



Carraro Group

Interim report on operations as at 30 September 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 forecasts have by their very nature a component of risk and uncertainty, as they depend on the occurrence of future events and developments. The actual results may differ, even significantly, from those announced in relation to a multiplicity of factors.

CARRARO S.p.A.

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

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

Tax Code, VAT and Registration Number

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

GENERAL INFORMATION

BOARD OF DIRECTORS

In office until approval of the 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 Auditing and Risk Committee

(2) Members of the Nominations, 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 the Chief Executive Officer, Mr Alexander Bossard, have been given severally powers of legal representation and use of the corporate signature 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 30.09.2014 - QUARTER ANALYSIS

| <i>(amounts in Euro thousands)</i> | 3rd Quarter 2014 | % | 3rd Quarter 2013 | % | Changes 3Q 2014 3Q 2013 |
|--|-----------------------------|----------------|-----------------------------|----------------|--|
| REVENUES FROM SALES | 184,746 | 100.00% | 217,042 | 100.00% | -14.88% |
| Purchases of goods and materials (net of changes in inventories) | -114,160 | -61.79% | -128,559 | -59.23% | -11.20% |
| Services and Use of third-party goods and services | -30,647 | -16.59% | -37,259 | -17.17% | -17.75% |
| Personnel costs | -29,864 | -16.16% | -34,496 | -15.89% | -13.43% |
| Amortisation, depreciation and impairment of assets | -6,370 | -3.45% | -7,714 | -3.55% | -17.42% |
| Provisions for risks | -2,313 | -1.25% | -1,843 | -0.85% | 25.50% |
| Other income and expenses | 1,411 | 0.76% | -127 | -0.06% | |
| Internal construction | 870 | 0.47% | 802 | 0.37% | 8.48% |
| OPERATING COSTS | -181,073 | -98.01% | -209,196 | -96.39% | -13.44% |
| OPERATING PROFIT/(LOSS) (EBIT) | 3,673 | 1.99% | 7,846 | 3.61% | -53.19% |
| Income from equity investments | 105 | 0.06% | - | 0.00% | |
| Other financial income | 1,089 | 0.59% | 790 | 0.36% | 37.85% |
| Financial costs and expenses | -4,567 | -2.47% | -5,112 | -2.36% | -10.66% |
| Net gains/(losses) on foreign exchange | -114 | -0.06% | -952 | -0.44% | -88.03% |
| Value adjustments of financial assets | - | 0.00% | - | 0.00% | |
| GAINS/(LOSSES) ON FINANCIAL ASSETS | -3,487 | -1.89% | -5,274 | -2.43% | -33.88% |
| PROFIT/(LOSS) BEFORE TAXES | 186 | 0.10% | 2,572 | 1.19% | -92.77% |
| Current and deferred income taxes | -2,224 | -1.20% | -2,367 | -1.09% | -6.04% |
| NET PROFIT/(LOSS) | -2,038 | -1.10% | 205 | 0.09% | |
| Profit/(loss) pertaining to minorities | 403 | 0.22% | -28 | -0.01% | |
| GROUP CONSOLIDATED PROFIT/(LOSS) | -1,635 | -0.88% | 177 | 0.08% | |
| EBITDA | 9,992 | 5.41% | 15,335 | 7.07% | -34.84% |

CONSOLIDATED INCOME STATEMENT AS AT 30.09.2014

| <i>(amounts in Euro thousands)</i> | 30.09.14 | % | 31.12.13 | % | 30.09.13 | % | Changes 30.09.14 30.09.13 | |
|---|-----------------|----------------|-----------------|----------------|-----------------|----------------|-------------------------------------|----------------|
| REVENUES FROM SALES | 556,165 | 100.00% | 871,936 | 100.00% | 666,208 | 100.00% | -110,043 | -16.52% |
| Purchases of goods and materials (net of changes in inventories) | -328,088 | -58.99% | -515,686 | -59.14% | -394,135 | -59.16% | 66,047 | -16.76% |
| Services and Use of third-party goods and services | -94,483 | -16.99% | -146,048 | -16.75% | -114,262 | -17.15% | 19,779 | -17.31% |
| Personnel costs | -101,019 | -18.16% | -145,828 | -16.72% | -110,850 | -16.64% | 9,831 | -8.87% |
| Amortisation, depreciation and impairment of assets | -21,083 | -3.79% | -32,642 | -3.74% | -23,208 | -3.48% | 2,125 | -9.16% |
| Provisions for risks | -9,526 | -1.71% | -11,003 | -1.26% | -5,760 | -0.86% | -3,766 | 65.38% |
| Other income and expenses | 4,295 | 0.77% | 6,486 | 0.74% | 2,729 | 0.41% | 1,566 | 57.38% |
| Internal construction | 2,524 | 0.45% | 4,007 | 0.46% | 2,449 | 0.37% | 75 | 3.06% |
| OPERATING COSTS | -547,380 | -98.42% | -840,714 | -96.42% | -643,037 | -96.52% | 95,657 | -14.88% |
| OPERATING PROFIT/(LOSS) (EBIT) | 8,785 | 1.58% | 31,222 | 3.58% | 23,171 | 3.48% | -14,386 | -62.09% |
| Income from equity investments | 647 | 0.12% | - | 0.00% | - | 0.00% | 647 | - |
| Other financial income | 2,502 | 0.45% | 2,649 | 0.30% | 1,769 | 0.27% | 733 | 41.44% |
| Financial costs and expenses | -13,688 | -2.46% | -19,695 | -2.26% | -14,709 | -2.21% | 1,021 | -6.94% |
| Net gains/(losses) on foreign exchange | -2,019 | -0.36% | -1,428 | -0.16% | -1,336 | -0.20% | -683 | 51.12% |
| Value adjustments of financial assets | - | 0.00% | - | 0.00% | - | 0.00% | - | - |
| GAINS/(LOSSES) ON FINANCIAL ASSETS | -12,558 | -2.26% | -18,474 | -2.12% | -14,276 | -2.14% | 1,718 | -12.03% |
| PROFIT/(LOSS) BEFORE TAXES | -3,773 | -0.68% | 12,748 | 1.46% | 8,895 | 1.34% | -12,668 | |
| Current and deferred income taxes | -7,894 | -1.42% | -10,698 | -1.23% | -7,987 | -1.20% | 93 | -1.16% |
| NET PROFIT/(LOSS) | -11,667 | -2.10% | 2,050 | 0.23% | 908 | 0.14% | -12,575 | |
| Profit/(loss) pertaining to minorities | -52 | -0.01% | -760 | -0.09% | -579 | 0.09% | 527 | -91.02% |
| CONSOLIDATED RESULT OF THE GROUP | -11,719 | -2.11% | 1,290 | 0.15% | 329 | 0.05% | -12,048 | |
| EBITDA | 29,231 | 5.26% | 61,544 | 7.06% | 45,861 | 6.88% | -16,630 | -36.26% |

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30.09.2014

| <i>(amounts in Euro thousands)</i> | 30.09.14 | 31.12.13 | 30.09.13 |
|---|-----------------|-----------------|-----------------|
| Property, plant and equipment | 187,848 | 202,230 | 199,771 |
| Intangible fixed assets | 88,894 | 89,521 | 88,115 |
| Real estate investments | 707 | 709 | 711 |
| Holdings in subsidiaries and associates | - | - | - |
| Financial assets | 6,710 | 2,867 | 4,107 |
| Deferred tax assets | 27,179 | 26,375 | 27,800 |
| Trade receivables and other receivables | 5,101 | 3,596 | 1,459 |
| NON-CURRENT ASSETS | 316,439 | 325,298 | 321,963 |
| Closing inventory | 149,825 | 145,849 | 160,149 |
| Trade receivables and other receivables | 149,440 | 133,232 | 174,697 |
| Financial assets | 8,003 | 3,799 | 5,162 |
| Cash and cash equivalents | 36,140 | 72,712 | 57,949 |
| CURRENT ASSETS | 343,408 | 355,592 | 397,957 |
| TOTAL ASSETS | 659,847 | 680,890 | 719,920 |
| Share Capital | 23,915 | 23,915 | 23,915 |
| Reserves | 41,183 | 41,735 | 40,745 |
| Foreign currency translation reserve | -18,367 | -18,180 | -15,706 |
| Profit/(Loss) for the period | -11,719 | 1,290 | 329 |
| Minority interests | 2,836 | 6,103 | 5,982 |
| SHAREHOLDERS' EQUITY | 37,848 | 54,863 | 55,265 |
| Financial liabilities | 159,200 | 180,892 | 193,795 |
| Trade payables and other payables | 1,405 | 1,814 | 1,227 |
| Deferred tax liabilities | 873 | 2,297 | 2,922 |
| Provision for severance indemnity and retirement benefits | 18,549 | 19,349 | 19,741 |
| Provisions for risks and liabilities | 4,259 | 5,077 | 2,444 |
| NON-CURRENT LIABILITIES | 184,286 | 209,429 | 220,129 |
| Financial liabilities | 170,215 | 146,847 | 142,696 |
| Trade payables and other payables | 234,771 | 247,742 | 276,619 |
| Current taxes payables | 16,788 | 5,977 | 8,099 |
| Provisions for risks and liabilities | 15,939 | 16,032 | 17,112 |
| CURRENT LIABILITIES | 437,713 | 416,598 | 444,526 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 659,847 | 680,890 | 719,920 |

CASH FLOW AS AT 30.09.2014

| <i>(amounts in Euro thousands)</i> | 30.09.14 | 31.12.13 | 30.09.13 |
|--|-----------------|------------------|-----------------|
| Opening Net Financial Position | -248,150 | -213,703 | -213,703 |
| <i>Group profit/(loss)</i> | <i>-11,719</i> | <i>1,290</i> | <i>329</i> |
| <i>Profit/(loss) pertaining to minorities</i> | <i>52</i> | <i>760</i> | <i>579</i> |
| <i>Amortisation, depreciation and impairment of fixed assets</i> | <i>20,446</i> | <i>30,322</i> | <i>22,690</i> |
| Cash flow before Net Working Capital | 8,779 | 32,372 | 23,598 |
| Change in Net Working Capital | -16,022 | -39,420 | -55,645 |
| Investments in fixed assets | -26,228 | -37,539 | -22,651 |
| Disinvestments in fixed assets | 1,057 | 2,483 | 905 |
| Operating Free Cash Flow | -32,414 | -42,104 | -53,793 |
| Other operating flows | -15,766 | 9,273 | 928 |
| Other investing flows | 19,750 | 8,687 | 6,872 |
| Other equity flows | -5,348 | -10,313 | -8,759 |
| Free Cash Flow | -33,778 | -34,447 | -54,752 |
| Closing Net Financial Position | -281,928 | - 248,150 | -268,455 |

ANALYSIS OF NET WORKING CAPITAL AS AT 30.09.2014

| <i>(amounts in Euro thousands)</i> | 30.09.14 | 31.12.13 | 30.09.13 |
|------------------------------------|-----------------|-----------------|-----------------|
| Trade Receivables | 94,924 | 94,220 | 122,696 |
| Inventory | 149,825 | 145,849 | 160,149 |
| Trade Payables | - 200,955 | -212,297 | -238,848 |
| Net Working Capital (NWC) | 43,794 | 27,772 | 43,997 |

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).

