



# Carraro Group

## Interim report on operations as at 30 September 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**

<b>BOARD OF DIRECTORS</b>	<b>ENRICO CARRARO</b>	Chairman
In office until approval of the 2017 Financial Statements (Appointed, Shareholders' Meeting 23/03/2015)	<b>TOMASO CARRARO</b>	Deputy Chairman
	<b>ALBERTO NEGRI</b>	Chief Executive Officer
	<b>FABIO BUTTIGNON (1) (2)</b>	Director *
	<b>RICCARDO ARDUINI</b>	Director
	<b>MARINA MANNA (1) (2) (3)</b>	Director *
	<b>MARINA PITTINI (2) (3)</b>	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	
<b>BOARD OF STATUTORY AUDITORS</b>	<b>SAVERIO BOZZOLAN</b>	Chairman
In office until approval of the 2017 Financial Statements (Appointments, Shareholders' Meeting 23/03/2015)	<b>STEFANIA CENTORBI</b>	Regular Auditor
	<b>ANDREA CORTELLAZZO</b>	Regular Auditor
	<b>BARBARA CANTONI</b>	Alternate Auditor
	<b>GIANMARCO MILANATO</b>	Alternate Auditor
	<b>INDEPENDENT AUDITORS</b>	<b>Deloitte Italia S.p.A.</b>
from 2016 to 2024		
<b>PARENT COMPANY</b>	<b>Finaid S.p.A.</b>	

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 30/09/2016 - QUARTER ANALYSIS**

<i>(amounts in €/000)</i>	<b>3rd Quarter 2016</b>	<b>%</b>	<b>3rd Quarter 2015</b>	<b>%</b>	<b>Changes 3Q16 3Q15</b>
<b>REVENUES FROM SALES</b>	<b>143,758</b>	<b>100.00%</b>	<b>151,078</b>	<b>100.00%</b>	<b>-4.85%</b>
Purchases of goods and materials (net of changes in inventories)	-85,837	-59.71%	-88,527	-58.60%	-3.04%
Services and Use of third-party goods and services	-23,898	-16.62%	-27,300	-18.07%	-12.46%
Personnel costs	-21,799	-15.16%	-27,807	-18.41%	-21.61%
Amortisation, depreciation and impairment of assets	-5,957	-4.14%	-6,656	-4.41%	-10.50%
Provisions for risks	-1,502	-1.04%	-1,596	-1.06%	-5.89%
Other income and expenses	1,303	0.91%	562	0.37%	
Internal construction	1,297	0.90%	832	0.55%	55.89%
<b>OPERATING COSTS</b>	<b>-136,393</b>	<b>-94.88%</b>	<b>-150,492</b>	<b>-99.61%</b>	<b>-9.37%</b>
<b>OPERATING PROFIT/(LOSS) (EBIT)</b>	<b>7,365</b>	<b>5.12%</b>	<b>586</b>	<b>0.39%</b>	
Income from equity investments	1	0.00%	-160	-0.11%	
Other financial income	386	0.27%	633	0.42%	-39.02%
Financial costs and expenses	-2,891	-2.01%	-4,629	-3.06%	-37.55%
Net gains/(losses) on foreign exchange	-507	-0.35%	-605	-0.40%	-16.20%
Net adjustments of financial assets	-	0.00%	-	0.00%	
<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-3,011</b>	<b>-2.09%</b>	<b>-4,761</b>	<b>-3.15%</b>	<b>-36.76%</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>4,354</b>	<b>3.03%</b>	<b>-4,175</b>	<b>-2.76%</b>	
Current and deferred income taxes	-2,283	-1.59%	-462	-0.31%	
<b>NET PROFIT/(LOSS)</b>	<b>2,071</b>	<b>1.44%</b>	<b>-4,637</b>	<b>-3.07%</b>	
Profit/(loss) pertaining to minorities	-	0.00%	-45	-0.03%	-100.00%
<b>GROUP CONSOLIDATED PROFIT/(LOSS)</b>	<b>2,071</b>	<b>1.44%</b>	<b>-4,682</b>	<b>-3.10%</b>	
<b>EBITDA</b>	<b>13,239</b>	<b>9.21%</b>	<b>7,223</b>	<b>4.78%</b>	<b>83.29%</b>
<b>EBITDA net of restruct. costs.</b>	<b>13,213</b>	<b>9.19%</b>	<b>7,698</b>	<b>5.10%</b>	<b>71.64%</b>
<b>EBITDA net of restruct. costs and at constant perimeter</b>	<b>13,213</b>	<b>9.19%</b>	<b>8,709</b>	<b>6.09%</b>	<b>51.72%</b>

**CONSOLIDATED INCOME STATEMENT AS AT 30/09/2016**

(amounts in €/000)	<b>30/09/2016</b>	<b>%</b>	<b>30/09/2015</b>	<b>%</b>	<b>Changes</b>	
					30.09.16	30.09.15
<b>REVENUES FROM SALES</b>	<b>468,354</b>	<b>100.00%</b>	<b>521,048</b>	<b>100.00%</b>	<b>52,694</b>	<b>-10.11%</b>
Purchases of goods and materials (net of changes in inventories)	-285,088	-60.87%	-309,768	-59.45%	24,680	-7.97%
Services and Use of third-party goods and services	-74,192	-15.84%	-86,894	-16.68%	12,702	-14.62%
Personnel costs	-73,951	-15.79%	-94,683	-18.17%	20,732	-21.90%
Amortisation, depreciation and impairment of assets	-17,248	-3.68%	-21,394	-4.11%	4,146	-19.38%
Provisions for risks*	-8,761	-1.87%	-7,274	-1.40%	-1,487	20.44%
Other income and expenses	3,549	0.76%	4,574	0.88%	-1,025	-22.41%
Internal construction	3,897	0.83%	3,517	0.67%	380	10.80%
<b>OPERATING COSTS</b>	<b>-451,794</b>	<b>-96.46%</b>	<b>-511,922</b>	<b>-98.25%</b>	<b>60,128</b>	<b>-11.75%</b>
<b>OPERATING PROFIT/(LOSS) (EBIT)</b>	<b>16,560</b>	<b>3.54%</b>	<b>9,126</b>	<b>1.75%</b>	<b>7,434</b>	<b>81.46%</b>
Income from equity investments	-206	-0.04%	-160	-0.03%	-46	28.75%
Other financial income	1,465	0.31%	2,793	0.54%	-1,328	-47.55%
Financial costs and expenses	-10,544	-2.25%	-13,081	-2.51%	2,537	-19.39%
Net gains/(losses) on foreign exchange	-1,568	-0.33%	-3,020	-0.58%	1,452	-48.08%
Value adjustments of financial assets	-	0.00%	-	0.00%	-	-
<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-10,853</b>	<b>-2.32%</b>	<b>-13,468</b>	<b>-2.58%</b>	<b>2,615</b>	<b>-19.42%</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>5,707</b>	<b>1.22%</b>	<b>-4,342</b>	<b>-0.83%</b>	<b>10,049</b>	
Current and deferred income taxes	-6,478	-1.38%	-6,142	-1.18%	-336	5.47%
<b>NET PROFIT/(LOSS)</b>	<b>-771</b>	<b>-0.16%</b>	<b>-10,484</b>	<b>-2.01%</b>	<b>9,713</b>	<b>-92.65%</b>
Profit/(loss) pertaining to minorities	1	0.00%	27	0.01%	-26	-96.30%
<b>GROUP CONSOLIDATED PROFIT/(LOSS)</b>	<b>-770</b>	<b>-0.16%</b>	<b>-10,457</b>	<b>-2.01%</b>	<b>9,687</b>	<b>-92.64%</b>
<b>EBITDA</b>	<b>33,556</b>	<b>7.16%</b>	<b>29,697</b>	<b>5.70%</b>	<b>3,859</b>	<b>12.99%</b>
* including restructuring costs	4,351	0.93%	3,947	0.76%	404	10.24%
<b>EBITDA net of restruct. costs.</b>	<b>37,907</b>	<b>8.09%</b>	<b>33,644</b>	<b>6.46%</b>	<b>4,263</b>	<b>12.67%</b>
<b>EBITDA net of restruct. costs. and at constant perimeter</b>	<b>37,907</b>	<b>8.09%</b>	<b>36,072</b>	<b>7.34%</b>	<b>1,835</b>	<b>5.09%</b>

