

CARRARO S.p.A.

Registered office in Campodarsego, Padua – Via Olmo 37
Share capital Euro 21,840,000 fully paid in.
Fiscal Code, VAT registration and
registration with the Companies' Register in Padua No. 00202040283
R.E.A. No. 84.033

**INTERIM FINANCIAL REPORT
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2003
(CONSOLIDATED)**

DIRECTORS' REPORT

The year to date cumulated sales as of 30 September show a 2% growth with regards to previous year, thanks to the increase of the construction equipment segment, the stationery segment and the stability of the agricultural segment, despite the 3Q 2003 registered a slight downturn (decrease) as to the previous year, for less working days and for episodic (incidental) delay in material supplying consistent to the resourcing businesses.

The sales decrease is furthermore due to the uncertain economic climatic, that filled the first part of the year, leading the customers to comprise the orders in the period July-September. Nowadays the situation changed, so that the order backlog as at 30 September 2003 confirms an increasing 4Q if compared to the previous year.

The profitability of the 3Q has been affected by the above mentioned reasons and by the consequent incurred expenses for the start-up of new supplies, mainly in the Italian companies, whereas was confirmed the nine months to 30 September profitability increase.

With regards to the foreign companies, positive contributions from the Argentine subsidiary have to be mentioned, even though being lower than the same period of the previous year, due to the lower effect of devaluation of the Peso, and from the Indian, Polish and German subsidiaries that, thanks to higher sales and to the industrial rationalization are going on to increase their profitability. The Korean subsidiary regained its profitability, compared to the first months of the business year, conditioned by the crisis of its main customer. The net indebtedness increased if compared with June 30, 2003 for a temporary expansion of the net working capital.

GENERAL INFORMATION

Net consolidated sales for the quarter 1st July - 30th September totalled to Euro 90.749 million, a 1.6% decrease on the corresponding period of the previous year (Euro 92.257 million). Sales for the nine months to 30 September 2003 totalled to Euro 290.256 million, a 2% increase on the nine months to 30 September 2002.

Developments in sales by segment are summarised as follows:

Amounts in EUR/000

<i>Segment</i>	<i>9 months to 30 Sept. 2003</i>	<i>9 months to 30 Sept. 2002</i>	<i>% change 30 Sept. 2003 on 30 Sept. 2002</i>	<i>Q3 2003</i>	<i>Q3 2002</i>	<i>% change Q3 2003 on Q3 2002</i>
Off-Highway:	215.628	206.281	+4,53	67.598	67.874	-0,41
Agriculture segment	102.111	104.525	-2,31	32.616	33.424	-2,42
Construction equipment segment	113.517	101.756	+11,56	34.982	34.450	+1,54
On-Highway:	43.511	48.026	-9,40	12.781	15.561	-17,87
Material handling	17.821	19.209	-7,23	5.945	6.491	-8,41
Auto & truck	8.609	10.463	-17,72	2.452	3.358	-26,98
Gears	17.081	18.354	-6,94	4.384	5.712	-23,25
Stationary (escalators)	7.094	4.720	+50,30	3.356	1.649	+103,52
Spare parts	18.324	16.855	8,72	5.494	4.915	+11,78
Other	5.699	8.782	-35,11	1.520	2.258	-32,68
TOTAL	290.256	284.664	+1,96	90.749	92.257	-1,63

Interim Financial Report as at September, 30 2003

A breakdown of sales by segment and by geographical area is provided below:

% Breakdown of sales by segment

<i>Segment</i>	<i>9 months to 30 Sept. 2003</i>	<i>9 months to 30 Sept. 2002</i>	<i>Q3 2003</i>	<i>Q3 2002</i>
Off-Highway:	74,29	72,47	74,49	73,57
Agriculture segment	35,18	36,72	35,94	36,23
Construction equipment segment	39,11	35,75	38,55	37,34
On-Highway:	15,00	16,87	14,08	16,87
Material handling	6,14	6,75	6,55	7,04
Auto & truck	2,97	3,67	2,70	3,64
Gears	5,89	6,45	4,83	6,19
Stationary (escalators)	2,44	1,66	3,70	1,79
Spare parts	6,31	5,92	6,05	5,33
Other	1,96	3,08	1,68	2,44

