



Carraro Group

Interim Report on Operations as at 31 March 2013

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 35011 Campodarsego (PD) at Via Olmo no. 37

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

AUDITING COMPANY

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 31.03.2013

(amounts in €/000)	31.03.2013	%	31.03.2012	%	Changes	
					31.03.13	31.03.12
REVENUES FROM SALES	199,508	100.00%	232,582	100.00%	-33,074	-14.22%
Purchases of goods and materials (net of changes in inventories)	-117,409	-58.85%	- 140,649	-60.47%	23,240	-16.52%
Services and Use of third-party goods and services	-34,646	-17.37%	- 43,194	-18.57%	8,548	-19.79%
Personnel costs	-36,680	-18.39%	- 36,074	-15.51%	-606	1.68%
Amortisation, depreciation and impairment of assets	-7,750	-3.88%	- 8,322	-3.58%	572	-6.87%
Provisions for risks	-965	-0.48%	- 1,987	-0.85%	1,022	-51.43%
Other income and expenses	933	0.47%	744	0.32%	189	25.40%
Internal construction	719	0.36%	334	0.14%	385	
OPERATING COSTS	-195,798	-98.14%	- 229,148	-98.52%	33,350	14.55%
OPERATING PROFIT/(LOSS) (EBIT)	3,710	1.86%	3,434	1.48%	276	8.04%
Income from equity investments	-	0.00%	-		-	
Other financial income	491	0.25%	645	0.28%	-154	-23.88%
Financial costs and expenses	-4,102	-2.06%	- 5,055	-2.17%	953	18.85%
Net gains/(losses) on foreign exchange	1	0.00%	511	0.22%	-510	-99.80%
Value adjustments of financial assets	-	0.00%	-		-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	-3,610	-1.81%	- 3,899	-1.68%	289	7.41%
PROFIT/(LOSS) BEFORE TAXES	100	-0.05%	- 465	-0.20%	565	
Current and deferred income taxes	-3,203	-1.61%	- 3,275	-1.41%	72	2.20%
NET PROFIT/(LOSS)	-3,103	-1.56%	- 3,740	-1.61%	637	17.03%
Profit/(loss) pertaining to minorities	35	0.02%	- 139	-0.06%	174	
GROUP CONSOLIDATED PROFIT/(LOSS)	-3,068	-1.54%	- 3,879	-1.67%	811	20.91%
EBITDA	11,338	5.68%	11,340	4.88%	-2	-0.02%

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31.03.2013

(amounts in €/000)	31.03.2013	31.12.2012	31.03.2012
Property, plant and equipment	208,346	209,656	207,693
Intangible fixed assets	87,278	86,049	81,665
Real estate investments	708	708	710
Holdings in subsidiaries and associates	-	-	-
Financial assets	3,526	3,909	5,404
Deferred tax assets	29,011	29,428	26,200
Trade receivables and other receivables	1,600	1,624	1,533
NON-CURRENT ASSETS	330,469	331,374	323,205
Closing inventory	163,759	146,754	213,196
Trade receivables and other receivables	161,397	134,261	203,339
Financial assets	6,086	4,397	5,153
Cash and cash equivalents	63,560	108,857	63,361
CURRENT ASSETS	394,802	349,269	485,049
TOTAL ASSETS	725,271	725,643	808,254
Share Capital	23,915	23,915	23,915
Reserves	40,161	53,678	57,286
Foreign currency translation reserve	-7,475	-8,988	-6,087
Profit/(Loss) for the period	-3,068	-15,299	-3,879
Minority interests	9,959	9,810	11,802
SHAREHOLDERS' EQUITY	63,492	63,116	83,037
Financial liabilities	179,170	177,821	159,241
Trade payables and other payables	296	313	123
Deferred tax liabilities	3,244	3,467	5,227
Provision for severance indemnity and retirement benefits	19,804	19,676	16,955
Provisions for risks and liabilities	2,452	2,403	3,753
NON-CURRENT LIABILITIES	204,966	203,860	185,299
Financial liabilities	170,480	153,504	200,647
Trade payables and other payables	260,351	278,245	313,448
Current taxes payables	7,440	8,159	11,195
Provisions for risks and liabilities	18,542	18,939	14,628
CURRENT LIABILITIES	456,813	458,847	539,918
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	725,271	725,643	808,254

CASH FLOW AS AT 31.03.2013

	31.03.2013	31.12.2012	31.03.2012
Opening Net Financial Position	- 213,703	- 247,505	- 247,505
<i>Group profit/(loss)</i>	-3,068	-15,299	- 3,879
<i>Profit/(loss) pertaining to minorities</i>	-35	2,641	139
<i>Amortisation, depreciation and impairment of fixed assets</i>	7,628	33,930	7,906
Cash flow before Net Working Capital	4,525	15,990	4,166
Change in Net Working Capital	-59,732	43,509	- 42,016
Investments in fixed assets	-5,790	- 41,632	- 4,290
Disinvestments in fixed assets	138	2,279	49
Operating Free Cash Flow	- 60,859	20,146	- 42,091
Other operating flows	-4,690	18,524	4,833
Other investing flows	-1,895	3,759	1,031
Change in Share Capital	-	-	-
Dividends paid	-	-	-
Other equity flows	3,479	- 8,627	- 2,906
Free Cash Flow	- 63,965	33,802	- 39,083
Closing Net Financial Position	- 277,668	- 213,703	- 286,588

ANALYSIS OF NET WORKING CAPITAL AS AT 31.03.2013

(amounts in €/000)	31.03.2013	31.12.2012	31.03.2012
Trade Receivables	111,896	88,051	137,265
Inventory	163,759	146,754	213,196
Trade Payables	- 227,571	- 246,453	- 276,584
Net Working Capital (NWC)	48,084	-11,648	73,877

The Carraro Group

Carraro is an international industrial group, with headquarters in Italy, at Campodarsego (Padova). Three Business Areas report to the holding company Carraro SpA, which has the role of setting strategic policy, coordinating transversal business and providing support services:

- 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 components and gears for very diverse sectors, from the automotive industry to light power tools, material handling, agricultural applications and construction equipment.
- Carraro Divisione Agritalia (*Vehicles*) designs and manufactures special tractors (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).