**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30/09/2016**

(amounts in €/000)	30/09/2016	31/12/2015	30/09/2015
Property, plant and equipment	152,447	163,828	183,234
Intangible fixed assets	71,774	70,702	91,707
Real estate investments	695	695	752
Holdings in associates	16,552	16,552	-
Financial assets	5,274	8,896	1,471
Deferred tax assets	25,829	29,796	42,997
Trade receivables and other receivables	2,968	3,056	3,399
<b>NON-CURRENT ASSETS</b>	<b>275,539</b>	<b>293,525</b>	<b>323,560</b>
Closing inventory	99,427	118,086	146,764
Trade receivables and other receivables	98,857	88,683	116,128
Financial assets	5,883	8,972	3,320
Cash and cash equivalents	77,939	70,758	56,171
<b>CURRENT ASSETS</b>	<b>282,106</b>	<b>286,499</b>	<b>322,383</b>
<b>TOTAL ASSETS</b>	<b>557,645</b>	<b>580,024</b>	<b>645,943</b>
Share Capital	23,915	23,915	23,915
Reserves	50,230	26,854	28,511
Foreign currency translation reserve	-17,431	-13,489	-10,998
Profit/(Loss) for the period	-770	-8,915	-10,457
Minority interests	-	2,658	2,820
<b>SHAREHOLDERS' EQUITY</b>	<b>55,944</b>	<b>31,023</b>	<b>33,791</b>
Financial liabilities	167,457	180,188	132,022
Trade payables and other payables	721	910	1,207
Deferred tax liabilities	3,601	3,214	3,640
Provision for severance indemnity and retirement benefits	11,486	11,643	18,227
Provisions for risks and liabilities	3,520	3,253	3,629
<b>NON-CURRENT LIABILITIES</b>	<b>186,785</b>	<b>199,208</b>	<b>158,725</b>
Financial liabilities	111,756	135,443	183,694
Trade payables and other payables	180,674	190,944	244,814
Current taxes payables	5,079	5,384	6,361
Provisions for risks and liabilities	17,407	18,022	18,558
<b>CURRENT LIABILITIES</b>	<b>314,916</b>	<b>349,793</b>	<b>453,427</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>557,645</b>	<b>580,024</b>	<b>645,943</b>

**CASH FLOW AS AT 30/09/2016**

	30/09/2016	31/12/2015	30/09/2015
<b>Opening Net Financial Position</b>	<b>-227,783</b>	<b>-224,273</b>	<b>-224,273</b>
<i>Group profit/(loss)</i>	-770	-8,915	-10,457
<i>Profit/(loss) pertaining to minorities</i>	-1	-191	-27
<i>Amortisation, depreciation and impairment of fixed assets</i>	16,996	46,607	20,571
Cash flow before Net Working Capital	16,225	37,501	10,087
Change in Net Working Capital	-3,731	-23,554	-25,578
Investments in fixed assets	-9,734	-25,414	-17,460
Disinvestments in fixed assets	243	3,308	1,150
<b>Operating Free Cash Flow</b>	<b>3,003</b>	<b>-8,159</b>	<b>-31,801</b>
Other operating flows	5,705	4,560	-647
Other investing flows	2,805	1,167	-2,508
Other equity flows	25,692	-1,078	3,068
<b>Free Cash Flow</b>	<b>37,205</b>	<b>-3,510</b>	<b>-31,888</b>
<b>Closing Net Financial Position</b>	<b>-190,578</b>	<b>-227,783</b>	<b>-256,161</b>

**ANALYSIS OF NET WORKING CAPITAL AS AT 30/09/2016**

(amounts in €/000)	30/09/2016	31/12/2015	30/09/2015
Trade Receivables	73,998	61,954	78,826
Inventory	99,427	118,086	146,764
Trade Payables	-156,937	-167,283	-210,809
<b>Net Working Capital (NWC)</b>	<b>16,488</b>	<b>12,757</b>	<b>14,781</b>

## **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**

During the third quarter, sales of agricultural vehicles recorded a clear change in trend only in India, where there was a significant increase in volumes. In other areas, on the other hand, the effect of low prices of agricultural commodities, which continue to reduce the capacity of investment in new machinery and vehicles, prevailed.

### **Construction equipment**

The first nine months of 2016, to a large extent, confirmed the non-positive trend in the various geographical areas while, recently, the expectation is for a decline in volumes in the latter part of the year due to a weaker than expected macroeconomic situation. In this slowdown context, the demand for compact machines has been relatively more dynamic than that for larger machines.

### **Renewable energy**

In the third quarter of 2016, the photovoltaic market confirmed its stability in the US, Chinese and Japanese markets. In South and Central America, the development path of renewables through new tenders in Mexico and Colombia was consolidated. There are still significant opportunities on the African continent, with a growing focus of all countries in the area. In the Middle East, the dynamism of the sector was confirmed with the recent tender in Abu Dhabi which set important records on the level of competitiveness of photovoltaic technology.

## **Industrial Automation**

The Italian and European industrial automation market was slightly up at the end of the third quarter. Outside Europe, the Brazilian market showed signs of recovery and the Asian market continued the growth trend seen in the first half of 2016.

## **Summary of the quarter**

*In 2016, the Group completed the restructuring started in 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 figures take into account the effects of the deconsolidation of O&KA (for constant perimeter) following the sale of a shareholding of 55% and restructuring activities, which mainly concerned Carraro Argentina.*

As already highlighted in the first part of the year, the third quarter confirmed the decline in the Group's target markets over the same period of 2015. This resulted in a decrease in turnover of the core business (in particular for Drivetech) but, thanks to the optimisation of industrial processes and cost alignment actions, margins were not affected, indeed there was a significant improvement in both absolute as well as turnover percentage terms.

The quarter showed a slight slowdown also for Agritalia, but in overall terms the improvement in performance and results is confirmed.

For Elettronica Santerno, after a first part of the year with turnover on the increase as a result of orders in the South African PV market, in the third quarter turnover decreased compared to the previous year. Margins, already down in the first part of the year as a result of the aforementioned South African orders, suffered a further reduction in the third quarter.

Consolidated Group turnover for the third quarter amounted to 143.758 million Euros, down 4.8% from the third quarter of 2015 (151.078 million Euros) and in cumulative terms at 30 September, turnover reached 468.354 million Euros, a decrease of 10.1% (-8.2% at constant exchange rates) compared to 521.048 million in the third quarter of 2015. At constant perimeter there would have been a decrease of 4.7% (-2.7% at constant exchange rates).

The business areas operating in the mechanical sector (Drivetech and Agritalia) generated sales in the quarter down by 2.6% (net of the contribution of O&K in 2015) compared to 2015, while in cumulative terms, sales fell by 6.4% (net of the contribution of O&K in 2015) compared to the cumulative figure at 30 September 2015.

Elettronica Santerno achieved a turnover in the quarter down by 38.5% compared to 2015, while cumulative turnover was still up by 39.4% compared to 30 September 2015.

**Group consolidated EBITDA in the third quarter** came in at 13.239 million Euros (9.2% of turnover) up 83.3% compared to the 7.223 million Euros (4.8% of turnover) in the same period of 2015. At constant perimeter and excluding non-recurring costs related to restructuring activities, EBITDA would



have amounted to 13.213 million Euros (9.2% of turnover) compared to 8.709 million Euros (6.1% of turnover) in the third quarter 2015.

**Cumulative EBITDA of the Carraro Group as at 30 September 2016** amounted to 33.556 million Euros (7.2% of turnover) up by 13.0% compared to 29.697 million Euros (5.7% of turnover) for 2015. At constant perimeter and excluding non-recurring costs related to restructuring activities, EBITDA would have amounted to 37.907 million Euros (8.1% of turnover) compared to 36.072 million Euros (7.3% of turnover) in the third quarter 2015.