Sales by geographical area

<i>Geographical Area</i>	<i>9 months to 30 Sept. 2003</i>	<i>%</i>	<i>9 months to 30 Sept. 2002</i>	<i>%</i>	<i>Q3 2003</i>	<i>%</i>	<i>Q3 2002</i>	<i>%</i>
North America	58.814	20,26	60.991	21,43	16.557	18,24	18.947	20,54
Germany	42.443	14,62	39.943	14,03	14.330	15,79	13.852	15,01
UK	28.720	9,90	28.059	9,86	8.718	9,61	8.746	9,48
France	29.386	10,12	29.384	10,32	8.365	9,22	9.128	9,89
Korea	5.149	1,78	8.098	2,84	2.276	2,51	2.704	2,93
Poland	9.406	3,24	3.862	1,36	3.209	3,53	1.489	1,61
South America	23.026	7,93	17.735	6,23	8.756	9,65	5.857	6,35
Other non-EU	22.212	7,65	24.789	8,71	9.027	9,95	4.932	5,35
Other EU	22.220	7,66	14.535	5,10	5.572	6,14	8.262	8,96
Total abroad	241.376	83,16	227.396	79,88	76.810	84,64	73.917	80,12
Italy	48.880	16,84	57.268	20,12	13.939	15,36	18.340	19,88
Total	290.256	100	284.664	100	90.749	100	92.257	100

EBIT for 3Q 2003 was equal to Euro 4,007 million, a 4.42% of sales, a decrease on Euro 4.516 million for the 3Q 2002, a 4.90% on sales.

For the nine months to 30 September 2003 the amount was Euro 14.644 (a 5.05% of sales); Euro 14.426 million (a 5.07% of sales) for the nine months to 30 September 2002.

Depreciation and amortisation for the nine months to 30 September 2003 amounted to Euro 16.862 million down on the Euro 18.704 million for the nine months to September 2002.

Capital expenditure in 3Q 2003 was equal to Euro 3.142 million a decrease on Euro 3.581 million for the 3Q 2002, whereas for the nine months period to 30 September 2003 expenditure was equal to Euro 14.189 million, an increase on Euro 11.775 million for the nine months period to 30 September 2002 and it related to the purchase of assets for technology upgrades and the to the launch of new products (consignments).

Net financial position, debt of Euro 106.215 million improved on 30 June 2003 debt of Euro 103.140 million. Gearing, the debt to equity ratio, was equal to 188.16% versus 185.29% as at 30 June 2003.

FORESEEABLE DEVELOPMENT OF BUSINESS IN THE CURRENT YEAR

Based on the order backlog, sales are expected to increase further, exceeding, at the end of the year 2003, the previous year amount, with a positive trend of the profitability, that will remain in line with the first nine months of the year.

Will continue furthermore the rationalization actions, mainly focused on the foreign companies of the Group, from which we'll expect a general further improvement of the results.

