



# **Carraro Group**

## **Interim management report at 30 September 2008**

**CARRARO S.p.A.**

Offices 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:

**QUARTERLY REPORT AT 30 SEPTEMBER 2008**  
**(CONSOLIDATED FIGURES)**

Third quarter 2008 ended positively and in line with expectations, confirming the favourable growth trend already seen at the end of the first six months. The results, compared with the same period of the previous financial year, show increases both in absolute and in percentage terms.

Demand remained high in the tractor market in particular in Eastern Europe, the Middle East, Asia and South America. There was also confirmation of significant growth for application destined for the energy sector, both wind power and photovoltaic solar power. As regards Construction Equipment there were important signs of a slowdown particularly accentuated in September in all the main geographical areas.

As far as supplies are concerned the difficulties in the sourcing of materials eased – thanks also to a temporary increase in stocks which entailed a worsening of the net financial position – while purchase prices remained high, although some signs of slackening began to be seen from October onwards.

The quarter also saw a further advance in the process of reorganization of the businesses of the Group, which had begun in 2007 with the foundation of Gear World, the industrial project that brought together the Carraro companies already working in the gear sector at a global level.

As already announced at 30 June 2008 in the interim financial report, in order to give the Business Units more autonomy, on 1° July 2008 we set up Carraro Drive Tech SpA, a company which has absorbed all the businesses and companies associated with the core business “Drivelines” (transmission systems).

The new structure will enable us to make the different business areas more focused, with the aim of improving competitiveness in every sector, implementing more targeted marketing policies and creating consequently greater value in a process of development that is independent but still in keeping with the vision of the Parent Company Carraro SpA, which will continue to coordinate the strategy transversally with a view to new products and markets.

## **GENERAL DATA**

The Group's results are shown and analysed below.

### **Summary data for third quarter 2008 (FIGURES IN €/000)**

|              | <b>3<sup>rd</sup> quarter 2008</b> | <b>% of sales</b> | <b>3<sup>rd</sup> quarter 2007</b> | <b>% of sales</b> | <b>% change</b> |
|--------------|------------------------------------|-------------------|------------------------------------|-------------------|-----------------|
| Sales        | 232,871                            |                   | 194,000                            |                   | +20.0           |
| EBITDA       | 18,200                             | 7.8               | 13,841                             | 7.1               | +31.5           |
| EBIT         | 10,145                             | 4.4               | 7,308                              | 3.8               | +38.8           |
| Net income   | 4,331                              | 1.9               | 1,817                              | 0.9               | +138.4          |
| Amortisation | 8,055                              | 3.5               | 6,533                              | 3.4               | +23.3           |
| Cash-flow    | 12,386                             | 5.3               | 8,341                              | 4.3               | +48.3           |
| Investments  | 13,138                             |                   | 12,215                             | 6.3               |                 |

### **Progressive summary data at 30.09.2008 (FIGURES IN €/000)**

|                        | <b>30.09.2008</b> | <b>% of sales</b> | <b>30.09.2007</b> | <b>% of sales</b> | <b>% change</b> |
|------------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Sales                  | 744,292           |                   | 588,654           |                   | +26.4           |
| EBITDA                 | 60,003            | 8.1               | 46,719            | 7.9               | +28.4           |
| EBIT                   | 35,583            | 4.8               | 28,149            | 4.8               | +26.4           |
| Net income             | 15,011            | 2.0               | 11,860            | 2.0               | +26.6           |
| Amortisation           | 24,420            | 3.3               | 18,570            | 3.2               | +31.5           |
| Cash-flow              | 39,431            | 5.3               | 30,430            | 5.2               | +29.6           |
| Investments            | 42,841            | 5.8               | 32,271            | 5.5               |                 |
| Net financial position | -222,053          |                   | -182,474          |                   |                 |
| Shareholders' equity*  | 134,931           |                   | 124,763           |                   |                 |
| Gearing                | 1.40              |                   | 1.23              |                   |                 |

\*excluding minorities

## **Sales**

Group consolidated sales in the third quarter of 2008 reached 232.871 million euro, up 20.0% compared with the figure for third quarter 2007. In progressive terms at 30 September 2008 sales reached 744.292 million euro, up 26.4% compared with the 588.654 million euro of 30 September 2007.

In comparable terms, net therefore of the sales of Mini Gears, sales of the quarter would have grown by 18.7% and progressive sales would have been up by 19.7% compared with 30 September 2007.

