



Carraro Group

Interim report on operations as at 31 March 2016

DISCLAIMER

This document contains forward-looking statements, in particular in the section “Business outlook for the current year”, in relation to future events and the operating, economic and financial results of the Carraro Group. These forecasts have by their very nature a component of risk and uncertainty, as they depend on the occurrence of future events and developments. The actual results may differ, even significantly, from those announced in relation to a multiplicity of factors.

CARRARO S.p.A.

Head Office in Via Olmo no. 37, Campodarsego (Padua) 35011

Share Capital Euros 23,914,696, fully paid-up.

Tax Code, VAT and Registration Number

in the Padua Companies Register 00202040283 – R.E.A. No. 84033

GENERAL INFORMATION

BOARD OF DIRECTORS

In office until approval of the 2017 Financial Statements (Appointed, Shareholders' Meeting 23/03/2015)

ENRICO CARRARO

Chairman

TOMASO CARRARO

Deputy Chairman

ALBERTO NEGRI

Chief Executive Officer

FABIO BUTTIGNON (1) (2)

Director *

RICCARDO ARDUINI

Director

MARINA MANNA (1) (2) (3)

Director *

MARINA PITTINI (2) (3)

Director *

(1) Members of the Auditing and Risk Committee

(2) Members of the Appointments and Remuneration Committee

(3) Members of the Supervisory Board

* Independent directors

BOARD OF STATUTORY AUDITORS

In office until approval of the 2017 Financial Statements (Appointments, Shareholders' Meeting 23/03/2015)

SAVERIO BOZZOLAN

Chairman

STEFANIA CENTORBI

Regular Auditor

ANDREA CORTELLAZZO

Regular Auditor

BARBARA CANTONI

Alternate Auditor

GIANMARCO MILANATO

Alternate Auditor

INDEPENDENT AUDITORS

from 2016 to 2024

Deloitte Italia S.p.A.

PARENT COMPANY

Finaid S.p.A.

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

The Chairman, Mr Enrico Carraro and the Chief Executive Officer, Mr Alberto Negri, have been given severally powers of legal representation and use of the corporate signature in relations with third parties and in court; they carry out their work within the limits of the powers conferred on them by the Board of Directors in the meeting of 23 March 2015, in accordance with applicable legal constraints, in terms of matters which cannot be delegated by the Board of Directors and of responsibilities reserved for the Board itself, as well as the principles and limits provided for in the Company's Code of Conduct.

CONSOLIDATED INCOME STATEMENT AS AT 31/03/2016

(amounts in €/000)	31/03/2016	%	31/03/2015	%	Changes	
					31/03/16	31/03/15
REVENUES FROM SALES	157,572	100.00%	180,721	100.00%	-23,149	-12.81%
Purchases of goods and materials (net of changes in inventories)	-96,782	-61.42%	-109,226	-60.44%	12,444	-11.39%
Services and Use of third-party goods and services	-24,408	-15.49%	-27,440	-15.18%	3,032	-11.05%
Personnel costs	-25,757	-16.35%	-33,274	-18.41%	7,517	-22.59%
Amortisation, depreciation and impairment of assets	-5,590	-3.55%	-7,407	-4.10%	1,817	-24.53%
Provisions for risks*	-5,549	-3.52%	-1,729	-0.96%	-3,820	
Other income and expenses	856	0.54%	1,035	0.57%	-179	-17.29%
Internal construction	1,120	0.71%	1,329	0.74%	-209	-15.73%
OPERATING COSTS	-156,110	-99.07%	-176,712	-97.78%	20,602	-11.66%
OPERATING PROFIT/(LOSS) (EBIT)	1,462	0.93%	4,009	2.22%	-2,547	-63.53%
Income from equity investments	-207	-0.13%	-	0.00%	-207	
Other financial income	422	0.27%	1,279	0.71%	-857	-67.01%
Financial costs and expenses	-3,873	-2.46%	-3,990	-2.21%	117	-2.93%
Net gains/(losses) on foreign exchange	-846	-0.54%	-1,595	-0.88%	749	-46.96%
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	-4,504	-2.86%	-4,306	-2.38%	-198	4.60%
PROFIT/(LOSS) BEFORE TAXES	-3,042	-1.93%	-297	-0.16%	-2,745	
Current and deferred income taxes	-1,818	-1.15%	-1,686	-0.93%	-132	7.83%
NET PROFIT/(LOSS)	-4,860	-3.08%	-1,983	-1.10%	-2,877	
Profit/(loss) pertaining to minorities	-	0.00%	-46	-0.03%	46	-100.00%
GROUP CONSOLIDATED PROFIT/(LOSS)	-4,860	-3.08%	-2,029	-1.12%	-2,831	
EBITDA	7,002	4.44%	11,355	6.28%	-4,353	-38.34%
* including restructuring costs	4,395	2.79%	881	0.49%	3,514	
EBITDA net of restruct. costs	11,397	7.23%	12,236	6.78%	-839	-6.89%

