

**CARRARO S.p.A.**

Registered offices in Via Olmo 37, Campodarsego, Padua, Italy

Share capital Euro 21,840,000 fully paid in

Tax code, VAT No. and

enrolment in the Padua Companies' Register under No. 00202040283

**Economic and Administrative Roster No. 84.033**

**QUARTERLY REPORT AS OF 31.03.05  
(CONSOLIDATED INFORMATION)****DIRECTORS' REPORT**

In the first quarter of 2005, the main reference markets confirmed the favorable trend which began in 2004, with highly positive effects on the Group's sales. The consolidated sales revenues reached 142.858 million Euro, an increase of 32.1%, 22,5% in like for like terms, taking into consideration the greater contribution to sales revenues of company Assali Emiliani, which changed over to full supplies compared to the mere work account basis in the first quarter of 2004.

The sectors showing most growth, as better indicated in the tables, were Construction Equipment and Agriculture, thanks to a significant increase, respectively in North America, especially in the loaders sector, and in India.

Sales going to the Auto & Truck sector also improved, thanks to the start of production in new projects, and also sales of escalator systems, a highly expanding market, especially in the Asian area.

Profitability stayed on a good level, and, in operational terms, stands at 7.902 million Euro, a 78.3% growth over the same period of the previous year, thanks to stabilizing purchase costs and the effect of plant re-localizations started during the last year. We should however stress that the income margins of the first quarter of 2004 were highly penalized by the abnormal trend of purchase and logistics costs.

Financial expense also improved, taking the weight on sales revenues, on 31 March 2005, to 0.9% compared to 1.35% of the previous year.

The quarter therefore closes with a net profit of 4.707 million Euro, a 543% growth compared to 732 million Euro of the first quarter of 2004.

The financial position, showing a debit balance of 85.305 million Euro, improved with respect to the first quarter of 2004, 89.1 million Euro, and, by maintaining itself within our expectations, is rising compared to the data of 31 December 2004 (76.476 million Euro), due to an expansion of working capital, following higher volumes, and due to the start of an investments phase to support the Group's growth.

The development phases are continuing uniformly in all group companies, including FON Poland and O&KA Germany, where the implementation of the planned industrial organization modifications continue, to allow the remaining negative cost factors to be overcome.

## **GENERAL INFORMATION**

*Net consolidated sales revenues for the first quarter of 2005 amounted to Euro 142.858 million and showed an increase of 32.1% when compared to the first quarter of the previous year (Euro 108.133 million).*

A breakdown of sales revenues by division, with the weight of each division on total sales and the change when compared with the first quarter of 2004, is provided in the table below:

In thousands of Euro

<b>Division</b>	<b>31.03.2005</b>	<b>31.03.2004</b>	<b>Δ %</b>
			<b>31.03.'05 31.03.'04</b>
<b>Off-Highway:</b>	<b>113.540</b>	<b>80.106</b>	<b>+41,7</b>
Agriculture division	50.844	37.899	+34,2
Construction equipment	62.696	42.207	+48,5
<b>On-Highway:</b>	<b>15.677</b>	<b>16.404</b>	<b>-4,4</b>
Material handling	5.151	7.074	-27,2
Auto & truck	3.502	3.102	+12,9
Gears	7.024	6.228	+12,8
<b>Escalator systems</b>	<b>3.466</b>	<b>2.910</b>	<b>+19,1</b>
<b>Spare parts</b>	<b>7.756</b>	<b>6.831</b>	<b>+13,5</b>
<b>Other</b>	<b>2.419</b>	<b>1.882</b>	<b>+28,5</b>
<b>TOTAL</b>	<b>142.858</b>	<b>108.133</b>	<b>+32,1</b>

## % Breakdown of sales revenues by activity division

<i>Division</i>	<i>31.03.2005</i>	<i>31.03.2004</i>
<b>Off-Highway:</b>	<b>79,5</b>	<b>74,1</b>
Agriculture division	35,6	35,0
Construction equipment	43,9	39,1
<b>On-Highway:</b>	<b>11,0</b>	<b>15,2</b>
Material handling	3,6	6,5
Auto & truck	2,5	2,9
Gears	4,9	5,8
<b>Escalator systems</b>	<b>2,4</b>	<b>2,7</b>
<b>Spare parts</b>	<b>5,4</b>	<b>6,3</b>
<b>Other</b>	<b>1,7</b>	<b>1,7</b>