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

## Segment reporting

### a) Sector of activity

2008 third quarter data (FIGURES IN €/000)

|                           | SALES          |                |              | SALES TO THIRD PARTIES |                |              | INFRA-GROUP SALES |               |              |
|---------------------------|----------------|----------------|--------------|------------------------|----------------|--------------|-------------------|---------------|--------------|
|                           | Q3 2008        | Q3 2007        | % change     | Q3 2008                | Q3 2007        | % change     | Q3 2008           | Q3 2007       | % change     |
| DRIVES & DRIVELINES       | 160,132        | 148,852        | 7.58         | 154,306                | 141,746        | 8.86         | 5,826             | 7,106         | (18.01)      |
| GEAR & COMPONENTS         | 55,687         | 42,049         | 32.43        | 38,376                 | 24,953         | 53.79        | 17,311            | 17,096        | 1.26         |
| VEHICLES                  | 24,474         | 20,545         | 19.12        | 23,888                 | 19,607         | 21.83        | 586               | 938           | (37.53)      |
| POWER CONTROL             | 16,061         | 7,694          | 108.71       | 16,061                 | 7,694          | 108.75       | -                 | -             | -            |
| OTHERS                    | 12,788         | -              | -            | 240                    | -              | -            | 12,548            | -             | -            |
| <b>TOTAL SEGMENTS</b>     | <b>269,142</b> | <b>228,335</b> | <b>22.82</b> | <b>232,871</b>         | <b>194,000</b> | <b>20.04</b> | <b>36,271</b>     | <b>25,140</b> | <b>44.28</b> |
| INFRA-GROUP ADJUSTMENTS   | (36,271)       | (25,140)       | 44.28        | -                      | -              | -            | (36,271)          | (25,140)      | 44.28        |
| <b>TOTAL CONSOLIDATED</b> | <b>232,871</b> | <b>194,000</b> | <b>20.04</b> | <b>232,871</b>         | <b>194,000</b> | <b>20.04</b> | -                 | -             | -            |

Progressive data at 30 September 2008 (FIGURES IN €/000)

|                           | SALES          |                |              | SALES TO THIRD PARTIES |                |              | INFRA-GROUP SALES |               |              |
|---------------------------|----------------|----------------|--------------|------------------------|----------------|--------------|-------------------|---------------|--------------|
|                           | 30.9.'08       | 30.9.'07       | % change     | 30.9.'08               | 30.9.'07       | % change     | 30.9.'08          | 30.9.'07      | % change     |
| DRIVES & DRIVELINES       | 514,665        | 452,272        | 13.80        | 497,241                | 443,362        | 12.15        | 17,424            | 8,910         | 95.56        |
| GEAR & COMPONENTS         | 180,820        | 107,467        | 68.26        | 123,642                | 55,059         | 124.56       | 57,178            | 52,408        | 9.10         |
| VEHICLES                  | 77,246         | 70,597         | 9.42         | 75,521                 | 69,621         | 8.47         | 1,725             | 976           | 76.74        |
| POWER CONTROL             | 47,571         | 20,616         | 130.75       | 47,571                 | 20,612         | 130.79       | -                 | 4             | (100.00)     |
| OTHERS                    | 12,788         | -              | -            | 317                    | -              | -            | 12,471            | -             | -            |
| <b>TOTAL SEGMENTS</b>     | <b>833,090</b> | <b>650,952</b> | <b>27.98</b> | <b>744,292</b>         | <b>588,654</b> | <b>26.44</b> | <b>88,798</b>     | <b>62,298</b> | <b>42.54</b> |
| INFRA-GROUP ADJUSTMENTS   | (88,798)       | (62,298)       | 9.4          | -                      | -              | -            | (88,798)          | (62,298)      | 42.54        |
| <b>TOTAL CONSOLIDATED</b> | <b>744,292</b> | <b>588,654</b> | <b>26.44</b> | <b>744,291</b>         | <b>588,654</b> | <b>26.44</b> | -                 | -             | -            |