This new structure, which was established in early 2013, is a further development of the organisation comprising four separate Business Units that has enabled the Group in the last few years to adequately focus on markets and specific applications, with different risk profiles and targeted strategies.

The merging of the two main Business Units (transmission systems and components) is a fundamental part of the process to empower the Group's core business, in terms of synergies in new product development and integration of production processes. This broad-ranging structure also maintains a vertical focus on specific markets and sectors.

As a result the new Carraro Drive Tech Business Area, with its more dynamic configuration, can tackle its target markets with a more flexible response and products that boast a greater added value.

Reference markets

Agriculture

In the first few months of 2013, the trend of the agricultural market was positive in general, with further signs of improvement in the medium term.

In more detail, demand for machines above 80 hp increased in the APAC (Asia Pacific) area, while growth was moderate in Europe and basically stable in the United States. In line with this trend, and with the need of various OEMs to outsource operations, Carraro Drive Tech successfully completed development tests on the new range of T10.0 transmissions, and will start up production for the first OEM assembly at the end of the second quarter of 2013.

Volumes increased considerably in Turkey. The Indian market decreased, while on the contrary South America reported a positive trend, and this market is expected to grow further in the medium to long term.

Construction equipment

The construction equipment market reported contrasting trends at the start of 2013, with a few downturns.

In Asia, forecasts are still uncertain, mainly due to changed decisions at government level; in Europe, the market is generally on a downturn, but a possible recovery is predicted for the second half of the year. Demand in North America increased slightly due to the renewal of rental fleet vehicles. Growth on the Turkish market was excellent.

As regards mining equipment, Asia Pacific and East European markets increased by 25% in the short term, although this figure should be considered with caution, due to the trend of raw material prices that could impact new investments in this sector.

Renewable energy

In the first quarter, Santerno was awarded major contracts at international level, for a 19 MW plant in India, the first section of a large-scale plant in Australia and a further new agreement in Greece, among others. This will enable the company to install over 40 MW in under 5 months in 2013.

Demand from new countries, including Romania and Greece, is extremely interesting and despite a legal framework that does not provide for major incentives, growth on these markets has been boosted by the considerable fall in development costs of plants. In the first three months of 2013, the photovoltaic market in Italy confirmed its trend of the last quarter of 2012, with considerable stagnation after the collapse of the last two years.

As explained above, market trends are in line and consistent with Group forecasts for 2013.

Summary of the quarter

As from 2013, the Group analyses its performance based on the new organisational structure, so in addition to presenting economic and equity data by business area, figures as at 31 March 2012 have been restated for a uniform comparison.

The first quarter of 2013 was marked by an increase in consolidated margins compared to the first quarter of 2012, despite the fall in turnover, thanks to strategies launched in previous years targeting an improvement in industrial processes and cost cutting in general.

In particular, the positive performance refers to business areas in the mechanics segment (Drive Tech and Agritalia). In terms of margins, Elettronica Santerno achieved results far better than forecasts, despite not reaching the break-even point, which will be possible in the next few quarters as volumes are expected to increase.

The Carraro Group's turnover as at 31 March 2013 amounted to 199.508 million Euros, a decrease (-14.2%) over the same quarter of 2012 (232.582 million Euros), but up by 4.2% compared to the last quarter of 2012 (191.521 million Euros). Business areas operating in the mechanics segment realised a turnover down 14.7% compared to the same period of the previous year, but up 5.6% compared to the last quarter of 2012. Elettronica Santerno realised a turnover more or less in line with figures for the first quarter of 2012 (-5.3%), but higher than expected (+8.2%) and if compared to volumes of the last quarter of 2012 (+16.1%).

Consolidated Group EBITDA as at 31 March 2013 was up 16.8% compared to forecasts and amounted to 11.338 million Euros, in line with the figure of 11.340 million Euros for the same period of 2012. In terms of the percentage accounting for turnover, EBITA improved, increasing from 4.9% as at 31 March 2012 to 5.7% as at 31 March 2013. EBITDA of the mechanical business areas as at 31 March 2013 amounted to 15.245 million Euros (7.4% of turnover), up 2.1% compared to 14.929 million Euros (6.2% of turnover) for the first quarter of 2012, while Elettronica Santerno posted a negative EBITDA, equal to 1.384 million Euros (-12.0% of turnover), which was better however compared to the negative value of 3.145 million Euros (-25.8% of turnover) as at 31 March 2012.

Consolidated EBIT as at 31 March 2013 amounted to 3.710 million Euros (1.9 % of turnover) compared to 3.434 million Euros (1.5% of turnover) as at 31 March 2012. EBIT of the core business was equal to 8.795 million Euros (4.3% of turnover) compared to 8.206 million Euros (3.4% of turnover) as at 31 March 2012; EBIT of Santerno was negative amounting to 1.993 million Euros (-17.3% of turnover), against a negative figure of 3.722 million Euros (-31.0% of turnover) in the first quarter of 2012.

