



# Carraro Group

## Interim report on operations as at 31 March 2014

**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 statements by their nature include an element 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 2014 Financial Statements (Appointed, General Meeting 20.04.2012)

**ENRICO CARRARO (2)**

Chairman

**TOMASO CARRARO**

Deputy Chairman

**ALEXANDER JOSEF BOSSARD**

Chief Executive Officer

**ARNALDO CAMUFFO (1) (2)**

Director \*

**FRANCESCO CARRARO**

Director

**ANTONIO CORTELLAZZO (1) (2)**

Director \*

**GABRIELE DEL TORCHIO**

Director \*

**MARINA PITTINI (2) (1)**

Director \*

**MARCO REBOA (1)**

Director \*

(1) Members of the Internal Auditing Committee

(2) Members of the Human Resources and Remuneration Committee

\* Independent directors

**BOARD OF STATUTORY AUDITORS**

In office until approval of the 2014 Financial Statements (Appointed, General Meeting 20.04.2012)

**ROBERTO SACCOMANI**

Chairman

**SAVERIO BOZZOLAN**

Regular Auditor

**MARINA MANNA**

Regular Auditor

**BARBARA CANTONI**

Alternate Auditor

**STEFANIA CENTORBI**

Alternate Auditor

**INDEPENDENT AUDITORS**

from 2007 to 2015

**PricewaterhouseCoopers 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 Chief Executive Officer Mr Alexander Bossard have separate powers to legally represent and sign for the company in relations with third parties and in legal actions; they carry out their work within the limits of the powers conferred on them by the Board of Directors in the meeting of 20 April 2012, 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 31.03.2014**

(amounts in €/000)	<b>31.03.2014</b>	%	<b>31.03.2013</b>	%	<b>Changes</b>	
					31.03.14	31.03.13
<b>REVENUES FROM SALES</b>	<b>177,350</b>	<b>100.00%</b>	<b>199,508</b>	<b>100.00%</b>	<b>-22,158</b>	<b>-11.11%</b>
Purchases of goods and materials (net of changes in inventories)	-99,164	-55.91%	-117,409	-58.85%	18,245	-15.54%
Services and Use of third-party goods and services	-31,991	-18.04%	-34,646	-17.37%	2,655	-7.66%
Personnel costs	-35,841	-20.21%	-36,680	-18.39%	839	-2.29%
Amortisation, depreciation and impairment of assets	-7,534	-4.25%	-7,750	-3.88%	216	-2.79%
Provisions for risks	-1,279	-0.72%	-965	-0.48%	-314	32.54%
Other income and expenses	888	0.50%	933	0.47%	-45	-4.82%
Internal construction	802	0.45%	719	0.36%	83	11.54%
<b>OPERATING COSTS</b>	<b>-174,119</b>	<b>-98.18%</b>	<b>-195,798</b>	<b>-98.14%</b>	<b>21,679</b>	<b>-11.07%</b>
<b>OPERATING PROFIT/(LOSS) (EBIT)</b>	<b>3,231</b>	<b>1.82%</b>	<b>3,710</b>	<b>1.86%</b>	<b>-479</b>	<b>-12.91%</b>
Income from equity investments	-	0.00%	-	0.00%	-	
Other financial income	684	0.39%	491	0.25%	193	39.31%
Financial costs and expenses	-4,444	-2.51%	-4,102	-2.06%	-342	8.34%
Net gains/(losses) on foreign exchange	-1,633	-0.92%	1	0.00%	-1,634	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-5,393</b>	<b>-3.04%</b>	<b>-3,610</b>	<b>-1.81%</b>	<b>-1,783</b>	<b>49.39%</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>-2,162</b>	<b>-1.22%</b>	<b>100</b>	<b>0.05%</b>	<b>-2,262</b>	
Current and deferred income taxes	-2,624	-1.48%	-3,203	-1.61%	579	-18.08%
<b>NET PROFIT/(LOSS)</b>	<b>-4,786</b>	<b>-2.70%</b>	<b>-3,103</b>	<b>-1.56%</b>	<b>-1,683</b>	<b>54.24%</b>
Profit/(loss) pertaining to minorities	-174	-0.10%	35	0.02%	-209	
<b>GROUP CONSOLIDATED PROFIT/(LOSS)</b>	<b>-4,960</b>	<b>-2.80%</b>	<b>-3,068</b>	<b>-1.54%</b>	<b>-1,892</b>	<b>61.67%</b>
<b>EBITDA</b>	<b>10,698</b>	<b>6.03%</b>	<b>11,338</b>	<b>5.68%</b>	<b>- 640</b>	<b>-5.64%</b>

**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31.03.2014**

(amounts in €/000)	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>31.03.2013</b>
Property, plant and equipment	178,184	202,230	208,346
Intangible fixed assets	88,101	89,521	87,278
Real estate investments	707	709	708
Holdings in subsidiaries and associates	-	-	-
Financial assets	2,502	2,867	3,526
Deferred tax assets	26,243	26,375	29,011
Trade receivables and other receivables	2,044	3,596	1,600
<b>NON-CURRENT ASSETS</b>	<b>297,781</b>	<b>325,298</b>	<b>330,469</b>
Closing inventory	152,353	145,849	163,759
Trade receivables and other receivables	140,461	133,232	161,397
Financial assets	5,281	3,799	6,086
Cash and cash equivalents	49,958	72,712	63,560
<b>CURRENT ASSETS</b>	<b>348,053</b>	<b>355,592</b>	<b>394,802</b>
<b>ASSETS HELD FOR SALE</b>	<b>45,234</b>	-	-
<b>TOTAL ASSETS</b>	<b>691,068</b>	<b>680,890</b>	<b>725,271</b>
Share Capital	23,915	23,915	23,915
Reserves	44,067	41,735	40,161
Foreign currency translation reserve	-21,314	-18,180	-7,475
Profit/(Loss) for the period	-4,960	1,290	-3,068
Minority interests	6,162	6,103	9,959
Shareholders' equity held for sale	1,055	-	-
<b>SHAREHOLDERS' EQUITY</b>	<b>48,925</b>	<b>54,863</b>	<b>63,492</b>
Financial liabilities	180,495	180,892	179,170
Trade payables and other payables	1,499	1,814	296
Deferred tax liabilities	1,692	2,297	3,244
Provision for severance indemnity and retirement benefits	17,246	19,349	19,804
Provisions for risks and liabilities	4,508	5,077	2,452
<b>NON-CURRENT LIABILITIES</b>	<b>205,440</b>	<b>209,429</b>	<b>204,966</b>
Financial liabilities	155,607	146,847	170,480
Trade payables and other payables	232,597	247,742	260,351
Current taxes payables	11,075	5,977	7,440
Provisions for risks and liabilities	16,057	16,032	18,542
<b>CURRENT LIABILITIES</b>	<b>415,336</b>	<b>416,598</b>	<b>456,813</b>
<b>LIABILITIES HELD FOR SALE</b>	<b>21,367</b>	-	-
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>691,068</b>	<b>680,890</b>	<b>725,271</b>