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31/03/2016

(amounts in €/000)	31/03/2016	31/12/2015	31/03/2015
Property, plant and equipment	157,751	163,828	189,981
Intangible fixed assets	70,712	70,702	92,053
Real estate investments	695	695	709
Holdings in subsidiaries and associates	16,552	16,552	-
Financial assets	8,327	8,896	1,865
Deferred tax assets	28,884	29,796	44,442
Trade receivables and other receivables	2,936	3,056	4,303
NON-CURRENT ASSETS	285,857	293,525	333,353
Closing inventory	115,144	118,086	158,566
Trade receivables and other receivables	121,763	88,683	152,807
Financial assets	3,330	8,972	9,086
Cash and cash equivalents	48,757	70,758	79,762
CURRENT ASSETS	288,994	286,499	400,221
TOTAL ASSETS	574,851	580,024	733,574
Share Capital	23,915	23,915	23,915
Reserves	16,296	26,854	31,296
Foreign currency translation reserve	-17,171	-13,489	-5,389
Profit/(Loss) for the period	-4,860	-8,915	-2,029
Minority interests	-	2,658	2,893
SHAREHOLDERS' EQUITY	18,180	31,023	50,686
Financial liabilities	124,510	180,188	132,023
Trade payables and other payables	767	910	1,423
Deferred tax liabilities	2,794	3,214	7,232
Provision for severance indemnity and retirement benefits	11,136	11,643	19,184
Provisions for risks and liabilities	3,296	3,253	3,769
NON-CURRENT LIABILITIES	142,503	199,208	163,631
Financial liabilities	176,486	135,443	234,728
Trade payables and other payables	197,854	190,944	249,960
Current taxes payables	19,211	5,384	18,602
Provisions for risks and liabilities	20,617	18,022	15,967
CURRENT LIABILITIES	414,168	349,793	519,257
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	574,851	580,024	733,574

CASH FLOW AS AT 31/03/2016

	31/03/2016	31/12/2015	31/03/2015
Opening Net Financial Position	-227,783	-224,273	-224,273
<i>Group profit/(loss)</i>	<i>-4,860</i>	<i>-8,915</i>	<i>-2,029</i>
<i>Profit/(loss) pertaining to minorities</i>	<i>-</i>	<i>-191</i>	<i>46</i>
<i>Amortisation, depreciation and impairment of fixed assets</i>	<i>5,540</i>	<i>46,607</i>	<i>7,346</i>
Cash flow before Net Working Capital	680	37,501	5,363
Change in Net Working Capital	-8,519	-23,554	-52,690
Investments in fixed assets	-2,566	-25,414	-5,398
Disinvestments in fixed assets	275	3,308	-35
Operating Free Cash Flow	-10,130	-8,159	- 52,760
Other operating flows	2,429	4,560	-8,581
Other investing flows	2,818	1,167	-7,211
Other equity flows	-7,983	-1,079	11,462
Free Cash Flow	-12,866	-3,510	-57,090
Closing Net Financial Position	-240,649	- 227,783	- 281,363

ANALYSIS OF NET WORKING CAPITAL AS AT 31/03/2016

(amounts in €/000)	31/03/2016	31/12/2015	31/03/2015
Trade Receivables	80,554	61,954	93,716
Inventory	115,144	118,086	158,566
Trade Payables	-174,422	-167,283	-210,389
Net Working Capital (NWC)	21,276	12,757	41,893

The Carraro Group

Carraro is an international industrial Group which is world leader in high-efficiency and eco-compatible power transmission systems, with headquarters in Italy, in Campodarsego (Padua).

Today the Group is increasingly focussed on high-technology solutions for off-highway applications in the agriculture and construction fields.

The Group operates through three Business Areas:

- Transmission systems and components - Carraro Drive Tech is specialised in the design, manufacture and sale of transmission systems (axles, transmissions and drives) mainly for agricultural and construction equipment, and also markets a wide range of gears for very diverse sectors, from the automotive industry to material handling, agricultural applications and construction equipment.
- Tractors - Carraro Divisione Agritalia - designs and manufactures special tractors (for vineyards and orchards from 60 to 100 hp) for third-party brands, namely John Deere, Massey Ferguson and Claas, as well as a specialist own-brand range; Agritalia also provides engineering services for the design of innovative tractor ranges.
- Power electronics - Elettronica Santerno designs, develops, manufactures and markets inverters (electronic power converters) for the photovoltaic industry and industrial automation (HVAC, water treatment, lifting systems and large-scale transport).

Reference markets

Agriculture

In the first quarter of 2016, the demand for agricultural vehicles in the United States and South America remained weak, while other geographic areas recorded some positive although slight signs of a change of trend, even though the general trend remains in line with 2015. The continued low level of agricultural commodity prices in fact continues to reduce spending power for the purchase of new machinery and vehicles.

Construction equipment

After months of decline, the first quarter of the year showed a stabilisation in demand in the various market areas. In general, the compact machine segment was more dynamic than that of larger machines. This trend is expected to continue throughout 2016.

Industrial Automation

The European industrial automation market is showing signs of moderate recovery, driven mainly by increasing regulatory obligations relating to the energy efficiency requirements of electric motors. Internationally, we are witnessing a sharp slowdown in the Brazilian and Chinese markets and recovery of the Mexican and other Latin American markets.

Renewable energy

The first quarter of 2016 was characterised by important developments related to international calls for tender, such as in Mexico, with a call for 1 GW, in Morocco and Egypt, while there are interesting prospects of new operations in Kenya, Dubai and Jordan.

Summary of the quarter

In the first quarter of 2016, the Group finalised the restructuring operations launched in the second half of 2015. For a correct comparison and better understanding of the actual results of the period, adjustments of actual data will be highlighted. In particular, the proforma data will take into account the effects of the deconsolidation of O&K as a result of the sale of a 55% stake and of the restructuring activities.

The target markets remained weak also in the first quarter of 2016 impacting the core business turnover, in particular that of Drive Tech, while Elettronica Santerno, in terms of sales, benefited from the contribution of South African orders in the photovoltaic sector.

Turnover of the Carraro Group as at 31 March 2016 was equal to 157.572 million Euros, down by 12.8% compared to 180.721 million Euros for the first quarter of 2015. Turnover for the quarter was affected by negative exchange rate effects, net of which the reduction would have been 10.0%. With constant perimeter (excluding the contribution of O&K in the first quarter 2015) the reduction amounts to 7.3%.