Group earnings before tax as at 31 March 2013 amounted to 100 thousand Euros (0.1% of turnover); due to taxes for the period equal to 3.203 million Euros, a loss of 3.068 million Euros (-1.5 % of turnover) was recorded compared to a loss of 3.879 million Euros (-1.7 % of turnover) for the first quarter of 2012.

The net financial position as at 31 March 2013 was negative, amounting to 277.668 million Euros, registering a decrease compared to the figure of 286.588 million Euros as at 31 March 2012, but an increase, as predicted, compared to 213.703 million Euros as at 31 December 2012, due to the expected effects of activities carried out at the end of 2012 to normalise the trend of net working capital being reabsorbed.

Significant events in the quarter

On 13 February 2013 the shareholders' meetings of Carraro Drive Tech SpA and Gear World SpA approved by majority vote the aforementioned merger by incorporation of Gear World SpA with Carraro Drive Tech SpA.

Following the expiry on 31 December 2012 of the Framework Agreement signed in April 2010 with leading banks, the Carraro Group, assisted by an advisor, continued negotiations with banks to present its new industrial plan and project to reorganise the financial structure of the Group and share a proposal to change some of the main contract terms relative to ongoing loans.

BUSINESS OUTLOOK FOR THE CURRENT YEAR

The orders portfolio performed well in the first half of 2013, and Group margins will retain their positive trend compared to last year, in line with figures for the first quarter of 2013; this is also due to the effects of the reorganisation process that will be visible from the second quarter onwards.

ECONOMIC AND EQUITY DATA

Turnover

The Group's consolidated turnover for the first quarter of 2013 amounted to 199.508 million Euros, down 14.2% compared to turnover for the first quarter of 2012, equal to 232.582 million Euros.

The following table breaks turnover down by market segment:

amounts in €/000	SALES			SALES TO THIRD PARTIES			INTRA-GROUP SALES		
	31.03.2013	31.03.2012	Diff. %	31.03.2013	31.03.2012	Diff. %	31.03.2013	31.03.2012	Diff. %
CARRARO DRIVE TECH	170,216	200,167	-14.96%	165,731	195,289	-15.14%	4,485	4,878	-8.06%
CARRARO DIV. AGRITALIA	22,607	25,772	-12.28%	21,699	24,760	-12.36%	908	1,012	-10.28%
ELETTRONICA SANTERNO	11,517	12,166	-5.33%	11,419	12,110	-5.71%	98	56	75.00%
NON-ALLOCATED BUSINESS	3,511	11,178	-68.59%	659	423	55.79%	2,852	10,755	-73.48%
TOTAL SEGMENTS	207,851	249,283	-16.62%	199,508	232,582	-14.22%	8,343	16,701	-50.04%
INTRA-GROUP ELIMINATIONS	-8,343	-16,701	-50.04%	-	-		-	-	
CONSOLIDATED TOTAL	199,508	232,582	-14.22%	199,508	232,582	-14.22%	8,343	16,701	-50.04%

The following table breaks down turnover by geographical area:

amounts in €/000

Geographical Area	31.03.2013	%	31.03.2012	%	difference % '13-'12
Germany	27,470	13.77	32,499	13.97	-15.47
North America	23,819	11.94	22,535	9.69	5.70
South America	23,149	11.60	21,910	9.42	5.65
France	14,828	7.43	16,619	7.15	-10.78
Turkey	13,918	6.98	9,381	4.03	48.36
China	13,081	6.56	17,452	7.50	-25.05
India	12,773	6.40	15,626	6.72	-18.26
United Kingdom	11,860	5.94	22,697	9.76	-47.75
Switzerland	8,669	4.35	13,558	5.83	-36.06
Poland	4,208	2.11	5,132	2.21	-18.00
Belgium	4,579	2.30	4,314	1.85	6.14
Other non-E.U. areas.	5,527	2.77	2,991	1.29	84.79
Other E.U. areas	11,249	5.64	10,410	4.48	8.06
Total Abroad	175,130	87.78	195,124	83.89	-10.25
Italy	24,378	12.22	37,458	16.11	-34.92
Total	199,508	100.00	232,582	100.00	-14.22
of which:					
Total E.U. area	98,572	49.41	129,129	55.52	-23.66
Total non-E.U. area	100,936	50.59	103,453	44.48	-2.43

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.

Considering however data in the table above, sales of the Group in non-European countries are gaining ground, particularly in South America (+5.65 % compared to the first quarter of 2012), North America (+5.70%) and Turkey (+48.36%).

As at 31 March 2013, sales to non-European countries accounted for more than 50% of total turnover.

EBITDA and EBIT

Figures as at 31.03.2013 (amounts in €/000)

	31.03.2013	% of turnover	31.03.2012	% of turnover	Diff. %
EBITDA ⁽¹⁾	11,338	5.7	11,340	4.9	0.0
EBIT ⁽²⁾	3,710	1.9	3,434	1.5	8.0

(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 of 2013 amounted to 11.338 million Euros (5.7 % of turnover) compared to 11.340 million Euros (4.9% of turnover) for the same period of 2012.

EBIT as at 31 March 2013 amounted to 3.710 million Euros (1.9 % of turnover) compared to 3.434 million Euros (1.5% of turnover) as at 31 March 2012.

The increase in margins compared to the previous period, mainly in terms of the percentage accounting for turnover, is due to activities to optimise industrial processes and the effects of the Partnership Project which is targeting a gradual reduction in the number of reference suppliers.