**CASH FLOW AS AT 31.03.2014**

	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>31.03.2013</b>
<b>Opening Net Financial Position</b>	<b>-248,150</b>	<b>-213,703</b>	<b>- 213,703</b>
<i>Group profit/(loss)</i>	<i>-4,960</i>	<i>1,290</i>	<i>-3,068</i>
<i>Profit/(loss) pertaining to minorities</i>	<i>174</i>	<i>760</i>	<i>-35</i>
<i>Amortisation, depreciation and impairment of fixed assets</i>	<i>7,467</i>	<i>30,322</i>	<i>7,628</i>
Cash flow before Net Working Capital	2,681	32,372	4,525
Change in Net Working Capital	-15,477	-39,420	-59,732
Investments in fixed assets	-9,687	-37,539	-5,790
Disinvestments in fixed assets	609	2,483	138
<b>Operating Free Cash Flow</b>	<b>- 21,874</b>	<b>-42,104</b>	<b>- 60,859</b>
Other operating flows	-11,474	9,273	-4,690
Other investing flows	3,212	8,687	-1,895
Change in Share Capital	-	-	-
Dividends paid	-	-	-
Other equity flows	-1,152	-10,313	3,479
<b>Free Cash Flow</b>	<b>- 31,288</b>	<b>-34,447</b>	<b>- 63,965</b>
<b>Closing Net Financial Position</b>	<b>- 279,438</b>	<b>- 248,150</b>	<b>- 277,668</b>

**ANALYSIS OF NET WORKING CAPITAL AS AT 31.03.2014**

(amounts in €/000)	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>31.03.2013</b>
Trade Receivables	93,823	94,220	111,896
Inventory	152,353	145,849	163,759
Trade Payables	- 202,927	-212,297	- 227,571
<b>Net Working Capital (NWC)</b>	<b>43,249</b>	<b>27,772</b>	<b>48,084</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 (Padova).

Following the strategic sale - in March - of two plants of the subsidiary Minigears, which is specialised in small-scale components and sintered gears, the Group is now more focused on technological solutions for its core sectors and namely off-highway and industrial applications.

In these segments, the Group operates through three Business Areas:

- Carraro Drive Tech (Transmission systems and components) 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.
- Carraro Divisione Agritalia (Tractors) designs and manufactures special tractors (for vineyards and orchards from 60 to 100 hp) for third-party brands, and namely John Deere, Massey Ferguson and Claas; it also develops engineering services for the design of innovative tractor ranges.
- Elettronica Santerno (Power electronics) designs, develops, manufactures and markets inverters (electronic power converters) mainly for the photovoltaic industry and industrial automation (HVAC, water treatment, lifting systems and large-scale transport).

## **Reference markets**

### **Agriculture**

The first quarter of 2014 confirmed the positive trend of the second half of the previous year.

The European market was affected by a slight slowdown, particularly in southern Europe, while sales of tractors in Turkey were lower than figures for the first quarter of 2013, due to political and currency instability.

Demand from the United States was basically steady, at good levels, while in South America and specifically Brazil, it continued to fall, in line with the last part of the previous year; this trend will probably continue in the next few quarters, aligned with the performance of the local economy. Brazil is still however one of the Group's main reference markets for its future strategic development.

Trends in China and India were on the opposite end of the spectrum, with China posting positive figures, in particular for 100 hp + tractors, while India showed signs of a slowdown compared to the same period of the previous year, after a good recovery in 2013.

### **Construction equipment**

After 2013 ended with a decrease in global volumes, 2014 started with some signs for greater optimism.

Demand from the compact machines segment (small wheel loaders) was more buoyant, while the mining sector performed poorly.

The central European market showed slight signs of recovery and a greater confidence in mid-term prospects, and in its peripheral countries, even though demand in these areas was still weak, such as in Turkey, where the construction equipment market recorded far lower levels than the same period of the previous year.

In North America, the recovery of the private and residential building sector continued to generate a steady demand for utility machines and telehandlers, particularly from hire companies. The crisis in the mining sector and large construction equipment segment continued.

Despite its investment plan for infrastructures, demand for construction equipment slowed down in Brazil and this trend is expected for all of 2014, however this area is very interesting for the Group, in view of new commercial developments.

The Chinese market is still on a downturn, while the Indian market remains weak.

### **Renewable energy**

In the first quarter, the European photovoltaic market continued the negative trend of 2013, while interesting opportunities in non-European areas (the Far East and America) and new positive signals from South Africa and the Middle East emerged.

Demand in this sector has become more fragmented in geographic areas where subsidised development programmes are starting up.

### **Industrial Automation**

In the first quarter of 2014, demand from the industrial automation sector in Italy remained in line with figures for the last few months of 2013. However, despite the fiercely competitive context, the first signs of a recovery can be glimpsed.

On international markets, and particularly in non-European areas, the trend has been positive, although some countries, such as Brazil, Turkey and Russia, have been negatively affected by the effect of translating local currencies into Euros.

### **Summary of the quarter**

In March, an agreement was signed for the sale of the production and operating business unit of the Mini Gears Padova site, and the entire investment held in the company MG Mini Gears Suzhou Ltd. This agreement is part of the process to focus the Group on its core business and step up the pace of the investment plan underway.

Following the operation, described in more detail in the section “Significant events in the quarter”, the assets of the sale were classified in the financial statements as Assets and Liabilities held for sale, while the economic effects in the quarter did not change.

The first quarter of 2014, despite a downturn compared to the same period of the previous year, confirmed the continual improvement in margins, a consolidated trend in the economic data of the Group over the last few years; to further understand details, the performance of each business area is analysed below.

In terms of sales volumes, Drivetech posted a decrease in line with forecasts, while Divisione Agritalia was affected by slowdowns in resuming production activities at the start of the year, following the introduction of a new management system, which were then remedied. Santerno's turnover decreased due to the delay in finalising negotiations for the acquisition of new major contracts.

In terms of profitability, the variable margin of all business areas improved (expressed as a percentage on sales), while EBITDA and EBIT for Santerno and Divisione Agritalia were affected by lower revenues, which could not fully absorb overheads in the quarter, although these were in line with forecasts.

Turnover of the Carraro Group as at 31 March 2014 stood at 177.350 million Euros, down (-11.1%) compared to the figure of 199.508 million Euros for the same quarter of 2013. Turnover for the quarter was also affected by a negative exchange effect, net of which the difference would have been -8.7%.

Business areas operating in the mechanical engineering sector saw turnover decrease by 7.7%, while the turnover of Elettronica Santerno fell considerably (-54.0%) compared to 31 March 2013 for the above-mentioned reasons.

