

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

INTERIM FINANCIAL REPORT**FOR THE QUARTER ENDED 31 MARCH 2003****(CONSOLIDATED)**

In spite of the global market still being characterised by serious uncertainties, the Group's sales in the first quarter of 2003 grew by 3.3% on the first quarter of 2002.

As for performance in the individual segments, we note, in particular, difficulties in the construction equipment segment, still reeling from the consequences of a marked fall in demand, whereas the agriculture segment remained substantially stable. Nevertheless, thanks to recently won supply contracts, the Group has consolidated the sales of automotive systems for backhoe loaders, excavators, wheel loaders and telehandlers, all in the construction equipment segment.

EBIT improved on the first quarter of 2002, as a result of both growing sales volumes and cost-cutting measures.

With reference to the foreign subsidiaries, the performance of Carraro Argentina, Carraro India and F.O.N. in Poland were partly affected by the weakening of the US Dollar, while Carraro Korea was influenced by the crisis of its largest customers, now solved.

GENERAL INFORMATION

Net consolidated **sales** for the first quarter of 2003 amounted to Euro 96.522 million, a 3.3% increase on the quarter ended 31 March 2002 (Euro 93.424 million).

A breakdown of sales by segment, with percentages and changes compared to the first quarter of 2002, is as follows:

Breakdown of sales by segment (in thousands of Euro)

<i>Segment</i>	<i>Q1 2003</i>	<i>%</i>	<i>Q1 2002</i>	<i>%</i>	<i>% change Q1 2003/ Q1 2002</i>
Off-Highway:	71,283	73.85	66,839	71.54	+6.65

Agriculture	33,312	34.51	33,708	36.08	-1.17
Construction equipment	37,971	39.34	33,131	35.46	+14.61
On-Highway:	15,146	15.69	16,275	17.42	-6.94
Material handling	5,659	5.86	6,205	6.64	-8.80
Auto & truck	2,845	2.95	3,404	3.64	-16.42
Gears	6,642	6.88	6,666	7.14	-0.36
Stationary (escalators)	1,627	1.69	1,493	1.60	+8.98
Spare parts	6,252	6.48	5,926	6.34	+5.50
Other	2,214	2.29	2,891	3.10	-23.42
TOTAL	96,522	100.00	93,424	100.00	+3.32

A breakdown of sales by geographical area is provided below:

Breakdown of sales by geographical area (in thousands of Euro)

<i>Geographical area</i>	<i>Q1 2003</i>	<i>%</i>	<i>Q1 2002</i>	<i>%</i>	<i>% change Q1 2003/ Q1 2002</i>
North America	19,882	20.60	21,850	23.39	-9.01
Germany	14,469	14.99	12,772	13.67	+13.29
UK	9,498	9.84	10,104	10.82	-6.00
France	10,246	10.61	9,794	10.48	+4.62
Korea	955	0.99	2,572	2.75	-62.87
Poland	2,593	2.69	646	0.69	+301.39
South America	5,740	5.95	4,824	5.17	+18.99
Other non-EU	6,405	6.63	4,095	4.38	+56.41
Other EU	8,529	8.84	7,625	8.16	+11.86
Total foreign sales	78,317	81.14	74,282	79.51	+5.43
Italy	18,205	18.86	19,142	20.49	-4.89

TOTAL	96,522	100.00	93,424	100.00	+3.32
--------------	---------------	---------------	---------------	---------------	--------------

EBIT for Q1 2003 was equal to Euro 5.243 million, or 5.43% of sales (Euro 4.219 million, or 4.52% of sales, in Q1 2002).

Depreciation and amortisation for the three months to 31 March 2003 amounted to Euro 5.810 million, down on Euro 6.441 million for the quarter to 31 March 2002.

Capital expenditure during the quarter amounted to Euro 6.913 million, up on Euro 4.068 million for Q1 2002, and related mostly to the purchase of assets to improve manufacturing efficiency, to the launch of new products and to technology upgrades

Thenet financial position as at 31 March 2003, debt of Euro 115.886 million, improved on 31 December 2002 (debt of Euro 117.264 million) (Euro 136.936 million as at 31 March 2002).