EBITDA of the mechanics areas for the third quarter amounted to 12.901 million Euros (8.9% of turnover), up 59.1% compared to 8.109 million Euros (5.5% of turnover) in 2015. At constant perimeter and excluding non-recurring costs related to restructuring activities, EBITDA would have amounted to 12.871 million Euros (8.9% of turnover) compared to 9.595 million Euros (6.8% of turnover) in the third quarter 2015.

Elettronica Santerno had a negative EBITDA of 609 thousand Euros (-13.4% of turnover), down by 50.4% compared to a negative value of 405 million Euros (-5.5% of turnover) at 30 September 2015.

Cumulative EBITDA of the mechanics business areas as at 30 September 2016 amounted to 35.353 million Euros (7.8% of turnover), up 21.3% compared to 29.149 million Euros (5.6% of turnover) as at 30 September 2015. At constant perimeter and excluding non-recurring costs related to restructuring activities, cumulative EBITDA would have amounted to 39.700 million Euros (8.7% of turnover) compared to 35.524 million Euros (7.3% of turnover) in 2015.

Elettronica Santerno had a negative EBITDA of 2.382 thousand Euros (-7.3% of turnover), an worsening of 95.1% compared to a negative value of 1.221 million Euros (-5.2% of turnover) at 30 September 2015.

**Consolidated EBIT for the third quarter 2016** was positive at 7.365 million Euros (5.1% of turnover), up compared to the 586 million Euros (0.4% of turnover) as at 30 September 2015. Net of non-recurring costs and with constant perimeter, EBIT would have been equal to 7.339 million Euros (5.1% of turnover), up compared to the 2.392 million Euros of 2015.

**Cumulative EBIT as at 30 September 2016** amounted to 16.560 million Euros (3.5% of turnover), growing compared to the cumulative figure as at 30 September 2015 of 9.126 million Euros (1.8% of turnover). Net of non-recurrent costs and with the same area of consolidation, EBIT would have been equal to 20.911 million Euros (4.5% of turnover), up by 27.0%.

EBIT of the core business (Drive Tech and Agritalia) for the third quarter was equal to 8.128 million Euros (5.6% of turnover) compared to 2.872 million Euros (1.9% of turnover) as at 30 September 2015. Net of non-recurrent costs and with constant perimeter, adjusted EBIT would have been equal to 8.098 million Euros (5.6% of turnover), up by 73.1%.

Santerno EBIT was negative at 1.072 million Euros (-23.7% of turnover) compared to a negative value of 1.171 million Euros (-15.9% of turnover) in the third quarter 2015.

Cumulative EBIT of the core business (Drive Tech and Agritalia) for the third quarter was equal to 21.503 million Euros (4.7% of turnover) compared to 12.602 million Euros (2.4% of turnover) as at 30 September 2015. Net of non-recurrent costs and with constant perimeter, adjusted EBIT would have been equal to 25.850 million Euros (5.7% of turnover), up by 29.6%.

Santerno cumulative EBIT was negative at 3.618 million Euros (-11.1% of turnover) compared to a negative value of 3.368 million Euros (-14.4% of turnover) in the third quarter 2015.

Research and Development costs at 30 September 2016 amounted to 8.4 million Euros (1.8% of turnover) and were focussed on the extension and technological development of the product range.

**A net profit was recorded for the third quarter 2016** amounting to 2.071 million Euros (1.4 % of turnover) compared to a loss of 4.682 million Euros (-3.1% of turnover) for the third quarter of 2015. Net of non-recurring effects and at constant perimeter, the net result as at 30 September 2016 would have been positive, amounting to 2.045 thousand Euros (1.4% of turnover) compared to a loss of 2.745 million Euros (-1.9% of turnover) in the third quarter 2015.

On the other hand, **a cumulative net loss at 30 September 2016** of 770 thousand Euros (-0.2 % of turnover) was recorded, compared to a loss of 10.457 million Euros (-2.0% of turnover) for the third quarter 2015. Net of non-recurring effects and at constant perimeter, the net result as at 30 September 2016 would have been positive, amounting to 3.581 thousand Euros (0.8% of turnover) compared to a loss of 3.002 million Euros (-0.6% of turnover) in the third quarter 2015.

Investments in the third quarter of 2016 amounted to 3.153 million Euros, aimed at maintaining plant efficiency and development of R&D projects. Cumulative investments at 30 September 2016 amounted to 9.734 million Euros.

The net financial position at 30 September 2016 was negative for the amount of 190.578 million Euros, while it amounted to 194.618 million Euros as at 30 June 2016, 227.783 million Euros as at 31 December 2015 and 256.161 million Euros as at 30 September 2015. The improvement compared to 2015 is also due to the payment of 34 million Euros by way of capital increase by shareholders.

### **Workforce trend**

Group personnel at 30 September 2016 consisted of 3,186 employees and was down compared with the figure at 30 September 2015 as a result of personnel restructuring activities conducted in the second half of 2015 and deconsolidation of the subsidiary O&K.

As at 30 September 2016, 1,457 employees (45.7% of the total) worked in the Italian production sites of the Group and 1,729 employees (52.3% of the total) worked in sites abroad.

**Significant events in the quarter**

**BUSINESS OUTLOOK FOR THE CURRENT YEAR**

For the last quarter a further slowdown in turnover and a slight decrease in economic performance is expected. Overall, the Group's economic results will improve, with regard to ordinary operations, compared to the previous year.

# Performance and results of the Carraro Group Business Areas

## **Drive Tech Business Area**

The trend in market demand for the Drivetech Business Area, which in the first nine months of the year was considerably weaker than in previous years, recorded a slight improvement from last year only in the third quarter.

As for margins, despite lower volumes, the concrete signs of growth have been consolidated, confirming the effectiveness of the measures implemented to improve the efficiency of industrial activities and alignment of the structure. The overall performance of these first nine months can be thus be defined as positive, confirming the change in trend compared to the same period of the previous year.

It is appropriate to point out that, in order to allow a homogeneous comparison between the two periods, during 2015, the German company O&KA, deconsolidated as at 30 December 2015, was present; the comments which follow therefore take into account the effects of this operation.

Sales revenues of the Drivetech Business Area from as at 30 September 2016 amounted to a total of 357.108 million Euros compared to 423.086 million Euros in the same period of 2015, down by 15.6%. Net of the contribution of O&KA, turnover for the first nine months of 2015 would have amounted to 393.490 million Euro, bringing the decrease in turnover compared to the same period of 2016 to 9.2%.

Third party turnover reached 341.469 million Euros, (95.6% of total turnover), while turnover with other Group companies (Agritalia) amounted to 15.639 million Euros (4.4% of total turnover). In the same period of 2015, third party turnover amounted to 407.269 million Euros (96.3% of total turnover), while Group turnover amounted to 15.817 million Euros (3.7% of total turnover). Note that the total third party turnover in the three quarters of 2015, net of the effect of the operation previously mentioned, would have amounted to 379.116 million Euros (96% of total turnover) bringing the decrease in third party turnover to 9.9%.

Analysis of sales by geographical area highlights, in these nine months, a slight prevalence of revenues from markets outside Europe (52.5%) compared to those in Europe (47.5%), confirming the target market breakdown of the DriveTech Business Area recorded in the same period in 2015 with European markets at 44.5% and those outside Europe at 55.5%. Germany (12.6%) is still the leading European country in terms of turnover, up compared to the same half of the previous year (11.11% of turnover), while Italy accounts for 11.61% of turnover, also up compared to 9.7% of the first nine months of the previous year. As for non-European countries, India, with 14.0%, is the main market (10.5% in 2015) surpassing the United States which represented 10.0% of sales in the period compared to 13.5% as at the third quarter of 2015; also worthy of mention is Turkey with 9.9% of turnover (9.1% in 2015) and Brazil with 5.5% which was significantly affected by the political and economic crisis it is going through (9.1% in the same period of the previous year).

Overall turnover from foreign markets as at 30 September 2016 was 88.4% of the total turnover from the business area, against 90.3% in the same period of 2015.

As for the target markets, the Construction Equipment market accounted for 40.1% of third party sales (down by 11.2% compared to the same period of the previous year) while the Agricultural market accounted for 40.3% (down 11.1% compared to the same period of 2015).