The business areas operating in the mechanical sector (Drive Tech and Agritalia) generated turnover down by 14.0% (excluding the contribution of O&K in the first quarter 2015). Elettronica Santerno, on the other hand, had increasing turnover compared to 31 March 2015 for the reasons mentioned above.

Profitability, excluding the extraordinary items, is increasing, when measured as a percentage of turnover, thanks to the improvements achieved in industrial processes and in the containment of fixed costs compared to the previous year which, we recall, had concentrated the best performance in the first half of the year.

Group consolidated EBITDA at 31 March 2016 amounted to 7.002 million Euros (4.4% of turnover), down (38.3%) compared to 11.355 million Euros (6.3% of turnover) in the same period of 2015. Excluding non-recurring costs, linked to the restructuring activities in Argentina, EBITDA would have amounted to 11.397 million Euros (7.2% of turnover), down by 6.9% compared to 12.236 million Euros (6.8% of turnover) in the first quarter 2015.

EBITDA of the mechanical business units as at 31 March 2016 amounted to 7.664 million Euros (5.1% of turnover), down by 31.2% compared to 11.134 million Euros (6.0% of turnover) in the first quarter of 2015. Net of non-recurrent costs, EBITDA would have been equal to 12.059 million Euros (8.1% of turnover), an increase of 0.4% compared to the first quarter of 2015.

Elettronica Santerno had a negative EBITDA of 730 thousand Euros (-5.0% of turnover), an improvement of 44.9% compared to a negative value of 1.324 million Euros (-31.2% of turnover) at 31 March 2015.

Consolidated EBIT as at 31 March 2016 amounted to 1.462 million Euros (0.9% of turnover), down 63.5% compared to 4.009 million Euros (2.2% of turnover) as at 31 March 2015. Net of non-recurrent costs and

with the same area of consolidation, EBIT would have been equal to 5.857 million Euros (3.7% of turnover), up by 19.8%.

EBIT of the core business (Drive Tech e Agritalia) was equal to 3.140 million Euros (2.1% of turnover) compared to 5.098 million Euros (2.8% of turnover) as at 31 March 2015. Net of non-recurring costs, adjusted EBIT would have been equal to 7.535 million Euros (5.0% of turnover), up by 26.0%.

Santerno EBIT was negative at 1.104 million Euros (-7.5% of turnover) compared to a negative value of 2.013 million Euros (-47.4% of turnover) in the first quarter 2015.

Research and Development costs in the quarter amounted to 2.8 million Euros (1.8% of turnover) and were focussed on the extension and technological development of the product range.

Group earnings before tax as at 31 March 2016 amounted to a loss of 3.042 million Euros (-1.9% of turnover); due to taxes for the period equal to 1.818 million Euros (1.686 million Euros as at 31 March 2015), a loss of 4.860 million Euros (-3.1% of turnover) was recorded, compared to a loss of 2.029 million Euros (-1.1% of turnover) for the first quarter of 2015. Net of non-recurring effects, the net result as at 31 March 2016 would be negative, amounting to -465 thousand euros (-0.3% of turnover) compared to a loss of 1.148 thousand euros (-0.6% of turnover) in the first quarter 2015.

Investments in the first quarter of 2016 amounted to 2.566 million Euros, aimed at maintaining plant efficiency and development of R&D projects.

The net financial position as at 31 March 2016 was negative, amounting to 240.649 million Euros, worse compared to 227.783 million Euros as at 31 December 2015, mainly due the effect of changes in net working capital in the period, but an absolute improvement compared to 31 March 2015, when the figure amounted to 281.363 million Euros.

Workforce trend

Group personnel at 31 March 2016 consisted of 3,311 employees and was down compared with the figure at 31 March 2015 as a result of personnel restructuring activities conducted in the second half of 2015 and deconsolidation of the subsidiary O&K.

As at 31 March 2016, 1,482 people (44.8% of the overall workforce) were employed at Italian Group sites, while 1,829 people (55.2% of the overall workforce) were employed abroad.

Significant events in the quarter

On 8 February 2016, Carraro Drive Tech S.p.A. acquired an 8.43% stake in the subsidiary Siap S.p.A. of the holding company Friulia S.p.A.

In March 2016, a further phase of the personnel restructuring process of the production plant in Argentina was initiated, as a result of the decrease in turnover in the area in question.

BUSINESS OUTLOOK FOR THE CURRENT YEAR

Turnover expectations for the second quarter are for a slight increase compared to the first, but still lower compared to the same period of the previous year, while profitability is expected to improve slightly.

Performance and results of the Carraro Group Business Areas

Drive Tech Business Area

Revenues from sales as at 31 March 2016 totalled 116.665 million Euros compared to 150.884 million Euros for the first quarter of 2015, down by 22.7% (20.9% net of the exchange rate effect). However, for a consistent comparison between the two periods, it should be considered that during 2015 the German company O&K was present, deconsolidated as from 30 December 2015. Net of this operation, turnover in the first quarter of 2015 would have amounted to 140.114 million Euros, bringing the decrease in turnover compared to the first quarter of 2016 to 16.7% (14.9% net of the exchange rate effect).

As mentioned previously, for a correct interpretation of the results in terms of profitability, the effects of the disposal of the German company and the restructuring costs of the Argentine company expensed in the first quarter, amounting to 4.395 million Euros, must be considered.

Net of these effects, profitability increased significantly compared to the same quarter of the previous year, thanks to the positive impact of the industrial process improvement projects and overhead reduction.