Consolidated EBITDA of the Group as at 31 March 2014 amounted to 10.698 million Euros, down slightly (-5.6%) compared to 11.338 million Euros for the same period in 2013. The percentage accounting for turnover improved, from 5.7% as at 31 March 2013 to 6.0% as at 31 March 2014. EBITDA for mechanical engineering business areas as at 31 March 2014 stood at 14.395 million Euros (8.1% of turnover), down by 3.1% compared to the figure of 14.848 million Euros (7.7% of turnover) for the first quarter of 2013 and Elettronica Santerno realised a negative EBITDA of 2.209 million Euros (-38.3% of turnover), down by 46.6% compared to the negative figure of 1.384 million Euros (-12.0% of turnover) as at 31 March 2013.

Consolidated EBIT as at 31 March 2014 was equal to 3.231 million Euros (1.8% of turnover) compared to 3.710 million Euros (1.9% of turnover) as at 31 March 2013. EBIT for the core business was equal to 8.423 million Euros (4.7% of turnover) compared to 8.403 million Euros (4.4% of turnover) as at 31 March 2013; EBIT of Santerno was negative by 2.749 million Euros (-51.9% of turnover) compared to a negative value of 1.993 million Euros (-17.3% of turnover) in the first quarter of 2012.

The Group recorded a loss before tax as at 31 March 2014 of 2.162 million Euros (1.2% of turnover); with taxes for the period amounting to 2.624 million Euros, a net loss, as expected, was recorded of 4.960 million Euros (-2.8% of turnover) compared to the loss of 3.068 million Euros (-1.5% of turnover) for the first quarter of 2013.

The net financial position as at 31 March 2014 was negative, amounting to 279.438 million Euros, in line with the figure of 277.668 million Euros as at 31 March 2013, but improving, as expected, compared to the figure of 248.150 million Euros as at 31 December 2013 due to the change in net working capital.

### **Significant events in the quarter**

On 27 March 2014, an agreement between MG Mini Gears SpA and the German fund Finatem was signed for the sale of the production and operating business unit of the Mini Gears Padova site, and the entire investment in MG Mini Gears Suzhou Ltd. The total value of the transaction (enterprise value) is equal to approximately 28 million Euros. The operation was completed on 30 April 2014.



## **BUSINESS OUTLOOK FOR THE CURRENT YEAR**

The Group has confirmed the basic stability of reference markets and volumes for the entire year are expected to be in line with figures for the previous year, with margins improving.

Elements of uncertainty have arisen as regards the turnover of Santerno; despite a number of important negotiations underway, the ongoing status of these negotiations could postpone volumes for the following year, with consequent effects on margins.

## **ECONOMIC AND EQUITY DATA**

### **Turnover**

The Group's consolidated turnover for the first quarter of 2014 amounted to 177.350 million Euros, down 11.1% compared to turnover for the first quarter of 2013, equal to 199.508 million Euros.

The following table breaks turnover down by business segment:

amounts in €/000	SALES			SALES TO THIRD PARTIES			INTRA-GROUP SALES		
	31.03.2014	31.03.2013	Diff. %	31.03.2014	31.03.2013	Diff. %	31.03.2014	31.03.2013	Diff. %
CARRARO DRIVE TECH	158,725	170,216	-6.75%	153,648	165,731	-7.29%	5,077	4,485	13.20%
CARRARO DIV. AGRITALIA	19,315	22,607	-14.56%	18,384	21,699	-15.28%	931	908	2.53%
ELETTRONICA SANTERNO	5,299	11,517	-53.99%	5,299	11,419	-53.59%	-	98	-100.00%
NON- ALLOCATED BUSINESS	2,980	3,511	-15.12%	19	659	-97.12%	2,961	2,852	3.82%
<b>TOTAL SEGMENTS</b>	<b>186,319</b>	<b>207,851</b>	<b>-10.36%</b>	<b>177,350</b>	<b>199,508</b>	<b>-11.11%</b>	<b>8,969</b>	<b>8,343</b>	<b>7.50%</b>
INTRA-GROUP ELIMINATIONS	-8,969	-8,343	7.50%	-	-		-	-	
<b>TOTAL CONSOLIDATED</b>	<b>177,350</b>	<b>199,508</b>	<b>-11.11%</b>	<b>177,350</b>	<b>199,508</b>	<b>-11.11%</b>	<b>8,969</b>	<b>8,343</b>	<b>7.50%</b>

The following table breaks down turnover by geographical area:

amounts in €/000

<b>Geographical Area</b>	<b>31.03.2014</b>	<b>%</b>	<b>31.03.2013</b>	<b>%</b>	<b>difference % '14-'13</b>
North America	23,460	13.23	23,819	11.94	-1.51
Germany	21,446	12.09	27,470	13.77	-21.93
South America	20,191	11.38	23,149	11.60	-12.78
United Kingdom	14,124	7.96	11,860	5.94	19.09
Turkey	12,681	7.15	13,918	6.98	-8.89
India	11,464	6.46	12,773	6.40	-10.25
Switzerland	10,614	5.98	8,669	4.35	22.44
France	10,137	5.72	14,828	7.43	-31.64
China	8,770	4.95	13,081	6.56	-32.96
Belgium	3,947	2.23	4,579	2.30	-13.80
Poland	2,643	1.49	4,208	2.11	-37.19
Other non-E.U. areas.	3,452	1.95	5,527	2.77	-37.54
Other E.U. areas	11,658	6.57	11,249	5.64	3.64
<b>Total Abroad</b>	<b>154,587</b>	<b>87.16</b>	<b>175,130</b>	<b>87.78</b>	<b>-11.73</b>
Italy	22,763	12.84	24,378	12.22	-6.62
<b>Total</b>	<b>177,350</b>	<b>100.00</b>	<b>199,508</b>	<b>100.00</b>	<b>-11.11</b>
of which:					
<b>Total E.U. area</b>	<b>86,718</b>	<b>48.90</b>	<b>98,572</b>	<b>49.41</b>	<b>-12.02</b>
<b>Total non-E.U. countries</b>	<b>90,632</b>	<b>51.10</b>	<b>100,936</b>	<b>50.59</b>	<b>-10.21</b>

In analysing turnover by geographic segment, it should be noted that the Group mainly sells to the production sites of OEMs that may reside in different countries from the nations of end users of their products.

Based on data in previous tables, turnover from all geographic segments has decreased, apart from North America, where it remained basically steady (-1.51%), and Great Britain and Switzerland, where it increased (+19.09% and +22.44% respectively). The latter two cases refer to sales to specific clients in these countries but who export to other areas in the world.

