



Carraro Group

Interim Report on Operations at 30 September 2010

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.

CARRARO S.p.A.

Head Office in 35011 Campodarsego (PD) at Via Olmo no. 37

Share Capital Euro 23,914,696, fully paid-up

Tax Code, VAT and Registration Number

In the Padua Companies Register 00202040283 – R.E.A. No. 84033

GENERAL INFORMATION

BOARD OF DIRECTORS

In office until approval of the 2011 Financial Statements (Appointed, General Meeting 23.04.2009 - Powers conferred, Board resolutions 07.05.2009 and 04.08.2009)

MARIO CARRARO

Chairman

ENRICO CARRARO (2) (3)

Deputy Chairman

ALEXANDER JOSEF BOSSARD (3)

Chief Executive Officer

ANNA MARIA ARTONI (1)

Director *

ARNALDO CAMUFFO (1) (2)

Director *

FRANCESCO CARRARO

Director

TOMASO CARRARO (3)

Director

ANTONIO CORTELLAZZO (1) (2)

Director *

PIETRO GUINDANI (2) (3)

Director *

MARCO MILANI (2) (3)

Director *

(1) Members of the Internal Auditing Committee

(2) Members of the Human Resources and Remuneration Committee

(3) Members of the Strategic Operational Committee

* Independent directors

BOARD OF STATUTORY AUDITORS

In office until approval of the 2011 Financial Statements (Appointed, General Meeting 23.04.2009)

LUIGI BASSO

Chairman

SAVERIO BOZZOLAN

Regular Auditor

ROBERTO SACCOMANI

Regular Auditor

SILVANO CORBELLA

Alternate Auditor

MARINA MANNA

Alternate Auditor

AUDITING COMPANY

from 2007 to 2015

PricewaterhouseCoopers S.p.A.

PARENT COMPANY

Finaid S.p.A.

Under the terms and for the purposes of Consob Communication no. 97001574 of 20 February 1997, we state that:

The Chairman Mr Mario Carraro, the Deputy Chairman Mr Enrico Carraro and the Chief Executive Officer Mr Alexander Bossard have been given severally powers of legal representation and use of the corporate signature in relations with third parties and in legal actions; they carry on their work within the limits of the powers conferred on them by the Board of Directors at the meetings on 7 May 2009 and 4 August 2009, in accordance with the applicable legal constraints, in terms of matters which cannot be delegated by the Board of Directors and of responsibilities reserved for the Board itself, as well as of the principles and limits provided for in the Company's Code of Conduct.

CONSOLIDATED INCOME STATEMENT AT 30.09.10 QUARTER ANALYSIS					
	3rd quarter 2010 €/ooo	%	3rd quarter 2009 €/ooo	%	Changes III° T. '10 III° T. '09
REVENUES FROM SALES	191,608	100.00%	100,829	100.00%	90.03%
Purchases of goods and materials (net of changes inventories)	- 109,394	-57.09%	- 57,467	-56.99%	-90.36%
Services and Use of third-party goods and services	- 38,855	-20.28%	- 21,603	-21.43%	-79.86%
Personnel costs	- 27,883	-14.55%	- 24,988	-24.78%	-11.59%
Amortisation, depreciation and impairment of assets	- 8,256	-4.31%	- 8,179	-8.11%	-0.94%
Provisions for risks	- 1,683	-0.88%	- 1,517	-1.50%	-10.94%
Other income and expenses	557	0.29%	315	0.31%	76.83%
Internal construction	1,326	0.69%	137	0.14%	867.88%
OPERATING COSTS	- 184,188	-96.13%	- 113,302	-112.37%	-62.56%
OPERATING PROFIT/(LOSS) (EBIT)	7,420	3.87%	- 12,473	-12.37%	159.49%
Income from equity investments	1,199		-		
Other financial income	302	0.16%	93	0.09%	
Financial costs and expenses	- 3,759	-1.96%	- 2,539	-2.52%	
Net gains/(losses) on foreign exchange	- 541	-0.28%	- 1,222	-1.21%	
Value adjustments of financial assets	-	0.00%	-	0.00%	
GAIN/(LOSSES) ON FINANCIAL ASSETS	- 2,799	-1.46%	- 3,668	-3.64%	23.69%
PROFIT/(LOSS) BEFORE TAXES	4,621	2.41%	- 16,141	-16.01%	128.63%
Current and deferred income taxes	- 2,348	-1.23%	2,091	2.07%	
NET PROFIT/(LOSS)	2,273	1.19%	- 14,050	-13.93%	116.18%
Profit/(loss) pertaining to minorities	778	0.41%	1,678	1.66%	
GROUP CONSOLIDATED PROFIT/(LOSS)	3,051	1.59%	- 12,372	-12.27%	124.66%
EBITDA	15,348	8.01%	- 4,581	-4.54%	435.04%

