



Carraro Group

Interim Report on Operations at 30th September 2009

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.

CONSOLIDATED INTERIM INCOME STATEMENT AT 30.09.2009

	30/09/09	%	30/06/09	%	30/09/08	%
	€/ooo		€/ooo		€/ooo	
REVENUES FROM SALES	356.423	100,00%	255.594	100,00%	744.292	100,00%
Purchases of goods and materials (net of change in stocks)	- 211.617	-59,37%	- 154.150	-60,31%	- 441.403	-59,31%
Services and Use of third-party goods and services	- 67.965	-19,07%	- 46.362	-18,14%	- 139.438	-18,73%
Personnel costs	- 80.500	-22,59%	- 55.512	-21,72%	- 100.323	-13,48%
Amortisation, depreciation and impairment of assets	- 24.170	-6,78%	- 15.991	-6,26%	- 24.683	-3,32%
Provisions for risks	- 3.913	-1,10%	- 2.396	-0,94%	- 6.008	-0,81%
Other income and expenses	619	0,17%	304	0,12%	2.168	0,29%
Internal construction	602	0,17%	465	0,18%	978	0,13%
OPERATING COSTS	- 386.944	-108,56%	- 273.642	-107,06%	- 708.709	-95,22%
OPERATING PROFIT/(LOSS)	- 30.521	-8,56%	- 18.048	-7,06%	35.583	4,78%
Income from equity interests	-		-		-	
Other financial income	764	0,21%	671	0,26%	1.151	0,15%
Financial costs and expenses	- 9.681	-2,72%	- 7.142	-2,79%	- 13.182	-1,77%
Net foreign exchange gains/losses	432	0,12%	1.654	0,65%	- 757	-0,10%
Value adjustments of financial assets	-		-		-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	- 8.485	-2,38%	- 4.817	-1,88%	- 12.788	-1,72%
PROFIT/(LOSS) BEFORE TAXES	- 39.006	-10,94%	- 22.865	-8,95%	22.795	3,06%
Current and deferred income taxes	7.288	2,04%	5.197	2,03%	- 7.236	-0,97%
NET PROFIT/(LOSS)	- 31.718	-8,90%	- 17.668	-6,91%	15.559	2,09%
Profit/(loss) pertaining to minorities	4.746	1,33%	3.068	1,20%	- 548	-0,07%
GROUP CONSOLIDATED PROFIT/(LOSS)	- 26.972	-7,57%	- 14.600	-5,71%	15.011	2,02%

CONSOLIDATED INTERIM INCOME STATEMENT AT 30.09.2009 ANALISI QUARTER

	III° Quarter '09	%	III° Quarter '08	%	Changes
	€/ooo		€/ooo		III° Q '09 III° Q '08
REVENUES FROM SALES	100,829	100.00%	232,871	100.00%	-56.70%
Purchases of goods and materials (net of changes in stocks)	- 57,467	-56.99%	- 137,543	-59.06%	-58.22%
Services and use of third-party goods and services	- 21,603	-21.43%	- 44,978	-19.31%	-51.97%
Personnel costs	- 24,988	-24.78%	- 31,505	-13.53%	-20.69%
Amm. and depreciation of assets	- 8,179	-8.11%	- 8,158	-3.50%	0.26%
Provisions for risks	- 1,517	-1.50%	- 1,704	-0.73%	-10.97%
Other income and expenses	315	0.31%	705	0.30%	-55.32%
Internal construction	137	0.14%	457	0.20%	-70.02%
OPERATING COSTS	- 113,302	-112.37%	- 222,726	-95.64%	-49.13%
OPERATING PROFIT/(LOSS)	- 12,473	-12.37%	10,145	4.36%	-222.95%
Income from equity interests	-		-		
Other financial income	93	0.09%	209	0.09%	
Financial income and expenses	- 2,539	-2.52%	- 4,611	-1.98%	
Gains and losses on foreign exchange (net)	- 1,222	-1.21%	1,228	0.53%	
Net adjustments of financial assets	-		-		
PROFIT/(LOSS) FROM FINANCIAL ACTIVITIES	- 3,668	-3.64%	- 3,174	-1.36%	15.56%
PROFIT BEFORE INCOME TAXES	- 16,141	-16.01%	6,971	2.99%	-331.54%
Current and deferred income taxes	2,091	2.07%	- 2,853	-1.23%	
NET PROFIT/(LOSS)	- 14,050	-13.93%	4,118	1.77%	-441.19%
Third-party profit/(loss)	1,678	1.66%	213	0.09%	
CONSOLIDATED GROUP PROFIT/(LOSS)	- 12,372	-12.27%	4,331	1.86%	-385.66%