## b) Geographical area

2008 third quarter data (FIGURES IN €/000)

| <i>Geographical Area</i> | <i>3<sup>rd</sup> quarter<br/>2008</i> | <i>%</i>    | <i>3<sup>rd</sup> quarter<br/>2007</i> | <i>%</i>    |
|--------------------------|--|-------------|--|-------------|
| Germany                  | 41,427                                 | 17.8        | 31,895                                 | 16.4        |
| North America            | 35,091                                 | 15.1        | 31,980                                 | 16.5        |
| South America            | 17,888                                 | 7.7         | 12,194                                 | 6.3         |
| Great Britain            | 17,222                                 | 7.4         | 20,348                                 | 10.5        |
| France                   | 13,746                                 | 5.9         | 10,915                                 | 5.6         |
| China                    | 10,982                                 | 4.7         | 7,241                                  | 3.7         |
| India                    | 7,621                                  | 3.2         | 7,169                                  | 3.7         |
| Poland                   | 4,315                                  | 1.8         | 4,671                                  | 2.4         |
| Turkey                   | 2,957                                  | 1.3         | 4,164                                  | 2.2         |
| Other E.U. areas         | 27,289                                 | 11.7        | 18,315                                 | 9.4         |
| Other non-E.U. areas     | 6,941                                  | 3.0         | 3,398                                  | 1.8         |
| <b>Foreign Total</b>     | <b>185,479</b>                         | <b>79.6</b> | <b>152,290</b>                         | <b>78.5</b> |
| Italy                    | 47,392                                 | 20.4        | 41,710                                 | 21.5        |
| <b>Total</b>             | <b>232,871</b>                         | <b>100</b>  | <b>194,000</b>                         | <b>100</b>  |

comprised of:

|                            |                |             |                |             |
|----------------------------|----------------|-------------|----------------|-------------|
| <b>Total E.U. area</b>     | <b>151,391</b> | <b>65.0</b> | <b>127,854</b> | <b>65.9</b> |
| <b>Total non-E.U. area</b> | <b>81,480</b>  | <b>35.0</b> | <b>66,146</b>  | <b>34.1</b> |

Progressive data at 30 September 2008 (FIGURES IN €/000)

| <i>Geographical Area</i> | <i>30.09.2008</i> | <i>%</i>    | <i>30.09.2007</i> | <i>%</i>    |
|--------------------------|-------------------|-------------|-------------------|-------------|
| Germany                  | 130,611           | 17.5        | 98,570            | 16.7        |
| North America            | 108,795           | 14.6        | 95,939            | 16.3        |
| Great Britain            | 67,980            | 9.1         | 59,578            | 10.1        |
| France                   | 44,612            | 6.0         | 42,195            | 7.1         |
| South America            | 42,961            | 5.8         | 29,819            | 5.1         |
| China                    | 31,098            | 4.2         | 16,339            | 2.8         |
| India                    | 22,918            | 3.1         | 25,233            | 4.3         |
| Poland                   | 17,303            | 2.3         | 16,288            | 2.8         |
| Turkey                   | 10,960            | 1.5         | 13,523            | 2.3         |
| Other E.U. areas         | 89,666            | 12.0        | 51,555            | 8.7         |
| Other non-E.U. areas     | 22,830            | 3.1         | 10,925            | 1.9         |
| <b>Foreign Total</b>     | <b>589,735</b>    | <b>79.2</b> | <b>459,964</b>    | <b>78.1</b> |
| Italy                    | 154,557           | 20.8        | 128,690           | 21.9        |
| <b>Total</b>             | <b>744,292</b>    | <b>100</b>  | <b>588,654</b>    | <b>100</b>  |

comprised of:

|                            |                |             |                |             |
|----------------------------|----------------|-------------|----------------|-------------|
| <b>Total E.U. area</b>     | <b>504,729</b> | <b>67.8</b> | <b>396,876</b> | <b>67.4</b> |
| <b>Total non-E.U. area</b> | <b>239,563</b> | <b>32.2</b> | <b>191,778</b> | <b>32.6</b> |

### **EBITDA and EBIT**

#### **2008 third quarter data (FIGURES IN €/000)**

|        | <b>3<sup>rd</sup> quarter<br/>2008</b> | <b>% of sales</b> | <b>3<sup>rd</sup> quarter<br/>2007</b> | <b>% of sales</b> | <b>% change</b> |
|--------|--|-------------------|--|-------------------|-----------------|
| EBITDA | 18,200                                 | 7.8               | 13,841                                 | 7.1               | +31.5           |
| EBIT   | 10,145                                 | 4.4               | 7,308                                  | 3.8               | +38.8           |

#### **Progressive data at 30 September 2008 (FIGURES IN €/000)**

|        | <b>30.09.2008</b> | <b>% of sales</b> | <b>30.09.2007</b> | <b>% of sales</b> | <b>% change</b> |
|--------|-------------------|-------------------|-------------------|-------------------|-----------------|
| EBITDA | 60,003            | 8.1               | 46,719            | 7.9               | +28.4           |
| EBIT   | 35,583            | 4.8               | 28,149            | 4.8               | +26.4           |

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) came out in the quarter at 18.200 million euro, up 31.5% compared with the 13.841 million euro of third quarter 2007. In progressive terms, EBITDA at 30 September 2008 amounted to 60.003 million euro with growth of 28.4% with respect to the figure at 30 September 2007, 46.719 million euro.