CONSOLIDATED INCOME STATEMENT AT 30.09.10

	30/09/10	%	30/09/09	%	Changes	
	€/ooo		€/ooo		30.09.10	30.09.09
REVENUES FROM SALES	496,256	100.00%	356,423	100.00%	139,833	39.23%
Purchases of goods and materials (net of changes inventories)	- 278,091	-56.04%	- 211,617	-59.37%	- 66,474	-31.63%
Services and Use of third-party goods and services	- 101,313	-20.42%	- 67,965	-19.07%	- 33,348	-49.07%
Personnel costs	- 87,266	-17.58%	- 80,500	-22.59%	- 6,766	-8.40%
Amortisation, depreciation and impairment of assets	- 24,488	-4.93%	- 24,170	-6.78%	- 318	-1.32%
Provisions for risks	- 4,115	-0.83%	- 3,913	-1.10%	- 202	-5.16%
Other income and expenses	1,638	0.33%	619	0.17%	1,019	164.62%
Internal construction	2,893	0.58%	602	0.17%	2,291	380.56%
OPERATING COSTS	- 490,742	-98.89%	- 386,944	-108.56%	- 103,798	-26.83%
OPERATING PROFIT/(LOSS) (EBIT)	5,514	1.11%	- 30,521	-8.56%	36,035	118.07%
Income from equity investments	1,199		-		1,199	
Other financial income	496	0.10%	764	0.21%	- 268	
Financial costs and expenses	- 8,864	-1.79%	- 9,681	-2.72%	817	
Net gains/(losses) on foreign exchange	1,037	0.21%	432	0.12%	605	
Value adjustments of financial assets	-		-	0.00%	-	
GAIN/(LOSSES) ON FINANCIAL ASSETS	- 6,132	-1.24%	- 8,485	-2.38%	2,353	27.73%
PROFIT/(LOSS) BEFORE TAXES	- 618	-0.12%	- 39,006	-10.94%	38,388	98.42%
Current and deferred income taxes	- 8,638	-1.74%	7,288	2.04%	- 15,926	
NET PROFIT/(LOSS)	- 9,256	-1.87%	- 31,718	-8.90%	22,462	70.82%
Profit/(loss) pertaining to minorities	2,035	0.41%	4,746	1.33%	- 2,711	
GROUP CONSOLIDATED PROFIT/(LOSS)	- 7,221	-1.46%	- 26,972	-7.57%	19,751	73.23%
EBITDA	29,524	5.95%	- 6,809	-1.91%	36,333	533.60%

CONSOLIDATED INTERIM BALANCE SHEET AT 30.09.10

	30/09/10	31/12/09	30/09/09
	€/000	€/000	€/000
Property, plant and equipment	228,351	238,464	233,332
Intangible fixed assets	78,449	79,964	76,658
Real estate investments	708	707	707
Holdings in subsidiaries and associates	186	149	142
Financial assets	5,732	927	828
Deferred tax assets	29,981	28,997	27,713
Trade receivables and other receivables	1,201	2,133	2,103
NON CURRENT ASSETS	344,608	351,341	341,483
Closing inventory	178,853	136,741	159,293
Trade receivables and other receivables	176,657	104,995	112,246
Financial assets	3,106	14,561	15,382
Cash and cash equivalents	36,971	54,711	24,276
CURRENT ASSETS	395,587	311,008	311,197
TOTAL ASSETS	740,195	662,349	652,680
Share Capital	23,915	23,915	21,840
Reserves	68,389	115,117	112,610
Foreign currency translation reserve	- 8,977	- 11,707	- 14,050
Profit (loss) for the period	- 7,221	- 45,856	- 26,972
Minority interests	13,442	15,150	17,806
SHAREHOLDERS' EQUITY	89,548	96,619	111,234
Financial liabilities	174,896	26,437	138,488
Trade payables and other payables	315	306	297
Deferred tax liabilities	7,685	6,265	6,421
Provision for severance indemnity and retirement benefits	19,671	21,576	21,912
Provisions for risks and liabilities	4,477	5,667	1,550
NON CURRENT LIABILITIES	207,044	60,251	168,668
Financial liabilities	144,127	285,522	169,423
Trade payables and other payables	278,317	195,180	182,067
Current tax liabilities	10,785	6,228	5,278
Provisions for risks and liabilities	10,374	18,549	16,010
CURRENT LIABILITIES	443,603	505,479	372,778
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	740,195	662,349	652,680

CASH FLOW AT 30.09.10

	30/09/10	31/12/09	30/09/09
	€/000	€/000	€/000
Opening Net Financial Position	- 241,057	- 216,545	- 216,545
<i>Group profit/(loss)</i>	- 7,221	- 45,856	- 26,972
<i>Profit/(loss) pertaining to minorities</i>	- 2,035	- 7,656	- 4,746
<i>Amortization, depreciation and impairment of fixed asse.</i>	24,010	31,913	23,712
Cash flow before Net Working Capital	14,754	- 21,599	- 8,006
Change in Net Working Capital	- 13,037	28,766	- 12,795
Investments in fixed assets	- 13,124	- 24,337	- 19,893
Disinvestments in fixed assets	654	2,973	2,973
Operating Free Cash Flow	- 10,753	- 14,197	- 37,721
Other operating flows	- 24,612	- 885	- 8,246
Other investing flows	52	- 9,929	2,273
Change in Share Capital	-	2,075	-
Dividends paid	-	-	-
Other equity flows	2,185	- 1,576	- 6,680
Free Cash Flow	- 33,128	- 24,512	- 50,374
Closing Net Financial Position	- 274,185	- 241,057	- 266,919

ANALYSIS OF NET WORKING CAPITAL AT 30.09.10

	30/09/10	31/12/09	30/09/09
	€/000	€/000	€/000
Trade Receivables	131,704	67,995	73,792
Inventory	178,853	136,741	159,293
Trade Payables	- 244,757	- 151,973	- 138,761
Net Working Capital (NWC)	65,800	52,763	94,324

The end of third quarter 2010 saw an accentuation of the improving trend already recorded in the first six months of the year, characterized by substantial resistance on the main core markets – agriculture and construction equipment – and by excellent performance in the industry of renewable energies where exponential growth was led by photovoltaics supported in a decisive manner by government incentives.

Also as a result of this, quarterly turnover reached 191.6 million euro, up 90% compared with the 100.9 million euro of the same quarter of the previous year and cumulative turnover at 30 September 2010 reached 496.3 million euro, up 39.2% compared with the first nine months of 2009.

All the Business Units contributed – although to differing extents – to the growth both in the quarterly figure and in the cumulative figure with the sole exception of the Vehicles Business Unit which in cumulative terms again contracted by 14.1% compared with the previous year owing to the difficulties at the start of the year deriving from the launch of new ranges of tractors.

Also during the third quarter most of the supply chain - in every geographical area – was not capable of responding perfectly to the growing levels of demand, generating inefficiencies that partially eroded profit margins reducing the potential improvement in the result deriving from the increase in volumes. This phenomenon was particularly significant for the Drivelines and Components BUs. Already in the second quarter important steps were taken to find new supply channels which will enable the flow of supplies to be stabilized starting in the last months of 2010.