CONSOLIDATED INTERIM BALANCE SHEET AT 30.09.2009

	30/09/09	30/06/09	30/09/08
	€/000	€/000	€/000
Property, plant and equipment	233,332	237,460	239,115
Intangible fixed assets	76,658	80,125	76,108
Real estate investments	707	708	710
Equity interests in group companies	142	148	173
Financial assets	828	865	919
Deferred tax assets	27,713	26,170	16,889
Trade and other receivables	2,103	1,490	1,162
NON CURRENT ASSETS	341,483	346,966	335,076
Closing inventory	159,293	166,216	226,027
Trade and other receivables	112,246	125,419	228,843
Financial assets	15,382	15,891	5,272
Cash and cash equivalents	24,276	26,954	54,521
CURRENT ASSETS	311,197	334,480	514,663
TOTAL ASSETS	652,680	681,446	849,739
Share capital	21,840	21,840	21,840
Reserves	112,610	111,574	104,308
Foreign currency translation reserve	- 14,050	- 11,051	- 6,227
Profit (loss) for the period	- 26,972	- 14,600	15,011
Minority interests	17,806	19,803	23,953
SHAREHOLDERS' EQUITY	111,234	127,566	158,885
Financial liabilities	138,488	142,786	150,324
Trade and other payables	297	516	16,987
Deferred tax liabilities	6,421	6,654	9,442
Severance, pension and similar provisions	21,912	22,211	24,205
Provisions for risks and liabilities	1,550	1,232	2,205
NON CURRENT LIABILITIES	168,668	173,399	203,163
Financial liabilities	169,423	141,968	131,918
Trade and other payables	182,067	213,152	329,819
Current taxes payable	5,278	9,117	16,655
Provisions for risks and liabilities	16,010	16,244	9,299
CURRENT LIABILITIES	372,778	380,481	487,691
TOTAL EQUITY AND LIABILITIES	652,680	681,446	849,739

CASH FLOW AT 30.09.2009

	30/09/09 €/000	30/06/09 €/000	30/09/08 €/000
Opening Net Financial Position	-216,545	-216,545	-175,947
<i>Group profit/(loss)</i>	-26,972	-14,600	15,011
<i>Profit/(loss) pertaining to minorities</i>	-4,746	-3,068	548
<i>Amortisation, depreciation and impairment of fixed assets</i>	23,712	15,820	24,420
Cash flow before Net Working Capital	-8,006	-1,848	39,979
Change in Net Working Capital	-12,795	-5,241	-28,585
Investments in fixed assets	-19,893	-16,865	-42,841
Disinvestments in fixed assets	2,973	2,912	2,906
Operational Free Cash Flow	-37,721	-21,042	-28,540
Other operational flows	-8,246	1,846	-9,808
Other investment flows	2,273	-403	-1,079
Change in Share Capital	-	-	-
Dividends paid	-	-	-
Other equity flows	-6,680	-4,398	531
Free Cash Flow	-50,374	-23,997	-46,105
Closing Net Financial Position	-266,919	-240,542	-222,052

ANALYSIS OF NET WORKING CAPITAL AT 30.09.09

	30/09/09 €/000	30/06/09 €/000	30/09/08 €/000
Trade Receivables	73,792	84,337	161,016
Inventory	159,293	166,216	226,027
Trade Payables	-138,761	-163,783	239,907
Net Working Capital (NWC)	94,324	86,770	93,136

CARRARO S.p.A.