### **EBITDA and EBIT**

Figures as at 31.03.2014 (amounts in €/000)

	<b>31.03.2014</b>	<b>% of turnover</b>	<b>31.03.2013</b>	<b>% of turnover</b>	<b>Diff. %</b>
<b>EBITDA <sup>(1)</sup></b>	<b>10,698</b>	<b>6.0</b>	<b>11,338</b>	<b>5.7</b>	<b>-5.6</b>
<b>EBIT <sup>(2)</sup></b>	<b>3,231</b>	<b>1.8</b>	<b>3,710</b>	<b>1.9</b>	<b>-12.9</b>

(1) understood as the sum of operating profit/(loss), amortisation, depreciation and impairment of fixed assets

(2) understood as operating profit/(loss) in the income statement

EBITDA in the first quarter 2014 amounted to 10.698 million Euros (6.0 % of turnover) compared to 11.338 million Euros (5.7% of turnover) in the same period of 2013.

EBIT as at 31 March 2014 was equal to 3.231 million Euros (1.8 % of turnover) compared to 3.710 million Euros (1.9% of turnover) as at 31 March 2013.

As shown with more detail in the tables, the decrease in margins in relation to the previous year is mainly attributable to the Electronics and Vehicles Business Areas for reasons already fully explained.

Details of the two ratios are set out below:

<b>EBITDA</b>	<b>31.03.2014</b>	<b>% of turnover</b>	<b>31.03.2013</b>	<b>% of turnover</b>	<b>Diff. %</b>
Carraro Drive Tech and Divisione Agritalia	14,395	8.1	14,848	7.7	-3.1
Elettronica Santerno	-2,029	-38.3	-1,384	-12.0	-46.6

  

<b>EBIT</b>	<b>31.03.2014</b>	<b>% of turnover</b>	<b>31.03.2013</b>	<b>% of turnover</b>	<b>Diff. %</b>
Carraro Drive Tech and Divisione Agritalia	8,423	4.7	8,403	4.4	0.2
Elettronica Santerno	-2,749	-51.9	-1,993	-17.3	-37.9

### **Financial expenses**

Figures as at 31.03.2014 (amounts in €/000)

	<b>31.03.2014</b>	<b>% of turnover</b>	<b>31.03.2013</b>	<b>% of turnover</b>	<b>Diff. %</b>
<b>Financial expenses</b>	3,760	2.1	3,611	1.8	4.1

Financial expenses amounted to 3.760 million Euros (2.1% of turnover) in relation to 3.611 million Euros (1.8% of turnover) for the first quarter of 2013. The slight increase is due to higher spreads compared to the same period in 2013, following the Debt Rescheduling Agreement signed with banks in May 2013.

### **Exchange differences**

Figures as at 31.03.2014 (amounts in €/000)

	<b>31.03.2014</b>	<b>% of turnover</b>	<b>31.03.2013</b>	<b>% of turnover</b>	<b>Diff. %</b>
<b>Exchange differences</b>	-1,633	0.9	1	0.0	<i>n.r.</i>

Exchange differences for the first quarter of 2014 were negative amounting to 1.633 million Euros, while they were positive totalling 1,000 Euros in the first quarter of 2013. This decrease is due to significant effects arising from the devaluation of the Pesos which only concern the translation of financial balances. These devaluation effects are not however major risk factors nor are they repetitive, as revenues and purchases in currency are sufficiently covered by structured instruments, according to Group policy.

### **Net profit/(loss)**

Figures as at 31.03.2014 (amounts in €/000)

	<b>31.03.2014</b>	<b>% of turnover</b>	<b>31.03.2013</b>	<b>% of turnover</b>	<b>Diff. %</b>
<b>Net profit/(loss)</b>	-4,960	-2.8	-3,068	-1.5	-61.7

Earnings before tax as at 31 March 2014 were down by 2.162 million Euros. Net of taxes for the period, equal to 2.624 million Euros, the Group posted a loss of 4.960 million Euros (-2.8% of turnover) compared to a loss of 3.068 million Euros (-1.5% of turnover) for the first quarter of 2013. The Santerno and Vehicles Business Areas contributed in particular to this result, as described above, while the Drivetechnology Business Area realised a profit in the period amounting to 2.345 million Euros.

**Amortisation, depreciation and impairment of assets**

Figures as at 31.03.2014 (amounts in €/000)

	<b>31.03.2014</b>	<b>% of turnover</b>	<b>31.03.2013</b>	<b>% of turnover</b>	<b>Diff. %</b>
<b>Amortisation, depreciation and impairment</b>	7,467	4.2	7,628	3.8	-2.1

**Investments**

Figures as at 31.03.2014 (amounts in €/000)

	<b>31.03.2014</b>	<b>31.03.2013</b>
<b>Investments</b>	9,687	5,790

Investments as at 31 March 2014, totalling 9.687 million Euros, compared to 5.790 million Euros for the same period of the previous year, were made in the DriveTech Business Area, to support the insourcing project for activities previously outsourced, to maintain the efficiency of and upgrade plants, and develop the new SAP management system at Headquarters.

**Net financial position**

Figures as at 31.03.2014 (amounts in €/000)

	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>31.03.2013</b>
<b>Net financial position*</b>	-279,438	-248,150	-277,668

\* understood as the sum of amounts payable to banks, short-, medium- and long-term bonds and loans, net of cash and cash equivalents, negotiable securities and financial receivables.

The net financial position as at 31 March 2014 was negative, amounting to 279.438 million Euros, compared to the figure of 248.150 million Euros as at 31 December 2013. The increase in exposure for the period in question is mainly due to the negative change in net working capital and investments for the period.

**PERSONNEL**

**Workforce trend**

Figures as at 31.03.2014

	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>31.03.2013</b>
Executives	49	50	51
Clerical staff	1,062	1,035	1,021
Factory workers	2,957	2,964	2,862
Temporary workers	302	314	60
<b>Total</b>	<b>4,370</b>	<b>4,363</b>	<b>3,994</b>

The Group's workforce as at 31 March 2014 comprised 4,370 employees. The overall number has not changed since 31 December 2013; analysis of individual categories shows an increase in the number of clerical staff (27 employees), who are mainly trainees.

Compared to data as at 31 March 2013 (3,994 employees), the number of temporary workers increased considerably (up by 238 people).

As at 31 March 2014, 1,902 people (43.5% of the overall workforce) were employed at Italian Group sites, while 2,468 people (56.5% of the overall workforce) were employed abroad.

During the first quarter of 2014, Elettronica Santerno continued its temporary redundancy plan in relation to the lower turnover of the company.

# **Performance and results of the Carraro Group Business Areas**

## **Drivelines & Components - Drive Tech Business Area**

Revenues from sales as at 31 March 2014 totalled 158.725 million Euros compared to 170.216 million Euros in the first quarter of 2013, with a 6.8% decrease, affected by the translation into Euros of some local currencies, such as the Pesos and Rupees, for approximately 4.8 million Euros.