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

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; Agritalia also provides 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 slowdown in global demand for tractors was more marked in the third quarter, and particularly in September, mainly due to the decrease in the price of agricultural commodities and partly to latest-generation tractors (Tier 4), which are more expensive than previous versions, coming onto the market in Europe and North America.

In Europe, this trend was more noticeable in France and Germany, while in other countries, demand remained low, although Spain and the United Kingdom showed minor signs of a recovery. The embargo on imports to Russia, as a result of the Ukraine crisis, has obviously exacerbated the general downturn in volumes.

In Turkey, the market declined compared to the same period in 2013 due to the conflict in Syria and Iraq spreading.

In the United States, the gradual slowdown in the market in 2014, due to the above reasons, was more noticeable in the larger vehicle segment. The current trend is expected to last up to the end of the year and will presumably continue into the first few quarters of next year.

China recorded a double digit decrease compared to the previous year, particularly for +100 HP models. The effects of state subsidies boosting growth are now over. This trend is expected to continue up to the first half of 2015.

In India, the downturn on the domestic market continued and was only partially offset by increased exports, a trend which will continue to the end of the year.

The agricultural machinery market in South America, and in particular in Brazil, recorded a considerable decrease in volumes compared to the same period of 2013. Weak signs of this trend reversing are insufficient to offset the overall drop compared to the previous year.

Construction equipment

Although 2014 began optimistically, signs of a slowdown emerged during the third quarter, due to a global economic situation affecting investments in different areas of the world.

In Europe, a varying market trend was confirmed: in Central Europe orders remained at moderate levels compared to a stagnation in peripheral countries. After the summer break, the negative trend levelled out in various countries, even though a certain optimism for 2015 remains.

In Turkey, due to the aforementioned reasons, the construction equipment market confirmed and further increased the downturn compared to the same period in 2013, with a certain amount of uncertainty for 2015 prospects still lingering.

In North America, the recovery in the private and residential construction industry continued to generate demand for utility machines, although the first few signs of a slowdown at the end of the year can be noted. The medium to large construction equipment segment has shown weak signs of reversing this trend.

A structural downturn was recorded in China, due to the decrease in investments for major infrastructure and the excess production of previous years which led to overstocking at sites and on the distribution network.

The demand for construction equipment in India is still very weak even though expectations for a general economic recovery in 2015 are more positive.

Brazil recorded a considerable market downturn, also due to the general slowdown in the economy.

Continuing low commodity prices have had a global impact on the mining equipment segment, which is in considerable difficulty, affected by a demand that is struggling to pick up.

Renewable energy

Demand for large photovoltaic systems is developing unevenly and mainly in non-European countries, while volumes for residential and commercial systems have dropped considerably. The growth in demand for plant maintenance and technical assistance services has instead been considerable, to the extent that this activity is an essential requirement, also during negotiations, for the award of major contracts.

Industrial Automation

The industrial automation sector remained stable in the first nine months, benefiting from the weaker Euro in the third quarter, which made drives more competitive in Europe.

On an international scale, the crises and geopolitical tensions in Ukraine and the Middle East, along with a decrease in the growth rate in China and falling demand in the mining equipment segment in Australia, still had an impact.

In Italy, and in Europe in general, a climate of uncertainty remains over macro-economic prospects, even if the growth trend for drives is continuing, albeit at a moderate pace, mainly due to energy efficiency regulations for electric motors and investments to modernise the aqueduct network in Italy.

Period summary

In April, the company branch pertaining to the production and operational activities of the Mini Gears Padova plant was sold, along with the entire holding in the company MG Mini Gears Suzhou Ltd. The consolidated data of the Group reported below do not take into account the effect of the disposal, while comparable pro-forma data will be reported in the commentary section of the Drive Tech Business Area.

Turnover for the third quarter and cumulative figures as at 30 September 2014 were affected by the market slowdowns described previously, particularly in the mechanical engineering sector. Variable and industrial margins, in terms of percentages accounting for turnover, continued to improve, benefiting from the projects the Group has implemented and is continuing to develop for production activities. EBITDA and EBIT were instead affected by a lower absorption of overheads due to a fall in turnover.

The process to restructure the Santerno Business Area continued in the third quarter, on schedule with the plan launched in June.

Consolidated turnover for the quarter stood at 184.746 million Euros, down by 14.9% compared to the third quarter of 2013, when it amounted to 217.042 million Euros. When comparing data, the reduction in turnover due to the sale of Mini Gears activities, which could cause turnover to fall by 16 million Euros compared to the same period in 2013, should be taken into account. Moreover, a negative exchange effect equal to 3.280 million Euros has had an impact on consolidated turnover.

Cumulative turnover as at 30 September 2014 amounted to 556.165 million Euros, down by 16.5% compared to 666.208 million Euros for the same period of 2013. Turnover for the period was affected by a negative exchange effect of 13.8 million Euros, and by the sale of Mini Gears activities for approximately 29 million Euros, net of which the decrease would have been 10.1%.

Consolidated EBITDA for the third quarter was equal to 9.992 million Euros (5.4% of turnover), down by 34.8% compared to 15.335 million Euros (7.1% of turnover) for the third quarter of 2013. Consolidated EBIT for the quarter was equal to 3.673 million Euros (2.0% of turnover), down by 53.2% compared to the same period of 2013 which recorded a figure of 7.846 million Euros (3.6% of turnover).

Cumulative Carraro Group EBITDA as at 30 September 2014 amounted to 29.231 million Euros (5.3% of turnover) down by 36.3% compared to the 45.861 million Euros (6.9% of turnover) in 2013. Cumulative EBIT as at 30 September 2014 amounted to 8.785 million Euros (1.6% of turnover), a decrease of 62.1% compared to the cumulative figure as at 30 September 2013 of 23.171 million Euros (3.5% of turnover). Net of non-recurrent costs, relative to the aforementioned restructuring of the Santerno Business Area, EBITDA would be equal to 31.583 million Euros (5.7% of turnover) and EBIT would be equal to 11.137 million Euros (2.0%). Comparing figures net of Mini Gears for both periods, EBITDA as at 30 September 2014 would be equal to 26.498 million Euros (5.0% of turnover) compared to 39.973 million Euros (6.5% of turnover) as at 30 September 2013 and EBIT for the first nine months of 2014 would be equal to 7.832 million Euros (1.5% of turnover) compared to 21.729 million Euros (3.5% of turnover) for the first nine months of 2013.

The impact of profitability on turnover is, however, in line with figures as at 30 June 2014, even if the contribution from each Business Area is different.

In the third quarter, profitability for Elettronica Santerno and Divisione Agritalia was positive and on the increase, thanks to the restructuring started in June 2014 and also to a partial recovery in sales. Drive Tech was instead affected by a higher than expected fall in turnover, due to negative market trends, resulting in a profitability that was lower than previous quarters, but higher, as regards turnover, than the third quarter of 2013 in terms of the variable and industrial margin.

The quarter closed with a loss of 1.635 million Euros (-0.9% of turnover), down on the profit of 177 thousand Euros (0.1% of turnover) recorded for the third quarter of 2013. In the three months in question, Divisione Agritalia reached

break even after a negative half year and Santerno significantly reduced the loss compared to figures as at 30 June 2014, thanks to the restructuring of the organisation and a partial recovery in turnover.

In cumulative terms, the Carraro Group loss was equal to 11.719 million Euros (-2.1% of turnover), compared to a profit of 329 thousand Euros (0.1% of turnover) as at 30 September 2013. Net of non-recurrent costs, the net loss would be equal to 9.915 million Euros (-1.8% of turnover).

The net financial position as at 30 September 2014 recorded a debt of 281.9 million Euros compared to 263.718 million Euros as at 30 June 2014, and 248.150 million Euros as at 31 December 2013. The negative performance is mainly due to the trend of net working capital, and particularly warehouse overstocking (to be gradually absorbed in the next few months), which is a direct consequence of the decrease in volumes in the core business, recorded in the third quarter of 2014.

ECONOMIC AND FINANCIAL DATA**Turnover**

The Group's consolidated turnover for the third quarter of 2014 amounted to 184.746 million Euros, down by 14.9% compared to turnover for the third quarter of 2013, equal to 217.042 million Euros. In cumulative terms, turnover as at 30 September 2014 amounted to 556.165 million Euros, a decrease of 16.5% compared to 666.208 as at 30 September 2013.