Main offices in Campodarsego (PD) – Via Olmo n. 37

Nominal Capital of Euro 21,840,000 entirely paid over

Fiscal Code, VAT Registration number and Registration in the Company Register of Padova n. 00202040283

R.E.A. n. 84.033

INTERMEDIATE MANAGEMENT REPORT TO 30TH SEPTEMBER 2009
(CONSOLIDATED FIGURES)

The third quarter of 2009 lends confirmation to the negative trend of the first part of the year and the results are still influenced by the heavy downturns of the main markets of reference.

The *construction equipment* sector is down over 80%, but it is worthwhile underlining that during the last part of the quarter this drop was almost completely halted due to the gradual fading out of destocking activities engaged in by the main manufacturers. This was not the case with the agricultural market, which, compared to the negative performance already posted during the first half of the year, is showing a further drop in demand. The only indication of a trend reversal is the one originating from the energy sector, for both kinds of industrial applications, photovoltaic or wind energy.

As very thoroughly analysed below, all this has led to considerable drops in turnover for all Business Units compared to the same quarter of the previous year, where, in consolidated terms – quarter for quarter – the drop amounts to 56.7%, while in progressive terms the drop amounts to 52.1%.

In terms of progressive geographical distribution, sales earmarked for Europe and the United States have fallen between 60% and 65% while the only geographic area where sales have posted a positive result is China (+6.9%).

The cost cutting actions have continued throughout the group together with the operating plans required to reduce the *break even* threshold. As confirmation of the figures already reported in the half-year report, even the quarter, with the exception of personnel costs, has seen other structural and overheads drop almost proportionally with the drop in turnover.

Within the context of a more in depth and coherent industrial plan, an extensive restructuring plan has been put in motion during the course of the quarter concerning all staff, in addition to the one already introduced during the first half of the year, with the aim of adapting the Group's structure to the new demand volumes. More specifically, in addition to the restructuring process already completed in Poland, a number of specific actions for the reduction of 807 redundancies are now underway (negotiations are already underway with the trade unions) involving Carraro Spa and the Agritalia Division, Carraro Tech Drive at the Campodarsego and Gorizia plants, the subsidiary company Mini Gears at the Padova plant, Siap at the Maniago (MN) and Poggiofiorito plants and finally the German subsidiary company O&KA at the Hattingen plant.

Despite the manifest deterioration of the free cash flow compared to the figure posted at 30th of June 2009, it should be pointed out that the actions undertaken to underpin the financial management have enabled a positive free cash flow figure to be posted for the month of September.

GENERAL FIGURES

The Group results are indicated and briefly outlined below

Concise summary of third quarter 2009 data (VALUES IN €/000)

	3 rd quarter 2009	% of turnover	3 rd quarter 2008	% of turnover	Diff.%
Turnover	100,829		232,871		-56.7
EBITDA	-4,581	-4.5	18,200	7.8	-125.2
EBIT	-12,473	-12.4	10,145	4.4	-223.0
Net profit/(loss)	-12,372	-12.3	4,331	1.9	-385.7
Depreciation and amortization	7,892	7.8	8,055	3.5	-2.0
Investments	3,028		13,138		

Concise summary of progressive figures at 30.09.2009 (VALUES IN €/000)

	30.09.2009	% of turnover	30.09.2008	% of turnover	Diff.%
Turnover	356,423		744,292		-52.1
EBITDA	-6,809	-1.9	60,003	8.1	-111.4
EBIT	-30,521	-8.6	35,583	4.8	-185.8
Net Profit/(Loss)	-26,972	-7.6	15,011	2.0	-279.7
Depreciation and Amortization	23,712	6.7	24,420	3.3	-2.9
Investments	19,893	5.6	42,841	5.8	-53.6
Net financial position	-266,919		-222,052		
Shareholders' equity	93,428		134,932		
Gearing	2.40		1.40		