The two indices distinguishing the evolution of the core business (mechanics) from the Electronics business area Elettronica Santerno are shown below:

EBITDA	31.03.2013	% of turnover	31.03.2012	% of turnover	Diff. %
Carraro Drive Tech and Divisione Agritalia	15,246	7.4	14,929	6.2	+2.1
Elettronica Santerno	-1,384	-12.0	-3,145	-25.9	-56.0

EBIT	31.03.2013	% of turnover	31.03.2012	% of turnover	Diff. %
Carraro Drive Tech and Divisione Agritalia	8,795	4.3	8,206	3.4	+7.2
Elettronica Santerno	-1,993	-17.3	-3,772	-31.0	-47.2

Financial expenses

Figures as at 31.03.2013 (amounts in €/000)

	31.03.2013	% of turnover	31.03.2012	% of turnover	Diff. %
Financial expenses	3,611	1.8	4,410	1.9	18.1

Financial expenses in the first quarter of 2013 amounted to 3.611 million Euros (1.8% of turnover) compared to 4.410 million Euros (1.9% of turnover) in the first quarter of 2012. The change in financial expenses compared to the same period of the previous year is mainly due to the lower cost of money, concerning not so much Europe, but mostly better borrowing conditions for foreign companies.

Exchange differences

Figures as at 31.03.2013 (amounts in €/000)

	31.03.2013	% of turnover	31.03.2012	% of turnover	Diff. %
Exchange differences	1	0.0	511	0.2	-99.8

Exchange differences for the first quarter of 2013 were positive, amounting to 1 thousand Euros compared to 511 thousand Euros for the first quarter of 2012.

Net profit/(loss)

Figures as at 31.03.2013 (amounts in €/000)

	31.03.2013	% of turnover	31.03.2012	% of turnover	Diff. %
Net profit/(loss)	-3,068	-1.5	-3,879	-1.7	+20.9

Earnings before tax as at 31 March 2013 amounted to 100 thousand Euros. Net of taxes for the period, equal to 3.203 million Euros, the Group posted a loss of 3.068 million Euros (-1.5 % of turnover) compared to a loss of 3.879 million Euros (-1.7 % of turnover) for the first quarter of 2012.

In March 2013, a net profit was recorded of 573 thousand Euros, due to a gradual improvement in margins, as described above.

Amortisation, depreciation and impairment of assets

Figures as at 31.03.2013 (amounts in €/000)

	31.03.2013	% of turnover	31.03.2012	% of turnover	Diff. %
Amortisation, depreciation and impairment	7,628	3.8	7,906	3.4	-3.5

Investments

Figures as at 31.03.2013 (amounts in €/000)

	31.03.2013	31.03.2012
Investments	5,790	4,290

Investments as at 31 March 2013, equal to 5.790 million Euros compared to 4.290 million Euros as at 31 March 2012, were focused on the development of new projects, mainly in the Drive Tech business area and on plant maintenance.

Net financial position

Figures as at 31.03.2013 (amounts in €/000)

	31.03.2013	31.12.2012	31.03.2012
Net financial position*	-277,668	-213,703	-286,588

* 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 negative value of 277.668 million Euros as at 31 March 2013 compared to 213.703 million Euros as at 31 December 2012. The increase in exposure for the period is mainly due to the negative change in net working capital as a result of activities carried out at the end of 2012, to align suppliers' payment times with stock trends, being reabsorbed.

PERSONNEL

Workforce trend

Figures as at 31.03.2013

	31.03.2013	31.12.2012	31.03.2012
Executives	51	58	64
Clerical staff	1,021	1,044	1,058
Factory workers	2,862	2,865	3,009
Temporary workers	60	43	261
Total	3,994	4,010	4,392

Group personnel as at 31 March 2013 amounted to 3,994 employees. The total number has not changed significantly compared to 31 December 2012; on an individual category basis, the number of executives decreased (-7 people), in line with the reorganisation plan adopted, as well as clerical staff (-23 people).

Compared to data as at 31 March 2012 (4,392 employees), the number of temporary workers fell considerably (-199 people).

As at 31 March 2012, 1,848 people (46% of the overall workforce) were employed at Italian Group factories, while 2,146 people (56% of the overall workforce) were employed abroad.

As from November 2012, Elettronica Santerno started a 12 month temporary lay-off period for restructuring.

Performance and results of the Carraro Group Business Areas

Drivelines & Components - Drive Tech Business Area

As from the first quarter of 2013, the Drivelines and Components Business Units are part of the new business area, called Carraro Drive Tech, focussed on transmission systems (axles, transmissions and drives) mainly for agricultural and construction equipment, and components and gears for very diverse sectors, from construction to the automotive industry, gardening, light power tools, agricultural applications and material handling.

In order to compare results, data for the first quarter of 2012 have been restated, to align them with the new organisation.

Revenues from sales as at 31 March 2013 totalled 170.216 million Euros compared to 200.167 million Euros for the first quarter of 2012, down by 15.0%.

Analysis of turnover from third party clients by geographical segment shows an increasing focus on non-European markets and particularly South America, North America and Turkey.

As at 31 March 2013, foreign turnover of the business area accounted for 89.2% of total turnover, compared to 86.3% as at 31 March 2012.

In terms of application segments, demand from the agricultural sector remained positive, while the construction equipment and automotive industries reported a downturn compared to the same period of the previous year.

In the last quarter of 2012, the market declined considerably, only partially recovering in the first quarter of 2013, as regards both transmissions and gears.

Orders remained steady in the quarter, mainly in line with budget forecasts, even though volumes have been affected by production slowdowns due to quality issues with some components manufactured by external suppliers. The orders portfolio for the year is expected to realise a final turnover in line with the previous year, absorbing the gap of the second quarter.