The following table breaks turnover down by market segment:

Figures for the third quarter of 2014 (amounts in Euro thousands)

| | SALES | | | SALES TO THIRD PARTIES | | | INTRA-GROUP SALES | | |
|---------------------------|------------------|------------------|--------------|------------------------|------------------|--------------|-------------------|------------------|-------------|
| | 3rd Quarter 2014 | 3rd Quarter 2013 | Diff. % | 3rd Quarter 2014 | 3rd Quarter 2013 | Diff. % | 3rd Quarter 2014 | 3rd Quarter 2013 | Diff. % |
| CARRARO DRIVE TECH | 145,597 | 175,322 | -16.9 | 141,652 | 170,867 | -17.1 | 3,945 | 4,455 | -11.4 |
| CARRARO DIV. AGRITALIA | 26,460 | 21,882 | 20.9 | 25,593 | 20,983 | 22.0 | 867 | 899 | -3.6 |
| ELETTRONICA SANTERNO | 17,425 | 25,168 | -30.8 | 17,425 | 25,153 | -30.7 | - | 15 | |
| NON-ALLOCATED BUSINESS | 3,222 | 2,974 | 8.3 | 76 | 39 | -94.9 | 3,146 | 2,935 | 7.2 |
| TOTAL SEGMENTS | 192,704 | 225,346 | -14.5 | 184,746 | 217,042 | -14.9 | 7,958 | 8,304 | -4.2 |
| INTRA-GROUP ELIMINATIONS | -7,958 | -8,304 | 4.2 | - | - | | - | - | |
| TOTAL CONSOLIDATED | 184,746 | 217,042 | -14.9 | 184,746 | 217,042 | -14.9 | 7,958 | 8,304 | -4.2 |

Cumulative figures as at 30 September 2014 (amounts in Euro thousands)

| | SALES | | | SALES TO THIRD PARTIES | | | INTRA-GROUP SALES | | |
|---------------------------|----------------|----------------|--------------|------------------------|----------------|--------------|-------------------|---------------|------------|
| | 30.09.2014 | 30.09.2013 | Diff. % | 30.09.2014 | 30.09.2013 | Diff. % | 30.09.2014 | 30.09.2013 | Diff. % |
| CARRARO DRIVE TECH | 472,407 | 543,737 | -13.1 | 459,239 | 530,580 | -13.4 | 13,168 | 13,157 | 0.1 |
| CARRARO DIV. AGRITALIA | 71,624 | 75,072 | -4.6 | 68,615 | 72,289 | -5.1 | 3,009 | 2,783 | 8.1 |
| ELETTRONICA SANTERNO | 28,168 | 62,743 | -55.1 | 28,152 | 62,668 | -55.1 | 16 | 75 | -78.7 |
| NON-ALLOCATED BUSINESS | 9,812 | 9,688 | 1.3 | 159 | 671 | -76.3 | 9,653 | 9,017 | 7.1 |
| TOTAL SEGMENTS | 582,011 | 691,242 | -15.8 | 556,165 | 666,208 | -16.5 | 25,846 | 25,032 | 3.3 |
| INTRA-GROUP ELIMINATIONS | -25,846 | -25,032 | 3.3 | - | - | | - | - | |
| TOTAL CONSOLIDATED | 556,165 | 666,208 | -16.5 | 556,165 | 666,208 | -16.5 | 25,846 | 25,032 | 3.3 |

The following table breaks down turnover by geographical area:

Figures for the third quarter of 2014 (amounts in Euro thousands)

| <i>Geographical Area</i> | <i>3rd Quarter 2014</i> | <i>%</i> | <i>3rd Quarter 2013</i> | <i>%</i> | <i>Difference %</i> |
|----------------------------|-------------------------|--------------|-------------------------|--------------|---------------------|
| South America | 31,289 | 16.9 | 28,214 | 13.0 | 10.9 |
| North America | 20,402 | 11.0 | 30,148 | 13.9 | -32.3 |
| Germany | 18,279 | 9.9 | 25,348 | 11.7 | -27.9 |
| United Kingdom | 14,986 | 8.1 | 14,854 | 6.8 | 0.9 |
| India | 16,334 | 8.8 | 11,438 | 5.3 | 42.8 |
| Turkey | 12,055 | 6.5 | 16,367 | 7.5 | -26.3 |
| Switzerland | 12,117 | 6.6 | 10,386 | 4.8 | 16.7 |
| France | 9,056 | 4.9 | 11,487 | 5.3 | -21.2 |
| China | 6,347 | 3.4 | 10,878 | 5.0 | -41.7 |
| Belgium | 2,245 | 1.2 | 3,836 | 1.8 | -41.5 |
| Poland | 3,606 | 2.0 | 4,364 | 2.0 | -17.4 |
| Sweden | 1,030 | 0.6 | 3,507 | 1.6 | -70.6 |
| South Africa | 100 | 0.1 | 4,085 | 1.9 | -97.6 |
| Other E.U. areas | 7,947 | 4.3 | 8,107 | 3.7 | -2.0 |
| Other non-E.U. areas | 7,021 | 3.8 | 10,415 | 4.8 | -32.6 |
| Total Abroad | 162,814 | 88.1 | 193,434 | 89.1 | -15.8 |
| Italy | 21,932 | 11.9 | 23,608 | 10.9 | -7.1 |
| Total | 184,746 | 100.0 | 217,042 | 100.0 | -14.9 |
| of which: | | | | | |
| Total E.U. area | 79,081 | 42.8 | 95,111 | 43.8 | -16.9 |
| Total non-E.U. area | 105,665 | 57.2 | 121,931 | 56.2 | -13.3 |

Cumulative figures as at 30 September 2014 (amounts in Euro thousands)

| <i>Geographical Area</i> | <i>30.09.2014</i> | <i>%</i> | <i>30.09.2013</i> | <i>%</i> | <i>difference %</i> |
|----------------------------|-------------------|--------------|-------------------|--------------|---------------------|
| South America | 74,238 | 13.3 | 81,727 | 12.3 | -9.2 |
| North America | 65,993 | 11.9 | 89,538 | 13.4 | -26.3 |
| Germany | 63,049 | 11.3 | 79,041 | 11.9 | -20.2 |
| United Kingdom | 46,358 | 8.3 | 42,232 | 6.3 | 9.8 |
| India | 42,891 | 7.7 | 37,410 | 5.6 | 14.7 |
| Turkey | 39,991 | 7.2 | 49,769 | 7.5 | -19.6 |
| Switzerland | 37,539 | 6.7 | 33,140 | 5 | 13.3 |
| France | 29,746 | 5.3 | 43,353 | 6.5 | -31.4 |
| China | 23,184 | 4.2 | 40,421 | 6.1 | -42.6 |
| Belgium | 10,133 | 1.8 | 12,607 | 1.9 | -19.6 |
| Poland | 9,815 | 1.8 | 14,930 | 2.2 | -34.3 |
| Sweden | 7,556 | 1.4 | 12,113 | 1.8 | -37.6 |
| South Africa | 216 | 0.0 | 11,487 | 1.7 | -98.1 |
| Other E.U. areas | 23,007 | 4.1 | 24,531 | 3.7 | -6.2 |
| Other non-E.U. areas | 12,854 | 2.3 | 17,263 | 2.6 | -25.5 |
| Total Abroad | 486,570 | 87.5 | 589,562 | 88.5 | -17.5 |
| Italy | 69,595 | 12.5 | 76,646 | 11.5 | -9.2 |
| Total | 556,165 | 100.0 | 666,208 | 100.0 | -16.5 |
| of which: | | | | | |
| Total E.U. area | 259,259 | 46.6 | 305,453 | 45.8 | -15.1 |
| Total non-E.U. area | 296,906 | 53.4 | 360,755 | 54.2 | -17.7 |

In analysing turnover by geographic segment, it should be noted that the Group 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 in all geographic segments decreased, apart from India (+14.7%), Great Britain (+9.8%) and Switzerland (+13.3%). The latter two figures refer to sales to specific clients in these countries but who export to other areas in the world.

Turnover realised in the United States in 2013, in each quarter and in cumulative terms, included Santerno orders for approximately 20.5 million Euros.

EBITDA and EBIT

Figures for the third quarter of 2014 (amounts in Euro thousands)

| | 3rd Quarter 2014 | % of turnover | 3rd Quarter 2013 | % of turnover | Diff. % |
|-------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|----------------|
| EBITDA (a) | 9,992 | 5.4 | 15,335 | 7.1 | -34.8 |
| EBIT (b) | 3,673 | 2.0 | 7,846 | 3.6 | -53.2 |

Figures as at 30.09.2014 (amounts in Euro thousands)

| | 30.09.2014 | % of turnover | 30.09.2013 | % of turnover | Diff. % |
|------------------------|-------------------|--------------------------|-------------------|----------------------|----------------|
| EBITDA (a) | 29,231 | 5.3 | 45,861 | 6.9 | -36.3 |
| Non-recurrent costs | 2,352 | | | | |
| ADJUSTED EBITDA | 31,583 | 5.7 | 45,681 | 6.9 | -30.9 |
| EBIT (b) | 8,785 | 1.6 | 23,171 | 3.5 | -62.1 |
| Non-recurrent costs | 2,352 | | | | |
| ADJUSTED EBIT | 11,137 | 2.0 | 23,171 | 3.5 | -51.9 |

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

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

Consolidated EBITDA for the third quarter was equal to 9.992 million Euros (5.4% of turnover), down by 34.8% compared to 15.335 million Euros (7.1% of turnover) for the third quarter of 2013. The cumulative figure as at 30 September 2014 stood at 29.231 million Euros (5.3% of turnover) down by 36.3% compared to 45.861 million Euros (6.9% of turnover) for the previous year. Net of non-recurrent costs, cumulative EBITDA would be equal to 31.583 million Euros (5.7% of turnover).

EBIT for the quarter was equal to 3.673 million Euros (2.0% of turnover), down by 53.2% compared to the same period of 2013 which recorded a figure of 7.846 million Euros (3.6% of turnover). Cumulative EBIT as at 30 September 2013 amounted to 8.785 million Euros (1.6% of turnover), decreasing by 62.1% compared to the cumulative figure of 23.171 million Euros (3.5% of turnover) as at 30 September 2013. Net of non-recurrent costs, cumulative EBIT would be equal to 11.137 million Euros (2.0% of turnover).