EBIT (Earnings before Interest and Taxes) amounted in the quarter to 10.145 million euro, up 38.8% compared with the 7.308 million euro of third quarter 2007. In progressive terms, EBIT came out as of 30 September 2008 at 35.583 million euro, up 26.4% with respect to the figure of 28.149 million euro at 30 September 2007. As stated above the results are on the whole in line with the budget.

### **Financial expenses**

Financial expenses in the third quarter of 2008 amounted to 4.402 million euro, compared with 2.895 million euro in third quarter 2007. In progressive terms financial expenses at 30 September 2008 amounted to 12.031 million euro, up from 7.088 million euro at 30 September 2007. The increase over the figure for the previous year is due to higher medium-term indebtedness and the higher cost of money.

### **Exchange rate differences**

Exchange rate differences in third quarter 2008 were positive and amounted to 1.229 million euro, compared with losses in third quarter 2007 (399 thousand euro)

At 30 September 2008 they were negative by 756 thousand euro (they were positive by 1.228 million euro at 31 December 2007); they were positive by 1.069 million euro at 30 September 2007, and include the Mark-to-Market effects of designation at fair value of derivative instruments hedging exchange rate and interest rate risks.

### **Net profit**

The net profit for third quarter 2008 was 4.331 million euro (1.9% of turnover), up 138.4%, thanks also to more favourable tax components, with respect to the figure for third quarter 2007 of 1.817 million euro (0.9% of turnover). In progressive terms the net profit at 30 September 2008 was 15.011 million euro (2.0% of turnover), up 26.6% with respect to the 11.860 million euro (2.0% of turnover) of 30 September 2007.

### **Amortisation and Cash-Flow**

#### **2008 third quarter data (FIGURES IN €/000)**

|                     | <b>3<sup>rd</sup> quarter 2008</b> | <b>% of sales</b> | <b>3<sup>rd</sup> quarter 2007</b> | <b>% of sales</b> | <b>% change</b> |
|---------------------|------------------------------------|-------------------|------------------------------------|-------------------|-----------------|
| <b>Amortisation</b> | 8,055                              | 3.5               | 6,533                              | 3.4               | +23.3           |
| <b>Cash-flow</b>    | 12,386                             | 5.3               | 8,350                              | 4.3               | +48.3           |

#### **Progressive data at 30 September 2008 (FIGURES IN €/000)**

|                     | <b>30.09.2008</b> | <b>% of sales</b> | <b>30.09.2007</b> | <b>% of sales</b> | <b>% change</b> |
|---------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| <b>Amortisation</b> | 24,420            | 3.3               | 18,570            | 3.2               | +31.5           |
| <b>Cash-Flow</b>    | 39,431            | 5.3               | 30,430            | 5.2               | +28.6           |

Amortisation in the quarter amounted to 8.055 million euro, an increase of 23.3% compared with 6.533 million euro in third quarter 2007. At 30 September 2008 they had increased by 31.5% to 24.420 million euro compared with 18.570 million euro at 30 September 2007.

The Cash-Flow in the quarter amounted to 12.386 million euro compared with 8.350 million euro in the same quarter of the previous year; in progressive terms the cash flow at 30 September 2008 was 39.431 million euro (30.430 million euro at 30 September 2007).

### **Investments**

#### **2008 third quarter data (FIGURES IN €/000)**

|                    | <b>3<sup>rd</sup> quarter 2008</b> | <b>3<sup>rd</sup> quarter 2007</b> |
|--------------------|------------------------------------|------------------------------------|
| <b>Investments</b> | 13,138                             | 12,215                             |

#### **Progressive data at 30 September 2008 (FIGURES IN €/000)**

|                    | <b>30.09.2008</b> | <b>30.09.2007</b> |
|--------------------|-------------------|-------------------|
| <b>Investments</b> | 42,841            | 32,271            |

Investments in the quarter amounted to 13.138 million euro (12.215 million euro in third quarter 2007), earmarked almost exclusively for increases in manufacturing capacity, in particular of the *Gears & Components* unit.