On the other hand, in the quarter, fixed costs were kept within the forecasts of the budget and Plan, enabling a recovery of profitability deriving from higher sales volumes, even though these were partly limited by the above difficulties. The economic and financial results of the third quarter and cumulative to 30 September therefore improved further compared with 30 June 2010.

The Group's consolidated EBITDA reached 15.3 million euro (8% of turnover) in third quarter 2010, compared with a negative 4.5 million euro (-4.5% of turnover) in third quarter 2009. The cumulative figure at 30 September 2010 was 29.5 million euro (5.9% of turnover) compared with the negative figure of 6.8 million euro (-1.9% of turnover) at 30 September 2009.

In the third quarter EBIT came to 7.4 million euro (3.9% of turnover), up on the same period of 2009 (it was a negative 12.5 million euro, -12.4% of turnover). Cumulative EBIT at 30 September 2010 came to 5.5 million euro (1.1% of turnover), an improvement on the negative figure of 30.5 million euro (-8.6% of turnover) at 30 September 2009.

A year on from the start of the plan to restructure and relaunch the Group, the net income for the quarter came back into the black by 3 million euro compared with a loss in the third quarter of the previous year of 12.4 million euro; in cumulative terms at 30 September 2010 the result was still in the red by 7.2 million euro, an improvement, however, on the loss of 26.9 million euro of 30 September 2009. It must be noted that the cumulative result to September 2010 was affected by an abnormal tax charge – as better explained in a later part of the report – while an analysis of the pre-tax income is more significant: it shows the consolidated loss down to 618 thousand euro compared with the 39 million of loss of 30 September 2009.

Interim Report on Operations at 30 September 2010

The net financial position, showing debts of 274 million euro, improved further compared with the 279 million euro of June 30, 2010. This was thanks to containment of the working capital, which increased to a lesser extent than the growth in volumes, and to the financial effect of the operations to support the business and rationalize the equity investments finalized during the third quarter, in particular the entry of the regional finance company Friulia SpA into the company SIAP SpA of Maniago and the sale of the majority interest in STM Srl.

ECONOMIC AND FINANCIAL DATA**Turnover**

In the third quarter of 2010, the Group's consolidated turnover came to 191.608 million euro, up by 90% from the turnover recorded in the third quarter of 2009, when it was 100.829 million euro. In progressive terms at 30 September 2010 turnover reached 496.256 million euro, up by 39.2% compared to the 356.423 million euro of 30 September 2008.

The following table breaks turnover down by market segment:

Figures for the third quarter of 2010 (amounts in €/000)

	SALES			SALES TO THIRD PARTIES			INTRA-GROUP SALES		
	3rd quarter 2010	3rd quarter 2009	Diff. %	3rd quarter 2010	3rd quarter 2009	Diff. %	3rd quarter 2010	3rd quarter 2009	Diff. %
DRIVELINES	112,366	67,806	65.72	109,941	65,875	66.89	2,425	1,931	25.58
GEARS & COMPONENTS	37,463	25,507	46.87	26,124	18,520	41.06	11,339	6,987	62.29
VEHICLES	14,229	6,354	117.77	13,539	5,754	135.30	690	780	-11.54
POWER CONTROLS	43,056	10,737	301.01	41,949	10,652	293.81	1,107	85	n.a.
ASSETS NOT ALLOCATED	5,892	4,038	45.91	55	28	95.43	5,837	4,010	45.56
TOTAL SEGMENTS	213,006	114,622	85.83	191,608	100,829	90.03	21,398	13,793	55.14
INTRA-GROUP ELIMINATIONS	-21,398	-13,793	55.14	-	-	-	-	-	-
CONSOLIDATED TOTAL	191,608	100,829	90.03	191,608	100,829	90.03	21,398	13,793	55.14

Cumulative data at 30 September 2010 (amounts in €/000)

	SALES			SALES TO THIRD PARTIES			INTRA-GROUP SALES		
	30.09.2010	30.09.2009	Diff. %	30.09.2010	30.09.2009	Diff. %	30.09.2010	30.09.2009	Diff. %
DRIVELINES	304,290	233,821	30.14	295,762	226,150	30.78	8,528	7,671	11.17
GEARS & COMPONENTS	109,681	80,925	35.53	77,109	63,088	22.22	32,572	17,837	82.61
VEHICLES	37,394	43,513	-14.06	35,461	41,531	-14.62	1,933	1,982	-2.47
POWER CONTROLS	89,261	25,777	246.28	87,628	25,493	243.73	1,633	284	475.00
ASSETS NOT ALLOCATED	18,674	13,815	35.17	296	161	83.85	18,378	13,654	34.60
TOTAL SEGMENTS	559,300	397,851	40.58	496,256	356,423	39.23	63,044	41,428	52.18
INTRA-GROUP ELIMINATIONS	-63,044	-41,428	52.18	-	-	-	-	-	-
CONSOLIDATED TOTAL	496,256	356,423	39.23	496,256	356,423	39.23	63,044	41,428	52.18

The following table breaks down turnover by geographical area:

Figures for the third quarter of 2010 (amounts in €/000)

<i>Geographical Area</i>	<i>3rd quarter 2010</i>	<i>%</i>	<i>3rd quarter 2009</i>	<i>%</i>	<i>Difference %</i>
Germany	24,246	12.65	17,744	17.6	36.64
South America	19,869	10.37	10,589	10.5	87.64
North America	18,012	9.40	11,258	11.2	59.99
United Kingdom	12,668	6.61	3,079	3.1	311.43
China	11,832	6.18	10,151	10.1	16.56
India	8,971	4.68	5,352	5.3	67.62
Switzerland	8,584	4.48	3,803	3.77	125.72
France	7,166	3.74	3,261	3.2	119.75
Turkey	4,808	2.51	1,133	1.1	324.36
Poland	3,458	1.80	1,632	1.6	111.89
Other E.U. areas	9,921	5.18	8,413	8.3	17.92
Other non-E.U. areas	3,098	1.62	2,225	2.21	39.24
Total Abroad	132,633	69.22	78,640	78.0	68.66
Italy	58,975	30.78	22,189	22.0	165.78
Total	191,608	100	100,829	100	90.03
of which:					
Total E.U. area	116,434	60.77	56,318	55.9	106.74
Total non-E.U. area	75,174	39.23	44,511	44.1	68.89