EBITDA as at 31 March 2016 amounted to 5.152 million Euros (4.4% of turnover) down by 42.7% compared to the figure of 8.993 million Euros (6% of turnover) as at 31 March 2015. With constant perimeter, net of the effects of the operation referred to above and of non-recurring costs, adjusted EBITDA would have amounted to 9.547 million Euros (8.2% of turnover) an improvement compared to the proforma EBITDA of the first quarter of 2015 which, adjusted for the restructuring operations, would have amounted to 9.901 million Euros (7.1% of turnover).

EBIT for the first quarter of 2016 was equal to 1.036 million Euros (0.9% of turnover), down by 69.0% compared to 3.345 million Euros (2.2% of turnover) in the first quarter of 2015. Excluding non-recurring costs, EBIT would have amounted to 5.431 million Euros (4.7% of turnover) compared to 4.226 million Euros (2.8% of turnover) as at 31 March 2015.

At constant perimeter (without the O&K operation and non-recurring costs), adjusted EBIT would have amounted to 5.431 million Euros (4.7% of turnover) compared to 4.576 million Euros (3.3% of turnover) as at 31 March 2015.

A net loss amounting to 2.558 thousand Euros (-2.2% of turnover) was recorded, compared to a loss of 0.416 million Euros (0.3% of turnover) as at 31 March 2015. Excluding non-recurrent costs, a net profit for the period of 1.837 million Euros (1.6% of turnover) would have been recorded, compared to a profit of 465 million Euros (0.3% of turnover) in the same period of 2015.

The net financial position recorded a negative value of 53.101 million Euros as at 31 March 2016, in line compared to 53.963 million Euros as at 31 December 2015.

SUBCONSOLIDATED INCOME STATEMENT AS AT 31/03/2016
CARRARO DRIVE TECH BUSINESS AREA

(amounts in €/000)	31/03/2016	%	31/03/2015	%	Changes	
					31/03/16	31/03/15
REVENUES FROM SALES	116,665	100.00%	150,884	100.00%	-34,219	-22.68%
Purchases of goods and materials (net of changes in inventories)	-68,720	-58.90%	-90,564	-60.02%	21,844	-24.12%
Services and Use of third-party goods and services	-21,710	-18.61%	-27,062	-17.94%	5,352	-19.78%
Personnel costs	-16,980	-14.55%	-23,764	-15.75%	6,784	-28.55%
Amortisation, depreciation and impairment of assets	-4,152	-3.56%	-5,698	-3.78%	1,546	-27.13%
Provisions for risks*	-4,888	-4.19%	-1,205	-0.80%	-3,683	
Other income and expenses	698	0.60%	675	0.45%	23	3.41%
Internal construction	123	0.11%	79	0.05%	44	55.70%
OPERATING COSTS	-115,629	-99.11%	-147,539	-97.78%	31,910	-21.63%
OPERATING PROFIT/(LOSS) (EBIT)	1,036	0.89%	3,345	2.22%	-2,309	-69.03%
Income from equity investments	-207	-0.18%	-	0.00%	-207	
Other financial income	473	0.41%	1,272	0.84%	-799	-62.81%
Financial costs and expenses	-2,021	-1.73%	-2,119	-1.40%	98	-4.62%
Net gains/(losses) on foreign exchange	-555	-0.48%	-1,479	-0.98%	924	-62.47%
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	-2,310	-1.98%	-2,326	-1.54%	16	-0.69%
PROFIT/(LOSS) BEFORE TAXES	-1,274	-1.09%	1,019	0.68%	-2,293	
Current and deferred income taxes	-1,284	-1.10%	-1,389	-0.92%	105	-7.56%
NET PROFIT/(LOSS)	-2,558	-2.19%	-370	-0.25%	-2,188	
Profit/(loss) pertaining to minorities	-	0.00%	-46	-0.03%	46	-100.00%
CONSOLIDATED RESULT OF THE BUSINESS AREA	-2,558	-2.19%	-416	-0.28%	-2,142	
EBITDA	5,152	4.42%	8,993	5.96%	-3,841	-42.71%
* including restructuring costs	4,395	3.77%	881	0.58%	3,514	
EBITDA net of restruct. costs	9,547	8.18%	9,874	6.54%	-327	-3.31%

**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31/03/2016
CARRARO DRIVE TECH BUSINESS AREA**

(amounts in €/000)	31/03/2016	31/12/2015	31/03/2015
Property, plant and equipment	111,530	116,951	142,962
Intangible fixed assets	43,666	44,087	48,949
Real estate investments	155	155	169
Holdings in subsidiaries and associates	16,552	16,552	-
Financial assets	16,248	16,748	9,191
Deferred tax assets	7,949	8,513	18,718
Trade receivables and other receivables	2,608	2,723	3,970
NON-CURRENT ASSETS	198,708	205,729	223,959
Closing inventory	87,589	85,558	123,840
Trade receivables and other receivables	98,293	74,420	130,797
Financial assets	3,254	8,719	9,090
Cash and cash equivalents	32,842	38,589	67,041
CURRENT ASSETS	221,978	207,286	330,768
TOTAL ASSETS	420,686	413,015	554,727
Share Capital	30,102	30,102	30,102
Reserves	109,463	84,703	92,089
Foreign currency translation reserve	-16,905	-13,037	-4,975
Profit/(Loss) for the period	-2,558	26,373	-416
Minority interests	-	2,658	2,893
SHAREHOLDERS' EQUITY	120,102	130,799	119,693
Financial liabilities	37,982	44,152	33,230
Trade payables and other payables	700	841	1,312
Deferred tax liabilities	2,911	3,220	7,230
Provision for severance indemnity and retirement benefits	7,919	8,317	15,652
Provisions for risks and liabilities	3,003	2,998	3,359
NON-CURRENT LIABILITIES	52,515	59,528	60,783
Financial liabilities	67,492	73,480	151,795
Trade payables and other payables	149,636	134,698	192,742
Current taxes payables	16,713	3,126	17,332
Provisions for risks and liabilities	14,228	11,384	12,382
CURRENT LIABILITIES	248,069	222,688	374,251
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	420,686	413,015	554,727