Finally, for a correct interpretation of the results in terms of profitability, it is necessary to consider, in addition to the O&KA effects mentioned above, restructuring costs for the period which, at 30 September 2016, amounted to 4.347 million Euros and to 3.947 million Euros in 2015.

EBITDA in the 3rd quarter of 2016 amounted to 11.300 million Euros (9.5% of turnover) compared to 6.615 million Euros (5.4% of turnover) of the same period of the previous year. EBIT for the same period was equal to 6.918 million Euros (5.8% of turnover) compared to 1.785 million Euros (1.5% of turnover) for 2015.

At constant perimeter and net of the non-recurring costs linked to restructuring activities, EBITDA would have amounted to 11.270 million Euros (9.5% of turnover) compared to 8.101 million Euros (7.1% of turnover) for the third quarter 2015, while EBIT would have amounted to 6.888 million Euros (5.8% of turnover) compared to 3.591 million Euros (3.1% of turnover) for the third quarter 2015.

In terms of cumulative results, profitability at 30 September 2016 showed an improvement compared to the same period of the previous year.

EBITDA as at 30 September 2016, despite the negative volume effect, amounted to 27.850 million Euros (7.8% of turnover) compared to 23.047 million Euros (5.4% of turnover) of the same period of the previous year. EBIT for the same period was equal to 15.190 million Euros (4.3% of turnover) compared to 7.694 million Euros (1.8% of turnover) for 2015.

With constant perimeter and excluding restructuring costs, EBITDA as at 30 September 2016 would have been equal to 32.197 million Euros (9.0% of turnover) up by 9.4% compared to 29.422 million Euros (7.5% of turnover) for the same period of the previous year. EBIT would have been equal to 19.537 million Euros (5.5% of turnover) compared to 15.034 million Euros (3.8% of turnover) as at 30 September 2015.

The net result of the quarter is positive, amounting to 4.166 million Euros (3.5 % of turnover) compared to a loss of 606 thousand Euros (-0.5% of turnover) in the same period of 2015. A cumulative net profit of 6.173 million Euros (1.7% of turnover) was recorded, compared to a loss of 871 thousand Euros (-0.2% of turnover) for the previous year.

**SUBCONSOLIDATED INCOME STATEMENT AS AT 30/09/2016 - QUARTER ANALYSIS  
DRIVELINES & COMPONENTS BUSINESS AREA – DRIVE TECH**

<i>(amounts in €/'000)</i>	<b>3rd Quarter 2016</b>	<b>%</b>	<b>3rd Quarter 2015</b>	<b>%</b>	<b>Changes 3Q16 3Q15</b>
<b>REVENUES FROM SALES</b>	<b>118,409</b>	<b>100.00%</b>	<b>122,470</b>	<b>100.00%</b>	<b>-3.32%</b>
Purchases of goods and materials (net of changes in inventories)	-70,102	-59.20%	-69,788	-56.98%	0.45%
Services and Use of third-party goods and services	-22,281	-18.82%	-24,664	-20.14%	-9.66%
Personnel costs	-15,148	-12.79%	-20,663	-16.87%	-26.69%
Amortisation, depreciation and impairment of assets	-4,410	-3.72%	-4,840	-3.95%	-8.88%
Provisions for risks	-778	-0.66%	-1,108	-0.90%	-29.78%
Other income and expenses	1,153	0.97%	308	0.25%	
Internal construction	75	0.06%	70	0.06%	7.14%
<b>OPERATING COSTS</b>	<b>-111,491</b>	<b>-94.16%</b>	<b>-120,685</b>	<b>-98.54%</b>	<b>-7.62%</b>
<b>OPERATING PROFIT/(LOSS) (EBIT)</b>	<b>6,918</b>	<b>5.84%</b>	<b>1,785</b>	<b>1.46%</b>	
Income from equity investments	1	0.00%	-	0.00%	
Other financial income	383	0.32%	663	0.54%	-42.23%
Financial costs and expenses	-1,412	-1.19%	-2,636	-2.15%	-46.43%
Net gains/(losses) on foreign exchange	-349	-0.29%	-344	-0.28%	1.45%
<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-1,377</b>	<b>-1.16%</b>	<b>-2,317</b>	<b>-1.89%</b>	<b>-40.57%</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>5,541</b>	<b>4.68%</b>	<b>-532</b>	<b>-0.43%</b>	
Current and deferred income taxes	-1,375	-1.16%	-29	-0.02%	
<b>NET PROFIT/(LOSS)</b>	<b>4,166</b>	<b>3.52%</b>	<b>-561</b>	<b>-0.46%</b>	
Profit/(loss) pertaining to minorities	-	0.00%	-45	-0.04%	-100.00%
<b>CONSOLIDATED RESULT OF THE BUSINESS AREA</b>	<b>4,166</b>	<b>3.52%</b>	<b>-606</b>	<b>-0.49%</b>	
<b>EBITDA</b>	<b>11,300</b>	<b>9.54%</b>	<b>6,615</b>	<b>5.40%</b>	<b>70.82%</b>
<b>EBITDA net of restruct. costs</b>	<b>11,270</b>	<b>9.52%</b>	<b>7,090</b>	<b>5.79%</b>	<b>58.96%</b>
<b>EBITDA net of restruct. costs and at constant perimeter</b>	<b>11,270</b>	<b>9.52%</b>	<b>8,101</b>	<b>7.07%</b>	<b>39.12%</b>

**SUBCONSOLIDATED INCOME STATEMENT AS AT 30/09/2016**  
**CARRARO DRIVE TECH BUSINESS AREA**

(amounts in €/000)	30/09/2016	%	30/09/2015	%	Changes	
					30.09.16	30.09.15
<b>REVENUES FROM SALES</b>	<b>357,108</b>	<b>100.00%</b>	<b>423,086</b>	<b>100.00%</b>	<b>-65,978</b>	<b>-15.59%</b>
Purchases of goods and materials (net of changes in inventories)	-210,112	-58.84%	-247,035	-58.39%	36,923	-14.95%
Services and Use of third-party goods and services	-66,381	-18.59%	-81,228	-19.20%	14,847	-18.28%
Personnel costs	-49,806	-13.95%	-68,847	-16.27%	19,041	-27.66%
Amortisation, depreciation and impairment of assets	-12,821	-3.59%	-16,160	-3.82%	3,339	-20.66%
Provisions for risks*	-6,359	-1.78%	-5,681	-1.34%	-678	11.93%
Other income and expenses	3,305	0.93%	3,264	0.77%	41	1.26%
Internal construction	256	0.07%	295	0.07%	-39	-13.22%
<b>OPERATING COSTS</b>	<b>-341,918</b>	<b>-95.75%</b>	<b>-415,392</b>	<b>-98.18%</b>	<b>73,474</b>	<b>-17.69%</b>
<b>OPERATING PROFIT/(LOSS) (EBIT)</b>	<b>15,190</b>	<b>4.25%</b>	<b>7,694</b>	<b>1.82%</b>	<b>7,496</b>	<b>97.43%</b>
Income from equity investments	-206	-0.06%	-	0.00%	-206	
Other financial income	1,519	0.43%	2,857	0.68%	-1,338	-46.83%
Financial costs and expenses	-5,404	-1.51%	-6,921	-1.64%	1,517	-21.92%
Net gains/(losses) on foreign exchange	-923	-0.26%	-2,378	-0.56%	1,455	-61.19%
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-5,014</b>	<b>-1.40%</b>	<b>-6,442</b>	<b>-1.52%</b>	<b>1,428</b>	<b>-22.17%</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>10,176</b>	<b>2.85%</b>	<b>1,252</b>	<b>0.30%</b>	<b>8,924</b>	
Current and deferred income taxes	-4,004	-1.12%	-2,150	-0.51%	-1,854	86.23%
<b>NET PROFIT/(LOSS)</b>	<b>6,172</b>	<b>1.73%</b>	<b>-898</b>	<b>-0.21%</b>	<b>7,070</b>	
Profit/(loss) pertaining to minorities	1	0.00%	27	0.01%	-26	-96.30%
<b>BUSINESS AREA CONSOLIDATED RESULT</b>	<b>6,173</b>	<b>1.73%</b>	<b>-871</b>	<b>-0.21%</b>	<b>7,044</b>	
<b>EBITDA</b>	<b>27,850</b>	<b>7.80%</b>	<b>23,047</b>	<b>5.45%</b>	<b>4,803</b>	<b>20.84%</b>
* including restructuring costs	4,347	1.22%	3,947	0.93%	400	10.13%
<b>EBITDA net of restruct. costs</b>	<b>32,197</b>	<b>9.02%</b>	<b>26,994</b>	<b>6.38%</b>	<b>5,203</b>	<b>19.27%</b>
<b>EBITDA net of restruct. costs and at constant perimeter</b>	<b>32,197</b>	<b>9.02%</b>	<b>29,422</b>	<b>7.48%</b>	<b>2,775</b>	<b>9.43%</b>