Details of the two ratios are set out below with separate information for the three business areas:

| EBITDA | 3rd Quarter 2014 | % of turnover | 3rd Quarter 2013 | % of turnover | Diff. % |
|----------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|----------------|
| Carraro Drive Tech | 10,108 | 6.9 | 14,027 | 8.0 | -27.9 |
| Agritalia Div. | 656 | 2.5 | 609 | 2.8 | 7.7 |
| Elettronica Santerno | 449 | 2.6 | 2,172 | 8.6 | -79.3 |

| EBIT | 3rd Quarter 2014 | % of turnover | 3rd Quarter 2013 | % of turnover | Diff. % |
|----------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|----------------|
| Carraro Drive Tech | 5,502 | 3.8 | 7,975 | 4.6 | -31.0 |
| Agritalia Div. | 320 | 1.2 | 283 | 1.3 | 13.1 |
| Elettronica Santerno | -277 | -1.6 | 1,553 | 6.2 | n.r. |

| EBITDA | 30.09.14 | % of turnover | 30.09.13 | % of turnover | Diff. % |
|----------------------|-----------------|----------------------|-----------------|----------------------|----------------|
| Carraro Drive Tech | 40,939 | 8.7 | 45,442 | 8.4 | -9.9 |
| Agritalia Div. | -735 | 1.0 | 2,462 | 3.3 | n.r. |
| Elettronica Santerno | -6,614 | 23.5 | 2,641 | 4.2 | n.r. |

| EBIT | 30.09.14 | % of turnover | 30.09.13 | % of turnover | Diff. % |
|----------------------|-----------------|----------------------|-----------------|----------------------|----------------|
| Carraro Drive Tech | 25,662 | 5.4 | 27,168 | 5.0 | -5.5 |
| Agritalia Div. | -1,731 | -2.4 | 1,534 | 2.0 | n.r. |
| Elettronica Santerno | -8,783 | -31.2 | 802 | 1.3 | n.r. |

Financial expenses

Figures for the third quarter of 2014 (amounts in Euro thousands)

| | 3rd Quarter 2014 | % of turnover | 3rd Quarter 2013 | % of turnover | Diff. % |
|---------------------------|-------------------------|----------------------|-------------------------|----------------------|----------------|
| Financial expenses | 3,478 | 1.9 | 4,323 | 2.0 | -19.5 |

Figures as at 30.09.2014 (amounts in Euro thousands)

| | 30.09.2014 | % of turnover | 30.09.2013 | % of turnover | Diff. % |
|---------------------------|-------------------|----------------------|-------------------|----------------------|----------------|
| Financial expenses | 11,186 | 2.0 | 12,940 | 1.9 | -13.6 |

Financial expenses for the third quarter of 2014 amounted to 3,478 million Euros (1.9% of turnover) compared to 4,323 million Euros (2.0% of turnover) for the third quarter of 2013.

Financial expenses as at 30 September 2014 amounted to 11.186 million Euros (2.0% of turnover) compared to 12.940 million Euros (1.9% of turnover) as at 30 September 2013. Financial expenses as at 30 September 2013 include a part of the fees paid to banks as a result of the undersigning of the Restructuring Agreement.

Exchange differences

Figures for the third quarter of 2014 (amounts in Euro thousands)

| | 3rd Quarter 2014 | % of turnover | 3rd Quarter 2013 | % of turnover | Diff. % |
|-----------------------------|-------------------------|----------------------|-------------------------|----------------------|----------------|
| Exchange differences | -114 | -0.1 | -952 | -0.4 | -88.0 |

Figures as at 30.09.2014 (amounts in Euro thousands)

| | 30.09.2014 | % of turnover | 30.09.2013 | % of turnover | Diff. % |
|-----------------------------|-------------------|----------------------|-------------------|----------------------|----------------|
| Exchange differences | -2,019 | -0.4 | -1,336 | -0.2 | 51.1 |

Exchange differences for the third quarter of 2014 were negative, amounting to 114 thousand Euros, and were negative, amounting to 952 million Euros, for the third quarter of 2013.

In cumulative terms, as at 30 September 2014 the item was negative amounting to 2.019 million Euros and negative amounting to 1.336 million Euros as at 30 September 2013. The change is due to significant effects arising from the devaluation of the Argentinian Peso which only concern the translation of financial balances.

Net profit/(loss)

Figures for the third quarter of 2014 (amounts in Euro thousands)

| | 3rd Quarter 2014 | % of turnover | 3rd Quarter 2013 | % of turnover | Diff. % |
|--------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|----------------|
| Net profit/(loss) | -1,635 | -0.9 | 177 | 0.1 | <i>n.r.</i> |

Figures as at 30.09.2014 (amounts in Euro thousands)

| | 30.09.2014 | % of turnover | 30.09.2013 | % of turnover | Diff. % |
|--------------------------|-------------------|--------------------------|-------------------|--------------------------|----------------|
| Net profit/(loss) | -11,719 | -2.1 | 329 | 0.1 | <i>n.r.</i> |

| (amounts in Euro thousands) | 30.09.2014 | % of turnover | 30.09.2013 | % of turnover | Diff. % |
|--|-------------------|--------------------------|-------------------|--------------------------|----------------|
| Earnings before tax | -3,773 | -0.7 | 8,895 | 1.3 | n.r. |
| Current and deferred income taxes | -7,894 | -1.4 | -7,987 | -1.2 | 1.2 |
| Profit/(loss) pertaining to minorities | -52 | -0.0 | -579 | -0.1 | 91.0 |
| Net profit/(loss) | -11,719 | -2.1 | 329 | 0.1 | n.r. |

A net loss of 1.635 million Euros (-0.9% of turnover) was recorded for the quarter, compared to a profit of 177 thousand Euros (0.1% of turnover) for the third quarter of 2013. In cumulative terms, the Carraro Group recorded a net loss of 11.719 million Euros (-2.1% of turnover) compared to a profit of 329 thousand Euros as at 30 September 2013. This performance was considerably affected by the Santerno Business Area, due to reasons referred to above.

Amortisation, depreciation and impairment of assets

Figures for the third quarter of 2014 (amounts in Euro thousands)

| | 3rd Quarter 2014 | % of turnover | 3rd Quarter 2013 | % of turnover | Diff. % |
|--|-----------------------------|--------------------------|-----------------------------|--------------------------|----------------|
| Amortisation, depreciation and impairment | 6,319 | 3.4 | 7,489 | 3.5 | -15.6 |

Figures as at 30.09.2014 (amounts in Euro thousands)

| | 30.09.2014 | % of turnover | 30.09.2013 | % of turnover | Diff. % |
|--|-------------------|--------------------------|-------------------|--------------------------|----------------|
| Amortisation, depreciation and impairment | 20,446 | 3.7 | 22,690 | 3.4 | -9.9 |

Investments

Figures for the third quarter of 2014 (amounts in Euro thousands)

| | 3rd Quarter 2014 | 3rd Quarter 2013 |
|--------------------|-------------------------|-------------------------|
| Investments | 7,822 | 9,505 |

Figures as at 30.09.2014 (amounts in Euro thousands)

| | 30.09.2014 | 30.09.2013 |
|--------------------|-------------------|-------------------|
| Investments | 26,228 | 22,642 |

Investments as at 30 September 2014, totalling 26.228 million Euros, compared to 22.642 million Euros for the same period of the previous year, were allocated, in the Drive Tech Business Area, to the re-insourcing project for activities previously outsourced, and to maintain the efficiency of and upgrade plants; while at Headquarters, investments targeted the development of the new SAP management system.

Research and Development

Research and Development expenditure as at 30 September 2014 was equal to 11.210 million Euros (2.0% of turnover) in line, in percentage terms, with figures as at 30 September 2013, equal to 14.201 million Euros (2.1% of turnover), confirming the Group's steadfast commitment to technological innovation.

Net financial position

Figures as at 30.09.2014 (amounts in Euro thousands)

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|--------------------------------|-------------------|-------------------|-------------------|
| Net financial position* | -281,928 | -248,150 | -268,455 |

* 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 recorded a debt of 281.928 million Euros, while it amounted to 263.718 million Euros as at 30 June 2014, 248.150 million Euros as at 31 December 2013 and 268.455 million Euros as at 30 September 2013.

Compared to 30 June 2014, the position worsened, due to the trend in net working capital affected by the decrease in volumes during the quarter.

PERSONNEL

Workforce trend

Figures as at 30.09.2014

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|-------------------|-------------------|-------------------|-------------------|
| Executives | 44 | 50 | 50 |
| Clerical staff | 962 | 1,035 | 1,025 |
| Factory workers | 2,525 | 2,964 | 2,965 |
| Temporary workers | 346 | 314 | 139 |
| Total | 3,877 | 4,363 | 4,179 |

Group personnel as at 30 September 2014 amounted to 3,877 resources (including temporary workers, trainees and interim workers, where present), compared to 4,363 as at 31 December 2013 and 4,179 as at 30 September 2013. The decrease in the number of employees is due to the aforementioned disposal of Mini Gears activities, which overall concerned 526 employees. The restructuring plan for the Santerno Business Area, launched in the second quarter, led to a total reduction in the workforce of 28 people, of whom 13 in Italy and 15 at sites abroad.

As at 30 September 2014, 1,637 employees (42% of the total) worked at Italian production sites of the Group and 2,240 employees (58% of the total) worked abroad.

Performance and results of the Carraro Group Business Areas

Drivelines & Components - Drive Tech Business Area

Demand in the first nine months of 2014 was affected by a general fall in all main sectors the Business Area operates in. In particular, demand in the third quarter was below that of previous quarters and 2013.