CASH FLOW AS AT 31/03/2016
CARRARO DRIVE TECH BUSINESS AREA

(amounts in €/000)	31/03/2016	31/12/2015	31/03/2015
Opening Net Financial Position	-53,963	-59,073	-59,073
<i>Group profit/(loss)</i>	-2,558	26,373	-416
<i>Profit/(loss) pertaining to minorities</i>	-	-191	46
<i>Amortisation, depreciation and impairment of fixed assets</i>	4,116	21,952	5,648
Cash flow before Net Working Capital	1,558	48,134	5,278
Change in Net Working Capital	3,457	-25,663	-45,350
Investments in fixed assets	-1,336	-16,892	-1,941
Disinvestments in fixed assets	275	3,292	-39
Operating Free Cash Flow	3,954	8,871	-42,052
Other operating flows	2,260	-1,572	-8,284
Other investing flows	2,787	1,159	-8,492
Other equity flows	-8,139	151	12,098
Free Cash Flow	862	5,110	- 46,730
Closing Net Financial Position	-53,101	-53,963	- 105,803

ANALYSIS OF NET WORKING CAPITAL AS AT 31/03/2016
CARRARO DRIVE TECH BUSINESS AREA

(amounts in €/000)	31/03/2016	31/12/2015	31/03/2015
Trade Receivables	64,546	55,421	84,223
Inventory	87,589	85,558	123,840
Trade Payables	-133,027	-118,414	-165,811
Net Working Capital (NWC)	19,108	22,565	42,252

Agritalia Business Area

Turnover for the first quarter of 2016 was equal to 33.073 million Euros (1,142 tractors), substantially in line with the first quarter of 2015 which recorded a figure of 33.641 million Euros (1,225 tractors).

Thanks to the launch of new tractors in the United States, a recovery in the number of machines sold is expected in the coming months, forecasting a final quantity in line with the previous year.

The shift in the mix toward higher-value tractors, combined with further improvement of operational efficiency and sound cost management of projects under development, led to improved margins for the quarter compared to the same period of the previous year: EBITDA was in fact positive, amounting to 2.512 million Euros (7.6% of turnover) compared to the negative value of 2,141 thousand Euros (6.4% of turnover), in the first quarter of 2015. EBIT was positive, amounting to 2.104 million Euros (6.4% of turnover) compared to the negative value of 1.753 thousand Euros (5.2% of turnover) as at 31 March 2015.

The contribution to net profit of Carraro S.p.A. in the first quarter of 2016 was therefore positive at 2.101 million Euros (6.4% of turnover) compared to a profit of 1.740 million Euros (5.2% of turnover) as at 31 March 2015.

SUBCONSOLIDATED INCOME STATEMENT AS AT 31/03/2016
CARRARO DIVISIONE AGRITALIA BUSINESS AREA

(amounts in €/000)	31/03/2016	%	31/03/2015	%	Changes 31/03/16 31/03/15	
REVENUES FROM SALES	33,073	100.00%	33,641	100.00%	-568	-1.69%
Purchases of goods and materials (net of changes in inventories)	-23,542	-71.18%	-24,426	-72.61%	884	-3.62%
Services and Use of third-party goods and services	-3,678	-11.12%	-3,335	-9.91%	-343	10.28%
Personnel costs	-3,255	-9.84%	-3,412	-10.14%	157	-4.60%
Amortisation, depreciation and impairment of assets	-422	-1.28%	-399	-1.19%	-23	5.76%
Provisions for risks	-389	-1.18%	-402	-1.19%	13	-3.23%
Other income and expenses	33	0.10%	-44	-0.13%	77	
Internal construction	284	0.86%	130	0.39%	154	
OPERATING COSTS	-30,969	-93.64%	-31,888	-94.79%	919	-2.88%
OPERATING PROFIT/(LOSS) (EBIT)	2,104	6.36%	1,753	5.21%	351	20.02%
Income from equity investments	-	0.00%	-	0.00%	-	
Other financial income	-	0.00%	-	0.00%	-	
Financial costs and expenses	-8	-0.02%	-	0.00%	-8	
Net gains/(losses) on foreign exchange	5	0.02%	-13	-0.04%	18	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	-3	-0.01%	-13	-0.04%	10	-76.92%
PROFIT/(LOSS) BEFORE TAXES	2,101	6.35%	1,740	5.17%	361	20.75%
Current and deferred income taxes	-	0.00%	-	-0.00%	-	
CONTRIBUTION TO THE NET PROFIT/(LOSS) OF CARRARO SPA	2,101	6.35%	1,740	5.17%	361	20.75%
EBITDA	2,512	7.60%	2,141	6.36%	371	17.33%

SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31/03/2016
CARRARO DIVISIONE AGRITALIA BUSINESS AREA

(amounts in €/000)	31/03/2016	31/12/2015	31/03/2015
Property, plant and equipment	10,521	10,823	11,592
Intangible fixed assets	3,118	2,935	2,268
Real estate investments	-	-	-
Holdings in subsidiaries and associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	1,559	1,559	1,797
Trade receivables and other receivables	9	8	11
NON-CURRENT ASSETS	15,207	15,325	15,668
Closing inventory	15,248	16,845	22,373
Trade receivables and other receivables	12,241	6,035	13,342
Financial assets	-	-	-
Cash and cash equivalents	-	-	-
CURRENT ASSETS	27,489	22,880	35,715
TOTAL ASSETS	42,696	38,205	51,383
CONTRIBUTION TO SHAREHOLDERS' EQUITY OF CARRARO SPA	-5,200	-8,408	-8,830
Financial liabilities	-	-	-
Trade payables and other payables	-1	-	-
Deferred tax liabilities	-	-	-
Provision for severance indemnity and retirement benefits	1,172	1,212	1,234
Provisions for risks and liabilities	-11	-	357
NON-CURRENT LIABILITIES	1,160	1,212	1,591
Financial liabilities	-	-	-
Trade payables and other payables	43,795	42,829	56,256
Current taxes payables	32	-	178
Provisions for risks and liabilities	2,909	2,572	2,188
CURRENT LIABILITIES	46,736	45,401	58,622
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	42,696	38,205	51,383