Analysis of turnover from third party customers by geographical segment shows slightly higher revenues from non-European markets (50.64%) compared to European markets (49.36%). Germany (13.47%) is still the first European country for turnover, even though figures decreased compared to the same quarter of the previous year (15.84% of turnover), while Italy accounts for 12.36% of turnover from third party customers compared to 10.68% recorded for the first quarter of 2013. As regards non-European countries, the United States accounted for 13.70% (11.48% in the first quarter of 2013), and is the main country for sales of the Drivetech Business Area, followed by Brazil with 10.17% (12.66% in the first quarter of 2013).

As at 31 March 2014, turnover from other nations accounted for 87.65% of total turnover, compared to 89.32% as at 31 March 2013.

Margins were up compared to the same quarter of the previous year, in terms of percentages and absolute values, despite the decrease in volumes fully described above; this performance reflects the effective strategy to improve industrial processes and streamline purchases. Industrial costs and the absolute value of overheads remained in line, in terms of percentages, with figures for the first quarter of 2013 and with forecasts.

EBITDA as at 31 March 2014 amounted to 15.171 million Euros (9.6% of turnover) up by 5.1% compared to the figure of 14.432 million Euros (8.5% of turnover) as at 31 March 2013.

EBIT for the first quarter of 2014 was equal to 9.511 million Euros (6.0% of turnover) up by 14.9% compared to 8.278 million Euros (4.9% of turnover) in the first quarter of 2013.

A net profit of 2.345 million Euros (1.5 % of turnover) was recorded, up 23.0% compared to the profit of 1.906 million Euros (1.1% of turnover) as at 31 March 2013.

The net financial position as at 31 March 2014 was negative, amounting to 174.438 million Euros compared to 157.809 million Euros as at 31 December 2013; the decline is due to the change in the working capital. The position improved instead compared to 31 March 2013, when the figure amounted to 188.771 million Euros.

**SUBCONSOLIDATED INCOME STATEMENT AS AT 31.03.2014**  
**CARRARO DRIVE TECH BUSINESS AREA**

(amounts in €/000)	<b>31.03.2014</b>	<b>%</b>	<b>31.03.2013</b>	<b>%</b>	<b>Changes</b>	
					31.03.14	31.03.13
<b>REVENUES FROM SALES</b>	<b>158,725</b>	<b>100.00%</b>	<b>170,216</b>	<b>100.00%</b>	<b>-11,491</b>	<b>-6.75%</b>
Purchases of goods and materials (net of changes in inventories)	-89,096	-56.13%	-100,158	-58.84%	11,062	-11.04%
Services and Use of third-party goods and services	-27,577	-17.37%	-28,172	-16.55%	595	-2.11%
Personnel costs	-27,301	-17.20%	-28,244	-16.59%	943	-3.34%
Amortisation, depreciation and impairment of assets	-5,671	-3.57%	-6,239	-3.67%	568	-9.10%
Provisions for risks	-896	-0.56%	-583	-0.34%	-313	53.69%
Other income and expenses	808	0.51%	1,023	0.60%	-215	-21.02%
Internal construction	519	0.33%	435	0.26%	84	19.31%
<b>OPERATING COSTS</b>	<b>-149,214</b>	<b>-94.01%</b>	<b>-161,938</b>	<b>-95.14%</b>	<b>12,724</b>	<b>-7.86%</b>
<b>OPERATING PROFIT/(LOSS) (EBIT)</b>	<b>9,511</b>	<b>5.99%</b>	<b>8,278</b>	<b>4.86%</b>	<b>1,233</b>	<b>14.89%</b>
Income from equity investments	-	0.00%	-	0.00%	-	
Other financial income	600	0.38%	472	0.28%	128	27.12%
Financial costs and expenses	-3,402	-2.14%	-4,055	-2.38%	653	-16.10%
Net gains/(losses) on foreign exchange	-1,598	-1.01%	91	0.05%	-1,689	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-4,400</b>	<b>-2.77%</b>	<b>-3,492</b>	<b>-2.05%</b>	<b>-908</b>	<b>26.00%</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>5,111</b>	<b>3.22%</b>	<b>4,786</b>	<b>2.81%</b>	<b>325</b>	<b>6.79%</b>
Current and deferred income taxes	-2,720	-1.71%	-2,805	-1.65%	85	-3.03%
<b>NET PROFIT/(LOSS)</b>	<b>2,391</b>	<b>1.51%</b>	<b>1,981</b>	<b>1.16%</b>	<b>410</b>	<b>20.70%</b>
Profit/(loss) pertaining to minorities	-46	-0.03%	-75	-0.04%	29	-38.67%
<b>CONSOLIDATED RESULT OF THE BUSINESS AREA</b>	<b>2,345</b>	<b>1.48%</b>	<b>1,906</b>	<b>1.12%</b>	<b>439</b>	<b>22.03%</b>
<b>EBITDA</b>	<b>15,171</b>	<b>9.56%</b>	<b>14,432</b>	<b>8.48%</b>	<b>739</b>	<b>5.12%</b>



**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31.03.2014  
CARRARO DRIVE TECH BUSINESS AREA**

(amounts in €/000)	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>31.03.2013</b>
Property, plant and equipment	129,697	153,256	163,053
Intangible fixed assets	49,045	50,399	49,216
Real estate investments	167	170	169
Holdings in subsidiaries and associates	-	-	-
Financial assets	2,203	2,348	3,293
Deferred tax assets	17,033	17,416	19,570
Trade receivables and other receivables	1,698	3,039	1,257
<b>NON-CURRENT ASSETS</b>	<b>199,843</b>	<b>226,628</b>	<b>236,558</b>
Closing inventory	127,654	127,071	131,991
Trade receivables and other receivables	116,758	110,436	126,031
Financial assets	-105,835	3,035	6,251
Cash and cash equivalents	33,662	48,920	42,195
<b>CURRENT ASSETS</b>	<b>172,239</b>	<b>289,462</b>	<b>306,468</b>
<b>ASSETS HELD FOR SALE</b>	<b>45,234</b>	-	-
<b>TOTAL ASSETS</b>	<b>417,316</b>	<b>516,090</b>	<b>543,026</b>
Share Capital	30,102	30,102	58,902
Reserves	50,954	37,478	9,372
Foreign currency translation reserve	-22,604	-19,300	-7,422
Profit/(Loss) for the period	2,345	12,266	1,906
Minority interests	2,784	2,796	3,722
Shareholders' equity held for sale	1,055	-	-
<b>SHAREHOLDERS' EQUITY</b>	<b>64,636</b>	<b>63,342</b>	<b>66,480</b>
Financial liabilities	29,691	27,560	36,782
Trade payables and other payables	1,302	1,603	23
Deferred tax liabilities	1,881	2,482	3,482
Provision for severance indemnity and retirement benefits	14,574	16,717	17,124
Provisions for risks and liabilities	3,641	4,211	1,634
<b>NON-CURRENT LIABILITIES</b>	<b>51,089</b>	<b>52,573</b>	<b>59,045</b>
Financial liabilities	73,656	184,995	202,103
Trade payables and other payables	185,533	198,633	195,541
Current taxes payables	10,205	5,295	6,571
Provisions for risks and liabilities	10,830	11,252	13,286
<b>CURRENT LIABILITIES</b>	<b>280,224</b>	<b>400,175</b>	<b>417,501</b>
<b>LIABILITIES HELD FOR SALE</b>	<b>21,367</b>	-	-
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>417,316</b>	<b>516,090</b>	<b>543,026</b>