FINANCIAL INFORMATION**PROFIT AND LOSS ACCOUNT**

In thousands of Euro

Line item	30.09.03	%	30.09.02	%	Q3 2003	%	Q3 2002	%
Value of production	293.617		291.673		90.041		95.375	
Sales	290.256	100,00	284.664	100,00	90.749	100,00	92.257	100,00
Change in stocks of finished products	-380	-0,13	3.358	1,18	-2.163	-2,38	2.151	2,33
Other income	3.741	1,29	3.651	1,28	1.455	1,60	967	1,05
Cost of production	-278.973	96,11	-277.247	-97,39	-86.034	-94,80	-90.859	-98,48
Raw materials and consumables	-163.284	-56,26	-159.157	-55,91	-48.929	-53,92	-53.326	-57,80
Services	-51.003	-17,57	-49.647	-17,44	-15.665	-17,26	-17.064	-18,50
Utilisation of third parties' assets	-993	-0,34	-1.063	-0,37	-352	-0,39	-353	-0,38
Personnel	-47.115	-16,23	-48.764	-17,13	-14.340	-15,80	-14.462	-15,68
Depreciation and amortisation	-16.862	-5,81	-18.704	-6,57	-4.966	-5,47	-5.636	-6,11
Write-downs	-341	-0,12	-1.041	-0,37	-81	-0,09	-180	-0,20
Change in stocks	1.893	0,65	3.249	1,14	-1.691	-1,86	443	0,48
Accruals	-469	-0,16	-910	0,32	238	-0,26	165	0,18
Other operating charges	-799	-0,28	-1.210	-0,43	-248	-0,27	-446	-0,48
EBIT	14.644	5,05	14.426	5,07	4.007	4,42	4.516	4,90

NET FINANCIAL POSITION

In thousands of Euro

<i>Description</i>	<i>30.09.2003</i>	<i>30.06.2003</i>	<i>31.12.2002</i>
Bank loans and overdrafts:			
- within 1 year	67.121	66.717	72.652
- after 1 year	11.373	11.878	13.086
Other financing payables:			
- within 1 year	-	-	-
- after 1 year	-	-	-
- leasing payments within 1 year	441	497	514
- leasing payments after 1 year	122	197	441
Bonds and debenture loans:			
- within 1 year	-	-	-
- after 1 year	100.000	100.000	100.000
Secured payables:			
- within 1 year	260	356	237
- after 1 year	-	-	-
Accrued interest expense / deferred interest income, net	4.946	3.342	4.818
LESS:			
Cash	-12.342	-14.827	-14.118
Securities	-63.793	-62.088	-53.988
Loans given	-1.913	-2.932	-6.378
Consolidated net financial debt	106.215	103.140	117.264

COMMENTS TO THE FINANCIAL INFORMATION

Accounting policies

The accounting policies adopted for the quarterly interim financial report, are the same as those adopted for the consolidated annual financial statements and for the six-month interim financial report: for a description we make reference to the relevant notes. Financial statements expressed in foreign currencies have been translated into Euro at the year-end exchange rate, as for assets and liabilities, at historical exchange rates for equity components and at the average exchange rate of the period for income statement amounts.

The financial schedules include the financial statements of Carraro S.p.A. and of those subsidiaries in which it holds, either directly or indirectly, a majority of voting rights exercisable at ordinary general shareholders' meetings.

The consolidation area includes, besides the holding company Carraro S.p.A., the following entities, consolidated on a line-by-line basis:

Legal name	Registered office	Currency	Nominal value of share capital	% held
SIAP S.p.A.	Maniago (PN - Italy)	Euro	10,122,616	100%
Carraro Deutschland Gmbh	Hattingen (Germany)	Euro	10,507,048	100%
Carraro Argentina S.A.	Haedo, Buenos Aires (Argentina)	Pesos	25,809,288	93.90%
Carraro India Ltd.	Rajangaon - Pune (India)	Rupee	400,000,000	36%
F.O.N. S.A.	Radomsko (Poland)	Zloty	7,058,220	84.788%
Carraro International S.A.	Luxembourg	Euro	9,850,000	99.99%
Carraro North America Inc.	Calhoun-Georgia (USA)	US\$	100	100%
Carraro Korea Co. Ltd	Ulsan (Korea)	Kor. Won	3,000,000,000	100%
O&K Antriebstechnik & Co.	Hattingen (Germany)	Euro	2,045,168	100%

Profit and loss account

The Profit and loss account shows amounts for the first quarter of 2003 and, for comparative purposes, amounts for the first quarter of 2002. Comments are provided in the quarterly interim directors' report.

The Chairman
Mario Carraro