**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30/09/2016  
CARRARO DRIVE TECH BUSINESS AREA**

(amounts in €/000)	30/09/2016	31/12/2015	30/09/2015
Property, plant and equipment	107,115	116,951	135,341
Intangible fixed assets	43,195	44,087	48,310
Real estate investments	155	155	213
Holdings in associates	16,552	16,552	-
Financial assets	5,429	16,748	9,534
Deferred tax assets	7,520	8,513	18,339
Trade receivables and other receivables	2,637	2,723	3,065
<b>NON-CURRENT ASSETS</b>	<b>182,603</b>	<b>205,729</b>	<b>214,802</b>
Closing inventory	81,318	85,558	114,090
Trade receivables and other receivables	79,836	74,420	92,924
Financial assets	5,622	8,719	205
Cash and cash equivalents	34,822	38,589	28,150
<b>CURRENT ASSETS</b>	<b>201,598</b>	<b>207,286</b>	<b>235,369</b>
<b>TOTAL ASSETS</b>	<b>384,201</b>	<b>413,015</b>	<b>450,171</b>
Share Capital	30,102	30,102	30,102
Reserves	98,127	84,703	85,376
Foreign currency translation reserve	-16,970	-13,037	-10,643
Profit/(Loss) for the period	6,173	26,373	-871
Minority interests	-	2,658	2,820
<b>SHAREHOLDERS' EQUITY</b>	<b>117,432</b>	<b>130,799</b>	<b>106,784</b>
Financial liabilities	44,611	44,152	35,825
Trade payables and other payables	651	841	1,137
Deferred tax liabilities	3,046	3,220	3,632
Provision for severance indemnity and retirement benefits	8,093	8,317	14,873
Provisions for risks and liabilities	2,994	2,998	3,297
<b>NON-CURRENT LIABILITIES</b>	<b>59,395</b>	<b>59,528</b>	<b>58,764</b>
Financial liabilities	54,120	73,480	88,727
Trade payables and other payables	139,285	134,698	178,328
Current taxes payables	3,621	3,126	3,367
Provisions for risks and liabilities	10,348	11,384	14,201
<b>CURRENT LIABILITIES</b>	<b>207,374</b>	<b>222,688</b>	<b>284,623</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>384,201</b>	<b>413,015</b>	<b>450,171</b>

**CASH FLOW AS AT 30/09/2016**  
**CARRARO DRIVE TECH BUSINESS AREA**

(amounts in €/000)	30/09/2016	31/12/2015	30/09/2015
<b>Opening Net Financial Position</b>	<b>-53,963</b>	<b>-59,073</b>	<b>-59,073</b>
<i>Group profit/(loss)</i>	6,173	26,373	-871
<i>Profit/(loss) pertaining to minorities</i>	-1	-191	-27
<i>Amortisation, depreciation and impairment of fixed assets</i>	12,660	21,952	15,353
Cash flow before Net Working Capital	18,832	48,134	14,455
Change in Net Working Capital	3,505	-25,663	-27,049
Investments in fixed assets	-5,065	-16,892	-10,582
Disinvestments in fixed assets	247	3,292	1,117
<b>Operating Free Cash Flow</b>	<b>17,519</b>	<b>8,871</b>	<b>-22,059</b>
Other operating flows	-160	-1,572	-4,006
Other investing flows	2,887	1,159	-2,496
Other equity flows	-19,539	-3,348	-283
<b>Free Cash Flow</b>	<b>707</b>	<b>5,110</b>	<b>-28,844</b>
<b>Closing Net Financial Position</b>	<b>-53,256</b>	<b>-53,963</b>	<b>-87,917</b>

**ANALYSIS OF NET WORKING CAPITAL AS AT 30/09/2016**  
**CARRARO DRIVE TECH BUSINESS AREA**

(amounts in €/000)	30/09/2016	31/12/2015	30/09/2015
Trade Receivables	61,953	55,421	64,280
Inventory	81,318	85,558	114,090
Trade Payables	-124,211	-118,414	-154,419
<b>Net Working Capital (NWC)</b>	<b>19,060</b>	<b>22,565</b>	<b>23,951</b>

## **Agritalia Business Area**

The European tractor market continues to remain negative and from the third quarter this trend also included the specialised tractor segment that had remained stable in the first half of 2016. Registrations suffered particularly in France, traditionally the first target market for Agritalia, due to the cancellation of state subsidies.

Sales volumes in the third quarter of 2016 amounted to 901 tractors compared to 888 tractors in the third quarter of 2015, while the cumulative volume in September 2016 remained stable at 3,352 tractors sold compared to 3,366 tractors in the same period of 2015. It is pointed out that approx. 5% of deliveries consisted of increased stocks in the dealer network, in preparation for the change in the emissions level expected for the 2017 season and in compliance with the regulations which set as 31/12/2016 the deadline for registration of current production models.

Turnover in the quarter reached 25.936 million Euros, in line with the same period of the previous year (25.957 million Euros). Cumulative turnover at the end of September 2016 reached the value of 97.210 million Euros, up 3.8% over the same period of 2015 (93.657 million Euros). Contributing to this was the turnover growth related to development projects of new tractors, doubled in September 2016 and which exceeded the value of the same period of the previous year by 3 million Euros.

The growth in unit sales prices, accompanied by strict control of both variable and fixed costs, contributed to the improvement in profitability. EBITDA for the quarter amounted to 1.601 million Euros (6.2% of turnover) compared to 1.494 million Euros (5.8% of turnover) in 2015, while cumulative EBITDA amounted to 7.503 million Euros (7.7% of turnover) compared to 6.102 million Euros (6.5% of turnover) in 2015.

**SUBCONSOLIDATED INCOME STATEMENT AS AT 30/09/2016 - QUARTER ANALYSIS  
CARRARO DIVISIONE AGRITALIA BUSINESS AREA**

<i>(amounts in €/000)</i>	<b>3rd Quarter 2016</b>	<b>%</b>	<b>3rd Quarter 2015</b>	<b>%</b>	<b>Changes</b> 3Q16 3Q15
<b>REVENUES FROM SALES</b>	<b>25,936</b>	<b>100.00%</b>	<b>25,957</b>	<b>100.00%</b>	<b>-0.08%</b>
Purchases of goods and materials (net of changes in inventories)	-18,281	-70.49%	-19,182	-73.90%	-4.70%
Services and Use of third-party goods and services	-3,532	-13.62%	-2,707	-10.43%	30.48%
Personnel costs	-2,542	-9.80%	-2,400	-9.25%	5.92%
Amortisation, depreciation and impairment of assets	-402	-1.55%	-416	-1.60%	-3.37%
Provisions for risks	-540	-2.08%	-304	-1.17%	77.63%
Other income and expenses	-16	-0.06%	-17	-0.07%	-5.88%
Internal construction	587	2.26%	156	0.60%	
<b>OPERATING COSTS</b>	<b>-24,726</b>	<b>-95.33%</b>	<b>-24,870</b>	<b>-95.81%</b>	<b>-0.58%</b>
<b>OPERATING PROFIT/(LOSS) (EBIT)</b>	<b>1,210</b>	<b>4.67%</b>	<b>1,087</b>	<b>4.19%</b>	<b>11.32%</b>
Other financial income	-	0.00%	2	0.01%	-100.00%
Financial costs and expenses	-8	-0.03%	-4	-0.02%	100.00%
Net gains/(losses) on foreign exchange	-1	0.00%	1	0.00%	
<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-9</b>	<b>-0.03%</b>	<b>-1</b>	<b>0.00%</b>	
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>1,201</b>	<b>4.63%</b>	<b>1,086</b>	<b>4.18%</b>	<b>10.59%</b>
Current and deferred income taxes	-	0.00%	-200	-0.77%	-100.00%
<b>CONTRIBUTION TO THE NET PROFIT/(LOSS) OF CARRARO SPA</b>	<b>1,201</b>	<b>4.63%</b>	<b>886</b>	<b>3.41%</b>	<b>35.55%</b>
<b>EBITDA</b>	<b>1,601</b>	<b>6.17%</b>	<b>1,494</b>	<b>5.76%</b>	<b>7.16%</b>