## Destination of sales revenues by Geographic Area

<b>Geographical area</b>	<i>31.03.'05</i>	<i>%</i>	<i>31.03.'04</i>	<i>%</i>	<i>Δ % 31.03.'05 31.03.'04</i>
North America	37.071	25,95	29.485	27,27	25,72
Germany	14.572	10,20	15.614	14,44	-6,67
UK	18.053	12,64	11.059	10,23	+63,24
France	12.747	8,92	10.455	9,67	21,92
China	1.851	1,30	805	0,74	+129,94
Poland	4.478	3,13	2.075	1,92	+115,81
South America	8.400	5,88	7.498	6,93	+12,03
India	6.966	4,88	2.769	2,56	+151,57
Other countries outside EU (*)	1.619	1,13	2.490	2,30	-34,98
Other EU countries (*)	10.485	7,34	7.692	7,12	+36,31
<b>Total abroad</b>	<b>116.242</b>	<b>81,37</b>	<b>89.942</b>	<b>83,18</b>	<b>+29,24</b>
Italy	26.616	18,63	18.191	16,82	+46,31
<b>Total</b>	<b>142.858</b>	<b>100,00</b>	<b>108.133</b>	<b>100,00</b>	<b>+32,11</b>

The **operating income** during the first quarter of 2005 came to Euro 7.902 million and represented 5.5% of sales revenues, an increase compared to 4.431 million Euro of the first quarter of 2004, resulting in 4.1% of sales revenues.

**EBITDA** also improved, rising from 10.168 million Euro on 31 March 2004 to 13.672 million Euro, staying steady at 9.57% of sales revenues.

The quarter recorded a net profit of 4.707 million Euro, a 543% growth compared to 732 million Euro of the first quarter of 2004.

**Amortization** and depreciation was charged for a total of Euro 5.770 million Euro (Euro 5.737 million as of 31.03.04) generating a **cash flow** of Euro 10.758 million (Euro 6.525 million as of 31.03.04).

**Investments** grew in the period, from 3.101 million Euro as of 31 March 2004 to 6.635 million Euro, mainly aimed at supporting the greater volumes and the industrial re-localizations specified in the strategic plan and now being completed.

The net financial position, showing a debit balance of 85.305 million Euro, improved with respect to the data of the first quarter of 2004, 89.053 million Euro, and, as forecast, it increased compared to the figures recorded on 31 December 2004 of 76.476 million Euro, due to the expansion of working capital following increased volumes and due to the start of the above mentioned investments phase.

Gearing (borrowing to net equity ratio) on 31 March stood at 125.47% compared to 124.78% as of 31 December 2004 and to 153.25% of last year.

## **OUTLOOK FOR ACTIVITIES DURING THE CURRENT ACCOUNTING PERIOD**

*The continuing positive trend of the reference markets noted during the first quarter, the putting into capacity operation of important supply agreements, and the integration of the new Business Unit “Vehicles & powertrains as of 1/4/05, lead us to expect, for the whole year, a growth in sales revenues with respect to the previous year, in line with the budget forecasts.*

Actions in support of the strategies specified in the plan will continue during 205.

