



# **Carraro Group**

## **Interim management report at 31 March 2009**

**CARRARO S.p.A.**

Registered office in Campodarsego (PD) – Via Olmo no. 37

Share Capital Euro 21,840,000, fully paid-up

Tax Code, VAT Reg. no. and Padua Company Register no. 00202040283

R.E.A. no 84.033

**INTERIM MANAGEMENT REPORT AT 31 MARCH 2009 (CONSOLIDATED DATA)**

In the first quarter of 2009 the major slowdown in the economy which had begun at the end of 2008 became more marked. All the main reference markets of the Group recorded two-figure contractions with the sharpest fall in *construction equipment* at -80% compared with the previous year.

In light of this scenario, and considering the new production levels, actions were taken, some having been started in the last quarter of 2008 and still more in early months of 2009, to reduce overheads and improve efficiency at manufacturing facilities to give the Group the flexibility needed to deal with the difficult market conditions. All the current redundancy schemes were used and, where necessary, restructuring plans were implemented. As of today, specific actions are in progress for the Italian facilities of Carraro Drive Tech (Campodarsego and Gorizia) and for the foreign facilities of FON (Poland) and Carraro Argentina.

In view of the speed of the change in the scenario, although they were taken quickly, all these actions were only partially reflected in the results for the quarter, which were particularly negative, while they will gradually become more effective during the year.

In a period of such strong turbulence in the global economy, the initiatives put in place had the immediate aim of buffering the shocks of the crisis as it became manifest.

However, in this crisis we want to seize the moment to push for a profound structural renewal, with actions capable of bringing about conditions of greater management efficiency in all the businesses in which the Group works worldwide, ready to take advantage of benefits and opportunities right from the start of the market recovery. Strongly competitive, with acknowledged technological superiority and determined to accelerate the introduction onto the markets of innovative products, the result of our great commitment to research. This may expand the potential for growth in the areas in which we do business, from the traditional automation systems to the very promising field of renewable energies.

## **GENERAL DATA**

The Group's results are shown and analysed below.

2009 first quarter data (FIGURES IN €/000)

	<b>31.03.2009</b>	<b>% of sales</b>	<b>31.03.2008</b>	<b>% of sales</b>	<b>Diff. %</b>
Sales	139,916		237,471		-41.1
EBITDA	142	0.1	18,969	8.0	-99.3
EBIT	-8,128	-5.8	10,684	4.5	-176.1
Net income	-5,883	-4.2	2,911	1.2	-302.2
Amortization	8,270	5.9	8,285	3.5	-0.18
Cash-flow	2,387	1.7	11,196	4.7	-78.7
Investments	10,139		16,399		
Net financial position	221,385		-191,136		
Shareholders' equity*	140,916		146,792		
Gearing	1.57		1.30		

\*minorities included

### **Sales**

The Group's consolidated sales in first quarter 2009 amounted to 139.916 million euro, down 41.1% compared with the figure for 31 March 2008. This significant reduction involved all the Group's Business Units, as can be seen in the table below, and accelerated in particular in February and March.

The only positive sign comes from the Chinese market where sales increased over the previous year.

A breakdown of sales by Business Unit, main changes and the geographical areas is shown in the tables below.

### **Segment reporting**

#### **a) sector of activity**

From financial year 2009, data are presented for the sub-holdings responsible for business segments in which the Group works, in particular: Drivetech for drives & drivelines, Gear World for gears & components, Divisione Agritalia for vehicles and Santerno for power controls.

2009 first quarter data (FIGURES IN €/000)

	<b>SALES</b>			<b>SALES TO THIRD PARTIES</b>			<b>SALES TO OTHER BUSINESS UNITS</b>		
	<b>31.03.09</b>	<b>31.03.08</b>	<b>Diff. %</b>	<b>31.03.09</b>	<b>31.03.08</b>	<b>Diff. %</b>	<b>31.03.09</b>	<b>31.03.08</b>	<b>Diff. %</b>
DRIVETECH	91,916	169,966	-45.92	88,191	163,206	-45.96	3,725	6,760	-44.90
GEAR WORLD	32,366	59,572	-45.67	25,977	41,072	-36.75	6,389	18,500	-65.48
DIVISIONE AGRITALIA	20,175	22,973	-12.18	19,502	22,456	-13.15	673	517	30.17
SANTERNO	6,290	10,691	-41.17	6,153	10,691	-42.45	137	-	-