Cumulative data at 30 September 2010 (amounts in €/000)

<i>Geographical Area</i>	<i>30.09.2010</i>	<i>%</i>	<i>30.09.2009</i>	<i>%</i>	<i>Difference %</i>
Germany	73,964	14.90	64,174	18.0	15.26
North America	46,700	9.41	41,138	11.5	13.52
South America	44,188	8.90	29,293	8.2	50.85
China	34,214	6.89	33,249	9.3	2.90
United Kingdom	32,901	6.63	9,897	2.8	232.43
Switzerland	23,307	4.70	21,249	5.96	9.69
India	22,161	4.47	13,376	3.7	65.68
France	19,356	3.90	27,607	7.8	-29.89
Belgium	10,247	2.06	7,848	2.20	30.58
Turkey	9,524	1.92	2,286	0.6	316.62
Poland	8,920	1.80	4,260	1.2	109.39
Other E.U. areas	27,060	5.45	25,248	7.08	7.18
Other non-E.U. areas	9,779	1.97	7,490	2.1	30.56
Total Abroad	362,321	73.01	287,114	80.6	26.19
Italy	133,935	26.99	69,309	19.4	93.24
Total	496,256	100	356,423	100	39.23

of which:

Total E.U. area	306,383	61.74	208,345	58.45	47.06
Total non-E.U. area	189,873	38.26	148,078	41.55	28.22

Some growth was affected by transfers of manufacturing of a number of important customers (e.g. Great Britain where Caterpillar concentrated the production of certain lines originally in the USA) while others are real and proper market growth (e.g. Turkey and India).

EBITDA and EBIT

Figures for the third quarter of 2010 (amounts in €/000)

	3rd quarter 2010	% of turnover	3rd quarter 2009	% of turnover	Diff.%
EBITDA (1)	15,348	8.0	-4,581	-4.5	+435.1
EBIT (2)	7,420	3.9	-12,473	-12.4	+159.5

Figures at 30.09.2010 (amounts in €/000)

	30.09.2010	% of turnover	30.09.2009	% of turnover	Diff.%
EBITDA (1)	29,524	5.9	-6,809	-1.9	+533.6
EBIT (2)	5,514	1.1	-30,521	-8.6	+118.1

(1) understood as the sum of operating profit/loss, amortization, depreciation and impairment of fixed assets

(2) understood as operating profit/loss in the income statement

Although it was affected by the aforementioned inefficiencies attributable to the supply chain with consequent higher costs, thanks to the growth in volumes and to an adequate structure of overheads, EBITDA in the quarter came to 15.348 million euro, up compared with the negative 4.581 million euro of third quarter 2009. In cumulative terms, EBITDA at 30 September 2010 came to 29.524 million euro, an increase compared with the figure at 30 September 2009, a negative 6.809 million euro.

EBIT in the quarter came to a positive 7.420 million euro, a significant improvement compared with the negative 12.473 million euro of third quarter 2009. In cumulative terms EBIT at 30 September 2010 was a positive 5.514 million euro, an increase compared with the negative figure of 30.521 million euro of 30 September 2009.

Financial expenses

Figures for the third quarter of 2010 (amounts in €/000)

	3rd quarter 2010	% of turnover	3rd quarter 2009	% of turnover	Diff.%
Financial expenses	3,457	1.8	2,446	2.4	41.3

Figures at 30.09.2010 (amounts in €/000)

	30.09.2010	% of turnover	30.09.2009	% of turnover	Diff.%
Financial expenses	8,368	1.7	8,917	2.5	-6.2

Financial expenses in third quarter 2010 amounted to 3.457 million euro (1.8% of turnover)

compared with the 2.446 million euro (2.4% of turnover) of third quarter 2009 incorporating the first effects of the higher cost (higher spreads) of the debt resulting from the renegotiation of the terms and conditions of the same with the leading lending banks. At 30 September 2010 financial expenses amounted to 8.368 million euro, (1.7% of turnover) compared with 8.917 million euro (2.5% of turnover) at 30 September 2009.

Exchange Differences

Figures for the third quarter of 2010 (amounts in €/000)

	3rd quarter 2010	% of turnover	3rd quarter 2009	% of turnover	Diff.%
Exchange differences	-541	-0.3	-1,222	-1.2	55.7

Figures at 30.09.2010 (amounts in €/000)

	30.09.2010	% of turnover	30.09.2009	% of turnover	Diff.%
Exchange differences	1,037	0.2	432	0.1	-140.0

The exchange differences of third quarter 2010 were a negative 541 thousand euro, compared with a negative 1.222 million euro of third quarter 2009.

In cumulative terms at 30 September 2010 they were a positive 1.037 million euro, compared with a positive 432 thousand euro at 30 September 2009, and included the Mark-to-Market effects of the measurement at fair value of derivative instruments used to hedge exchange and interest rate risks.

Net profit/(loss)

Figures for the third quarter of 2010 (amounts in €/000)

	3rd quarter 2010	% of turnover	3rd quarter 2009	% of turnover	Diff.%
Net profit/(loss)	3,051	1.6	-12,372	-12.2	+124.66

Figures at 30.09.2010 (amounts in €/000)

	30.09.2010	% of turnover	30.09.2009	% of turnover	Diff.%
Net profit/(loss)	-7,221	-1.5	-26,972	-7.6	+73.23

Third quarter 2010 ended with a net profit of 3.051 million euro (1.6% of turnover) compared to a loss of 12.372 million Euro posted in the third quarter of 2009. In cumulative terms the net loss at 30 September 2010 was 7.221 million euro (-1.5% of turnover), compared to the loss of 26.972 million euro (-7.6% of turnover) of 30 September 2009.

