

**CARRARO GROUP: Board of Directors approves 1H2011 results.**

**A considerable increase in turnover and margins in comparison to the previous year. Significant recovery of volumes in all reference areas of the Group The Asian, Indian and Chinese markets confirm their solid development.**

- **Consolidated turnover of € 450.4 million (+47.8% in comparison to € 304.7 million for 1H2010)**
- **Positive EBITDA of € 32.6 million, which has decidedly improved (+129.8%) in comparison to € 14.2 million for 1H2010**
- **Positive EBIT of € 16.5 million, which is a net reversal in comparison to the € -1.9 million for 1H2010**
- **Net profits of € 4.9 million which confirms a turnaround in comparison to the € -10.3 million loss for 1H2010**
- **Net financial position showing liabilities of € 257.7 million (€ 271.5 million as at 31 December 2010; € 279.3 million as at 30 June 2010)**

**Campodarsego (Padua), 29 July 2011** – The Board of Directors of Carraro SpA, a global leader in power transmission systems, met today under the chairmanship of Mario Carraro and approved the Group's results for 1H2010.

*“The first six-month period of 2011 – according to **Enrico Carraro, the Group's Executive Vice-Chairman** – consolidates the growth trend that already started at the end of last year. The turnover base of Euro 450 million for the first six-month period, as well as the situation of our order portfolio makes it possible for us to estimate an overall turnover of more than Euro 900 million already for 2011. With regard to revenue – continues Carraro - it confirms the effectiveness of our extensive international presence, which makes it possible for us to provide focused responses to the various markets”.*

*“Also the Group's margins have strengthened, returning clearly to positive levels and show a net improvement in comparison to last year. At the same time, some critical elements related mainly to the supply chain are being addressed. This will provide the Group with a more suitable margin level starting already next year. – adds **Enrico Carraro** – We were able to protect ourselves against financial dynamics within a context of strong increases in volumes. This made it possible to improve our net financial position, which is under control, reducing liabilities to Euro 258 million in comparison to the Euro 280 million during the same period of 2010”.*

1H2011 is continuing and building on the trend of improvement that already started in the second half of last year in all of the Group's reference sectors, such as agriculture, construction and renewable energy. On a geographical level, growth is continuing in Asian markets - India and China - and while a recovery has been recorded in the North American market, a condition of stability in demand in European countries persists.

The good margins for the six-month period result from an increase in sales volumes, from positive results regarding the localisation of production, which was started in previous years, which is particular evident for the

Drivelines and Components BU, and from the good first quarter performance of the Electronics BU, which has maintained the same sales volumes and margins as the last part of the previous year.

### Consolidated turnover and performance in reference markets

The **consolidated turnover for the six-month period reaches Euro 450.4 million, growing 47.8%** in comparison to Euro 304.7 million for the same period in the previous year. This improvement involved all Business Units; only the Electronics BU, in spite of its growth during the six-month period, reported in the past months a decrease in demand due to the sudden closure of the Third Energy Account and due to uncertainties connected to the implementation of the new Energy Account.

In detail:

- **Carraro Drive Tech – Drivelines BU** grew 45.8%, increasing from € 191.9 million to € 279.9 million, as a consequence of the recovery from the sell-out to the end customer, which took place in a homogeneous manner between markets and sectors;
- **Gear World – Components BU** improved its turnover 31.5%, increasing from € 72.2 million to € 95 million also thanks to growth in intra group demand (which represents 32.3% of overall turnover);
- **Agritalia – Vehicles BU** recorded significant growth in its sales, increasing 100.2%, from € 23.2 million to € 46.4 million, both due to the recovery in demand in the reference markets as well as due to a reorganisation of the productive process, which guaranteed improved response flexibility;
- **Santerno – Electronics BU** grew significantly (+54.7%) in comparison to the same period in the previous year, increasing from € 46.2 million to € 71.5 million, mainly due to a solid order portfolio in all reference sectors. The negative impact on the Italian photovoltaic market of the uncertainty resulting from the changes in the incentive regulations of reference conditioned the final months of the previous period.