NON-ALLOCATED BUSINESS	6,303	2,786	126.24	93	46	102.17	6,210	2,740	126.64
<b>ALL SEGMENTS</b>	<b>157,048</b>	<b>265,988</b>	<b>-40.96</b>	<b>139,916</b>	<b>237,471</b>	<b>-41.08</b>	<b>17,132</b>	<b>28,517</b>	<b>-39.92</b>
INFRAGROUP ADJUSTMENTS	(17,132)	(28,517)	-39.92	-	-	-	-	-	-
<b>TOTAL CONSOLIDATED</b>	<b>139,916</b>	<b>237,471</b>	<b>-41.08</b>	<b>139,916</b>	<b>237,471</b>	<b>-41.08</b>	<b>17,132</b>	<b>-28,517</b>	<b>-39.92</b>

## b) geographical area

2009 first quarter data (FIGURES IN €/000)

<i>Geographical Area</i>	<i>31.03.2009</i>	<i>%</i>	<i>31.03.2008</i>	<i>%</i>
Germany	27,084	19.4	40,362	17.0
North America	18,839	13.4	36,599	15.4
France	12,432	8.9	14,499	6.1
China	12,095	8.6	8,940	3.8
South America	9,873	7.1	11,284	4.8
Great Britain	4,659	3.3	24,278	10.2
India	3,220	2.3	6,440	2.7
Poland	1,395	1.0	6,866	2.9
Turkey	267	0.2	4,109	1.7
Other EU areas	12,870	9.2	25,096	10.6
Other non-EU areas	13,931	10.0	6,909	2.9
<b>Foreign Total</b>	<b>116,665</b>	<b>83.4</b>	<b>185,382</b>	<b>78.1</b>
Italy	23,251	16.6	52,089	21.9
<b>Total</b>	<b>139,916</b>	<b>100</b>	<b>237,471</b>	<b>100</b>
of which:				
<b>Total EU area</b>	<b>81,691</b>	<b>58.4</b>	<b>163,190</b>	<b>68.7</b>
<b>Total non-EU area</b>	<b>58,225</b>	<b>41.6</b>	<b>74,281</b>	<b>31.3</b>

## Ebitda and Ebit

2009 first quarter data (FIGURES IN €/000)

	<i>31.03.2009</i>	<i>% of sales</i>	<i>31.03.2008</i>	<i>% of sales</i>	<i>Diff.%</i>
EBITDA	142	0.1	18,969	8.0	-99.3
EBIT	-8,128	-5.8	10,684	4.5	-176.1

EBITDA (the sum of operating result, amortisation and fixed asset write-downs) came out at 142 thousand euro, 99.3% down on the 18.969 million euro of the first quarter of 2008.

EBIT (the operating result from the income statement) was a negative 8.128 million euro, 176.1% down on the 10.684 million euro of 31 March 2008. As mentioned above the results reflect the delay between the rapid drop in sales and the actions to reduce costs which will become more effective in the second half of the year.

### **Financial expenses**

Although the net financial position showed higher average debts in the quarter compared with the previous year, financial expenses at 31 March 2009 declined owing to the lower average cost of money, amounting to Euro 3.595 million compared with Euro 4.070 million at 31 March 2008.

### **Exchange rate differences**

At 31 March 2009 exchange rate differences showed gains of 2.246 million euro (compared with losses of 4.817 million euro at 31 December 2008 and losses of 713 thousand euro at 31 March 2008); they include the MTM (Mark-to-Market) valuation of derivatives, which brought in gains of 2 million euro.

### **Net profit**

The first quarter of 2009 ended with a net loss of 5.883 million euro compared with first quarter 2008 which ended with a profit of 2.911 million euro.