*excluding minorities

Turnover

The consolidated turnover for the Group in the third quarter of 2009 amounts to 100.829 million Euro with a drop of 56.7% compared to the figure for the third quarter of 2008. In progressive terms at the 30th of September the turnover has reached the figure of 356.423 million Euro, down 52.1% compared to the 744.292 million Euro posted at 30th of September 2008.

The analysis of the allocation of sales per Business Unit, the main variations and the geographic destination are summed up in the following tables.

Segment reporting**a) business segment****Third quarter of 2009 data (VALUES IN €/000)**

	SALES			SALES TO THIRD PARTIES			SALES TO OTHER BUSINESS UNITS		
	3 ^o quarter 2009	3 ^o quarter 2008	Diff. %	3 ^o quarter 2009	3 ^o quarter 2008	Diff. %	3 ^o quarter 2009	3 ^o quarter 2008	Diff. %
DRIVES & DRIVELINES	67,806	160,132	-57.66	65,875	154,306	-57.31	1,931	5,826	-66.86
GEARS & COMPONENTS	25,507	55,687	-54.20	18,520	38,376	-51.74	6,987	17,311	-59.64
VEHICLES	6,354	24,474	-73.30	5,754	23,888	-75.91	780	586	33.11
POWER CONTROLS	10,737	16,061	-33.15	10,652	16,061	-33.68	85	-	-
OTHER	4,038	12,788	-68.42	28	240	-88.33	4,010	12,548	-68.04
TOTAL SEGMENTS	114,622	269,142	-57.41	100,829	232,871	-56.70	13,793	36,271	-61.97

INTRA-GROUP ELIMINATIONS	-13,793	-36,271	-61.97	-	-	-	-	-	-
CONSOLIDATED TOTAL	100,829	232,871	-56.70	100,829	232,871	-56.70	13,793	36,271	-61.97

Progressive data at 30th of September 2009 (VALUES IN €/000)

	SALES			SALES TO THIRD PARTIES			SALES TO OTHER BUSINESS UNITS		
	30.09.09	30.09.08	Diff. %	30.09.09	30.09.08	Diff. %	30.09.09	30.09.08	Diff. %
DRIVES & DRIVELINES	233,821	514,665	-54.57	226,150	497,241	-54.52	7,671	17,424	-55.97
GEARS & COMPONENTS	80,925	180,820	-55.25	63,088	123,642	-48.98	17,837	57,178	-68.80
VEHICLES	43,513	77,246	-43.67	41,531	75,521	-45.01	1,982	1,725	14.90
POWER CONTROLS	25,777	47,571	-45.81	25,493	47,571	-46.41	284	-	-
OTHER	13,815	12,788	8.03	161	317	-49.21	13,654	12,471	9.49
TOTAL SEGMENTS	397,851	833,090	-52.24	356,423	744,292	-52.11	41,428	88,798	-53.35
INTRA-GROUP ELIMINATIONS	-41,428	-88,798	-53.35	-	-	-	-	-	-
CONSOLIDATED TOTAL	356,423	744,292	-52.11	356,423	744,291	-52.11	41,428	88,798	-53.35

The analysis of the turnover variations reveals further serious drops for all Business Units for the quarter with the exception of Power Controls which appears to be recovering compared to the progressive data at 30th September 2009.

b) geographic distribution

Figures for the third quarter of 2009 (VALUES IN €/000)