### EBITDA and EBIT

Thanks to the considerable growth in turnover, the policies adopted by the Group to redefine its industrial activities in the various production sites and to contain its fixed costs, the margins in the first half of the year have been significantly improved.

**EBITDA came in at Euro 32.6 million** (7.2% of turnover) **which grew 129.8%** in comparison to Euro 14.2 million (4.7% of turnover) for 1H2010.

**EBIT at 30 June 2011 shows a positive value equal to Euro 16.5 million** (3.7% of turnover) which is a considerable improvement in comparison to the negative value of Euro 1.906 million for 1H2010 (-0.6% of turnover).

### Net operating result

1H2011 closed with a **net profit of Euro 4.9 million** (1.1% of turnover) **which is a net reversal** in comparison to the loss of Euro 10.3 million (-3.4 % of turnover) for 1H2010. All Business Units contributed towards this result, with the exception of the Components Business Unit (Gear World) which still presents a negative result, as expected (equal to Euro -1,3 million), but which is showing strong signs of recovery from its loss of Euro 5.8 million in the same period of the previous year. This BU has also started additional positive improvements that are in line with the *turnaround* plan.

### Investments

As at 30 June 2011, investments totalled **€ 10.3 million, compared with € 9.4 million** in the same period of the previous year, and these were directed to the maintenance of plant efficiency and the launch of new products.

### Research and Development

Expenses for research and development amount therefore in the first six month period to **Euro 9 million** (2.0% of turnover) **in comparison to Euro 7.3 million** as of June 2010 (2.4% of turnover).

### Net financial position

The net financial position showed liabilities of **Euro 257.7 million**, at 31 December 2010 and showed liabilities of Euro 271.5 million and at June its liabilities were Euro 279.3 million. This improvement results from positive cash flows generated by current operations, as well as a significant increase in volumes.

The results as of 30 June 2011 more than respect the contractual (*covenants*) foreseen for this date by the Framework Agreement stipulated on 16 April 2010 with the financing banks.

### Business outlook

For the second part of the year, there is a trend in sales volume growth in line with the first six-month period, in particular for the Drivelines and Components Business Units. The turnover for the Electronics BU, which was penalised during the middle of 2011 by the uncertainties generated in the renewable energy market by the Fourth Energy Account, will recover a part of the volumes by the end of the year also due to the expansion of its commercial presence in international markets.

The profitability expected for the entire year continues to remain in line with the budget forecasts and has improved in comparison with the previous year.

The director responsible for producing the company's accounting documents, Enrico Gomiero, declares pursuant to paragraph 2 article 154 bis of the Consolidated Body of Finance Laws that the accounts report contained in this press release reflects the results in the accounting documents, books and records.

*This press release uses some "alternative performance indicators" not stipulated in the IFRS accounting principles: EBITDA (earnings before interest, taxes, depreciation and amortisation); EBIT (earnings before interest and taxes); NET FINANCIAL POSITION (the sum of bank borrowing, bonds and short-term and medium-to long-term loans, net of cash and cash equivalents, marketable securities and financial receivables).*

**Attachments: abstract from the Consolidated Balance Sheet and Income Statement as at 30 June 2011**

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The Carraro Group is a global leader in power transmission systems that are highly efficient and eco-friendly, with consolidated turnover in 2010 of EUR 718 million. The holding company, Carraro SpA, oversees strategic direction, coordination of inter-Group business, and support services. It has four independent Business Units, each with a specific mission and different risk profiles and strategic objectives.

More details about their areas of responsibility are provided below:

- **Carraro Drive Tech:** drive systems for construction equipment, agricultural tractors, fork-lift trucks, light commercial vehicles, mining applications, automotive and stationary applications (such as escalators and wind generators).
- **Gear World:** gears and components – in cut steel and sintered steel – for the automotive sector, for agricultural and construction applications, for material handling applications, for the gardening and power tools sector and for wind generators.
- **Carraro Divisione Agritalia:** specialised tractors (*light-utility*, vineyard, orchard) up to 100 HP power produced for third parties (Massey Ferguson, John Deere, Claas, Valtra); engineering and production outsourcing services for niche tractor markets.
- **Elettronica Santerno:** *inverters* for power electronics management applied to different industrial areas and renewable energies (photovoltaic and wind); management systems for electrical and hybrid power trains.