## ACCOUNTING SCHEDULES

### STATEMENT OF INCOME DATA

In thousands of Euro

CAPTION	<i>31.03.2005</i>	%	<i>31.03.2004</i>	%
<b>Value of production</b>	<b>151.149</b>		<b>112.597</b>	
Sales revenues	142.858	100,00	108.133	100,00
Changes in finished product inventories	7.160	5,01	3.110	2,88
Other revenues	1.131	0,79	1.354	1,25
<b>Production costs</b>	<b>-143.247</b>	<b>-100,27</b>	<b>-108.166</b>	<b>-100,03</b>
Raw and subsidiary materials, and consumables	-98.779	-69,14	-69.433	-64,21
Services	-26.947	-18,86	-20.767	-19,21
Use of third party assets	-365	-0,26	-430	-0,40
Headcount	-18.359	-12,85	-16.841	-15,57
Depreciation	-5.770	-4,04	-5.737	-5,31
Write-downs	0	0	-134	-0,12
Change in inventories	7.838	5,49	5.751	5,32
Provisions	-469	-0,33	-257	-0,24
Other operating expense	-396	-0,28	-318	-0,29
<b>OPERATING MARGIN</b>	<b>7.902</b>	<b>5,53</b>	<b>4.431</b>	<b>4,10</b>
<b>Extraordinary income and expense</b>	<b>-4</b>	<b>0</b>	<b>-1.527</b>	<b>-1,41</b>
<b>Adjustments to the value of financial assets</b>	<b>181</b>	<b>0,13</b>	<b>-738</b>	<b>-0,68</b>
<b>Extraordinary income and expense</b>	<b>-41</b>	<b>-0,03</b>	<b>-116</b>	<b>-0,11</b>
<b>Pre-tax result</b>	<b>8.038</b>	<b>5,63</b>	<b>2.050</b>	<b>1,90</b>
<b>Taxes</b>	<b>-3.050</b>	<b>-2,13</b>	<b>-1.262</b>	<b>-1,17</b>
<b>Profit</b>	<b>4.988</b>	<b>3,49</b>	<b>788</b>	<b>0,73</b>
<b>Reporting of minority interests</b>	<b>-281</b>	<b>0,20</b>	<b>-56</b>	<b>0,05</b>
<b>Consolidated profit</b>	<b>4.707</b>	<b>3,29</b>	<b>732</b>	<b>0,68</b>

### NET FINANCIAL POSITION

In thousands of Euro

Description	<i>31.03.2005</i>	<i>31.12.2004</i>	<i>31.03.2004</i>
Amounts due to banks:			
- due within 12 months	39.707	33.435	50.012
- due beyond 12 months	6.862	4.943	5.780
Amounts due to other providers of finance:			
- due within 12 months	412	412	0
- leases due within 12 months	0	60	322
- leases due beyond 12 months	0	0	0
Bonds:			
- due beyond 12 months	74.367	74.367	81.413
Payables represented by credit instruments:			
- due within 12 months	83	0	0
Net financial accruals and deferrals	4.276	3.505	7.890
NET OF:			
Liquid funds	-38.825	-38.669	-11.941
Securities	-73	-73	-42.911
Loans receivable	-1.504	-1.504	-1.504
Amounts due from factoring companies	0	0	-8
<b>Consolidated net financial position</b>	<b>85.305</b>	<b>76.476</b>	<b>89.053</b>



## COMMENTS ON THE ACCOUNTING SCHEDULES

### Accounting policies

The accounting policies adopted for the quarterly report are the same as those utilized for the preparation of the consolidated annual financial statements and the interim report for which reference should be made to the related explanatory notes. The conversion into Euro of the financial statements expressed in foreign currency, is carried out by adopting the period end exchange rate for assets and liabilities, historic exchange rates for the equity accounts and the average rates for the period for the income statement.

The accounting schedules include the financial statements of Carraro S.p.A. and of the companies in which the latter holds, directly or indirectly, the majority of the voting rights at ordinary shareholders' meetings.

The scope of consolidation includes both the Parent Company Carraro S.p.A. and the following companies, consolidated on a line-by-line basis:

<b>Company</b>	<b>Registered offices</b>	<b>Currency</b>	<b>Nominal value of share capital</b>	<b>%</b>
<b>SIAP S.p.A.</b>	Maniago (PN)	Euro	10.122.616	100%
<b>A.E. S.r.l.</b>	Castello D'Argile (BO)	Euro	10.000	90%
<b>Carraro Deutschland GmbH</b>	Hattingen (Germany)	Euro	10.507.048	100%
<b>Carraro Argentina S.A.</b>	Haedo, Buenos Aires (Argentina)	Argentine Peso	25.809.288	99,90%
<b>Carraro India Ltd.</b>	New Delhi (India)	Indian Rupee	400.000.000	51%
<b>F.O.N. S.A.</b>	Radomsko (Poland)	Polish Zloty	7.058.220	88,27%
<b>Carraro International S.A.</b>	Luxembourg	Euro	9.850.000	99,99%
<b>Carraro North America Inc.</b>	Calhoun - Georgia (USA)	US Dollar	100	100%
<b>O&amp;K Antriebstechnik &amp; Co.</b>	Hattingen (Germany)	Euro	2.045.168	100%

### Economic data

The data referring to the third quarter of 2005 and, for comparative purposes, that relating to the third quarter of the previous year, are illustrated, while the related comments are dealt with in the report.

The Chairman  
Mario Carraro