Apart from a few exceptions, this trend was confirmed by analysis of Drive Tech's turnover by geographic segment. Germany, which is the main reference market for the Business Area, declined by 21.8% compared to the same period of the previous year, and negative trends were recorded in Brazil (-29.3%), China (-41.2%) and France (-28.9%). The United States and Italy, the second and third ranked markets, recorded a more limited decline of -1.2% and -4.2% respectively. Argentina (+25.71%), India (+17.3%) and Great Britain (+10.6%) went against this trend.

Turnover as at 30 September 2014 from European Union countries accounted for 47.7% (compared to 47.3% in 2013), while the remaining 52.3% was generated in non-EU countries; the Italian market in the first nine months of the year accounted for 11.9% of sales compared to 10.8% for the same period in 2013.

It is pointed out that turnover in Europe concerns the local production sites of clients who in turn generate sales mainly on non-European markets.

In the third quarter of 2014, the Business Area reported a total turnover of 145.597 million Euros compared to 175.322 million Euros for the same period in 2013, down by 17.0%. Cumulative turnover as at 30 September 2014 amounted to 472.407 million Euros, down 13.1% compared to turnover for the first nine months of 2013 (equal to 543.737 million Euros).

With effect from 1 May 2014, the company branch Mini Gears was sold, with an effect on comparative data for turnover as at 30 September 2013 for a total value of 29 million Euros; thus turnover as at 30 September 2013 net of this operation would have amounted to 503.780 million Euros, compared to 459.239 million Euros of turnover from third party customers for the current year, decreasing turnover by 8.8% compared to the previous year.

Sales of spare parts were mainly stable compared to the first nine months of 2013.

The variable margin in the third quarter of 2014, accounting for turnover, increased compared to the same period of the previous year, confirming the effectiveness of actions to improve industrial processes. EBITDA for the third quarter of 2014, which was considerably affected by the negative impact on volumes, amounted to 10.108 million Euros (6.9% of turnover) compared to 14.027 million Euros (8.0% of turnover) for the same quarter of the previous year. EBIT was equal to 5.502 million Euros (3.8% of turnover) compared to 7.975 million Euros (4.5% of turnover) for the third quarter of 2013.

In terms of cumulative figures, profitability as at 30 September 2014, as a percentage of turnover, improved compared to the previous year, but decreased, in absolute terms, due to the fall in volumes, already referred to. Cumulative EBITDA as at 30 September 2014 amounted to 40.939 million Euros (8.7% of turnover), compared to 45.442 million Euros (8.4% of turnover) for the previous year, recording a decrease of 10%. Cumulative EBIT as at 30 September 2014 amounted to 25.662 million Euros (5.4% of turnover), compared to 27.168 million Euros (5.0% of turnover) for the previous year, with a -5.5% decrease.

A net profit of 1.197 million Euros (0.8% of turnover) was recorded for the quarter, compared to 2.000 million Euros (1.1% of turnover) for the third quarter of 2013. Cumulative net profit was equal to 7.931 million Euros (1.7% of turnover) compared to 8.830 million Euros (1.6% of turnover) for the previous period.

The net financial position as at 30 September 2014, negative by 156.890 million Euros, had improved compared to the same period of 2013, which recorded a debt of 169.955 million Euros, but was worse compared the figures of 150.116 million Euros as at 30 June 2014 and 157.809 million Euros as at 31 December 2013, due to the trend in net working capital affected by the fall in volumes in the third quarter.

**SUBCONSOLIDATED INCOME STATEMENT AS AT 30.09.2014 - QUARTER ANALYSIS
DRIVELINES & COMPONENTS BUSINESS AREA – DRIVE TECH**

| <i>(amounts in Euro thousands)</i> | 3rd Quarter 2014 | % | 3rd Quarter 2013 | % | Changes 3Q 2014 3Q 2013 |
|---|-----------------------------|----------------|-----------------------------|----------------|--------------------------------------|
| REVENUES FROM SALES | 145,597 | 100.00% | 175,322 | 100.00% | -16.95% |
| Purchases of goods and materials (net of changes in inventories) | -87,916 | -60.38% | -102,983 | -58.74% | -14.63% |
| Services and Use of third-party goods and services | -24,975 | -17.15% | -30,427 | -17.35% | -17.92% |
| Personnel costs | -22,788 | -15.65% | -27,005 | -15.40% | -15.62% |
| Amortisation, depreciation and impairment of assets | -4,526 | -3.11% | -6,103 | -3.48% | -25.84% |
| Provisions for risks | -1,717 | -1.18% | -1,387 | -0.79% | 23.79% |
| Other income and expenses | 1,044 | 0.72% | 174 | 0.10% | |
| Internal construction | 783 | 0.54% | 384 | 0.22% | |
| OPERATING COSTS | -140,095 | -96.22% | -167,347 | -95.45% | -16.28% |
| OPERATING PROFIT/(LOSS) (EBIT) | 5,502 | 3.78% | 7,975 | 4.55% | -31.01% |
| Income from equity investments | 105 | 0.07% | | | |
| Other financial income | 1,093 | 0.75% | 712 | 0.41% | 53.51% |
| Financial costs and expenses | -3,422 | -2.35% | -3,888 | -2.22% | -11.99% |
| Net gains/(losses) on foreign exchange | -18 | -0.01% | -822 | -0.47% | -97.81% |
| GAINS/(LOSSES) ON FINANCIAL ASSETS | -2,242 | -1.54% | -3,998 | -2.28% | -43.92% |
| PROFIT/(LOSS) BEFORE TAXES | 3,260 | 2.24% | 3,977 | 2.27% | -18.03% |
| Current and deferred income taxes | -2,098 | -1.44% | -2,058 | -1.17% | 1.94% |
| NET PROFIT/(LOSS) | 1,162 | 0.80% | 1,919 | 1.09% | -39.45% |
| Profit/(loss) pertaining to minorities | 35 | 0.02% | 81 | 0.05% | -56.79% |
| CONSOLIDATED RESULT OF THE BUSINESS AREA | 1,197 | 0.82% | 2,000 | 1.14% | -40.15% |
| EBITDA | 10,108 | 6.94% | 14,027 | 8.00% | -27.94% |

SUBCONSOLIDATED INCOME STATEMENT AS AT 30.09.2014
DRIVELINES & COMPONENTS - DRIVE TECH BUSINESS AREA

| <i>(amounts in Euro thousands)</i> | 30.09.14 | % | 31.12.13 | % | 30.09.13 | % | Changes | |
|---|-----------------|----------------|-----------------|----------------|-----------------|----------------|----------------|----------------|
| | | | | | | | 30.09.14 | 30.09.13 |
| REVENUES FROM SALES | 472,407 | 100.00% | 714,724 | 100.00% | 543,737 | 100.00% | -71,330 | -13.12% |
| Purchases of goods and materials (net of changes in inventories) | -274,403 | -58.09% | -419,010 | -58.63% | -321,038 | -59.04% | 46,635 | -14.53% |
| Services and Use of third-party goods and services | -80,850 | -17.11% | -118,523 | -16.58% | -91,829 | -16.89% | 10,979 | -11.96% |
| Personnel costs | -76,666 | -16.23% | -113,060 | -15.82% | -86,032 | -15.82% | 9,366 | -10.89% |
| Depreciation and amortisation and impairment of assets | -15,479 | -3.28% | -24,907 | -3.48% | -18,467 | -3.40% | 2,988 | -16.18% |
| Provisions for risks | -4,837 | -1.02% | -8,410 | -1.18% | -3,558 | -0.65% | -1,279 | 35.95% |
| Other income and expenses | 3,463 | 0.73% | 4,103 | 0.57% | 3,061 | 0.56% | 402 | 13.13% |
| Internal construction | 2,027 | 0.43% | 2,316 | 0.32% | 1,294 | 0.24% | 733 | 56.65% |
| OPERATING COSTS | -446,745 | -94.57% | -677,491 | -94.79% | -516,569 | -95.00% | 69,824 | -13.52% |
| OPERATING PROFIT/(LOSS) (EBIT) | 25,662 | 5.43% | 37,233 | 5.21% | 27,168 | 5.00% | -1,506 | -5.54% |
| Income from equity investments | 647 | 0.14% | - | - | - | 0.00% | 646 | |
| Other financial income | 2,407 | 0.51% | 2,434 | 0.34% | 1,664 | 0.31% | 743 | 44.65% |
| Financial costs and expenses | -10,498 | -2.22% | -15,978 | -2.24% | -12,095 | -2.22% | 1,597 | -13.20% |
| Net gains/(losses) on foreign exchange | -1,803 | -0.38% | -1,580 | -0.22% | -975 | -0.18% | -828 | 84.92% |
| GAINS/(LOSSES) ON FINANCIAL ASSETS | -9,247 | -1.96% | -15,123 | -2.12% | -11,406 | -2.10% | 2,159 | -18.93% |
| PROFIT/(LOSS) BEFORE TAXES | 16,415 | 3.47% | 22,110 | 3.09% | 15,762 | 2.90% | 653 | 4.14% |
| Current and deferred income taxes | -8,432 | -1.78% | -9,751 | -1.36% | -6,836 | -1.26% | -1,596 | 23.35% |
| NET PROFIT/(LOSS) | 7,983 | 1.69% | 12,359 | 1.73% | 8,926 | 1.64% | -943 | -10.56% |
| Profit/(loss) pertaining to minorities | -52 | -0.01% | -93 | -0.01% | -96 | 0.02% | 44 | -45.83% |
| CONSOLIDATED RESULT OF THE BUSINESS AREA | 7,931 | 1.68% | 12,266 | 1.72% | 8,830 | 1.62% | -899 | -10.18% |
| EBITDA | 40,939 | 8.67% | 61,715 | 8.63% | 45,442 | 8.36% | -4,503 | -9.91% |