It should be noted that, on the one hand, the improvement of the results of a number of companies entails an increase of the current tax burden compared with the previous period, and on the other, it was considered opportune for the moment to increase a little (2 million euro) the credit for taxes paid in advance in relation to the retainable losses for the period. It therefore follows that as of 30 September 2010, we have current and deferred tax liabilities of 8.638 million euro, against net tax assets (current and deferred) at 30 September 2009 of 7.288 million euro.

Amortization, depreciation and impairment of assets

Figures for the third quarter of 2010 (amounts in €/000)

	3rd quarter 2010	% of turnover	3rd quarter 2009	% of turnover	Diff.%
Amortization, depreciation and impairment	7,928	4.1	7,892	7.8	-0.5

Figures at 30.09.2010 (amounts in €/000)

	30.09.2010	% of turnover	30.09.2009	% of turnover	Diff.%
Amortization, depreciation and impairment	24,010	4.8	23,712	6.7	1.26

Investments

Figures for the third quarter of 2010 (amounts in €/000)

	3rd quarter 2010	3rd quarter 2009
Investments	3,728	3,028

Figures at 30.09.2010 (amounts in €/000)

	30.09.2010	30.09.2009
Investments	13,124	19,893

Investments at 30 September 2010, in line with the plans, of 13.124 million euro, compared with 19.893 million euro at 30 September 2009, were destined for the re-allocation of manufacturing activities from Europe to India and China and for the technological updating of plant and machinery.

Research and Development

Research and Development expenses grew by 14.1% and at 30 September 2010 amounted to 11.095 million euro (2.2% of turnover) compared with 9.713 million euro at 30 September 2009 (2.7% of turnover) testifying to the constant commitment to innovation, an indispensable element for the future of the Group.

Net financial position

Figures at 30.09.2010 (amounts in €/000)

	30.09.2010	31.12.2009	30.09.2009
Net financial position*	274,185	241,057	266,919
Gearing	3.06	2.49	2.40

* understood as the sum of amounts payable to banks, short and medium/long-term bonds and financing, net of liquid assets, negotiable securities and financial receivables.

The net financial position is a debt of 274.185 million euro and includes the flows relating to the purchase of the remaining equity interest in the subsidiary Elettronica Santerno for 19 million euro and relating to the operations mentioned in the introduction, the capital increase of SIAP SpA and the sale of the equity interest in STM Srl for a combined total amount of 8.8 million euro. The net working capital also increased proportionally less than the growth in volumes. The net financial position improved in any case compared with the figure at June 2010, 279 million euro.

Gearing (defined as the ratio of net financial position to owners' equity) came out at 3.06 at 30 September 2010, compared with 2.49 at December 31, 2009 and 2.40 at 30 September 2009.

PERSONNEL

Workforce trend

Figures at 30.09.2010

	30.09.2010	31.12.2009	30.09.2009
Executives	58	66	69
Clerical staff	948	987	1,045
Factory workers	2,716	2,466	2,481
Temporary workers	292	93	73
Total	4,014	3,612	3,668

In consideration of the need to optimize and guarantee manufacturing growth (in both India and China, but also at a number of Italian facilities) the Group's personnel, including those in temporary redundancy (CIGS in Italy and/or Kurzarbeit in Germany), reached a number at 30 September 2010 (including temporary contracts and apprenticeships, where present) of 4,014 employees compared with 3,612 at 31 December 2009.

Among these, 58 are classified as executives, 947 as middle managers and clerical staff, 2,686 as factory workers, and 323 as apprentices/temporary staff.

As of 30 September 2010, also in view of the CIGS reintegration plan implemented in some Italian plants to deal with the need to increase production volumes, 184 employees were recorded as effectively suspended, of which 34 classified as middle management/clerical staff and 150 factory workers. Of these 184, 110 have already signed a 'voluntary mobility' agreement set to take effect as from 1 January 2011.

Discussions and meetings have also begun, at the various facilities, with the local trade unions in order to identify useful solutions in line with the company's needs, with the aim of resolving the situation of those who, although suspended, have not yet agreed to the voluntary permanent redundancy proposals.

In August, employees of companies outside of Italy exceeded for the first time those of companies in Italy (2,085 abroad, 1,929 Italy).

Performance and results of the Carraro Group Business Units

Drivelines Business Unit - Carraro Drive Tech

In the third quarter the positive trend already seen starting in the second quarter was reinforced. Turnover grew by 66% compared with the corresponding quarter of 2009, bringing the cumulative increase to +30%.

This improvement was the result both of the end of the phenomenon of “de-stocking” which penalized 2009 with the drastic reduction of orders from our main customers in the “Construction Equipment” segment, and of the continual growth in the last few months in the Indian, Turkish and Brazilian markets as regards the agricultural segment.

Positive signals continue to arrive also from the North American Material Handling market in response to the increase in the production levels of our customers.

Sales of replacement parts in the 3rd quarter were just as important as those of initial installation (+34% compared with the same quarter 2009) and, thanks to a more favourable mix associated with the growth of the independent distribution channel, profit margins also improved.

The growth of turnover in the third quarter, as also the cumulative figure, determined a reduction in the proportion of industrial and general costs to the income for the period and offset the deterioration of the contribution margin (14.9% v. 15.1% in the quarter and 15.8% v. 16.1% over the year).

At the root of this deterioration we can note in particular the increase in the cost of raw materials, recovered almost completely through opportune increases in selling prices, the difficulties of procurement from “low cost” countries which had a drastic effect on logistic costs requiring recourse to exceptional transport and which forced us to fall back, in some cases, on more costly European supplies provoking manufacturing inefficiencies in particular in Germany, China and Argentina.

The worsening of the net financial position compared with December 2009, in line with the budget forecasts, is mainly related to the increase in working capital and to the operation for the purchase of the equity investment in South America Gears S.A. by the Components Business Unit.