**SUBCONSOLIDATED INCOME STATEMENT AS AT 30/09/2016**  
**CARRARO DIVISIONE AGRITALIA BUSINESS AREA**

(amounts in €/000)	30/09/2016	%	30/09/2015	%	Changes	
					30.09.16	30.09.15
<b>REVENUES FROM SALES</b>	<b>97,210</b>	<b>100.00%</b>	<b>93,657</b>	<b>100.00%</b>	<b>3,553</b>	<b>3.79%</b>
Purchases of goods and materials (net of changes in inventories)	-69,504	-71.50%	-68,327	-72.95%	-1,177	1.72%
Services and Use of third-party goods and services	-11,241	-11.56%	-9,530	-10.18%	-1,711	17.95%
Personnel costs	-9,072	-9.33%	-9,110	-9.73%	38	-0.42%
Amortisation, depreciation and impairment of assets	-1,237	-1.27%	-1,225	-1.31%	-12	0.98%
Provisions for risks	-1,377	-1.42%	-1,112	-1.19%	-265	23.83%
Other income and expenses	100	0.10%	-67	-0.07%	167	
Internal construction	1,434	1.48%	622	0.66%	812	
<b>OPERATING COSTS</b>	<b>-90,897</b>	<b>-93.51%</b>	<b>-88,749</b>	<b>-94.76%</b>	<b>-2,148</b>	<b>2.42%</b>
<b>OPERATING PROFIT/(LOSS) (EBIT)</b>	<b>6,313</b>	<b>6.49%</b>	<b>4,908</b>	<b>5.24%</b>	<b>1,405</b>	<b>28.63%</b>
Income from equity investments	-	0.00%	-	0.00%	-	
Other financial income	12	0.01%	2	0.00%	10	
Financial costs and expenses	-35	-0.04%	-18	-0.02%	-17	94.44%
Net gains/(losses) on foreign exchange	3	0.00%	-11	-0.01%	14	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-20</b>	<b>-0.02%</b>	<b>-27</b>	<b>-0.03%</b>	<b>7</b>	<b>-25.93%</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>6,293</b>	<b>6.47%</b>	<b>4,881</b>	<b>5.21%</b>	<b>1,412</b>	<b>28.93%</b>
Current and deferred income taxes	-	0.00%	-400	-0.43%	400	-100.00%
<b>CONTRIBUTION TO THE NET PROFIT/(LOSS) OF CARRARO SPA</b>	<b>6,293</b>	<b>6.47%</b>	<b>4,481</b>	<b>4.78%</b>	<b>1,812</b>	<b>40.44%</b>
<b>EBITDA</b>	<b>7,503</b>	<b>7.72%</b>	<b>6,102</b>	<b>6.52%</b>	<b>1,401</b>	<b>22.96%</b>

**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30/09/2016**  
**CARRARO DIVISIONE AGRITALIA BUSINESS AREA**

(amounts in €/000)	30/09/2016	31/12/2015	30/09/2015
Property, plant and equipment	10,070	10,823	11,060
Intangible fixed assets	4,069	2,935	2,614
Real estate investments	-	-	-
Holdings in associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	1,559	1,559	1,797
Trade receivables and other receivables	10	8	8
<b>NON-CURRENT ASSETS</b>	<b>15,708</b>	<b>15,325</b>	<b>15,479</b>
Closing inventory	10,960	16,845	15,854
Trade receivables and other receivables	11,869	6,035	12,456
Financial assets	4	-	-
Cash and cash equivalents	-	-	23,234
<b>CURRENT ASSETS</b>	<b>22,833</b>	<b>22,880</b>	<b>51,544</b>
<b>TOTAL ASSETS</b>	<b>38,541</b>	<b>38,205</b>	<b>67,023</b>
<b>CONTRIBUTION TO SHAREHOLDERS' EQUITY OF CARRARO SPA</b>	<b>-3,814</b>	<b>-8,408</b>	<b>15,712</b>
Financial liabilities	-	-	-
Trade payables and other payables	-	-	-
Deferred tax liabilities	-	-	-3
Provision for severance indemnity and retirement benefits	1,296	1,212	1,176
Provisions for risks and liabilities	221	-	278
<b>NON-CURRENT LIABILITIES</b>	<b>1,517</b>	<b>1,212</b>	<b>1,451</b>
Financial liabilities	-	-	-
Trade payables and other payables	37,673	42,829	47,211
Current taxes payables	33	-	25
Provisions for risks and liabilities	3,132	2,572	2,624
<b>CURRENT LIABILITIES</b>	<b>40,838</b>	<b>45,401</b>	<b>49,860</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>38,541</b>	<b>38,205</b>	<b>67,023</b>

**CASH FLOW AS AT 30/09/2016**  
**CARRARO DIVISIONE AGRITALIA BUSINESS AREA**

(amounts in €/000)	30/09/2016	31/12/2015	30/09/2015
<i>Contribution to the net profit/(loss)</i>	6,293	5,902	4,481
<i>Amortisation, depreciation and impairment of fixed assets</i>	1,190	1,610	1,194
Cash flow before Net Working Capital	7,483	7,512	5,675
Change in Net Working Capital	-4,475	-3,203	-4,673
Investments in fixed assets	-1,475	-1,278	-779
Disinvestments in fixed assets	-	-	-
<b><i>Operating Free Cash Flow</i></b>	<b>1,533</b>	<b>3,031</b>	<b>223</b>
Other operating flows	266	-1,531	-1,031
Other investing flows	-96	-1	-
Other equity flows	1,299	-11	-7
<b><i>Free Cash Flow</i></b>	<b>3,002</b>	<b>1,488</b>	<b>-815</b>

**ANALYSIS OF NET WORKING CAPITAL AS AT 30/09/2016**  
**CARRARO DIVISIONE AGRITALIA BUSINESS AREA**

(amounts in €/000)	30/09/2016	31/12/2015	30/09/2015
Trade Receivables	9,632	4,672	11,314
Inventory	10,960	16,845	15,854
Trade Payables	-35,421	-40,821	-45,002
<b><i>Net Working Capital (NWC)</i></b>	<b>-14,829</b>	<b>-19,304</b>	<b>-17,834</b>

## **Electronica Santerno Business Area**

During the third quarter, operating in line with the plan launched in 2015, the Company continued to refocus the business model on the industrial applications market and to optimise the cost structure.

Increasing attention continued to be given to the development of foreign markets, in particular in Asia, including China, which represent one of the areas where the room for growth for Santerno products is believed to be the most significant.

Development of the After Sales business line also continued, which benefited from the operational start-up of a number of O&M agreements on systems installed in previous years, confirming the gradual increase in turnover compared to previous years.

### **Industrial applications**

Turnover in the first nine months in this sector decreased by 14.7% compared to the same period of the previous year. The decrease was affected by lower sales in the Brazilian market (-976 thousand Euros), due to the economic crisis prevailing in the country for some time and, more generally, to a much slower order intake, despite the various commercial initiatives put in place since the fourth quarter of 2015. It should be noted that, in the quarter, there were more positive signs from the North American and European markets and that a major agreement in China is being finalised, which will lead to a significant increase in sales in this market.

### **Photovoltaics**

Turnover in the first nine months of 2016, amounting to 21.5 million Euros, recorded an increase compared to the same period of the previous year of 10.5 million Euros, mainly due to the effect of the South African order.