**CASH FLOW AS AT 31.03.2014**  
**CARRARO DRIVE TECH BUSINESS AREA**

(amounts in €/000)	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>31.03.2013</b>
<b>Opening Net Financial Position</b>	<b>-157,809</b>	<b>-140,655</b>	<b>-140,655</b>
<i>Group profit/(loss)</i>	2,345	12,266	1,906
<i>Profit/(loss) pertaining to minorities</i>	46	93	75
<i>Amortisation, depreciation and impairment of fixed assets</i>	5,660	24,482	6,154
Cash flow before Net Working Capital	8,051	36,841	8,135
Change in Net Working Capital	-8,366	-36,664	-48,188
Investments in fixed assets	-7,894	-29,227	-3,084
Disinvestments in fixed assets	412	1,717	161
<b>Operating Free Cash Flow</b>	<b>-7,797</b>	<b>-27,333</b>	<b>-42,976</b>
Other operating flows	-10,607	7,405	-6,559
Other investing flows	2,872	12,626	-2,245
Change in Share Capital	-	-	-
Dividends paid	-	-	-
Other equity flows	-1,097	-9,852	3,664
<b>Free Cash Flow</b>	<b>- 16,629</b>	<b>-17,154</b>	<b>- 48,116</b>
<b>Closing Net Financial Position</b>	<b>- 174,438</b>	<b>-157,809</b>	<b>- 188,771</b>

**ANALYSIS OF NET WORKING CAPITAL AS AT 31.03.2014**  
**CARRARO DRIVE TECH BUSINESS AREA**

(amounts in €/000)	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>31.03.2013</b>
Trade Receivables	78,421	79,448	85,096
Inventory	127,654	127,071	131,991
Trade Payables	-167,193	-176,003	- 175,047
<b>Net Working Capital (NWC)</b>	<b>38,882</b>	<b>30,516</b>	<b>42,040</b>

**Business Area Vehicles – Agritalia**

Turnover for the first quarter of 2014 was equal to 19.315 million Euros (730 tractors), down by 14.6% compared to the first quarter of 2013 which recorded a figure of 22.607 million Euros (848 tractors).

The launch of the new ERP system delayed production start-up by a few weeks in January, with later deliveries to clients. The increase in the rate of production, from the second quarter onwards, will make it possible to recover this deficit from the first part of the year, and support a growth in demand.

The first quarter was also affected by new production start-ups and the launch of new products, resulting in overheads for the period that were higher than expected.

The above aspects had a significant impact on margins for the quarter, which were worse compared to the same period of the previous year; EBIT was negative, amounting to 1.088 million Euros (-5.6% of turnover) compared to a positive value of 125 thousand Euros (0.6% of turnover) at 31 March 2013. EBITDA was negative, amounting to 776 thousand Euros (-4.0% of turnover) compared to 416 thousand Euros (1.8% of turnover) for the first quarter of 2013. The expected recovery in volumes will enable the Business Area to recover margins, as expected, for the entire year.

A net loss was recorded as at 31 March 2014 amounting to 1.173 million Euros (-6.1% of turnover) compared to a loss of 21 thousand Euros (-0.1% of turnover) as at 31 March 2013.

The net financial position as at 31 March 2014 was positive, amounting to 8.363 million Euros and improving on the figure of 7.773 million Euros for the first quarter of 2013, however it had worsened compared to 31 December 2013 when the net financial position amounted to 16.878 million Euros due to the change in net working capital.

**SUBCONSOLIDATED INCOME STATEMENT AS AT 31.03.2014  
CARRARO DIVISIONE AGRITALIA BUSINESS AREA**

(amounts in €/000)	<b>31.03.2014</b>	<b>%</b>	<b>31.03.2013</b>	<b>%</b>	<b>Changes</b>	
					31.03.14	31.03.13
<b>REVENUES FROM SALES</b>	<b>19,315</b>	<b>100.00%</b>	<b>22,607</b>	<b>100.00%</b>	<b>-3,292</b>	<b>-14.56%</b>
Purchases of goods and materials (net of changes in inventories)	-13,415	-69.45%	-16,424	-72.65%	3,009	-18.32%
Services and Use of third-party goods and services	-2,989	-15.48%	-2,287	-10.12%	-702	30.70%
Personnel costs	-3,432	-17.77%	-3,185	-14.09%	-247	7.76%
Amortisation, depreciation and impairment of assets	-318	-1.65%	-292	-1.29%	-26	8.90%
Provisions for risks	-241	-1.25%	-276	-1.22%	35	-12.68%
Other income and expenses	-8	-0.04%	-18	-0.08%	10	-55.56%
Internal construction	-	0.00%	-	0.00%	-	
<b>OPERATING COSTS</b>	<b>-20,403</b>	<b>-105.63%</b>	<b>-22,482</b>	<b>-99.45%</b>	<b>2,079</b>	<b>-9.25%</b>
<b>OPERATING PROFIT/(LOSS) (EBIT)</b>	<b>-1,088</b>	<b>-5.63%</b>	<b>125</b>	<b>0.55%</b>	<b>-1,213</b>	
Income from equity investments	-	0.00%	-		-	
Other financial income	-	0.00%	-	0.00%	-	
Financial costs and expenses	-12	-0.06%	-30	-0.13%	18	-60.00%
Net gains/(losses) on foreign exchange	-1	-0.01%	-5	-0.02%	4	-80.00%
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-13</b>	<b>-0.07%</b>	<b>-35</b>	<b>-0.15%</b>	<b>22</b>	<b>-62.86%</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>-1,101</b>	<b>-5.70%</b>	<b>90</b>	<b>0.40%</b>	<b>-1,191</b>	
Current and deferred income taxes	-72	-0.37%	-111	-0.49%	39	-35.14%
<b>CONSOLIDATED RESULT OF THE BUSINESS AREA</b>	<b>-1,173</b>	<b>-6.07%</b>	<b>-21</b>	<b>-0.09%</b>	<b>-1,152</b>	
<b>EBITDA</b>	<b>-776</b>	<b>-4.02%</b>	<b>416</b>	<b>1.84%</b>	<b>-1,192</b>	