**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30.09.2014 DRIVELINES & COMPONENTS BUSINESS AREA – DRIVE TECH**

| <i>(amounts in Euro thousands)</i> | 30.09.14 | 31.12.13 | 30.09.13 |
|---|-----------------|-----------------|-----------------|
| Property, plant and equipment | 138,684 | 153,256 | 154,771 |
| Intangible fixed assets | 50,196 | 50,399 | 49,545 |
| Real estate investments | 167 | 170 | 172 |
| Holdings in subsidiaries and associates | - | - | - |
| Financial assets | 9,997 | 2,348 | 3,500 |
| Deferred tax assets | 17,354 | 17,416 | 19,397 |
| Trade receivables and other receivables | 4,755 | 3,039 | 1,114 |
| NON-CURRENT ASSETS | 221,153 | 226,628 | 228,499 |
| Closing inventory | 125,894 | 127,071 | 133,586 |
| Trade receivables and other receivables | 121,578 | 110,436 | 128,419 |
| Financial assets | 7,632 | 3,035 | 5,073 |
| Cash and cash equivalents | 25,502 | 48,920 | 41,538 |
| CURRENT ASSETS | 280,606 | 289,462 | 308,616 |
| TOTAL ASSETS | 501,759 | 516,090 | 537,115 |
| Share Capital | 30,102 | 30,102 | 30,102 |
| Reserves | 52,276 | 37,478 | 36,354 |
| Foreign currency translation reserve | -18,305 | -19,300 | -17,045 |
| Profit/(Loss) for the period | 7,931 | 12,266 | 8,830 |
| Minority interests | 2,836 | 2,796 | 2,798 |
| SHAREHOLDERS' EQUITY | 74,840 | 63,342 | 61,039 |
| Financial liabilities | 28,689 | 27,560 | 30,110 |
| Trade payables and other payables | 1,247 | 1,603 | 1,037 |
| Deferred tax liabilities | 1,115 | 2,482 | 3,093 |
| Provision for severance indemnity and retirement benefits | 15,897 | 16,717 | 17,015 |
| Provisions for risks and liabilities | 2,940 | 4,211 | 1,564 |
| NON-CURRENT LIABILITIES | 49,888 | 52,573 | 52,819 |
| Financial liabilities | 167,396 | 184,995 | 190,823 |
| Trade payables and other payables | 183,080 | 198,633 | 212,579 |
| Current taxes payables | 15,820 | 5,295 | 7,669 |
| Provisions for risks and liabilities | 10,735 | 11,252 | 12,186 |
| CURRENT LIABILITIES | 377,031 | 400,175 | 423,257 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 501,759 | 516,090 | 537,115 |

CASH FLOW AS AT 30.09.2014
DRIVELINES & COMPONENTS - DRIVE TECH BUSINESS AREA

| <i>(amounts in Euro thousands)</i> | 30.09.14 | 31.12.13 | 30.09.13 |
|--|-----------------|-----------------|-----------------|
| Opening Net Financial Position | -157,809 | -140,655 | -140,655 |
| <i>Group profit/(loss)</i> | <i>7,931</i> | <i>12,266</i> | <i>8,830</i> |
| <i>Profit/(loss) pertaining to minorities</i> | <i>52</i> | <i>93</i> | <i>96</i> |
| <i>Amortisation, depreciation and impairment of fixed assets</i> | <i>15,277</i> | <i>24,482</i> | <i>18,274</i> |
| Cash flow before Net Working Capital | 23,260 | 36,841 | 27,200 |
| Change in Net Working Capital | -9,043 | -36,664 | -38,468 |
| Investments in fixed assets | -21,570 | -29,227 | -17,299 |
| Disinvestments in fixed assets | 847 | 1,717 | 450 |
| Operating Free Cash Flow | -6,506 | -27,333 | -28,117 |
| Other operating flows | -16,329 | 7,405 | 28 |
| Other investing flows | 20,239 | 12,626 | 7,511 |
| Other equity flows | 3,515 | -9,852 | -8,722 |
| Free Cash Flow | 919 | -17,154 | -29,300 |
| Closing Net Financial Position | -156,890 | -157,809 | -169,955 |

ANALYSIS OF NET WORKING CAPITAL AS AT 30.09.2014
DRIVELINES & COMPONENTS - DRIVE TECH BUSINESS AREA

| <i>(amounts in Euro thousands)</i> | 30.09.14 | 31.12.13 | 30.09.13 |
|------------------------------------|-----------------|-----------------|-----------------|
| Trade Receivables | 75,199 | 79,448 | 85,501 |
| Inventory | 125,894 | 127,071 | 133,586 |
| Trade Payables | -161,534 | -176,003 | -186,767 |
| Net Working Capital (NWC) | 39,559 | 30,516 | 32,320 |

Business Area Vehicles – Agritalia

Agritalia's turnover for the third quarter of 2014 amounted to 26.460 million Euros, up by 20.9% compared to 21.882 million Euros for the same period of 2013.

Cumulative turnover as at 30 September 2014 was equal to 71.624 million Euros, corresponding to the sale of 2,640 tractors, down compared to the 2,701 tractors sold, equal to 75.072 million Euros, in the same period of the previous year, due to problems during the first half of the year and which are now being promptly solved, so that 2014 volumes are expected to exceed 2013 figures, by the end of the year.

Turnover from Engineering and Spare Parts is in line with figures for the previous year.

Margins for the third quarter improved compared to the previous two quarters and were aligned with figures for the third quarter of 2013, thanks to a recovery in turnover volumes. EBITDA for the quarter was equal to 656 thousand Euros (2.5% of turnover), up slightly compared to 609 thousand Euros (2.8% of turnover) for the third quarter of 2013. EBIT was equal to 320 thousand Euros (1.2% of turnover) compared to 283 thousand Euros (1.3% of turnover) for the third quarter of 2013. Cumulative margins as at 30 September 2014 had decreased compared to the same period of the previous year, affected by difficulties in the first half of the year. EBITDA was negative amounting to 735 thousand Euros, (1.0% of turnover), compared to a positive figure of 2.462 million Euro (3.3% of turnover) in 2013. EBIT was negative amounting to 1.731 million Euros (-2.4% of turnover), against a positive figure of 1.534 Euros (2.0% of turnover).

A net profit of 161 thousand Euros (0.6% of turnover) was recorded for the quarter, compared to 117 thousand Euros (0.5% of turnover) for the third quarter of 2013.

As at 30 September 2014, a net loss of 1.606 million Euros (-2.2 % of turnover) was recorded, compared to a profit of 1.220 million Euros (1.6% of turnover) as at 30 September 2013.

The net financial position as at 30 September 2014 was positive, amounting to 5.003 million Euros, but down on the figures of 9.047 million Euros as at 30 June 2014 and 16.878 million Euros as at 31 December 2013, mainly because of the negative trend in the net working capital.

**SUBCONSOLIDATED INCOME STATEMENT AS AT 30.09.2014 - QUARTER ANALYSIS
CARRARO DIVISIONE AGRITALIA BUSINESS AREA**

| <i>(amounts in Euro thousands)</i> | 3rd Quarter 2014 | % | 3rd Quarter 2013 | % | Changes 3Q 2014 3Q 2013 |
|---|-----------------------------|----------------|-----------------------------|----------------|--|
| REVENUES FROM SALES | 26,460 | 100.00% | 21,882 | 100.00% | 20.92% |
| Purchases of goods and materials (net of changes in inventories) | -19,868 | -75.09% | -16,137 | -73.75% | 23.12% |
| Services and Use of third-party goods and services | -2,388 | -9.02% | -1,946 | -8.89% | 22.71% |
| Personnel costs | -3,182 | -12.03% | -2,864 | -13.09% | 11.10% |
| Amortisation, depreciation and impairment of assets | -344 | -1.30% | -329 | -1.50% | 4.56% |
| Provisions for risks | -317 | -1.20% | -266 | -1.22% | 19.17% |
| Other income and expenses | -41 | -0.15% | -57 | -0.26% | -28.07% |
| OPERATING COSTS | -26,140 | -98.79% | -21,599 | -98.71% | 21.02% |
| OPERATING PROFIT/(LOSS) (EBIT) | 320 | 1.21% | 283 | 1.29% | 13.07% |
| Other financial income | - | | - | | |
| Financial costs and expenses | -13 | -0.05% | -17 | -0.08% | -23.53% |
| Net gains/(losses) on foreign exchange | -9 | -0.03% | | | |
| GAINS/(LOSSES) ON FINANCIAL ASSETS | -22 | -0.08% | -17 | -0.08% | 29.41% |
| PROFIT/(LOSS) BEFORE TAXES | 298 | 1.13% | 266 | 1.22% | 12.03% |
| Current and deferred income taxes | -137 | -0.52% | -149 | -0.68% | -8.05% |
| CONSOLIDATED RESULT OF THE BUSINESS AREA | 161 | 0.61% | 117 | 0.53% | 37.61% |
| EBITDA | 656 | 2.48% | 609 | 2.78% | 7.72% |