**SUBCONSOLIDATED INCOME STATEMENT AT 30.09.10 QUARTER ANALYSIS
BU DRIVELINES - CARRARO DRIVE TECH**

	3rd quarter 2010 €/ooo	%	3rd quarter 2009 €/ooo	%	Changes 3rd Q. 2010 3rd Q. 2009
REVENUES FROM SALES	112,366	100.00%	67,806	100.00%	65.72%
Purchases of goods and materials (net of change in s	- 75,202	-66.93%	- 45,444	-67.02%	-65.48%
Services and Use of third-party goods and services	- 19,818	-17.64%	- 12,015	-17.72%	-64.94%
Personnel costs	- 13,375	-11.90%	- 10,587	-15.61%	-26.33%
Amortisation, depreciation and impairment of ass	- 3,218	-2.86%	- 3,019	-4.45%	-6.59%
Provisions for risks	- 1,015	-0.90%	- 1,121	-1.65%	9.46%
Other income and expenses	340	0.30%	374	0.55%	-9.09%
Internal construction	62	0.06%	42	0.06%	47.62%
OPERATING COSTS	- 112,226	-99.88%	- 71,770	#####	-56.37%
OPERATING PROFIT/(LOSS) (EBIT)	140	0.12%	- 3,964	-5.85%	103.53%
Income from equity investments	-		-		
Other financial income	20	0.02%	22	0.03%	
Financial costs and expenses	- 1,924	-1.71%	- 1,695	-2.50%	
Net gains/(losses) on foreign exchange	-	0.00%	- 99	-0.15%	
Value adjustments of financial assets	-	0.00%	-	0.00%	
GAINS/(LOSSES) ON FINANCIAL ASSETS	- 1,904	-1.69%	- 1,772	-2.61%	-7.45%
PROFIT/(LOSS) BEFORE TAXES	- 1,764	-1.57%	- 5,736	-8.46%	69.25%
Current and deferred income taxes	- 242	-0.22%	1,558	2.30%	
NET PROFIT/(LOSS)	- 2,006	-1.79%	- 4,178	-6.16%	51.99%
Profit/(loss) pertaining to minorities	10	0.01%	36	0.05%	
BUSINESS UNIT CONSOLIDATED PROFIT	- 1,996	-1.78%	- 4,142	-6.11%	51.81%
EBITDA	3,304	2.94%	- 1,107	-1.63%	398.46%

**SUBCONSOLIDATED INCOME STATEMENT AT 30.09.10
BU DRIVELINES - CARRARO DRIVE TECH**

	30/09/10	%	30/09/09	%	Changes	
	€/ooo		€/ooo		30.09.10	
REVENUES FROM SALES	304,290	100.00%	233,821	#####	70,469	30.14%
Purchases of goods and materials (net of changes to inventories)	- 202,071	-66.41%	- 155,087	-66.33%	- 46,984	-30.30%
Services and Use of third-party goods and services	- 53,331	-17.53%	- 40,802	-17.45%	- 12,529	-30.71%
Personnel costs	- 39,459	-12.97%	- 36,338	-15.54%	- 3,121	-8.59%
Amortisation, depreciation and impairment of asse	- 9,333	-3.07%	- 8,812	-3.77%	- 521	-5.91%
Provisions for risks	- 2,576	-0.85%	- 2,719	-1.16%	143	5.26%
Other income and expenses	1,395	0.46%	813	0.35%	582	71.59%
Internal construction	267	0.09%	156	0.07%	111	71.15%
OPERATING COSTS	- 305,108	-100.27%	- 242,789	#####	- 62,319	-25.67%
OPERATING PROFIT/(LOSS) (EBIT)	- 818	-0.27%	- 8,968	-3.84%	8,150	90.88%
Income from equity investments	-		-		-	
Other financial income	68	0.02%	101	0.04%	- 33	
Financial costs and expenses	- 5,044	-1.66%	- 5,477	-2.34%	433	
Net gains/(losses) on foreign exchange	195	0.06%	- 1,553	-0.66%	1,748	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	- 4,781	-1.57%	- 6,929	-2.96%	2,148	31.00%
PROFIT/(LOSS) BEFORE TAXES	- 5,599	-1.84%	- 15,897	-6.80%	10,298	64.78%
Current and deferred income taxes	- 1,754	-0.58%	3,019	1.29%	- 4,773	
NET PROFIT/(LOSS)	- 7,353	-2.42%	- 12,878	-5.51%	5,525	42.90%
Profit/(loss) pertaining to minorities	22	0.01%	196	0.08%	- 174	
BUSINESS UNIT CONSOLIDATED PROFIT	- 7,331	-2.41%	- 12,682	-5.42%	5,351	42.19%
EBITDA	8,403	2.76%	- 429	-0.18%	8,832	2058.74%

**SUBCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT
30.09.10**

	30/09/10 €/000	31/12/09 €/000	30/09/09 €/000
Property, plant and equipment	86,997	84,023	83,006
Intangible fixed assets	23,092	23,468	22,807
Real estate investments	13	12	12
Holdings in subsidiaries and associates	188	149	143
Financial assets	471	179	58
Deferred tax assets	17,456	17,504	16,781
Trade receivables and other receivables	589	1,188	1,707
NON CURRENT ASSETS	128,806	126,523	124,514
Closing inventory	105,552	86,028	98,267
Trade receivables and other receivables	91,088	54,464	69,721
Financial assets	659	119	335
Cash and cash equivalents	14,529	25,024	14,911
CURRENT ASSETS	211,828	165,635	183,234
TOTAL ASSETS	340,634	292,158	307,748
Share Capital	50,758	50,758	50,758
Reserves	6,894	25,431	21,300
Foreign currency translation reserve	- 9,465	- 9,078	- 10,265
Profit (loss) for the period	- 7,331	- 20,661	- 12,682
Minority interests	31	52	- 42
SHAREHOLDERS' EQUITY	40,887	46,502	49,069
Financial liabilities	10,226	4,776	8,339
Trade payables and other payables	311	302	293
Deferred tax liabilities	1,869	1,338	1,538
Provision for severance indemnity and retirement	11,630	12,211	12,154
Provisions for risks and liabilities	1,306	1,987	784
NON CURRENT LIABILITIES	25,342	20,614	23,108
Financial liabilities	115,868	101,563	108,447
Trade payables and other payables	149,637	109,415	112,557
Current tax liabilities	2,685	2,172	2,657
Provisions for risks and liabilities	6,215	11,892	11,910
CURRENT LIABILITIES	274,405	225,042	235,571
TOTAL SHAREHOLDERS' EQUITY AND L	340,634	292,158	307,748