**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31.03.2014  
CARRARO DIVISIONE AGRITALIA BUSINESS AREA**

(amounts in €/000)	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>31.03.2013</b>
Property, plant and equipment	11,333	11,548	10,943
Intangible fixed assets	222	246	316
Real estate investments	-	-	-
Holdings in subsidiaries and associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	1,610	1,610	1,510
Trade receivables and other receivables	7	7	7
<b>NON-CURRENT ASSETS</b>	<b>13,172</b>	<b>13,411</b>	<b>12,776</b>
Closing inventory	14,746	9,456	14,555
Trade receivables and other receivables	8,167	3,838	7,854
Financial assets	8	7	3
Cash and cash equivalents	4	16,871	7,770
<b>CURRENT ASSETS</b>	<b>22,925</b>	<b>30,172</b>	<b>30,182</b>
<b>TOTAL ASSETS</b>	<b>36,097</b>	<b>43,583</b>	<b>42,958</b>
Share Capital	-	-	-
Reserves	12,059	9,442	9,441
Foreign currency translation reserve	-	-	-
Profit/(Loss) for the period	-1,173	2,617	-21
Minority interests	-	-	-
<b>SHAREHOLDERS' EQUITY</b>	<b>10,886</b>	<b>12,059</b>	<b>9,420</b>
Financial liabilities	-	-	-
Trade payables and other payables	-	-	-
Deferred tax liabilities	18	18	17
Provision for severance indemnity and retirement benefits	1,233	1,186	1,234
Provisions for risks and liabilities	615	615	555
<b>NON-CURRENT LIABILITIES</b>	<b>1,866</b>	<b>1,819</b>	<b>1,806</b>
Financial liabilities	-8,351	-	-
Trade payables and other payables	29,241	27,625	29,550
Current taxes payables	77	53	55
Provisions for risks and liabilities	2,378	2,027	2,127
<b>CURRENT LIABILITIES</b>	<b>23,345</b>	<b>29,705</b>	<b>31,732</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>36,097</b>	<b>43,583</b>	<b>42,958</b>

**CASH FLOW AS AT 31.03.2014**  
**CARRARO DIVISIONE AGRITALIA BUSINESS AREA**

(amounts in €/000)	31.03.2014	31.12.2013	31.03.2013
<b>Opening Net Financial Position</b>	<b>16,878</b>	<b>13,001</b>	<b>13,001</b>
<i>Group profit/(loss)</i>	-1,173	2,617	-21
<i>Profit/(loss) pertaining to minorities</i>	-	-	-
<i>Amortisation, depreciation and impairment of fixed assets</i>	312	1,248	291
Cash flow before Net Working Capital	-861	3,865	270
Change in Net Working Capital	-8,269	1,504	-5,337
Investments in fixed assets	-1,743	-1,743	-224
Disinvestments in fixed assets	27	27	-
<b>Operating Free Cash Flow</b>	<b>- 10,846</b>	<b>3,653</b>	<b>- 5,291</b>
Other operating flows	688	224	63
Other investing flows	1,643	-	-
Change in Share Capital	-	-	-
Dividends paid	-	-	-
Other equity flows	-	-	-
<b>Free Cash Flow</b>	<b>- 8,515</b>	<b>3,877</b>	<b>- 5,228</b>
<b>Closing Net Financial Position</b>	<b>8,363</b>	<b>16,878</b>	<b>7,773</b>

**ANALYSIS OF NET WORKING CAPITAL AS AT 31.03.2014**  
**CARRARO DIVISIONE AGRITALIA BUSINESS AREA**

(amounts in €/000)	31.03.2014	31.12.2013	31.03.2013
Trade Receivables	7,747	3,290	7,403
Inventory	14,746	9,456	14,555
Trade Payables	-26,981	-25,503	- 27,874
<b>Net Working Capital (NWC)</b>	<b>-4,488</b>	<b>-12,757</b>	<b>- 5,916</b>

## **Business Area Electronics – Elettronica Santerno**

As in the previous year, Santerno focussed further, during the first quarter, on business activities to develop foreign markets, particularly in the United States, China, Thailand, Australia, South America and South Africa; as at 31 March 2014, the Italian market accounted for 37% of total turnover for the Business Area.

### **Photovoltaics**

During the first quarter of 2014, the supply and installation of the 250 MW plant in California was finalised, with the work site closed and consequent start-up of the maintenance and warranty period. The operational stage of the plant in South Africa has also been completed, and activities for its commissioning are now underway.

Contracts are being prepared for the supply of four plants, commissioned by Enel Green Power, in South Africa, scheduled for development in late 2014, early 2015, and of two plants in Chile, scheduled for development in the third quarter of 2014.

### **Industrial applications**

Based on figures for the first quarter, expectations for growth on the Italian market are gaining ground, while sales on international markets, and in particular Brazil, Turkey and Russia, have fallen, affected by the exchange rate arising from the translation of local currencies into Euros, however these areas still offer interesting opportunities in the medium term.

The first quarter closed with turnover down compared to 2013, and despite actions to streamline costs, already started in the previous year, a loss was recorded.

Turnover as at 31 March 2014 was equal to 5.299 million Euros, down by 54.0% compared to 11.517 million Euros for the first quarter of 2013.

EBITDA as at 31 March 2014 was negative amounting to 2.029 million Euros (-38.3% of turnover) compared to a negative value of 1.384 million Euros (-12.0% of turnover) as at 31 March 2013.

EBIT for the first quarter of 2014 was negative amounting to 2.749 million Euros (-51.9% of turnover), against a negative figure of 1.993 million Euros (-17.3% of turnover) in the first quarter of 2013.

A net loss of 2.970 million Euros was recorded, compared to a loss of 2.335 million Euros for the first quarter of 2013.

The net financial position as at 31 March 2014 was negative, amounting to 13.861 million Euros, compared to 14.050 million Euros as at 31 March 2013 and 5.110 million Euros as at 31 December 2013. The poorer performance compared to December 2013 was affected by the collection of a significant amount on the last day of the year.