The commercial activity was completely focused on a very small number of players operating mainly in Central and South America, Sub-Saharan Africa and Mediterranean countries.

### **Service**

Activities targeting growth in the After Sales sector continued, with an increase in sales activities and also the related turnover. The first nine months recorded growth of 2.5% compared to the same period of the previous year.

Sales revenues of the quarter, equal to 4.532 million Euros, were down by 38.5% compared to 7.364 million Euros for the same period in the previous year. The first nine months of 2016 closed with a cumulative turnover of 32.622 million Euros, recording an increase of 9.215 million Euros compared to the same period of 2015 (+39.4%). At 30 September 2016, the share of turnover in foreign markets amounted to 81.5% of the total turnover of the Business Area.

EBITDA for the third quarter was negative at -609 thousand Euros (-13.4% of turnover) compared to a negative figure of -405 thousand Euros (-5.5% of turnover) for the third quarter of 2015. EBIT for the third quarter was negative amounting to 1.072 million Euros (-23.7% of turnover) compared to a negative figure of 1.171 thousand Euros (-15.9% of turnover) for the third quarter of 2015.



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Cumulative profitability at September 2016 decreased compared to the same period of 2015 due to the low profitability of contracts in South Africa, partly offset by a fairly significant reduction in fixed costs. EBITDA at 30 September 2016 was negative, amounting to 2.382 million Euros (-7.3% of turnover) compared to a negative value of 1.221 thousand Euros (-5.2% of turnover) at 30 September 2015.

EBIT for the first nine months of 2016 was negative amounting to 3.618 million Euros (-11.1% of turnover), compared to the negative figure of 3.368 million Euros (-14.4 % of turnover) for the first nine months of 2015.

A net loss was recorded amounting to 6.031 million Euros (-18.5% of turnover) compared to a loss of 6.054 million Euros (-25.9% of turnover) for the first nine months of 2015.

The net financial position as at 30 September 2016 reported a negative value of 13.624 million Euros, improving on the figure of 17.796 million Euros as at 30 September 2015 but worse than the 9.115 million Euros as at 31 December 2015. Carraro International Sa waived the financial receivable amounting to 6.5 million Euros intended for future coverage of the losses of Elettronica Santerno S.p.A.

**SUBCONSOLIDATED INCOME STATEMENT AS AT 30/09/2016 - QUARTER ANALYSIS  
ELETTRONICA SANTERNO BUSINESS AREA**

<i>(amounts in €/000)</i>	<b>3rd Quarter 2016</b>	<b>%</b>	<b>3rd Quarter 2015</b>	<b>%</b>	<b>Changes 3Q16 3Q15</b>
<b>REVENUES FROM SALES</b>	<b>4,532</b>	<b>100.00%</b>	<b>7,364</b>	<b>100.00%</b>	<b>-38.46%</b>
Purchases of goods and materials (net of changes in inventories)	-2,303	-50.82%	-3,063	-41.59%	-24.81%
Services and Use of third-party goods and services	-1,329	-29.32%	-2,672	-36.28%	-50.26%
Personnel costs	-1,431	-31.58%	-1,918	-26.05%	-25.39%
Amortisation, depreciation and impairment of assets	-507	-11.19%	-766	-10.40%	-33.81%
Provisions for risks	-36	-0.79%	-184	-2.50%	-80.43%
Other income and expenses	-71	-1.57%	-78	-1.06%	-8.97%
Internal construction	73	1.61%	146	1.98%	-50.00%
<b>OPERATING COSTS</b>	<b>-5,604</b>	<b>-123.65%</b>	<b>-8,535</b>	<b>-115.90%</b>	<b>-34.34%</b>
<b>OPERATING PROFIT/(LOSS) (EBIT)</b>	<b>-1,072</b>	<b>-23.65%</b>	<b>-1,171</b>	<b>-15.90%</b>	<b>-8.45%</b>
Income from equity investments	-	0.00%	-160	-2.17%	-100.00%
Other financial income	15	0.33%	23	0.31%	-34.78%
Financial costs and expenses	-391	-8.63%	-497	-6.75%	-21.33%
Net gains/(losses) on foreign exchange	-118	-2.60%	-256	-3.48%	-53.91%
<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-494</b>	<b>-10.90%</b>	<b>-890</b>	<b>-12.09%</b>	<b>-44.49%</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>-1,566</b>	<b>-34.55%</b>	<b>-2,061</b>	<b>-27.99%</b>	<b>-24.02%</b>
Current and deferred income taxes	-84	-1.85%	-63	-0.86%	33.33%
<b>CONSOLIDATED RESULT OF THE BUSINESS AREA</b>	<b>-1,650</b>	<b>-36.41%</b>	<b>-2,124</b>	<b>-28.84%</b>	<b>-22.32%</b>
<b>EBITDA</b>	<b>-609</b>	<b>-13.44%</b>	<b>-405</b>	<b>-5.50%</b>	<b>50.37%</b>

**SUBCONSOLIDATED INCOME STATEMENT AS AT 30/09/2016**  
**ELETTRONICA SANTERNO BUSINESS AREA**

(amounts in €/000)	<b>30/09/2016</b>	<b>%</b>	<b>30/09/2015</b>	<b>%</b>	<b>Changes</b>	
					30.09.16	30.09.15
<b>REVENUES FROM SALES</b>	<b>32,622</b>	<b>100.00%</b>	<b>23,407</b>	<b>100.00%</b>	<b>9,215</b>	<b>39.37%</b>
Purchases of goods and materials (net of changes in inventories)	-23,145	-70.95%	-10,453	-44.66%	-12,692	
Services and Use of third-party goods and services	-6,471	-19.84%	-8,431	-36.02%	1,960	-23.25%
Personnel costs	-5,431	-16.65%	-6,202	-26.50%	771	-12.43%
Amortisation, depreciation and impairment of assets	-1,280	-3.92%	-2,147	-9.17%	867	-40.38%
Provisions for risks	-378	-1.16%	-481	-2.05%	103	-21.41%
Other income and expenses	47	0.14%	345	1.47%	-298	-86.38%
Internal construction	418	1.28%	594	2.54%	-176	-29.63%
<b>OPERATING COSTS</b>	<b>-36,240</b>	<b>-111.09%</b>	<b>-26,775</b>	<b>-114.39%</b>	<b>-9,465</b>	<b>35.35%</b>
<b>OPERATING PROFIT/(LOSS) (EBIT)</b>	<b>-3,618</b>	<b>-11.09%</b>	<b>-3,368</b>	<b>-14.39%</b>	<b>-250</b>	<b>7.42%</b>
Income from equity investments	-	0.00%	-160	-0.68%	160	-100.00%
Other financial income	31	0.10%	69	0.29%	-38	-55.07%
Financial costs and expenses	-1,226	-3.76%	-1,188	-5.08%	-38	3.20%
Net gains/(losses) on foreign exchange	-478	-1.47%	-689	-2.94%	211	-30.62%
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-1,673</b>	<b>-5.13%</b>	<b>-1,968</b>	<b>-8.41%</b>	<b>295</b>	<b>-14.99%</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>-5,291</b>	<b>-16.22%</b>	<b>-5,336</b>	<b>-22.80%</b>	<b>45</b>	<b>-0.84%</b>
Current and deferred income taxes	-740	-2.27%	-718	-3.07%	-22	3.06%
<b>CONSOLIDATED RESULT OF THE BUSINESS AREA</b>	<b>-6,031</b>	<b>-18.49%</b>	<b>-6,054</b>	<b>-25.86%</b>	<b>23</b>	<b>-0.38%</b>
<b>EBITDA</b>	<b>-2,382</b>	<b>-7.30%</b>	<b>-1,221</b>	<b>-5.22%</b>	<b>-1,161</b>	<b>95.09%</b>