### **Amortisation and cash-flow**

2009 first quarter data (FIGURES IN €/000)

	31.03.2009	% of sales	31.03.2008	% of sales	Diff.%
<b>Amortization</b>	8,270	5.9	8,285	3.5	-0.18
<b>Cash-flow</b>	2,387	1.7	11,196	4.7	-78.7

Depreciation at 31 March 2009 increased to 8.270 million euro compared with 8.285 million euro at 31 March 2008 and the cash-flow (the sum of net profit, depreciation and amortization of fixed assets) totalled 2.387 million euro (11.196 million euro at 31 March 2008).

### **Investments**

2009 first quarter data (FIGURES IN €/000)

	31.03.2009	31.03.2008
<b>Investments</b>	10,139	16,399

Investments in the quarter amounted to 10.139 million euro (16.399 million euro at 31 March 2008), relating to the implementation of previous plans which today, in view of the situation, will be reallocated to areas of greater opportunity. In part, these investments were used to maintain and develop new projects.

### **Net financial position and gearing**

The net financial position (the total of payables due to banks, bonds and short-term and medium/long-term loans, net of cash and cash equivalents, transferable securities and financial receivables) is a negative 221.385 million euro; at 31 December 2008 it was a negative 216.545 million euro (and in March 2008 a negative 191.136 million euro). The gearing (the ratio between net financial position and owner's equity) at 31 March 2009, stood at 1.57, at December 2008 it was 1.45, at March 2008 it was 1.30. The worsening with respect to 31 December 2008 is the natural consequence of the decline in the value of cash flows provided by sales, owing to falling demand, set against a higher volume of payments to suppliers, for the stocks

accumulated up to January on the basis of the previous sales plans. It is important to note that, during the quarter, payment of part of the trade payables due in February and March was rescheduled to future months, thus aligning them with the effective use of the stocks. This became necessary also in order to offset delays in collecting payments from a number of important customers.

### **OUTLOOK FOR OPERATIONS FOR THE CURRENT YEAR**

There are still no significant signs that would cause us to modify, in the short term, the current production schedules, based on markets with stagnant performance as a result of the falls at the end of 2008. Some weak signals of recovery coming from China and in the last few weeks also from India are not sufficient to reassure us. They are also currently being affected by the actions of customers in streamlining inventories in the distribution network and for the limitation of internal stocks. This forces us to redouble our efforts to give full effectiveness to actions, including structural measures, with the aim of limiting the economic impact of such a serious crisis, which we do not believe is likely to ease before the last quarter.

### **DISCLAIMER**

*This document contains forward-looking statements, in particular in the section "Outlook for operations 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.*

With reference to the provisions of Articles 36 and 39 of Consob Order 16191 of 29 October 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 above mentioned Art. 36 on the subject of accounting situations, articles of association, corporate bodies and administrative and accounting control of its subsidiaries established and regulated in countries that do not belong to the European Union.

The perimeter of the group includes 19 companies established and regulated in non-European Union countries, specifically in Argentina, Brazil, China, India, Russia and the United States; of these, five, 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).

**FINANCIAL STATEMENTS**  
**CONSOLIDATED ECONOMIC AND FINANCIAL DATA**  
**(IAS/IFRS)**

**Consolidated income statement (figures in thousands of euro)**

	<b>31.03.2009</b>	<b>%</b>	<b>31.03.2008</b>	<b>%</b>
<b>Sales revenue</b>	<b>139,916</b>	<b>100.0</b>	<b>237,471</b>	<b>100.0</b>
Purchases of goods and materials	74,055	52.93	157,045	66.13
Services	26,380	18.85	45,774	19.28
Use of third-party goods and services	1,435	1.03	1,265	0.53
Personnel costs	30,132	21.54	33,120	13.95
Amortisation, depreciation and impairment of assets	8,268	5.91	8,306	3.50
Changes in inventory	6,681	4.78	-18,118	-7.63
Provisions for risks and contingencies	905	0.65	737	0.31
Other income and expenses	188	0.14	-1,342	0.56
<b>EBIT</b>	<b>-8,128</b>	<b>5.81</b>	<b>10,684</b>	<b>4.50</b>
Income from shareholdings	0	0	0	0
Net financial income/expenses	-3,595	-2.57	-4,070	-1.72
Net foreign exchange income/expenses	2,246	1.61	-713	0.30
Net adjustments of financial assets	0	0	0	0
Income before taxes	-9,477	-6.77	5,901	2.48
Current and deferred income taxes	2,270	1.62	2,724	1.15
Net income	-7,207	-5.15	3,177	1.34
Third party income	-1,324	-0.95	266	0.11
<b>Group consolidated income</b>	<b>-5,883</b>	<b>-4.20</b>	<b>2,911</b>	<b>1.23</b>