**SUBCONSOLIDATED INCOME STATEMENT AS AT 30.09.2014 CARRARO
DIVISIONE AGRITALIA**

| <i>(amounts in Euro thousands)</i> | 30.09.14 | % | 31.12.13 | % | 30.09.13 | % | Changes | |
|---|-----------------|-----------------|-----------------|----------------|-----------------|----------------|----------------|----------------|
| | | | | | | | 30.09.14 | 30.09.13 |
| REVENUES FROM SALES | 71,624 | 100.00% | 102,987 | 100.00% | 75,072 | 100.00% | -3,448 | -4.59% |
| Purchases of goods and materials (net of changes in inventories) | -53,086 | -74.12% | -75,518 | -73.33% | -55,429 | -73.83% | 2,343 | -4.23% |
| Services and Use of third-party goods and services | -7,318 | -10.22% | -9,116 | -8.85% | -6,575 | -8.76% | -743 | 11.30% |
| Personnel costs | -10,403 | -14.52% | -12,539 | -12.18% | -9,427 | -12.56% | -976 | 10.35% |
| Amortisation, depreciation and impairment of assets | -1,016 | -1.42% | -1,264 | -1.23% | -938 | -1.25% | -78 | 8.32% |
| Provisions for risks | -1,619 | -2.26% | -1,420 | -1.38% | -1,085 | -1.45% | -534 | 49.22% |
| Other income and expenses | 87 | 0.12% | -38 | -0.04% | -84 | -0.11% | 171 | |
| Internal construction | - | 0.00% | - | 0.00% | - | 0.00% | - | |
| OPERATING COSTS | -73,355 | -102.42% | -99,895 | -97.00% | -73,538 | -97.96% | 183 | -0.25% |
| OPERATING PROFIT/(LOSS) (EBIT) | -1,731 | -2.42% | 3,092 | 3.00% | 1,534 | 2.04% | -3,265 | |
| Other financial income | - | 0.00% | - | 0.00% | - | 0.00% | | |
| Financial costs and expenses | -59 | -0.08% | -101 | -0.10% | -81 | -0.11% | 22 | -27.16% |
| Net gains/(losses) on foreign exchange | -11 | -0.02% | -2 | 0.00% | -4 | -0.01% | -7 | |
| GAINS/(LOSSES) ON FINANCIAL ASSETS | -70 | -0.10% | -103 | -0.10% | -85 | -0.11% | 15 | -17.65% |
| PROFIT/(LOSS) BEFORE TAXES | -1,801 | -2.51% | 2,989 | 2.90% | 1,449 | 1.93% | -3,250 | |
| Current and deferred income taxes | 195 | 0.27% | -372 | -0.36% | -229 | -0.31% | 424 | |
| CONSOLIDATED RESULT BUSINESS AREA | -1,606 | -2.24% | 2,617 | 2.54% | 1,220 | 1.63% | -2,826 | |
| EBITDA | -735 | -1.03% | 4,340 | 4.21% | 2,462 | 3.28% | -3,197 | |

**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30.09.2014
CARRARO DIVISIONE AGRITALIA BUSINESS AREA**

| <i>(amounts in Euro thousands)</i> | 30.09.14 | 31.12.13 | 30.09.13 |
|---|-----------------|-----------------|-----------------|
| Property, plant and equipment | 11,939 | 11,548 | 11,061 |
| Intangible fixed assets | 174 | 246 | 258 |
| Deferred tax assets | 2,107 | 1,610 | 1,698 |
| Trade receivables and other receivables | 11 | 7 | 7 |
| NON-CURRENT ASSETS | 14,231 | 13,411 | 13,024 |
| Closing inventory | 15,795 | 9,456 | 11,878 |
| Trade receivables and other receivables | 12,030 | 3,838 | 8,795 |
| Financial assets | 1 | 7 | - |
| Cash and cash equivalents | 5,003 | 16,871 | 10,141 |
| CURRENT ASSETS | 32,829 | 30,172 | 30,814 |
| TOTAL ASSETS | 47,060 | 43,583 | 43,838 |
| Share Capital | - | - | - |
| Reserves | 11,982 | 9,442 | 9,436 |
| Profit/(Loss) for the period | -1,606 | 2,617 | 1,220 |
| SHAREHOLDERS' EQUITY | 10,376 | 12,059 | 10,656 |
| Trade payables and other payables | -1 | - | - |
| Deferred tax liabilities | -11 | 18 | 15 |
| Provision for severance indemnity and retirement benefits | 1,251 | 1,186 | 1,224 |
| Provisions for risks and liabilities | 1,050 | 615 | 615 |
| NON-CURRENT LIABILITIES | 2,289 | 1,819 | 1,854 |
| Trade payables and other payables | 32,015 | 27,625 | 29,250 |
| Current taxes payables | 25 | 53 | 27 |
| Provisions for risks and liabilities | 2,354 | 2,027 | 2,051 |
| CURRENT LIABILITIES | 34,395 | 29,705 | 31,328 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 47,060 | 43,583 | 43,838 |

CASH FLOW AS AT 30.09.2014 CARRARO DIVISIONE AGRITALIA OF BUSINESS AREA

| <i>(amounts in Euro thousands)</i> | 30.09.14 | 31.12.13 | 30.09.13 |
|--|-----------------|-----------------|-----------------|
| Opening Net Financial Position | 16,878 | 13,001 | 13,001 |
| <i>Group profit/(loss)</i> | <i>-1,606</i> | <i>2,617</i> | <i>1,220</i> |
| <i>Amortisation, depreciation and impairment of fixed assets</i> | <i>996</i> | <i>1,248</i> | <i>928</i> |
| Cash flow before Net Working Capital | -610 | 3,865 | 2,148 |
| Change in Net Working Capital | -10,613 | 1,504 | -4,365 |
| Investments in fixed assets | -1,315 | -1,743 | -948 |
| Disinvestments in fixed assets | - | 27 | 27 |
| Operating Free Cash Flow | -12,538 | 3,653 | -3,138 |
| Other operating flows | 740 | 224 | 283 |
| Other investing flows | - | - | - |
| Other equity flows | -77 | - | -5 |
| Free Cash Flow | -11,875 | 3,877 | -2,860 |
| Closing Net Financial Position | 5,003 | 16,878 | 10,141 |

**ANALYSIS OF NET WORKING CAPITAL AS AT 30.09.2014
CARRARO DIVISIONE AGRITALIA**

| <i>(amounts in Euro thousands)</i> | 30.09.14 | 31.12.13 | 30.09.13 |
|------------------------------------|-----------------|-----------------|-----------------|
| Trade Receivables | 11,570 | 3,290 | 8,443 |
| Inventory | 15,795 | 9,456 | 11,878 |
| Trade Payables | -29,509 | -25,503 | - 27,209 |
| Net Working Capital (NWC) | -2,144 | -12,757 | - 6,888 |

Business Area Electronics – Elettronica Santerno

With the latest trade union agreements being defined, and the start of a mobility procedure, the restructuring of Santerno was completed in September, creating a leaner structure which is more adequate for the current and future configuration of this company business segment. The process also involved foreign subsidiaries.

Photovoltaics

A focus on sales actions targeting major clients and international investors led to the signing of new contracts for 300 MW photovoltaic fields in South Africa, which will be developed in 2015.

Further concrete opportunities are being defined on the North and South American markets, as well as other emerging markets (particularly in EMEA).

Santerno is evaluating interesting options for development, in the service and maintenance segment.

Contracts were ongoing in Chile and Thailand during the quarter, resulting in a total turnover for the segment of over 16 million Euros.

Industrial applications

Actions taken increased orders and turnover, in overall terms, compared to average figures for the first half of the year, and in particular abroad, where prospects for development in 2015 are greater, thanks to new products for water pumping, which will be unveiled at the next trade show in Bologna. Turnover is recovering compared to the cumulative delay in the first part of the year.

Turnover for the third quarter amounted to 17.425 million Euros down by 30.8% compared to 25.168 million Euros for the third quarter of 2013.

Turnover as at 30 September 2014 was equal to 28.168 million Euros down by 55.1% compared to 62.743 million Euros for the first nine months of 2013, partially recovering sales that had been deferred to the second half of the year.

EBITDA for the third quarter was equal to 449 thousand Euros (2.6% of turnover) compared to 2.172 million Euros (8.6% of turnover) for the third quarter of 2013. EBIT was negative amounting to 277 thousand Euros (1.6% of turnover) while it was positive amounting to 1.553 million Euros (6.2% of turnover) for the third quarter of 2013. Compared to the first two quarters of 2014, margins have improved in absolute terms, thanks to lower overheads due to the restructuring activities referred to above.

EBITDA as at 30 September 2014 was negative amounting to 6.614 million Euros (-23.5% of turnover) compared to a positive value of 2.641 million Euros (+4.2% of turnover) as at 30 September 2013. EBIT for the first nine months of 2014 was negative amounting to 8.783 million Euros (-31.2% of turnover) compared to a figure of 802 thousand Euros (1.3% of turnover) as at 30 September 2013. Net of costs for non-recurrent events, EBITDA and EBIT would have been negative, respectively, by 4.262 million Euros (-15.1% of turnover) and 6.431 million Euros (-22.8% of turnover).

A net loss of 564 thousand Euros (3.2% of turnover) was recorded for the third quarter, compared to a profit of 600 thousand Euros (2.4% of turnover) for the third quarter of 2013.

A net loss of 8.971 million Euros was recorded as at 30 September 2014, compared to a loss of 793 thousand Euros as at 30 September 2013. Net of non-recurrent costs, the net loss would be equal to 6.619 million Euros.

Interim Report on Operations as at 30 September 2014

The net financial position as at 30 June 2014 was negative amounting to 11.551 million Euros compared to 13.312 million Euros as at 30 September 2013, 5.110 million Euros as at 31 December 2013 and 15.614 million Euros at 30 June 2014.