**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30/09/2016**  
**ELETTRONICA SANTERNO BUSINESS AREA**

(amounts in €/000)	30/09/2016	31/12/2015	30/09/2015
Property, plant and equipment	4,328	4,706	4,855
Intangible fixed assets	9,468	9,819	26,927
Real estate investments	-	-	-
Holdings in associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	2,137	2,260	2,316
Trade receivables and other receivables	194	195	191
<b>NON-CURRENT ASSETS</b>	<b>16,127</b>	<b>16,980</b>	<b>34,289</b>
Closing inventory	8,737	17,408	18,622
Trade receivables and other receivables	11,216	11,542	12,133
Financial assets	78	137	195
Cash and cash equivalents	1,426	3,092	1,385
<b>CURRENT ASSETS</b>	<b>21,457</b>	<b>32,179</b>	<b>32,335</b>
<b>TOTAL ASSETS</b>	<b>37,584</b>	<b>49,159</b>	<b>66,624</b>
Share Capital	3,000	3,000	2,500
Reserves	9,296	29,551	21,079
Foreign currency translation reserve	-635	-628	-545
Profit/(Loss) for the period	-6,031	-26,725	-6,054
Minority interests	-	-	-
<b>SHAREHOLDERS' EQUITY</b>	<b>5,630</b>	<b>5,198</b>	<b>16,980</b>
Financial liabilities	419	20	-
Trade payables and other payables	69	71	69
Deferred tax liabilities	529	-	-
Provision for severance indemnity and retirement benefits	586	531	524
Provisions for risks and liabilities	103	51	52
<b>NON-CURRENT LIABILITIES</b>	<b>1,706</b>	<b>673</b>	<b>645</b>
Financial liabilities	14,682	12,190	19,322
Trade payables and other payables	13,781	28,978	28,603
Current taxes payables	-	-120	89
Provisions for risks and liabilities	1,785	2,240	985
<b>CURRENT LIABILITIES</b>	<b>30,248</b>	<b>43,288</b>	<b>48,999</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>37,584</b>	<b>49,159</b>	<b>66,624</b>

**CASH FLOW AS AT 30/09/2016**  
**ELETTRONICA SANTERNO BUSINESS AREA**

(amounts in €/000)	30/09/2016	31/12/2015	30/09/2015
<b>Opening Net Financial Position</b>	<b>-9,115</b>	<b>-14,667</b>	<b>-14,667</b>
<i>Group profit/(loss)</i>	-6,031	-26,725	-6,054
<i>Profit/(loss) pertaining to minorities</i>	-	-	-
<i>Amortisation, depreciation and impairment of fixed assets</i>	1,236	19,718	2,147
Cash flow before Net Working Capital	-4,759	-7,007	-3,907
Change in Net Working Capital	-8,154	3,664	-348
Investments in fixed assets	-490	-1,074	-753
Disinvestments in fixed assets	3	8	26
<b>Operating Free Cash Flow</b>	<b>-13,436</b>	<b>-4,409</b>	<b>-4,982</b>
Other operating flows	2,484	1,196	2,002
Other investing flows	-20	30	5
Other equity flows	6,463	8,735	-154
<b>Free Cash Flow</b>	<b>-4,509</b>	<b>5,552</b>	<b>-3,129</b>
<b>Closing Net Financial Position</b>	<b>-13,624</b>	<b>-9,115</b>	<b>-17,796</b>

**ANALYSIS OF NET WORKING CAPITAL AS AT 30/09/2015**  
**ELETTRONICA SANTERNO BUSINESS AREA**

(amounts in €/000)	30/09/2016	31/12/2015	30/09/2015
Trade Receivables	9,028	9,285	9,442
Inventory	8,737	17,408	18,622
Trade Payables	-10,929	-28,011	-25,370
<b>Net Working Capital (NWC)</b>	<b>6,836</b>	<b>-1,318</b>	<b>2,694</b>

**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)*

<b>Net financial position as at 30 September 2016</b>	<b>CARRARO SPA</b>	<b>CONSOLIDATED</b>
Non-current loans payable	78,350	167,631
Current loans payable	44,505	110,879
Other non-current financial liabilities	-	-174
Other current financial liabilities	51	677
<b>Financial liabilities:</b>	<b>122,906</b>	<b>279,013</b>
Non-current loans and receivables	-6,732	-5,420
Current loans and receivables	-32	-4,701
Other non-current financial assets	-	242
Other current financial assets	-321	-617
<b>Financial assets:</b>	<b>-7,085</b>	<b>-10,496</b>
Cash	-59	-113
Bank current accounts and deposits	-2,065	-77,826
<b>Cash and cash equivalents:</b>	<b>-2,124</b>	<b>-77,939</b>
<b>Net financial position</b>	<b>113,697</b>	<b>190,578</b>
of which payables / (receivables):		
- non-current	71,618	162,279
- current	42,079	28,299

**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)*

	<b>CARRARO SPA</b>					<b>TOTAL</b>
	<b>Not yet due</b>	<b>PAST DUE</b>				
		<b>1 - 30 days</b>	<b>31 - 60 days</b>	<b>61 - 90 days</b>	<b>&gt; 91 days</b>	
Trade payables	41,533	163	3	20	293	<b>42,012</b>
Other payables	6,750	-	-	-	-	<b>6,750</b>
<b>TOTAL</b>	<b>48,283</b>	<b>163</b>	<b>3</b>	<b>20</b>	<b>293</b>	<b>48,762</b>

	<b>CONSOLIDATED</b>					<b>TOTAL</b>
	<b>Not yet due</b>	<b>PAST DUE</b>				
		<b>1 - 30 days</b>	<b>31 - 60 days</b>	<b>61 - 90 days</b>	<b>&gt; 91 days</b>	
Trade payables	143,499	7,504	782	1,164	3,988	<b>156,937</b>
Other payables	24,458	-	-	-	-	<b>24,458</b>
<b>TOTAL</b>	<b>167,957</b>	<b>7,504</b>	<b>782</b>	<b>1,164</b>	<b>3,988</b>	<b>181,395</b>

The current payables of Carraro SpA to third parties and Group companies as at 30 September 2016 totalled 48.762 million Euros of which 6.750 million Euros referred to other Payables (taxes, welfare contributions, to employees,...) due after the reporting period. Overdue trade payables amounted to 0.479 million Euros.

The current payables of the Carraro Group as at 30 September 2016 amounted to 181.395 million Euros of which 24.458 million Euros referred to other Payables (taxes, welfare contributions, to employees,...) due after the reporting period. Outstanding trade payables amounted to 13.438 million Euros, of which 7.504 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.	-	-	7,798	3,833	15,720	11,708	6,544
Carraro Argentina S.A.	6,314	-	1,669	134	81	135	-
Carraro Drive Tech do Brasil	-	-	144	-	67	-	18
Carraro Deutschland GmbH	-	16,600	-	346	-	-	346
Carraro India Ltd.	-	-	1,477	617	2,976	44	3
Carraro North America Vb	-	-	419	-	9	-	-
Elettronica Santerno S.p.A.	419	-	457	386	168	2	24
Elettronica Santerno Ind. e Com. Ltd.	-	-	109	-	7	-	-4
Carraro International	290	83,897	-	-	1	45	4,319
F.O.N. S.A.	-	-	1	-	-	-	-
Carraro Technologies India Pvt. Ltd.	-	-	46	356	46	1,022	-
Carraro China Drive System Co. Ltd.	-	-	983	470	965	52	-
SIAP S.p.A.	-	-	799	372	900	1,376	5
Santerno USA	-	-	354	-	-	-	6
Santerno South Africa Pty Ltd	-	-	103	-	35	-	36
O&K Antriebstechnik GmbH	-	-	423	-	258	-	-
Finaid S.r.l.	-	-	831	-	5	-	-
<b>TOTAL</b>	<b>7,023</b>	<b>100,497</b>	<b>15,613</b>	<b>6,514</b>	<b>21,238</b>	<b>14,384</b>	<b>11,297</b>

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	2,922	1,871	4,189	3,717
FINAID S.p.A.	936	90	5	-
<b>TOTAL</b>	<b>3,858</b>	<b>1,961</b>	<b>4,194</b>	<b>3,717</b>

#### 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 30 September 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 at 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 30 September 2016*

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

**Subject: Interim Report on Operations as at 30/09/2016**

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, 28 October 2016

**Carraro SpA**

Director Responsible for producing the  
company's accounting documents

Enrico Gomiero