CASH FLOW AT 30.09.10
BU DRIVELINES - CARRARO DRIVE TECH

	30/09/10	31/12/09	30/09/09
	€/000	€/000	€/000
Opening Net Financial Position	- 81,099	- 67,440	- 67,440
<i>Group profit/(loss)</i>	- 7,331	- 20,661	- 12,682
<i>Profit/(loss) pertaining to minorities</i>	- 22	- 131	- 196
<i>Amortization, depreciation and impairment of fi</i>	9,221	11,771	8,539
Cash flow before Net Working Capital	1,868	- 9,021	- 4,339
Change in Net Working Capital	- 12,088	6,480	- 21,048
Investments in fixed assets	- 6,376	- 10,036	- 8,094
Disinvestments in fixed assets	706	3,832	2,717
Operating Free Cash Flow	- 15,890	- 8,745	- 30,764
Other operating flows	- 9,124	- 5,519	- 2,379
Other investing flows	- 6,189	- 2,080	2,010
Change in Share Capital	-	-	-
Dividends paid	-	-	-
Other equity flows	1,738	2,685	- 2,662
Free Cash Flow	- 29,465	- 13,659	- 33,795
Closing Net Financial Position	- 110,564	- 81,099	- 101,235

ANALYSIS OF NET WORKING CAPITAL AT 30.09.10
BU DRIVELINES - CARRARO DRIVE TECH

	30/09/10	31/12/09	30/09/09
	€/000	€/000	€/000
Trade Receivables	61,451	34,634	48,209
Inventory	105,552	86,028	98,267
Trade Payables	- 134,364	- 100,111	- 98,397
Net Working Capital (NWC)	32,639	20,551	48,079

Components Business Unit – Gear World

In the third quarter the recovery in volumes gained pace confirming the positive signs of the previous quarters; particularly significant was the figure for demand coming from the Group which was much more than in the forecasts. Demand from third-party customers was again solid although it developed differently in the different segments in which Gear World operates; in particular positive signs came from the Power Tools, Gardening and Material Handling markets, thanks also to the “re-stocking” carried out by a number of customers, while the Automotive, Agricultural and Wind Power areas are still weak and at times quite uncertain. Despite the necessary caution, due essentially to the presence of contradictory signals, the order book confirms the current trend also for the next quarter which leads us to forecast substantial consolidation of the current market positions in the first quarter of 2011.

The income statement data of the quarter and cumulative to 30 September 2010, show clear signs of improvement both in terms of variable margins, and from the point of view of the proportion of fixed costs, and general costs and overheads compared with 2009. Although, as we have said, the results were better than the previous year, they were negatively affected also in the third quarter by the delay in the complete implementation of the manufacturing footprint which penalizes efficiency and, in some plants, this translates into significant recourse to outsourcing with consequent higher costs; in addition to this there are also inefficiencies due to delayed deliveries by suppliers (in particular those located in China and India) which entail a need to use exceptional transport so as not to shut down the customer’s production lines. As a result of the economic improvement, and of careful management of items relating to receivables, payables and stocks and thanks to the successful conclusion of the planned extraordinary operations (sales of SAG – STM - Friulia), the net financial position has decidedly improved.

**SUBCONSOLIDATED INCOME STATEMENT AT 30.09.10 QUARTER ANALYSIS
BU COMPONENTS - GEARWORLD**

	3rd quarter 2010 €/ooo	%	3rd quarter 2009 €/ooo	%	Changes 3rd Q. 2010 3rd Q. 2009
REVENUES FROM SALES	37,464	100.00%	25,507	100.00%	46.88%
Purchases of goods and materials (net of change in stock)	- 19,090	-50.96%	- 12,475	-48.91%	-53.03%
Services and Use of third-party goods and services	- 9,844	-26.28%	- 5,545	-21.74%	-77.53%
Personnel costs	- 7,928	-21.16%	- 7,538	-29.55%	-5.17%
Amortisation, depreciation and impairment of asset	- 3,582	-9.56%	- 4,066	-15.94%	11.90%
Provisions for risks	- 24	-0.06%	- 35	-0.14%	31.43%
Other income and expenses	203	0.54%	- 99	-0.39%	305.05%
Internal construction	360	0.96%	126	0.49%	185.71%
OPERATING COSTS	- 39,905	#####	- 29,632	-116.17%	-34.67%
OPERATING PROFIT/(LOSS) (EBIT)	- 2,441	-6.52%	- 4,125	-16.17%	40.82%
Income from equity investments	1,158		-		
Other financial income	225	0.60%	11	0.04%	
Financial costs and expenses	- 1,197	-3.20%	- 831	-3.26%	
Net gains/(losses) on foreign exchange	- 237	-0.63%	- 209	-0.82%	
Value adjustments of financial assets	-	0.00%	-	0.00%	
GAINS/(LOSSES) ON FINANCIAL ASSETS	- 51	-0.14%	- 1,029	-4.03%	95.04%
PROFIT/(LOSS) BEFORE TAXES	- 2,492	-6.65%	- 5,154	-20.21%	51.65%
Current and deferred income taxes	- 42	-0.11%	- 737	-2.89%	
NET PROFIT/(LOSS)	- 2,534	-6.76%	- 5,891	-23.10%	56.99%
Profit/(loss) pertaining to minorities	121	0.32%	129	0.51%	
BUSINESS UNIT CONSOLIDATED PROFIT/(LOSS)	- 2,413	-6.44%	- 5,762	-22.59%	58.12%
EBITDA	1,141	3.05%	- 59	-0.23%	2033.90%