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

Owing to the need to sustain floating assets (stocks) as mentioned above, 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 credits) was negative at 30 September 2008 by 222.053 million euro, while at June 2008 it was negative by 194.942 million euro (at September 2007 it was negative by 182.474 million euro). Gearing at 30 September 2008 stood at 1.40, at June 2008 it was 1.30, and at September 2007 it was 1.23.

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

Owing to the financial turbulence of this last month and the consequent climate of uncertainty generated by it, there are many shadows of uncertainty hanging over the last quarter, in which we may not completely achieve the turnover targets while the percentage profit targets are substantially confirmed as a result of greater logistical and manufacturing efficiency.

### **DISCLAIMER**

*This document contains forecasts (“forward-looking statements”), in particular in the section “Outlook for the business in the current financial year”, in relation to future events and to the operating, economic and financial results of the Carraro Group. These forecasts have by nature a component of riskiness 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 29.10.2007 (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, 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>30.09.2008</b> | <b>%</b>      | <b>30.09.2007</b> | <b>%</b>      |
|---|-------------------|---------------|-------------------|---------------|
| <b>Revenues from sales</b>              | <b>744,292</b>    | <b>100.00</b> | <b>588,654</b>    | <b>100.00</b> |
| Purchases of goods and materials        | -483,905          | -65.02        | -381,007          | -64.73        |
| Services                                | -135,305          | -18.18        | -101,569          | -17.25        |
| Use of third-party goods and services   | -4,133            | -0.56         | -2,656            | -0.45         |
| Personnel costs                         | -100,323          | -13.48        | -77,654           | -13.18        |
| Amortisation and depreciation of assets | -24,683           | -3.32         | -18,865           | -3.2          |
| Changes in stocks                       | 42,502            | 5.71          | 23,729            | 4.03          |
| Provisions for risks                    | -6,008            | -0.81         | -4,396            | -0.75         |
| Other income and expenses               | 3,146             | 0.42          | 1,912             | 0.33          |
| <b>EBIT</b>                             | <b>35,583</b>     | <b>4.78</b>   | <b>28,149</b>     | <b>4.78</b>   |
| Income from equity interests            | -                 | -             | -                 | -             |
| Net financial income/expenses           | -12,032           | -1.62         | -7,088            | -1.2          |
| Net foreign exchange income/expenses    | -756              | -0.10         | 1,069             | 0.18          |
| Net adjustments of financial assets     | -                 | -             | -2                | 0.00          |
| <b>Income before tax</b>                | <b>22,795</b>     | <b>3.06</b>   | <b>22,128</b>     | <b>3.76</b>   |
| Current and deferred income taxes       | -7,236            | -0.97         | -9,301            | -1.58         |
| <b>Net income</b>                       | <b>15,559</b>     | <b>2.09</b>   | <b>12,827</b>     | <b>2.18</b>   |
| Third-party income                      | -548              | -0.07         | -967              | -0.16         |
| <b>Group consolidated income</b>        | <b>15,011</b>     | <b>2.02</b>   | <b>11,860</b>     | <b>2.01</b>   |

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

|   | 30.09.2008     | 30.09.2007     |
|---|----------------|----------------|
| <b>Non-current assets</b>                                   | <b>335,075</b> | <b>299,306</b> |
| Tangible fixed assets                                       | 239,115        | 220,760        |
| Intangible fixed assets                                     | 76,107         | 60,991         |
| Real-estate investments                                     | 710            | 710            |
| Shareholdings   | 173            | 190            |
| Financial assets  | 919            | 1,068          |
| Deferred tax assets   | 16,889         | 13,564         |
| Trade receivables and other receivables                     | 1,162          | 2,023          |
| <b>Current assets</b>                                       | <b>514,662</b> | <b>385,656</b> |
| Closing inventory   | 226,027        | 168,906        |
| Trade receivables and other receivables                     | 228,842        | 186,531        |
| Financial assets  | 5,272          | 1,887          |
| Cash and cash equivalents                                   | 54,521         | 28,332         |
| <b>Total assets</b>   | <b>849,737</b> | <b>684,962</b> |
| <b>Shareholders' equity</b>                                 | <b>158,884</b> | <b>148,657</b> |
| <b>Non-current liabilities</b>                              | <b>203,163</b> | <b>162,769</b> |
| Financial liabilities                                       | 150,324        | 116,010        |
| Trade payables and other payables                           | 16,987         | 5,965          |
| Deferred tax liabilities                                    | 9,360          | 12,670         |
| Severance, pension and similar provisions                   | 24,205         | 26,333         |
| Provisions for risks and contingencies                      | 2,287          | 1,791          |
| <b>Current liabilities</b>                                  | <b>487,690</b> | <b>373,536</b> |
| Financial liabilities                                       | 131,919        | 96,288         |
| Trade payables and other payables                           | 329,817        | 260,951        |
| Current taxes payable                                       | 16,655         | 8,762          |
| Provisions for risks and contingencies (short-term amounts) | 9,299          | 7,535          |
| <b>Total liabilities and shareholders' equity</b>           | <b>842,737</b> | <b>684,962</b> |