<i>Geographic Area</i>	<i>3rd quarter 2009</i>	<i>%</i>	<i>3rd quarter 2008</i>	<i>%</i>	<i>Difference %</i>
Germany	17,744	17.6	41,427	17.8	-57.2
North America	11,258	11.2	35,091	15.1	-67.9
South America	10,589	10.5	17,888	7.7	-40.8
Great Britain	3,079	3.1	17,222	7.4	-82.1
France	3,261	3.2	13,746	5.9	-76.3
China	10,151	10.1	10,982	4.7	-7.6
India	5,352	5.3	7,621	3.2	-29.8
Poland	1,632	1.6	4,315	1.8	-62.2
Turkey	1,133	1.1	2,957	1.3	-61.7
Other E.U areas	8,413	8.3	27,289	11.7	-69.2
Other areas outside E.U	6,028	6.0	6,941	3.0	-13.1
Total Abroad	78,640	78.0	185,479	79.6	-57.6
Italy	22,189	22.0	47,392	20.4	-53.2
Total	100,829	100	232,871	100	-56.70
of which:					
Total E.U area	56,318	55.9	151,391	65.0	-62.8
Total area outside E.U.	44,511	44.1	81,480	35.0	-45.4

Progressive data at 30th of September 2009 (VALUES IN €/000)

Geographic Area	30.09.2009	%	30.09.2008	%	Difference %
Germany	64,174	18.0	130,611	17.5	-50.9
North America	41,138	11.5	108,795	14.6	-62.2
Great Britain	9,897	2.8	67,980	9.1	-85.4
France	27,607	7.8	44,612	6.0	-38.1
South America	29,303	8.2	42,961	5.8	-31.8
China	33,249	9.3	31,098	4.2	6.92
India	13,376	3.7	22,918	3.1	-41.6
Poland	4,260	1.2	17,303	2.3	-75.4
Turkey	2,286	0.6	10,960	1.5	-79.1
Other E.U areas	33,098	9.3	89,666	12.0	-63.1
Other areas outside E.U	28,726	8.1	22,830	3.1	-25.8
Total Abroad	287,114	80.6	589,735	79.2	-51.3
Italy	69,309	19.4	154,557	20.8	-55.2
Total	356,423	100	744,292	100	-52.1

of which:

Total E.U area	208,345	58.45	504,729	67.8	-58.7
Total area outside E.U.	148,078	41.55	239,563	32.2	-38.2

In geographic terms, during the quarter, the percentage drops remain fairly uniform between Europe (-63%) and the United States (-68%) and partially contained in Asia, while in progressive terms Europe weighs in with a drop of 59% and the United States with one of 62%; the only exception being China which, in progressive terms at 30th of September, records a growth of 6.9%.

Ebitda and Ebit**Figures for the third quarter of 2009 (VALUES IN €/000)**

	3rd quarter 2009	% of turnover	3rd quarter 2008	% of turnover	Diff.%
EBITDA	-4,581	-4.5	18,200	7.8	-125.2
EBIT	-12,473	-12.4	10,145	4.4	-223.0

Progressive data at 30th of September 2009 (VALUES IN €/000)

	30.09.2009	% of turnover	30.09.2008	% of turnover	Diff.%
EBITDA	-6,809	-1.9	60,003	8.1	-111.4
EBIT	-30,521	-8.6	35,583	4.8	-185.8

The Ebitda (Earnings before Interest, Taxes, Depreciation and Amortisation) is negative for the quarter by 4.581 million Euro compared to the 18.200 million Euro in the black recorded in the third quarter of 2008. In progressive terms, the Ebitda at 30 September 2009 is negative by 6.809 million

Euro with a drop compared to the figure posted at 30 September 2008, which was positive by 60.003 million Euro.

The Ebit (Earnings before Interest and Taxes) is negative for the quarter by 12.473 million Euro, a drop compared to the 10.145 million Euro in the black posted for the third quarter of 2008. In progressive terms the Ebit is negative at 30 September 2009 by 30.521 million Euro falling away from the 35.583 million Euro in the black posted at 30 September 2008.