**SUBCONSOLIDATED INCOME STATEMENT AS AT 31.03.2014  
ELETTRONICA SANTERNO BUSINESS AREA**

(amounts in €/000)	<b>31.03.2014</b>	<b>%</b>	<b>31.03.2013</b>	<b>%</b>	<b>Changes</b>	
					31.03.14	31.03.13
<b>REVENUES FROM SALES</b>	<b>5,299</b>	<b>100.00%</b>	<b>11,517</b>	<b>100.00%</b>	<b>-6,218</b>	<b>-53.99%</b>
Purchases of goods and materials (net of changes in inventories)	-2,575	-48.59%	-5,648	-49.04%	3,073	-54.41%
Services and Use of third-party goods and services	-1,792	-33.82%	-4,411	-38.30%	2,619	-59.37%
Personnel costs	-2,943	-55.54%	-2,959	-25.69%	16	-0.54%
Amortisation, depreciation and impairment of assets	-770	-14.53%	-644	-5.59%	-126	19.57%
Provisions for risks	-140	-2.64%	-106	-0.92%	-34	32.08%
Other income and expenses	-110	-2.08%	-26	-0.23%	-84	
Internal construction	282	5.32%	284	2.47%	-2	-0.70%
<b>OPERATING COSTS</b>	<b>-8,048</b>	<b>-151.88%</b>	<b>-13,510</b>	<b>-117.30%</b>	<b>5,462</b>	<b>-40.43%</b>
<b>OPERATING PROFIT/(LOSS) (EBIT)</b>	<b>-2,749</b>	<b>-51.88%</b>	<b>-1,993</b>	<b>-17.30%</b>	<b>-756</b>	<b>37.93%</b>
Income from equity investments	-	0.00%	-	0.00%	-	
Other financial income	78	1.47%	7	0.06%	71	
Financial costs and expenses	-216	-4.08%	-260	-2.26%	44	-16.92%
Net gains/(losses) on foreign exchange	-77	-1.45%	-68	-0.59%	-9	13.24%
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-215</b>	<b>-4.06%</b>	<b>-321</b>	<b>-2.79%</b>	<b>106</b>	<b>-33.02%</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>-2,964</b>	<b>-55.94%</b>	<b>-2,314</b>	<b>-20.09%</b>	<b>-650</b>	<b>28.09%</b>
Current and deferred income taxes	-6	-0.11%	-21	-0.18%	15	-71.43%
<b>CONSOLIDATED RESULT OF THE BUSINESS AREA</b>	<b>-2,970</b>	<b>-56.05%</b>	<b>-2,335</b>	<b>-20.27%</b>	<b>-635</b>	<b>27.19%</b>
<b>EBITDA</b>	<b>-2,029</b>	<b>-38.29%</b>	<b>-1,384</b>	<b>-12.02%</b>	<b>-645</b>	<b>46.60%</b>



**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31.03.2014  
ELETTRONICA SANTERNO BUSINESS AREA**

(amounts in €/000)	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>31.03.2013</b>
Property, plant and equipment	5,741	5,907	5,530
Intangible fixed assets	28,678	28,931	29,418
Real estate investments	-	-	-
Holdings in subsidiaries and associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	3,056	3,048	4,167
Trade receivables and other receivables	196	401	199
<b>NON-CURRENT ASSETS</b>	<b>37,671</b>	<b>38,287</b>	<b>39,314</b>
Closing inventory	11,800	11,182	18,911
Trade receivables and other receivables	15,710	18,364	26,640
Financial assets	-1,917	215	70
Cash and cash equivalents	2,758	3,314	2,633
<b>CURRENT ASSETS</b>	<b>28,351</b>	<b>33,075</b>	<b>48,254</b>
<b>TOTAL ASSETS</b>	<b>66,022</b>	<b>71,362</b>	<b>87,568</b>
Share Capital	2,500	2,500	2,500
Reserves	29,138	33,615	33,657
Foreign currency translation reserve	-63	-122	98
Profit/(Loss) for the period	-2,970	-4,475	-2,335
Minority interests	-	-	-
<b>SHAREHOLDERS' EQUITY</b>	<b>28,605</b>	<b>31,518</b>	<b>33,920</b>
Financial liabilities	722	-	-
Trade payables and other payables	197	212	274
Deferred tax liabilities	4	4	7
Provision for severance indemnity and retirement benefits	565	609	674
Provisions for risks and liabilities	51	49	61
<b>NON-CURRENT LIABILITIES</b>	<b>1,539</b>	<b>874</b>	<b>1,016</b>
Financial liabilities	14,086	8,462	17,012
Trade payables and other payables	20,081	28,796	33,975
Current taxes payables	-	-	28
Provisions for risks and liabilities	1,711	1,712	1,617
<b>CURRENT LIABILITIES</b>	<b>35,878</b>	<b>38,970</b>	<b>52,632</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>66,022</b>	<b>71,362</b>	<b>87,568</b>

**CASH FLOW AS AT 31.03.2014**  
**ELETTRONICA SANTERNO BUSINESS AREA**

(amounts in €/000)	31.03.2014	31.12.2013	31.03.2013
<b>Opening Net Financial Position</b>	<b>-5,110</b>	<b>-6,444</b>	<b>-6,444</b>
<i>Group profit/(loss)</i>	-2,970	-4,475	-2,335
<i>Profit/(loss) pertaining to minorities</i>	-	-	-
<i>Amortisation, depreciation and impairment of fixed assets</i>	720	2,576	609
Cash flow before Net Working Capital	-2,250	-1,899	-1,726
Change in Net Working Capital	-4,804	3,416	-6,967
Investments in fixed assets	-14	-2,580	-289
Disinvestments in fixed assets	194	363	-23
<b>Operating Free Cash Flow</b>	<b>- 6,874</b>	<b>-700</b>	<b>- 9,005</b>
Other operating flows	-1,453	2,495	1,646
Other investing flows	-481	30	-18
Change in Share Capital	-	-	-
Dividends paid	-	-	-
Other equity flows	57	-491	-229
<b>Free Cash Flow</b>	<b>- 8,751</b>	<b>1,334</b>	<b>- 7,606</b>
<b>Closing Net Financial Position</b>	<b>- 13,861</b>	<b>-5,110</b>	<b>- 14,050</b>

**ANALYSIS OF NET WORKING CAPITAL AS AT 31.03.2014**  
**ELETTRONICA SANTERNO BUSINESS AREA**

(amounts in €/000)	31.03.2014	31.12.2013	31.03.2013
Trade Receivables	12,866	15,567	23,369
Inventory	11,800	11,182	18,911
Trade Payables	-15,670	-22,557	- 27,705
<b>Net Working Capital (NWC)</b>	<b>8,996</b>	<b>4,192</b>	<b>14,575</b>

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 includes 26 companies, of which 15 established under and governed by the laws of non-EU member states, and in particular Argentina, Brazil, China, India, Russia and the United States; of these, 5, belonging to Argentina, China and India, are significant pursuant to provisions of section VI, part II of the Issuer Regulations (Consob resolution 11971/1999).

**Carraro SpA**

The Chairman

Enrico Carraro

*Interim Report on Operations as at 31 March 2014*

**Statement pursuant to Art. 154 bis, Section 2, Legislative Decree 58/1998**

**Object: Interim Report on Operations as at 31.03.2014**

The undersigned Enrico Gomiero, the Financial Reporting Officer, declares, pursuant to Section 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, 8 May 2014

**Carraro SpA**

Director Responsible for producing the  
company's accounting documents

Enrico Gomiero