**Consolidated Balance Sheet (figures in thousands of euro)**

	<b>31.03.2009</b>	<b>31.03.2008</b>
<b>Non-current assets</b>	<b>346,133</b>	<b>315,433</b>
Tangible fixed assets equipment	244,142	225,094
Intangible fixed assets	75,950	73,248
Real-estate investments	709	709
Shareholdings	148	170
Financial assets	840	844
Deferred tax assets	22,349	14,434
Trade receivables and other receivables	1,995	934
<b>Current assets</b>	<b>402,570</b>	<b>438,611</b>
Closing inventory	195,385	198,745
Trade receivables and other receivables	157,617	209,626
Financial assets	14,927	2,054
Cash and cash equivalents	34,641	28,186
<b>Total assets</b>	<b>748,703</b>	<b>754,044</b>
<b>Shareholders' equity</b>	<b>140,916</b>	<b>146,792</b>
<b>Non-current liabilities</b>	<b>212,512</b>	<b>174,298</b>
Financial liabilities	159,988	120,762
Trade payables and other payables	17,335	14,530
Deferred tax liabilities	9,012	12,092
Severance, pension and similar provisions	23,374	24,608
Provisions for risks and contingencies	2,803	2,306
<b>Current liabilities</b>	<b>395,275</b>	<b>432,954</b>
Financial liabilities	113,659	103,896
Trade payables and other payables	255,742	307,288
Current taxes payable	10,147	14,063
Provisions for risks and contingencies (short-term amounts)	15,727	7,707
<b>Total liabilities and shareholders' equity</b>	<b>748,703</b>	<b>754,044</b>

## NET FINANCIAL POSITION

*Figures in euro thousands*

<b>Description</b>	<b>31.03.2009</b>	<b>31.12.2008</b>	<b>31.03.2008</b>
<b>Bonds:</b>			
- non-current	-	-	-
- current	-	-	-
<b>Loans:</b>			
- non-current	159,988	161,565	120,762
- current	108,006	119,529	98,265
<b>Financial accruals and deferrals:</b>			
- non-current	-674	-279	-34
- current	1,907	614	786
<b>NET OF:</b>			
Cash equivalents			
Cash	-126	-135	-177
Bank assets	-34,515	-51,539	-28,093
Loans and receivables	-13,169	-13,170	-373
<i>Loans and receivables with related parties</i>	-22	-40	-84
Securities	-10	-	-
Receivables from factors			
<b>Consolidated net financial position</b>	<b>221,385</b>	<b>216,545</b>	<b>191,136</b>



**Content and reporting standards**

This consolidated interim management report at 31 March 2009, was drafted in accordance with international accounting standards (IAS/IFRS) representing a continuation of those applied in the 2008 financial statements.

The document was prepared in accordance with the provisions of Article 154 *ter*, paragraph 5 of Legislative Decree 58 of 24/02/98 (T.U.F.) and subsequent amendments, and, therefore, the provisions of the international accounting standard concerning interim financial reporting (IAS 34 “interim financial statements”) were not adopted.

**Carraro SpA**  
Chairman

Mario Carraro

**Declaration in accordance with article 154 *bis*, section 2, legislative**

**decree no. 58/1998**

**Re: interim management report at 31 March 2009**

The undersigned Enrico Gomiero, Director assigned to drafting the corporate accounting documents, declares that the accounting information contained in the document in question corresponds to documented results, accounting books and bookkeeping entries, pursuant to paragraph 2 of article 154 *bis* of the Finance Consolidation Act.

Campodarsego, 14 May 2009

**Carraro SpA**  
Chief Financial Officer

Enrico Gomiero