CASH FLOW AS AT 31/03/2016
CARRARO DIVISIONE AGRITALIA BUSINESS AREA

(amounts in €/000)	31/03/2016	31/12/2015	31/03/2015
<i>Contribution to the net profit/(loss)</i>	2,101	5,902	1,740
<i>Amortisation, depreciation and impairment of fixed assets</i>	408	1,610	388
Cash flow before Net Working Capital	2,509	7,512	2,128
Change in Net Working Capital	-3,957	-3,203	-4,089
Investments in fixed assets	-288	-1,278	-159
Disinvestments in fixed assets	-	-	-
<i>Operating Free Cash Flow</i>	-1,736	3,031	- 2,120
Other operating flows	630	-1,531	-121
Other investing flows	-1	-1	-
Other equity flows	1,359	-11	-1
<i>Free Cash Flow</i>	252	1,488	- 2,242

ANALYSIS OF NET WORKING CAPITAL AS AT 31/03/2016
CARRARO DIVISIONE AGRITALIA BUSINESS AREA

(amounts in €/000)	31/03/2016	31/12/2015	31/03/2015
Trade Receivables	11,174	4,672	13,133
Inventory	15,248	16,845	22,373
Trade Payables	-41,769	-40,821	-53,924
<i>Net Working Capital (NWC)</i>	-15,347	-19,304	-18,418

Elettronica Santerno Business Area

The strategic repositioning of the company, both in commercial as well as product development terms, towards the market of Industrial Applications, reducing the dependence on the photovoltaic industry and operating in accordance with the change of Business Model launched in 2015, continued.

There continued therefore to be significant focus on foreign markets, particularly Asian markets, including China, which is one of the areas where the room for growth for Santerno products is believed to be most significant. This without neglecting the domestic market representing, for the specific Business Line, 60% of revenues.

The development of the After Sales/Service Business Line continued, following an increasing number of installations of large systems abroad (especially over the past year in South America), while photovoltaics is concentrating its resources at the commercial level in following the existing customer base, represented by few and qualified operators/investors worldwide of large photovoltaic systems in the context of the general development of renewable energy on a global scale.

Turnover for the first quarter of 2016 amounted to 14.651 million Euros compared to 4.248 million Euros for the same period of 2015. The breakdown of turnover by target sector recorded a turnover of 10.8 million Euros in the photovoltaic segment, all concentrated in South African projects (99.5%). Sales in the industrial applications sector are broadly in line with those of the first quarter 2015, while the After Sales segment recorded growth of 3.2%.

At 31 March 2016, the share of sales in foreign markets amounted to 87.6% of the total of the Business Area, a share substantially influenced by the exclusivity of foreign sales in the photovoltaic segment, but which nevertheless highlights the vocation of Santerno for foreign markets.

In terms of margins, the result, although negative, as per budget forecasts, is a considerable improvement over the previous year, thanks to the positive effect of the sales mix and a reduction in fixed costs (-21.2% compared to 2015).

EBITDA as at 31 March 2015 was negative amounting to 730 thousand Euros (-5% of turnover) compared to a negative value of 1.324 million Euros (-31.2% of turnover) as at 31 March 2015.

EBIT for the first quarter of 2015 was negative amounting to 1.104 million Euros (-7.5% of turnover), against a negative figure of 2.013 million Euros (-47.4% of turnover) in the first quarter of 2015.

A net loss was recorded amounting to 1.677 million Euros (-11.4% of turnover) compared to a loss of 2.416 million Euros (-56.9% of turnover) for the first quarter of 2015.

The net financial position as at 31 March 2016 was negative at 19.498 million Euros, worse compared to 9.115 million Euros as at 31 December 2015 as a result of the impacts on the change in net working capital arising from execution of the South African projects.

SUBCONSOLIDATED INCOME STATEMENT AS AT 31/03/2016
ELETTRONICA SANTERNO BUSINESS AREA

(amounts in €/000)	31/03/2016	%	31/03/2015	%	Changes 31/03/16 31/03/15	
REVENUES FROM SALES	14,651	100.00%	4,248	100.00%	10,403	
Purchases of goods and materials (net of changes in inventories)	-10,819	-73.84%	-1,460	-34.37%	-9,359	
Services and Use of third-party goods and services	-2,513	-17.15%	-2,228	-52.45%	-285	12.79%
Personnel costs	-2,075	-14.16%	-2,151	-50.64%	76	-3.53%
Amortisation, depreciation and impairment of assets	-374	-2.55%	-689	-16.22%	315	-45.72%
Provisions for risks	-121	-0.83%	-122	-2.87%	1	-0.82%
Other income and expenses	-5	-0.03%	119	2.80%	-124	
Internal construction	152	1.04%	270	6.36%	-118	-43.70%
OPERATING COSTS	-15,755	-107.54%	-6,261	-147.39%	-9,494	
OPERATING PROFIT/(LOSS) (EBIT)	-1,104	-7.54%	-2,013	-47.39%	909	-45.16%
Income from equity investments	-	0.00%	-	0.00%	-	
Other financial income	7	0.05%	41	0.97%	-34	-82.93%
Financial costs and expenses	-376	-2.57%	-332	-7.82%	-44	13.25%
Net gains/(losses) on foreign exchange	-193	-1.32%	-167	-3.93%	-26	15.57%
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	-562	-3.84%	-458	-10.78%	-104	22.71%
PROFIT/(LOSS) BEFORE TAXES	-1,666	-11.37%	-2,471	-58.17%	805	-32.58%
Current and deferred income taxes	-11		55	1.29%	-66	
CONSOLIDATED RESULT OF THE BUSINESS AREA	-1,677	-11.45%	-2,416	-56.87%	739	-30.59%
EBITDA	-730	-4.98%	-1,324	-31.17%	594	-44.86%