Variable margins, although affected by falling volumes, improved compared to the same period of the previous year, in absolute terms and as a percentage accounting for turnover, thanks to ongoing activities to improve industrial processes and purchasing efficiency.

Industrial costs and overheads were both in line with forecasts; this meant that EBIT increased compared to the first quarter of 2012, despite a fall in volumes.

EBIT as at 31 March 2013 amounted to 14.432 million Euros (8.5 % of turnover) an improvement on 13.895 million Euros (6.9% of turnover) as at 31 March 2012.

EBITDA for the first quarter of 2013 was equal to 8.278 million Euros (4.9% of turnover) compared to 7.452 million Euros (3.7% of turnover) for the first quarter of 2012.

A net profit of 1.906 million Euros (1.1 % of turnover) was recorded, up 47.9% compared to the profit of 1.289 million Euros (0.6% of turnover) as at 31 March 2012.

The net financial position improved compared to 31 March 2012, from 210.684 million Euros to 188.771 million Euros, whereas compared to 31 December 2012, when it amounted to 140.655 million Euros, debt increased due to actions to normalise the trend of net working capital carried out at the end of 2012, being reabsorbed.

SUBCONSOLIDATED INCOME STATEMENT AS AT 31.03.2013
CARRARO DRIVE TECH BUSINESS AREA

(amounts in €/000)	31.03.2013	%	31.03.2012	%	Changes	
					31.03.13	31.03.12
REVENUES FROM SALES	170,216	100.00%	200,167	100.00%	-29,951	-14.96%
Purchases of goods and materials (net of changes in inventories)	-100,158	-58.84%	-121,736	-60.82%	21,578	-17.73%
Services and Use of third-party goods and services	-28,172	-16.55%	-36,548	-18.26%	8,376	-22.92%
Personnel costs	-28,244	-16.59%	-27,429	-13.70%	-815	2.97%
Amortisation, depreciation and impairment of assets	-6,239	-3.67%	-6,758	-3.38%	519	-7.68%
Provisions for risks	-583	-0.34%	-1,410	-0.70%	827	-58.65%
Other income and expenses	1,023	0.60%	839	0.42%	184	21.93%
Internal construction	435	0.26%	327	0.16%	108	33.03%
OPERATING COSTS	-161,938	-95.14%	-192,715	-96.28%	30,777	-15.97%
OPERATING PROFIT/(LOSS) (EBIT)	8,278	4.86%	7,452	3.72%	826	11.08%
Income from equity investments	-	0.00%	-	0.00%	-	
Other financial income	472	0.28%	264	0.13%	208	78.79%
Financial costs and expenses	-4,055	-2.38%	-4,346	-2.17%	291	-6.70%
Net gains/(losses) on foreign exchange	91	0.05%	507	0.25%	-416	-82.05%
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	-3,492	-2.05%	-3,575	-1.79%	83	-2.32%
PROFIT/(LOSS) BEFORE TAXES	4,786	2.81%	3,877	1.94%	909	23.45%
Current and deferred income taxes	-2,805	-1.65%	-2,440	-1.22%	-365	14.96%
NET PROFIT/(LOSS)	1,981	1.16%	1,437	0.72%	544	37.86%
Profit/(loss) pertaining to minorities	-75	-0.04%	-148	-0.07%	73	-49.32%
BUSINESS AREA CONSOLIDATED PROFIT/(LOSS)	1,906	1.12%	1,289	0.64%	617	47.87%
EBITDA	14,432	8.48%	13,895	6.94%	537	3.86%

**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31.03.2013
CARRARO DRIVE TECH BUSINESS AREA**

(amounts in €/000)	31.03.2013	31.12.2012	31.03.2012
Property, plant and equipment	163,053	164,148	169,161
Intangible fixed assets	49,216	49,106	48,656
Real estate investments	169	169	170
Holdings in subsidiaries and associates	-	-	-
Financial assets	3,293	3,526	5,123
Deferred tax assets	19,570	19,877	17,673
Trade receivables and other receivables	1,257	1,282	1,720
NON-CURRENT ASSETS	236,558	238,108	242,503
Closing inventory	131,991	120,477	172,804
Trade receivables and other receivables	126,031	107,393	154,652
Financial assets	6,251	3,747	5,027
Cash and cash equivalents	42,195	73,051	31,056
CURRENT ASSETS	306,468	304,668	363,539
TOTAL ASSETS	543,026	542,776	606,042
Share Capital	58,902	58,902	58,902
Reserves	9,372	4,994	8,599
Foreign currency translation reserve	-7,422	-9,159	-6,007
Profit/(Loss) for the period	1,906	2,449	1,289
Minority interests	3,722	3,649	3,498
SHAREHOLDERS' EQUITY	66,480	60,835	66,281
Financial liabilities	36,782	34,031	40,351
Trade payables and other payables	23	20	64
Deferred tax liabilities	3,482	3,441	5,194
Provision for severance indemnity and retirement benefits	17,124	17,003	14,509
Provisions for risks and liabilities	1,634	1,564	2,467
NON-CURRENT LIABILITIES	59,045	56,059	62,585
Financial liabilities	202,103	187,258	210,947
Trade payables and other payables	195,541	217,596	248,940
Current taxes payables	6,571	7,589	8,562
Provisions for risks and liabilities	13,286	13,439	8,727
CURRENT LIABILITIES	417,501	425,882	477,176
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	543,026	542,776	606,042