Financial expenses

The financial expenses for the third quarter 2009 amounts to 2.446 million Euro compared to 4.402 million Euro for the third quarter of 2008. In progressive terms at the 30th of September 2009 financial expenses run to 8.917 million Euro, compared to 12.031 million Euro at 30 September 2008. The drop is due to the lower cost of money.

Exchange differences

The exchange differences for the third quarter 2009 are negative and amount to 1.222 million Euro, compared to the positive figure posted for the third quarter of 2008 (1.228 million Euro).

In progressive terms at 30 September 2009 they are positive by 432 thousand Euro, and were negative by 757 thousand Euro at 30 September 2008, and include the Mark-to-Market effects of the fair value valuation of the derivative instruments used to cover exchange and interest risk.

Net Profit/(Loss)

The third quarter 2009 closes with net losses of 12.372 million Euro compared to a profit of 4.331 million Euro posted for the third quarter of 2008 (1.9% of turnover). In progressive terms, net losses at 30 September 2009 stand at 26.972 million Euro compared to profits of 15.011 million euro (2.0% of turnover) at 30 September 2008.

Depreciation and Amortization

The amortisations for the quarter amount to 7.892 million Euro, down compared to the 8.055 million Euro of the third quarter of 2008. In progressive terms, at 30 September 2009 they drop by 23.712 million Euro compared to 24.420 million Euro at 30 September 2008.

Investments

Investments for the quarter amount to 3.028 million Euro (13.138 million Euro in the third quarter of 2008), in progressive terms at 30 September 2009 they stand at 19.893 million Euro, down compared to the 42.841 million Euro of the previous year. The investments are earmarked for relocalisation of production, opening of new supply channels and ensuring the efficiency and safety of plants and machinery are duly maintained.

Net financial position and gearing

The net financial position (the sum of bank borrowing, bonds and short-term and medium/long-term loans, net of cash and cash equivalents, marketable securities and financial receivables) is negative at 30 September 2009 by 266.919 million Euro, in June it was negative by 240.542 million Euro (at

September 2008 it was negative by 222.052 million Euro). The increase is due to: the worsening of the free cash flow owing to a lower cash flow before the variation of net current assets due to the greater losses for the period, the increase in cash, due to major payments to suppliers compared to an oversized growth of stock at the beginning of the year, to the payment of investments for the quarter and the payment of taxes that took place in July (7.1 million Euro).

The gearing (the relationship between the net financial position and shareholders' equity) at 30 September 2009, stands at 2.40, in June it amounted to 1.89 and in September of 2008 it stood at 1.40.

BUSINESS OUTLOOK FOR THE CURRENT YEAR

There are no significant indications of possible improvements for the last quarter with the exception of the previously mentioned completion of the destocking process, mainly in the *Construction Equipment* segment, which will not however lead to significant variations in volume growth during the course of this year.

The drop in the agricultural market is confirmed and will mean that for the last quarter turnover figures will be once again down.

The activities engaged in to cut overheads and supervision of cash flow will continue with the aim of reducing the *break even* threshold and keep the Groups financial position safe.

With reference to the provisions of Articles 36 and 39 of the Consob Order 16191 dated 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 Carrara 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).

Content and reporting standards

This consolidated interim management report at 30 September 2009, was drafted in accordance with the international accounting standards (IAS/IFRS) in continuity with those applied in the financial statements at 31 December 2008.

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. – the Consolidated Finance Act) 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
The Chairman

Mario Carraro

Statement pursuant to Art. 154 bis, section 2, Lgs. Dec. 58/1998

Subject: interim report on operations at 30.09.2009

The undersigned Enrico Gomiero, the Manager Responsible for Corporate Financial Reporting, declares, pursuant to Paragraph 2 of Article 154 bis of the Finance Consolidation Act, that the accounting information contained in the document in question corresponds to the documented results, accounting books and bookkeeping entries.

Campodarsego, 12 November 2009

Carraro SpA
Chief Financial Officer

Enrico Gomiero