		
- within 12 months	-	-
- beyond 12 months	100.000	100.000
Secured payables:		
- within 12 months	473	425
- beyond 12 months	100	100

Net financial accrued incomes and expenses	5.224	3.281
NET VALUE OF:		
Cash on hand	-9.023	-15.997
Securities	-45.338	-68.423
Financings	-5.991	-6.291
Factoring	-501	-12.680
Consolidated net financial position	136.936	125.504

NOTES ON FINANCIAL STATEMENTS

Valuation criteria

The valuation criteria applied in drawing up this report are consistent with the ones applied in the annual consolidated and six-month reports, for which reference is given by the relative explanatory notes. The conversion to Euro of the balances in foreign currency has been done using the year-end exchange rate for assets and liabilities, the historical exchange rates for Shareholders' equity items and the average exchange rates of the period for the profit and loss statement.

Financial Statements include, besides Carraro S.p.A., the balances of those companies whose the parent company itself holds, either directly or indirectly, the majority of the voting rights at the ordinary Shareholders' general meeting.

The consolidation area includes the holding Carraro S.p.A. and the following companies, consolidated using the global integration method:

Company's Name	Registered Location	Currency	Share Capital Nominal Value	% of interest
SIAP S.p.A.	Maniago (PN)	Euro	10.122.616	100%
Carraro Deutschland GmbH	Hattingen (Germany)	Euro	10.507.048	100%
Carraro Argentina S.A.	Haedo, Buenos Aires (Argentina)	Pesos	25.809.288	93,90%
Carraro India Ltd.	Rajangaon - Pune (India)	Rupee	400.000.000	36%
F.O.N. S.A.	Radomsko (Poland)	Zloty	7.058.220	84,788%

Carraro International S. A.	Luxembourg	Euro	9.850.000	99,99%
Carraro North America Inc.	Calhoun-Georgia (USA)	US\$	100	100%
Carraro Korea Co. Ltd	Ulsan (Korea)	Kor. Won	3.000.000.000	100%
O&K Antriebstechnik & Co.	Hattingen (Germany)	Euro	2.045.168	100%

Financial data

The above reports disclose three-months period balances as of 31st March 2002 and, for comparative purposes, the 2001 year same period balances; relating comments are in March 31, 2001 quarterly report.

The Chairman
Mario Carraro