CASH FLOW AS AT 31.03.2013
CARRARO DRIVE TECH BUSINESS AREA

(amounts in €/000)	31.03.2013	31.12.2012	31.03.2012
Opening Net Financial Position	-140,655	-188,561	-188,561
<i>Group profit/(loss)</i>	1,906	2,449	1,290
<i>Profit/(loss) pertaining to minorities</i>	75	-1,371	148
<i>Amortisation, depreciation and impairment of fixed assets</i>	6,154	28,082	6,446
Cash flow before Net Working Capital	8,135	29,160	7,884
Change in Net Working Capital	-48,188	25,938	-30,526
Investments in fixed assets	-3,084	-24,451	-3,745
Disinvestments in fixed assets	161	652	-45
Operating Free Cash Flow	-42,976	31,300	-26,432
Other operating flows	-6,559	20,024	5,565
Other investing flows	-2,245	4,319	1,402
Change in Share Capital	-	-	-
Dividends paid	-	-	-
Other equity flows	3,664	-7,736	-2,658
Free Cash Flow	- 48,116	47,907	-22,123
Closing Net Financial Position	- 188,771	-140,655	- 210,684

ANALYSIS OF NET WORKING CAPITAL AS AT 31.03.2013
CARRARO DRIVE TECH BUSINESS AREA

(amounts in €/000)	31.03.2013	31.12.2012	31.03.2012
Trade Receivables	85,096	69,798	104,865
Inventory	131,991	120,477	172,805
Trade Payables	- 175,047	-196,423	-227,352
Net Working Capital (NWC)	42,040	-6,148	50,318

Vehicles – Agritalia Business Area

In line with forecasts for the start of the year, turnover in the first quarter of 2013 was equal to 22.607 million Euros, down 12.3% compared to the first quarter of 2012, when 1,025 tractors were sold compared to 841 tractors in 2012. Based on the trend of orders, final turnover should be aligned with the previous year, absorbing the gap from the next few months onwards.

The working stage of the partnership project with the Turkish client Basak began in the first quarter. The project will develop a new tractor, based on Carraro's Agricube model, and define production lines in Turkey, select and validate local suppliers and, as from March, Agritalia will supply the complete driveline, consisting of the front axle, engine, complete transmission, front axle support and cooling system.

The variable margin for the quarter amounts to 14.3% of turnover, compared to 12.6% in 2012, thanks to the optimisation of production processes which is continuing with a Kaizen approach to continual improvement.

Specific overheads were up compared to 2012, and in particular salaries (+238 thousand Euros) and fees for professional services (+29 thousand Euros), relating to the increase in sales of engineering activities, with margins that will only have an effect when individual projects are completed in 2013.

The above resulted in EBITDA equal to 416 thousand Euros (1.8% of turnover) compared to 554 thousand Euros (2.1% of turnover) in 2012. This figure will improve in the second quarter, to realign with the previous year, as turnover from tractors, powertrains and completed projects increases. EBIT for the first quarter of 2013 was equal to 125 thousand Euros (+0.6% of turnover) compared to 281 thousand Euros (1.1% of turnover) as at 31 March 2012.

A net loss of 21 thousand Euros was recorded for the first quarter of 2013, compared to a net profit of 190 thousand Euros as at 31 March 2012; analysis of results shows that a profit of 144 thousand Euros was realised in March 2013.

The net financial position as at 31 March 2013 was positive amounting to 7.773 million Euros compared to 7.969 million Euros for the first quarter of 2012 and 13.001 million Euros as at 31 December 2012. The negative performance compared to figures as at 31 December 2012 is mainly due to cash use from the trend of net working capital, and in particular to the temporary increase in trade receivables.

SUBCONSOLIDATED INCOME STATEMENT AS AT 31.03.2013
CARRARO DIVISIONE AGRITALIA BUSINESS AREA

(amounts in €/000)	31.03.2013	%	31.03.2012	%	Changes	
					31.03.13	31.03.12
REVENUES FROM SALES	22,607	100.00%	25,772	100.00%	-3,165	-12.28%
Purchases of goods and materials (net of changes in inventories)	-16,424	-72.65%	-19,440	-75.43%	3,016	-15.51%
Services and Use of third-party goods and services	-2,287	-10.12%	-2,590	-10.05%	303	-11.70%
Personnel costs	-3,185	-14.09%	-2,867	-11.12%	-318	11.09%
Amortisation, depreciation and impairment of assets	-292	-1.29%	-275	-1.07%	-17	6.18%
Provisions for risks	-276	-1.22%	-390	-1.51%	114	-29.23%
Other income and expenses	-18	-0.08%	71	0.28%	-89	
Internal construction	-	0.00%	-	0.00%	-	
OPERATING COSTS	-22,482	-99.45%	-25,491	-98.91%	3,009	-11.80%
OPERATING PROFIT/(LOSS) (EBIT)	125	0.55%	281	1.09%	-156	-55.52%
Income from equity investments	-		-		-	
Other financial income	-	0.00%	12	0.05%	-12	
Financial costs and expenses	-30	-0.13%	-	0.00%	-30	
Net gains/(losses) on foreign exchange	-5	-0.02%	8	0.03%	-13	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	-35	-0.15%	20	0.08%	-55	
PROFIT/(LOSS) BEFORE TAXES	90	0.40%	301	1.17%	-211	-70.10%
Current and deferred income taxes	-111	-0.49%	-111	-0.43%	-	
BUSINESS AREA CONSOLIDATED PROFIT/(LOSS)	-21	-0.09%	190	0.74%	-211	
EBITDA	416	1.84%	554	2.15%	-138	-24.91%