Gearing (the debt to equity ratio) was equal to 214.08% versus 221.5% as at 31 December 2002 (230.02% as at 31 March 2002).

FORESEEABLE DEVELOPMENTS IN THE CURRENT YEAR

Signs of recovery have not yet appeared in the reference markets, which continue to be weak, especially in the United States where the general climate is of uncertainty, in particular in the segment of light construction equipment.

This notwithstanding, the Group remains committed to increasing market share and to continuing with cost-cutting policies.

Actions under way should enable us to ensure that the results for the whole of 2003 are in line with the forecasts.

FINANCIAL INFORMATION

(values in Euro/000)

PROFIT AND LOSS ACCOUNT

Line item	Q1 2003	%	Q1 2002	%	% change Q1 2003/ Q1 2002
Value of production	99,736		94,402		
Sales	96,522	100.00	93,424	100.00	+3.32
Change in stocks of finished products	2,193	2.27	-140	0.15	
Other income	1,021	1.06	1,120	1.19	-8.76
Cost of production	-94,493	97.90	-90,183	96.53	+4.78

Raw materials and consumables	-56,511	58.55	-48,765	52.20	+15.88
Services	-17,227	17.85	-15,461	16.55	+11.42
Utilisation of third parties' assets	-325	0.33	-346	0.37	-6.07
Personnel	-15,877	16.45	-17,314	18.53	-8.30
Depreciation and amortisation	-5,810	6.02	-6,441	6.89	-9.80
Write-downs	-114	0.12	-508	0.54	-77.56
Change in stocks	2,128	2.20	-594	0.64	-458.25
Accruals	-501	0.52	-397	0.43	+26.20
Other operating charges	-256	0.26	-357	0.38	-28.29
EBIT	5,243	5.43	4,219	4.52	+24.27

NET FINANCIAL POSITION

(values in Euro/000)

<i>Description</i>	<i>31 March 2003</i>	<i>31 December 2002</i>	<i>31 March 2002</i>
Bank loans and overdrafts:			
- within 1 year	69,801	72,652	72,484
- after 1 year	11,627	13,086	17,662
Other financing payables:			
- within 1 year	-	-	189
- after 1 year	-	-	-
- leasing payments within 1 year	511	514	516
- leasing payments after 1 year	315	441	1,141
Bonds and debenture loans:			
- within 1 year	-	-	-
- after 1 year	100,000	100,000	100,000
Secured payables:			
- within 1 year	170	237	473

- after 1 year	-	-	100
Accrued interest expense / deferred interest income, net	6,436	4,818	5,224
LESS:			
Cash	-9,383	-14,118	-9,023
Securities	-57,849	-53,988	-45,338
Loans given	-5,742	-6,378	-5,991
Receivables from factors	-	-	-501
Consolidated net financial debt	115,886	117,264	136,936

COMMENTS TO THE FINANCIAL INFORMATIONS

Accounting policies

The accounting policies adopted for the quarterly interim financial report are the same as those adopted for the consolidated annual financial statements and for the six-month interim financial report: for a description we make reference to the relevant notes. Financial statements expressed in foreign currencies have been translated into Euro at the year-end exchange rate as for assets and liabilities, at historical exchange rates for equity components and at the average exchange rate of the period for income statement amounts.

The financial schedules include the financial statements of Carraro S.p.A. and of those subsidiaries in which it holds, either directly or indirectly, a majority of voting rights exercisable at ordinary general meetings.

The consolidation area includes, besides the holding company Carraro S.p.A., the following entities, consolidated on a line-by-line basis:

Legal name	Registered office	Currency	Nominal value of share capital	% held
SIAP S.p.A.	Maniago (PN - Italy)	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	51%
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%

Profit and loss account

The Profit and loss account shows amounts for the first quarter of 2003 and, for comparative purposes, amounts for the first quarter of 2002. Comments are provided in the quarterly interim financial report.

The Chairman
Mario Carraro