**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31/03/2016
ELETTRONICA SANTERNO BUSINESS AREA**

(amounts in €/000)	31/03/2016	31/12/2015	31/03/2015
Property, plant and equipment	4,592	4,706	5,152
Intangible fixed assets	9,748	9,819	27,698
Real estate investments	-	-	-
Holdings in subsidiaries and associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	2,371	2,260	3,010
Trade receivables and other receivables	195	195	195
NON-CURRENT ASSETS	16,906	16,980	36,055
Closing inventory	14,286	17,408	14,198
Trade receivables and other receivables	16,407	11,542	12,578
Financial assets	400	137	146
Cash and cash equivalents	3,230	3,092	1,340
CURRENT ASSETS	34,323	32,179	28,262
TOTAL ASSETS	51,229	49,159	64,317
Share Capital	3,000	3,000	2,500
Reserves	2,825	29,551	20,649
Foreign currency translation reserve	-441	-628	-604
Profit/(Loss) for the period	-1,677	-26,725	-2,416
Minority interests	-	-	-
SHAREHOLDERS' EQUITY	3,707	5,198	20,129
Financial liabilities	417	20	-
Trade payables and other payables	68	71	112
Deferred tax liabilities	-	-	2
Provision for severance indemnity and retirement benefits	552	531	527
Provisions for risks and liabilities	102	51	51
NON-CURRENT LIABILITIES	1,139	673	692
Financial liabilities	22,834	12,190	22,247
Trade payables and other payables	21,608	28,978	20,368
Current taxes payables	-	-120	-
Provisions for risks and liabilities	1,941	2,240	881
CURRENT LIABILITIES	46,383	43,288	43,496
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	51,229	49,159	64,317

CASH FLOW AS AT 31/03/2016
ELETTRONICA SANTERNO BUSINESS AREA

(amounts in €/000)	31/03/2016	31/12/2015	31/03/2015
Opening Net Financial Position	-9,115	-14,667	-14,667
<i>Group profit/(loss)</i>	-1,677	-26,725	-2,416
<i>Profit/(loss) pertaining to minorities</i>	-	-	-
<i>Amortisation, depreciation and impairment of fixed assets</i>	374	19,718	689
Cash flow before Net Working Capital	-1,303	-7,007	-1,727
Change in Net Working Capital	-9,263	3,664	-3,004
Investments in fixed assets	-187	-1,074	-329
Disinvestments in fixed assets	-	8	2
Operating Free Cash Flow	-10,753	-4,409	- 5,059
Other operating flows	186	1,196	31
Other investing flows	-2	30	-5
Other equity flows	186	8,235	-643
Free Cash Flow	-10,383	5,552	- 5,675
Closing Net Financial Position	-19,498	-9,115	- 20,342

ANALYSIS OF NET WORKING CAPITAL AS AT 31/03/2015
ELETTRONICA SANTERNO BUSINESS AREA

(amounts in €/000)	31/03/2016	31/12/2015	31/03/2015
Trade Receivables	14,161	9,285	7,386
Inventory	14,286	17,408	14,198
Trade Payables	-20,502	-28,011	-16,234
Net Working Capital (NWC)	7,945	-1,318	5,350

REPORTING OBLIGATIONS PURSUANT TO ARTICLE 114, PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE NO. 58/1998

The information below is provided in compliance with Consob requirement no. 0075995/15 of 1 October 2015.

1. Net financial position of Carraro S.p.A. and the Group, indicating short-term components separately from medium-/long-term components.

(amounts in Euro thousands)

Net financial position as at 31 March 2016	CARRARO SPA	CONSOLIDATED
Non-current loans payable	15,999	124,578
Current loans payable	134,936	174,279
Other non-current financial liabilities	-	-68
Other current financial liabilities	83	1,731
Financial liabilities:	151,018	300,520
Non-current loans and receivables	-6,608	-8,229
Current loans and receivables	-31	-2,465
Other non-current financial assets	-12	-1
Other current financial assets	-899	-419
Financial assets:	-7,550	-11,114
Cash	-71	-112
Bank current accounts and deposits	-1,669	-48,645
Cash and cash equivalents:	-1,740	-48,757
Net financial position	141,728	240,649
of which payables / (receivables):		
- non-current	9,379	116,280
- current	132,349	124,369

2. Position of outstanding payables of Carraro S.p.A. and the Group, broken down by nature (financial, commercial, taxes, welfare contributions and to employees), and relative actions of creditors (prompts for payment, injunctions, suspended supplies, etc.)

(amounts in Euro thousands)

	CARRARO SPA					TOTAL
	Not yet due	PAST DUE				
		1 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
Trade payables	44,690	37	1,932	-	339	46,998
Other payables	6,803	-	-	-	-	6,803
TOTAL	51,493	37	1,932	-	339	53,801

	CONSOLIDATED					TOTAL
	Not yet due	PAST DUE				
		1 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
Trade payables	157,950	7,643	2,984	396	5,449	174,422
Other payables	24,199	-	-	-	-	24,199
TOTAL	182,149	7,643	2,984	396	5,449	198,621

The current payables of Carraro SpA to third parties and Group companies as at 31 March 2016 totalled 51.493 million Euros of which 6.803 million Euros referred to other Payables (taxes, welfare contributions, to employees,...) due after the reporting period. Overdue trade payables amounted to 2.308 million Euros.