**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31.03.2013
CARRARO DIVISIONE AGRITALIA BUSINESS AREA**

(amounts in €/000)	31.03.2013	31.12.2012	31.03.2012
Property, plant and equipment	10,943	10,992	12,206
Intangible fixed assets	316	334	420
Real estate investments	-	-	-
Holdings in subsidiaries and associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	1,510	1,510	2,604
Trade receivables and other receivables	7	7	5
NON-CURRENT ASSETS	12,776	12,843	15,235
Closing inventory	14,555	13,204	18,942
Trade receivables and other receivables	7,854	2,880	9,907
Financial assets	3	7	-
Cash and cash equivalents	7,770	12,994	6
CURRENT ASSETS	30,182	29,085	28,855
TOTAL ASSETS	42,958	41,928	44,090
Share Capital	-	-	-
Reserves	9,441	7,930	8,054
Foreign currency translation reserve	-	-	-
Profit/(Loss) for the period	-21	1,511	190
Minority interests	-	-	-
SHAREHOLDERS' EQUITY	9,420	9,441	8,244
Financial liabilities	-	-	-
Trade payables and other payables	-	-	1
Deferred tax liabilities	17	17	69
Provision for severance indemnity and retirement benefits	1,234	1,222	1,099
Provisions for risks and liabilities	555	578	447
NON-CURRENT LIABILITIES	1,806	1,817	1,616
Financial liabilities	-	-	-7,963
Trade payables and other payables	29,550	28,482	39,907
Current taxes payables	55	28	17
Provisions for risks and liabilities	2,127	2,160	2,269
CURRENT LIABILITIES	31,732	30,670	34,230
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	42,958	41,928	44,090

CASH FLOW AS AT 31.03.2013
CARRARO DIVISIONE AGRITALIA BUSINESS AREA

(amounts in €/000)	31.03.2013	31.12.2012	31.03.2012
Opening Net Financial Position	13,001	11,083	11,083
<i>Group profit/(loss)</i>	-21	1,511	190
<i>Profit/(loss) pertaining to minorities</i>	-	-	-
<i>Amortisation, depreciation and impairment of fixed assets</i>	291	1,076	273
Cash flow before Net Working Capital	270	2,587	463
Change in Net Working Capital	-5,337	-1,080	- 3,619
Investments in fixed assets	-224	-1,244	- 143
Disinvestments in fixed assets	-	1,599	-
Operating Free Cash Flow	- 5,291	1,862	- 3,299
Other operating flows	63	181	185
Other investing flows	-	-1	-
Change in Share Capital	-	-	-
Dividends paid	-	-	-
Other equity flows	-	-124	-
Free Cash Flow	- 5,228	1,918	- 3,114
Closing Net Financial Position	7,773	13,001	7,969

ANALYSIS OF NET WORKING CAPITAL AS AT 31.03.2013
CARRARO DIVISIONE AGRITALIA BUSINESS AREA

(amounts in €/000)	31.03.2013	31.12.2012	31.03.2012
Trade Receivables	7,403	2,330	10,649
Inventory	14,555	13,204	18,942
Trade Payables	- 27,874	- 26,787	- 38,305
Net Working Capital (NWC)	- 5,916	- 11,253	- 8,714

Electronics – Elettronica Santerno Business Area

In line with the strategy adopted in the previous year, Santerno continued its focus, in the first quarter, on sales activities to develop foreign markets and in particular the United States, China, Thailand, Australia, India and South Africa, where it signed agreements that considerably reduced its dependence on the Italian market which fell to 26.5% compared to 70% throughout 2012.

Energy management

Photovoltaics

In the first quarter of 2013, the working stage of two major contracts awarded in late 2012 in the United States and South Africa commenced, and supplies to Australia began for smaller-scale plants, which are still strategic for Santerno's sales penetration on a market of considerable interest.

Industrial applications

Based on first quarter data, expectations for growth on foreign markets are gaining ground, while considering the economic context, no developments took place on the Italian market. Turnover for the first three months of 2013 was in line with 2012.

An important agreement was finalised with a leading North European operator for the development and sale of products for marine applications, an entirely new segment for the Group.

The first three months of 2013 closed with a turnover slightly down compared to 2012, but a better result thanks to restructuring during the second half of 2012. Prospects for growth and a better profitability in the remaining part of the year are confirmed.

EBITDA as at 31 March 2013 was negative amounting to 1,384 million Euros (-12.0% of turnover) compared to a negative value of 3,145 million Euros (-25.9% of turnover) as at 31 March 2012.

EBIT for the first quarter of 2013 was negative amounting to 1,993 million Euros (-17.3% of turnover), against a negative figure of 3,772 million Euros (-31.0% of turnover) in the first quarter of 2012.

A net loss was recorded amounting to 2,335 million Euros (-20.3 % of turnover) compared to a loss of 3,941 million Euros (-32.4% of turnover) for the first quarter of 2012.

The net financial position as at 31 March 2013 was negative amounting to 14,050 million Euros compared to 6,443 million Euros as at 31 December 2012 and 9,665 million Euros as at 31 March 2012, due to the use of cash and cash equivalents arising from the trend of net working capital after the need to stock supplies for American contracts.