Transversally, the Carraro Group is a supplier of advanced technological solutions and integrated systems, in an effective strategic partnership with customers, supported by a constant commitment to maintain a high performance level and products and services quality throughout the world.

The Group's holding company Carraro SpA has been listed on the Italian Stock Exchange since 1995 (CARR.MI), has its headquarters in Campodarsego (Padua), as at 30 June 2011 it has 4,324 employees – 1,996 of which are in Italy – and has manufacturing facilities in Italy (7), India (2), Argentina, China (2), Germany, Poland and the United States. For further information [carraro.com](http://carraro.com).

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## Carraro Group June, 30 2011

(Figures not audited by independent auditors)

### Balance Sheet (Euro thousands)

IAS/IFRS	Jun 30, 2011	Dec 31, 2010
<b>Fixed assets</b>	<b>322.297</b>	<b>342.107</b>
Tangible	207.935	224.149
Intangible	79.846	81.018
Capital assets	706	708
Investments	155	167
Financial assets	3.765	3.952
Deferred taxes assets	28.456	30.483
Trade and other current receivables	1.434	1.630
<b>Current assets</b>	<b>426.318</b>	<b>412.459</b>
Inventory	190.809	179.780
Trade and other current receivables	180.098	183.198
Financial assets	3.563	4.541
Liquid assets	51.848	44.940
<i>Assets held for sale</i>	<i>4.000</i>	<i>-</i>
<b>Total assets</b>	<b>752.615</b>	<b>754.566</b>
<b>Total group shareholders' equity</b>	<b>85.830</b>	<b>89.444</b>
<b>Non current liabilities</b>	<b>186.052</b>	<b>204.627</b>
Financial liabilities	159.028	173.821
Trade and other non current payables	33	333
Deferred taxes liabilities	7.500	8.667
Provision for indemnity, pension and similar	17.354	19.364
Provision for risks and contingencies	2.137	2.442
<b>Current liabilities</b>	<b>480.733</b>	<b>460.495</b>
Financial liabilities	158.624	149.819
Trade and other current payables	292.438	280.739
Current taxes	16.573	15.571
Provision for contingencies and obligations	13.098	14.366
<i>Liabilities held for sale</i>	<i>-</i>	<i>-</i>
<b>Total liabilities &amp; shareholders' equity</b>	<b>752.615</b>	<b>754.566</b>
<b>Net financial position</b>	<b>257.721</b>	<b>271.535</b>
<b>Cash flow</b>	<b>21.004</b>	<b>27.562</b>

### Income Statement (Euro thousands)

	Jun 30, 2011	Jun 30, 2010
Revenues	450.391	304.648
Cost of material	- 277.717	- 197.655
Services	- 79.584	- 60.003
Leases	- 2.765	- 2.455
Cost of personnel	- 69.337	- 59.383
Depreciations and writedown of Assets	- 16.128	- 16.082
Writedown Of Receivables	- 512	- 150
Changes in inventories stock	14.911	28.958
Provision for risks and contingencies	- 4.681	- 2.432
Other incomes / expenses	1.872	2.648
<b>EBIT</b>	<b>16.450</b> <b>3,7%</b>	<b>- 1.906</b> <b>-0,6%</b>
<b>EBITDA</b>	<b>32.578</b> <b>7,2%</b>	<b>14.176</b> <b>4,7%</b>
Incomes from investments	-	-
Financial incomes / expenses	- 6.743	- 4.911
Incomes / losses in exchange rates	- 685	1.578
Adjustments of the value of financial assets	-	-
<b>Net result before taxes</b>	<b>9.022</b>	<b>- 5.239</b>
Income and deferred taxes	- 4.419	- 6.290
Net result divestment of the activities	-	-
Minority interest	273	1.257
<b>Net consolidated result</b>	<b>4.876</b> <b>1,1%</b>	<b>- 10.272</b> <b>-3,4%</b>