**SUBCONSOLIDATED INCOME STATEMENT AS AT 30.09.2014 - QUARTER ANALYSIS
ELETTRONICA SANTERNO BUSINESS AREA**

| <i>(amounts in Euro thousands)</i> | 3rd Quarter 2014 | % | 3rd Quarter 2013 | % | Changes 3Q 2014 3Q 2013 |
|---|-----------------------------|-----------------|-----------------------------|----------------|--|
| REVENUES FROM SALES | 17,425 | 100.00% | 25,168 | 100.00% | -30.77% |
| Purchases of goods and materials (net of changes in inventories) | -10,830 | -62.15% | -14,453 | -57.43% | -25.07% |
| Services and Use of third-party goods and services | -3,881 | -22.27% | -5,632 | -22.38% | -31.09% |
| Personnel costs | -2,044 | -11.73% | -2,921 | -11.61% | -30.02% |
| Amortisation, depreciation and impairment of assets | -848 | -4.87% | -791 | -3.14% | 7.21% |
| Provisions for risks | -264 | -1.52% | -190 | -0.75% | 38.95% |
| Other income and expenses | 77 | 0.44% | -46 | -0.18% | |
| Internal construction | 88 | 0.51% | 418 | 1.66% | -78.95% |
| OPERATING COSTS | -17,702 | -101.59% | -23,615 | -93.83% | -25.04% |
| OPERATING PROFIT/(LOSS) (EBIT) | -277 | -1.59% | 1,553 | 6.17% | |
| Other financial income | 10 | 0.06% | 74 | 0.29% | -86.49% |
| Financial costs and expenses | -310 | -1.78% | -327 | -1.30% | -5.20% |
| Net gains/(losses) on foreign exchange | -99 | -0.57% | -150 | -0.60% | -34.00% |
| GAINS/(LOSSES) ON FINANCIAL ASSETS | -399 | -2.29% | -403 | -1.60% | -0.99% |
| PROFIT/(LOSS) BEFORE TAXES | -676 | -3.88% | 1,150 | 4.57% | |
| Current and deferred income taxes | 112 | 0.64% | -550 | -2.19% | |
| CONSOLIDATED RESULT OF THE BUSINESS AREA | -564 | -3.24% | 600 | 2.38% | |
| EBITDA | 449 | 2.58% | 2,172 | 8.63% | -79.33% |

SUBCONSOLIDATED INCOME STATEMENT AS AT 30.09.2014
ELETTRONICA SANTERNO BUSINESS AREA

| <i>(amounts in Euro thousands)</i> | 30.09.14 | % | 31.12.13 | % | 30.09.13 | % | Changes | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|
| | | | | | | | 30.09.14 | 30.09.13 |
| REVENUES FROM SALES | 28,168 | 100.00% | 74,424 | 100.00% | 62,743 | 100.00% | -34,575 | -55.11% |
| Purchases of goods and materials (net of changes in inventories) | -15,866 | -56.33% | -40,928 | -54.99% | -32,634 | -52.01% | 16,768 | -51.38% |
| Services and Use of third-party goods and services | -8,328 | -29.57% | -21,284 | -28.60% | -17,965 | -28.63% | 9,637 | -53.64% |
| Personnel costs | -7,789 | -27.65% | -12,283 | -16.50% | -9,241 | -14.73% | 1,452 | -15.71% |
| Amortisation, depreciation and impairment of assets | -2,418 | -8.58% | -4,455 | -5.99% | -2,154 | -3.43% | -264 | 12.26% |
| Provisions for risks | -3,050 | -10.83% | -952 | -1.28% | -1,117 | -1.78% | -1,933 | |
| Other income and expenses | 3 | 0.01% | 1,383 | 1.86% | 15 | 0.02% | -12 | -80.00% |
| Internal construction | 497 | 1.76% | 1,690 | 2.27% | 1,155 | 1.84% | -658 | -56.97% |
| OPERATING COSTS | -36,951 | -131.18% | -76,829 | -103.23% | -61,941 | -98.72% | 24,990 | -40.34% |
| OPERATING PROFIT/(LOSS) (EBIT) | -8,783 | -31.18% | -2,405 | -3.23% | 802 | 1.28% | -9,585 | |
| Other financial income | 104 | 0.37% | 187 | 0.25% | 97 | 0.15% | 7 | 7.22% |
| Financial costs and expenses | -759 | -2.69% | -1,186 | -1.59% | -905 | -1.44% | 146 | -16.13% |
| Net gains/(losses) on foreign exchange | -259 | -0.92% | 121 | 0.16% | -357 | -0.57% | 98 | -27.45% |
| PROFIT/(LOSS) FINANCIAL ASSETS: | -914 | -3.24% | -878 | -1.18% | -1,165 | -1.86% | 251 | -21.55% |
| | | | | | | | | - |
| PROFIT/(LOSS) BEFORE TAXES | -9,697 | -34.43% | -3,283 | -4.41% | -363 | -0.58% | -9,334 | |
| Current and deferred income taxes | 726 | 2.58% | -1,192 | -1.60% | -430 | -0.69% | 1,156 | |
| CONSOLIDATED RESULT OF THE BUSINESS AREA | -8,971 | -31.85% | -4,475 | -6.01% | -793 | -1.26% | -8,178 | |
| EBITDA | - 6,614 | -23.48% | 171 | 0.23% | 2,641 | 4.21% | -9,255 | |

SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30.09.2014
ELETTRONICA SANTERNO BUSINESS AREA

| <i>(amounts in Euro thousands)</i> | 30.09.14 | 31.12.13 | 30.09.13 |
|---|-----------------|-----------------|-----------------|
| Property, plant and equipment | 5,425 | 5,907 | 5,645 |
| Intangible fixed assets | 27,878 | 28,931 | 29,395 |
| Deferred tax assets | 3,626 | 3,048 | 3,833 |
| Trade receivables and other receivables | 196 | 401 | 199 |
| NON-CURRENT ASSETS | 37,125 | 38,287 | 39,072 |
| Closing inventory | 10,749 | 11,182 | 16,471 |
| Trade receivables and other receivables | 13,203 | 18,364 | 36,526 |
| Financial assets | 100 | 215 | 163 |
| Cash and cash equivalents | 1,510 | 3,314 | 2,826 |
| CURRENT ASSETS | 25,562 | 33,075 | 55,986 |
| TOTAL ASSETS | 62,687 | 71,362 | 95,058 |
| Share Capital | 2,500 | 2,500 | 2,500 |
| Reserves | 29,111 | 33,615 | 33,663 |
| Foreign currency translation reserve | -233 | -122 | 341 |
| Profit/(Loss) for the period | -8,971 | -4,475 | -793 |
| SHAREHOLDERS' EQUITY | 22,407 | 31,518 | 35,711 |
| Financial liabilities | - | - | - |
| Trade payables and other payables | 158 | 212 | 191 |
| Deferred tax liabilities | -8 | 4 | 23 |
| Provision for severance indemnity and retirement benefits | 559 | 609 | 658 |
| Provisions for risks and liabilities | 52 | 49 | 63 |
| NON-CURRENT LIABILITIES | 761 | 874 | 935 |
| Financial liabilities | 13,328 | 8,462 | 16,266 |
| Trade payables and other payables | 24,343 | 28,796 | 39,975 |
| Current taxes payables | - | - | 270 |
| Provisions for risks and liabilities | 1,848 | 1,712 | 1,901 |
| CURRENT LIABILITIES | 39,519 | 38,970 | 58,412 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 62,687 | 71,362 | 95,058 |

CASH FLOW AS AT 30.09.2014 BUSINESS AREA ELETTRONICA SANTERNO

| <i>(amounts in Euro thousands)</i> | 30.09.14 | 31.12.13 | 30.09.13 |
|--|-----------------|-----------------|-----------------|
| Opening Net Financial Position | -5,110 | -6,444 | -6,444 |
| <i>Group profit/(loss)</i> | <i>-8,971</i> | <i>-4,475</i> | <i>-793</i> |
| <i>Amortisation, depreciation and impairment of fixed assets</i> | <i>2,169</i> | <i>2,576</i> | <i>1,839</i> |
| Cash flow before Net Working Capital | -6,802 | -1,899 | 1,046 |
| Change in Net Working Capital | 2,521 | 3,416 | -8,160 |
| Investments in fixed assets | -634 | -2,580 | -1,598 |
| Disinvestments in fixed assets | 206 | 363 | 168 |
| Operating Free Cash Flow | -4,709 | -700 | -8,544 |
| Other operating flows | -1,386 | 2,495 | 1,878 |
| Other investing flows | -206 | 30 | -222 |
| Other equity flows | -140 | -491 | 20 |
| Free Cash Flow | -6,441 | 1,334 | -6,868 |
| Closing Net Financial Position | -11,551 | -5,110 | -13,312 |

**ANALYSIS OF NET WORKING CAPITAL AS AT 30.09.2014
ELETTRONICA SANTERNO BUSINESS AREA**

| <i>(amounts in Euro thousands)</i> | 30.09.14 | 31.12.13 | 30.09.13 |
|------------------------------------|-----------------|-----------------|-----------------|
| Trade Receivables | 10,360 | 15,567 | 32,660 |
| Inventory | 10,749 | 11,182 | 16,471 |
| Trade Payables | -19,438 | -22,557 | -33,363 |
| Net Working Capital (NWC) | 1,671 | 4,192 | 15,768 |

Significant events in the quarter

On 15 July 2014 Carraro SpA and Carraro International SA purchased from GE Capital Interbanca SpA the participating interest held in Carraro Drive Tech SpA (5.47%) consequent to the perfection of the merger by way of incorporation of Gear World SpA in Carraro Drive Tech SpA.

As GE Capital Interbanca's role in the original investment project ended, the Group decided to re-purchase said participating interest also in order to continue in a more determined and rapid way with the process of simplification of the corporate structure with benefits expected in terms of potential development of new organisational structures and in terms of cost saving.

On 23rd October 2014 an inspection by the Guardia di Finanza was completed, resulting in objections relative to the assumed Italian tax residency of some foreign companies of the group. The company is examining the findings in order to formulate its own assessment.

PREDICTABLE EVOLUTION OF THE BUSINESS FOR THE CURRENT FINANCIAL YEAR

The expectations for the last part of the year highlight for Carraro Drive Tech a further fall-off in the reference markets compared to the last quarters, only partly counterbalanced by the recoveries of Agritalia and Elettronica Santerno. In the light of this, a negative Group result is expected also for the fourth quarter.

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 25 companies of which 15 are established and regulated in non-European Union countries, specifically in Argentina, Brazil, China, India, Russia and the United States; of these, four, in Argentina, China, India, and the United States, are significant under the terms of Title VI, Section II of the Issuer Regulations (Consob Order 11971/1999).

Carraro SpA
The Chairman

Enrico Carraro

Interim Report on Operations as at 30 September 2014

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

Subject: Interim Report on Operations as at 30.09.2014

The undersigned Enrico Gomiero, the Director responsible for producing the company's accounting documents, 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, 29 October 2014

Carraro SpA
Chief Financial Officer

Enrico Gomiero