The current payables of the Carraro Group as at 31 March 2016 amounted to 198.621 million Euros of which 24.199 million Euros referred to other Payables (taxes, welfare contributions, to employees,...) due after the reporting period. Outstanding trade payables amounted to 16.472 million Euros, of which 7.643 million Euros due within 30 days, mainly paid the following month, while those exceeding 90 days mainly refer to non-compliant supply consignments under resolution.

3. Related-party transactions of Carraro S.p.A. and the Group

The most significant economic transactions of Carraro S.p.A. with related parties concern business transactions for the purchase and sale of raw materials, semi-finished products and components relative to the production of drive systems; purchases of services refer mainly to services for industrial processing.

The main sales of services include amounts charged for the utilisation of central information systems and the organisational support provided by the Parent Company in the various operating areas. Fees and royalties refer to specific commercial agency agreements and the sale of rights to use industrial know-how.

Interest income is generated by outstanding loans; interest expense is generated by the loan received from Carraro International.

The income and expenses from tax consolidation refer to the remuneration paid for taxable income and losses transferred in the context of the tax consolidation under Finaid SpA.

Financial transactions relate to short and long-term loans.

The figures for these transactions are shown in the table below:

Related parties	Financial and commercial transactions				Economic transactions		
	Financial assets	Financial liabilities	Trade receivables and other receivables	Trade payables and other payables	Sales revenues	Operating costs	Net financial income (expenses)
Carraro Drive tech S.p.A.	-	-	10,792	5,529	5,324	4,269	20
Carraro Argentina S.A.	6,190	-	1,723	197	163	44	-
Carraro Drive Tech do Brasil	-	-	78	-	13	-	6
Carraro India Ltd.	-	-	1,695	1,065	1,153	22	1
Carraro North America Vb	-	-	356	-	3	-	-
Elettronica Santerno S.p.A.	417	-	343	386	67	-	7
Elettronica Santerno Ind. e Com. Ltd.	-	-	108	-	5	-	-
Carraro International	874	118,817	-	-	1	20	1,534
F.O.N. S.A.	-	-	1	-	-	-	-
Carraro Technologies India Pvt. Ltd.	-	-	76	467	15	335	-
Carraro China Drive System Co. Ltd.	-	-	503	157	362	10	-
SIAP S.p.A.	-	-	2,106	1,040	370	508	1
Santerno USA	-	-	344	-	-	-	2
Santerno South Africa Pty Ltd	-	-	52	-	7	-	13
O&K Antriebstechnik GmbH	-	-	636	-	155	-	-
Finaid	-	-	832	12	2	-	-
TOTAL	7,481	118,817	19,645	8,853	7,640	5,208	1,584

Related-party transactions of the Group refer mainly to consolidated tax relations with the parent company Finaid.

(amounts in Euro thousands)

Related parties	Financial and commercial transactions		Economic transactions	
	Trade receivables and other receivables	Trade payables and other payables	Sales revenues	Purchase costs
O&K Antriebstechnik GmbH	4,274	1,203	666	689
FINAID S.p.A.	986	165	2	-
TOTAL	5,260	1,368	668	689

4. Failure to comply with covenants, negative pledges and any other debt clause of the Group entailing limits on the use of financial resources, with indication of the level of compliance with these clauses (updated)

As at 31 March 2016, there was no failure to comply with the covenants, negative pledges or other clauses since the new agreement signed on 24 December 2015 with the banks updated the reference parameters (net financial debt/EBITDA and net financial debt/net equity) based on the results of the New Business Plan 2015-19 and having established the first monitoring date as 31 December 2016.

5. Implementation status of any industrial and financial plans, with indication of deviations of final data from estimated data.

In 2016, the Group is continuing with implementation of the new 2016-19 Business Plan approved by the Board of Directors in 2015, and the only significant deviation of the results of the first quarter compared to forecast was due to bringing forward the restructuring activities of the Argentine plant to March compared to the original forecast of June.

With reference to the provisions of Articles 36 and 39 of Consob Regulation 16191 of 29/10/2007 (the so-called “Market Regulations”) and of Art. 2.6.2 paragraph 15 of the Stock Exchange Regulations we can confirm that the parent company Carraro S.p.A. meets the conditions required by points a), b) and c) of paragraph 1 of the aforementioned Art. 36 on the subject of accounting situations, articles of association, corporate bodies and administrative and accounting control of its subsidiaries incorporated and regulated in countries that do not belong to the European Union.

The Group perimeter includes 20 companies of which 11 are established and regulated in non-European Union countries, specifically in Argentina, Brazil, China, India, Russia, South Africa and the United States; of these, 3, in Argentina, China and India, are significant under the terms of Title VI, Section II of the Issuer Regulations (Consob resolution 11971/1999).

Carraro SpA
The Chairman

Enrico Carraro

Interim Report on Operations as at 31 March 2016

Statement pursuant to Art. 154-*bis*, Paragraph 2, Italian Legislative Decree 58/1998

Subject: Interim Report on Operations as at 31/03/2016

The undersigned Enrico Gomiero, the Financial Reporting Officer, declares, pursuant to Paragraph 2 of Article 154-*bis* of the Consolidated Finance Act, that the accounting information contained in the document in question is consistent with the accounting records.

Campodarsego, 29 April 2016

Carraro SpA

Director Responsible for producing the
company's accounting documents

Enrico Gomiero