SUBCONSOLIDATED INCOME STATEMENT AS AT 31.03.2013
ELETTRONICA SANTERNO BUSINESS AREA

(amounts in €/000)	31.12.2013	%	31.12.2012	%	Changes	
					31.03.13	31.03.12
REVENUES FROM SALES	11,517	100.00%	12,166	100.00%	-650	-5.34%
Purchases of goods and materials (net of changes in inventories)	-5,648	-49.04%	-6,974	-57.32%	966	14.61%
Services and Use of third-party goods and services	-4,411	-38.30%	-4,457	-36.63%	407	8.45%
Personnel costs	-2,959	-25.69%	-3,521	-28.94%	563	15.99%
Amortisation, depreciation and impairment of assets	-644	-5.59%	-727	-5.98%	81	11.17%
Provisions for risks	-106	-0.92%	-186	-1.53%	80	43.01%
Other income and expenses	-26	-0.23%	-79	-0.65%	53	67.09%
Internal construction	284	2.47%	6	0.05%	278	
OPERATING COSTS	-13,510	-117.30%	-15,938	-131.00%	2,428	15.23%
OPERATING PROFIT/(LOSS) (EBIT)	-1,993	-17.30%	-3,772	-31.00%	1,778	47.15%
Income from equity investments	-	0.00%	-		-	
Other financial income	7	0.06%	25	0.21%	-18	-72.00%
Financial costs and expenses	-260	-2.26%	-175	-1.44%	-83	46.89%
Net gains/(losses) on foreign exchange	-68	-0.59%	-69	-0.57%	-	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	-321	-2.79%	-219	-1.80%	-101	45.91%
PROFIT/(LOSS) BEFORE TAXES	-2,314	-20.09%	-3,991	-32.80%	1,677	42.02%
Current and deferred income taxes	-21	-0.18%	50	0.41%	-71	
BUSINESS AREA CONSOLIDATED PROFIT/(LOSS)	-2,335	-20.27%	-3,941	-32.39%	1,606	40.75%
EBITDA	-1,384	-12.02%	-3,145	-25.85%	1,761	55.99%

**SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31.03.2013
ELETTRONICA SANTERNO BUSINESS AREA**

(amounts in €/000)	31.03.2013	31.12.12	31.03.2012
Property, plant and equipment	5,530	5,634	5,480
Intangible fixed assets	29,418	29,593	28,780
Real estate investments	-	-	-
Holdings in subsidiaries and associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	4,167	4,124	3,023
Trade receivables and other receivables	199	200	214
NON-CURRENT ASSETS	39,314	39,551	37,497
Closing inventory	18,911	14,626	23,550
Trade receivables and other receivables	26,640	24,089	33,493
Financial assets	70	22	324
Cash and cash equivalents	2,633	2,404	2,676
CURRENT ASSETS	48,254	41,141	60,043
TOTAL ASSETS	87,568	80,692	97,540
Share Capital	2,500	2,500	2,500
Reserves	33,657	45,345	45,394
Foreign currency translation reserve	98	163	96
Profit/(Loss) for the period	-2,335	-11,524	- 3,941
Minority interests	-	-	-
SHAREHOLDERS' EQUITY	33,920	36,484	44,049
Financial liabilities	-	-	-
Trade payables and other payables	274	293	-
Deferred tax liabilities	7	9	- 4
Provision for severance indemnity and retirement benefits	674	627	548
Provisions for risks and liabilities	61	59	637
NON-CURRENT LIABILITIES	1,016	988	1,181
Financial liabilities	17,012	8,906	12,558
Trade payables and other payables	33,975	32,470	35,839
Current taxes payables	28	-	911
Provisions for risks and liabilities	1,617	1,844	3,002
CURRENT LIABILITIES	52,632	43,220	52,310
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	87,568	80,692	97,540

CASH FLOW AS AT 31.03.2013
ELETTRONICA SANTERNO BUSINESS AREA

(amounts in €/000)	31.03.2013	31.12.2012	31.03.2012
Opening Net Financial Position	-6,444	1,583	1,583
<i>Group profit/(loss)</i>	-2,335	-11,524	- 3,941
<i>Profit/(loss) pertaining to minorities</i>	-	-	-
<i>Amortisation, depreciation and impairment of fixed assets</i>	609	2,579	627
Cash flow before Net Working Capital	-1,726	-8,945	- 3,314
Change in Net Working Capital	-6,967	10,353	- 7,599
Investments in fixed assets	-289	-3,054	- 91
Disinvestments in fixed assets	-23	30	4
Operating Free Cash Flow	- 9,005	-1,616	- 11,000
Other operating flows	1,646	-6,572	- 373
Other investing flows	-18	21	3
Change in Share Capital	-	-	-
Dividends paid	-	-	-
Other equity flows	-229	140	122
Free Cash Flow	- 7,606	-8,027	- 11,248
Closing Net Financial Position	- 14,050	-6,444	- 9,665

ANALYSIS OF NET WORKING CAPITAL AS AT 31.03.2013
ELETTRONICA SANTERNO BUSINESS AREA

(amounts in €/000)	31.03.2013	31.12.2012	31.03.2012
Trade Receivables	23,369	20,920	27,747
Inventory	18,911	14,626	23,550
Trade Payables	- 27,705	- 27,938	- 25,737
Net Working Capital (NWC)	14,575	7,608	25,560

With reference to the provisions of Articles 36 and 39 of Consob Order 16191 of 29.10.2007 (the so-called “Market Regulations”) and of Art. 2.6.2 Section 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 Section 1 of the aforementioned Art. 36 on the subject of accounting situations, bylaws, corporate bodies and administrative and accounting control of its subsidiaries incorporated and regulated in countries that do not belong to the European Union.

The Group perimeter includes 28 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, 5, in Argentina, China and India are significant under the terms of Title VI, Section II of the Issuer Regulations (Consob resolution 11971/1999).

Carraro SpA

The Chairman

Enrico Carraro

Interim Report on Operations as at 31 March 2013

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

Subject: Interim Report on Operations as at 31.03.2013

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, 3 May 2013

Carraro SpA

Director Responsible for producing the
company's accounting documents

Enrico Gomiero