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

|   | 3 <sup>rd</sup> quarter<br>2008 | %             | 3 <sup>rd</sup> quarter<br>2007 | %             |
|---|---------------------------------|---------------|---------------------------------|---------------|
| <b>Revenues from sales</b>              | <b>232,871</b>                  | <b>100.00</b> | <b>194,000</b>                  | <b>100.00</b> |
| Purchases of goods and materials        | -148,913                        | -63.95        | -123,618                        | -63.72        |
| Services                                | -43,545                         | -18.70        | -34,676                         | -17.88        |
| Use of third-party goods and services   | -1,433                          | -0.62         | -1,088                          | -0.56         |
| Personnel costs                         | -31,505                         | -13.53        | -26,537                         | -13.68        |
| Amortisation and depreciation of assets | -8,158                          | -3.50         | -6,783                          | -3.5          |
| Changes in stocks                       | 11,370                          | 4.88          | 6,761                           | 3.48          |
| Provisions for risks                    | -1,704                          | -0.73         | -1,412                          | -0.73         |
| Other income and expenses               | 1,162                           | 0.50          | 661                             | 0.24          |
| <b>EBIT</b>                             | <b>10,145</b>                   | <b>4.36</b>   | <b>7,308</b>                    | <b>3.77</b>   |
| Income from equity interests            | -                               | -             | -                               | -             |
| Net financial income/expense            | -4,403                          | -1.89         | -2,894                          | -1.39         |
| Net foreign exchange income/expenses    | 1,229                           | 0.53          | -399                            | -0.21         |
| Net adjustments of financial assets     | -                               | -             | -2                              | 0.00          |
| Income before tax                       | 6,971                           | 2.99          | 4,012                           | 2.07          |
| Current and deferred income taxes       | -2,853                          | -1.23         | -1,857                          | -1.92         |
| Net income                              | 4,118                           | 1.77          | 2,155                           | 1.11          |
| Third-party income                      | 213                             | 0.09          | -338                            | -0.17         |
| <b>Group consolidated income</b>        | <b>4,331</b>                    | <b>1.86</b>   | <b>1,817</b>                    | <b>0.94</b>   |

## NET FINANCIAL POSITION

*Figures in euro thousands*

| Description                                | 30.09.2008     | 31.12.2007     | 30.09.2007     |
|--|----------------|----------------|----------------|
| <b>Bonds:</b>                              |                |                |                |
| - non-current                              | -              | -              | -              |
| - current                                  | -              | -              | -              |
| <b>Loans:</b>                              |                |                |                |
| - non-current                              | 150,324        | 132,233        | 116,010        |
| - current                                  | 127,622        | 75,861         | 95,036         |
| <b>Financial accruals and deferrals:</b>   |                |                |                |
| - non-current                              | -              | -8             | 104            |
| - current                                  | 1,687          | 600            | -258           |
| <b>NET OF:</b>                             |                |                |                |
| Cash and cash equivalents                  |                |                |                |
| Cash                                       | -169           | -138           | -118           |
| Bank assets                                | -54,352        | -32,517        | -28,214        |
| Loans and receivables                      | -3,059         | -84            | -86            |
| Securities                                 |                |                |                |
| Loans to factors                           |                |                |                |
| <b>Consolidated net financial position</b> | <b>222,053</b> | <b>175,947</b> | <b>182,474</b> |

**Content and drafting criteria**

This consolidated interim management report at 30 September 2008, was drafted in accordance with international accounting standards (IAS/IFRS) representing a continuation of those applied in the 2007 financial statements.

The document was prepared in accordance with the provisions of article 154 *ter*, paragraph 5 of Legislative Decree no. 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  
(signed)

Mario Carraro

**Declaration in accordance with article 154 *bis*, paragraph 2, legislative decree no. 58/1998**

**Re: interim management report at 31.03.2008**

The undersigned Enrico Gomiero, Director assigned to drafting 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, 11 November 2008

**Carraro SpA**  
Chief Financial Officer  
(signed)

Enrico Gomiero