SUBCONSOLIDATED INCOME STATEMENT AT 30.09.10
BU COMPONENTS - GEARWORLD

	30/09/10	%	30/09/09	%	Changes	
	€/ooo		€/ooo		30.09.10	30.09.09
REVENUES FROM SALES	109,682	100.00%	80,925	100.00%	28,757	35.54%
Purchases of goods and materials (net of changes to inventories)	- 50,656	-46.18%	- 40,035	-49.47%	- 10,621	-26.53%
Services and Use of third-party goods and services	- 27,409	-24.99%	- 19,287	-23.83%	- 8,122	-42.11%
Personnel costs	- 27,405	-24.99%	- 24,474	-30.24%	- 2,931	-11.98%
Amortisation, depreciation and impairment of asset	- 11,435	-10.43%	- 12,411	-15.34%	976	7.86%
Provisions for risks	- 139	-0.13%	- 137	-0.17%	- 2	-1.46%
Other income and expenses	410	0.37%	- 158	-0.20%	568	359.49%
Internal construction	901	0.82%	374	0.46%	527	140.91%
OPERATING COSTS	- 115,733	-105.52%	- 96,128	-118.79%	- 19,605	-20.39%
OPERATING PROFIT/(LOSS) (EBIT)	- 6,051	-5.52%	- 15,203	-18.79%	9,152	60.20%
Income from equity investments	1,158		-		1,158	
Other financial income	324	0.30%	72	0.09%	252	
Financial costs and expenses	- 2,898	-2.64%	- 3,071	-3.79%	173	
Net gains/(losses) on foreign exchange	209	0.19%	- 357	-0.44%	566	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	- 1,207	-1.10%	- 3,356	-4.15%	2,149	64.03%
PROFIT/(LOSS) BEFORE TAXES	- 7,258	-6.62%	- 18,559	-22.93%	11,301	60.89%
Current and deferred income taxes	- 799	-0.73%	2,505	3.10%	- 3,304	
NET PROFIT/(LOSS)	- 8,057	-7.35%	- 16,054	-19.84%	7,997	49.81%
Profit/(loss) pertaining to minorities	- 154	-0.14%	488	0.60%	- 642	
BUSINESS UNIT CONSOLIDATED PROFIT/	- 8,211	-7.49%	- 15,566	-19.24%	7,355	47.25%
EBITDA	5,352	4.88%	- 2,792	-3.45%	8,144	291.69%

**SUBCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30.09.10
BU COMPONENTS - GEARWORLD**

	30/09/10	31/12/09	30/09/09
	€/000	€/000	€/000
Property, plant and equipment	103,029	116,671	118,361
Intangible fixed assets	24,883	25,378	26,032
Real estate investments	155	155	155
Holdings in subsidiaries and associates	-	-	-
Financial assets	4,269	82	110
Deferred tax assets	3,555	2,923	3,155
Trade receivables and other receivables	272	1,457	269
NON CURRENT ASSETS	136,163	146,666	148,082
Closing inventory	31,052	33,107	37,341
Trade receivables and other receivables	36,903	29,453	33,341
Financial assets	1,036	281	337
Cash and cash equivalents	2,827	4,583	2,905
CURRENT ASSETS	71,818	67,424	73,924
TOTAL ASSETS	207,981	214,090	222,006
Share Capital	35,084	35,084	35,084
Reserves	7,401	35,970	35,842
Foreign currency translation reserve	1,127	- 3,010	- 3,741
Profit (loss) for the period	- 8,211	- 25,059	- 15,566
Minority interests	4,143	3,866	4,345
SHAREHOLDERS' EQUITY	39,544	46,851	55,964
Financial liabilities	73,257	29,408	54,447
Trade payables and other payables	4	4	4
Deferred tax liabilities	5,366	4,804	5,135
Provision for severance indemnity and retirement benefits	5,577	6,662	6,549
Provisions for risks and liabilities	1,036	1,934	250
NON CURRENT LIABILITIES	85,240	42,812	66,385
Financial liabilities	30,944	79,904	58,490
Trade payables and other payables	51,186	42,174	39,936
Current tax liabilities	616	418	428
Provisions for risks and liabilities	451	1,931	803
CURRENT LIABILITIES	83,197	124,427	99,657
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	207,981	214,090	222,006

**CASH FLOW AT 30.09.10
BU COMPONENTS - GEARWORLD**

	30/09/10	31/12/09	30/09/09
	€/ooo	€/ooo	€/ooo
Opening Net Financial Position	- 104,262	- 104,404	- 104,404
<i>Group profit/(loss)</i>	- 8,211	- 25,059	- 15,566
<i>Profit/(loss) pertaining to minorities</i>	154	- 967	- 488
<i>Amortization, depreciation and impairment of fixed assets</i>	11,403	16,505	12,411
Cash flow before Net Working Capital	3,346	- 9,521	- 3,643
Change in Net Working Capital	76	20,150	9,227
Investments in fixed assets	- 5,541	- 9,711	- 8,652
Disinvestments in fixed assets	553	261	261
Operating Free Cash Flow	- 1,566	1,179	- 2,807
Other operating flows	1,280	- 1,297	- 2,291
Other investing flows	7,724	1,501	2,192
Change in Share Capital	-	-	-
Dividends paid	-	- 150	- 150
Other equity flows	750	- 1,091	- 1,950
Free Cash Flow	8,188	142	- 5,006
Closing Net Financial Position	- 96,074	- 104,262	- 109,410

**ANALYSIS OF NET WORKING CAPITAL AT 30.09.10
BU COMPONENTS - GEARWORLD**

	30/09/10	31/12/09	30/09/09
	€/ooo	€/ooo	€/ooo
Trade Receivables	28,461	18,370	20,435
Inventory	31,052	33,107	37,341
Trade Payables	- 42,499	- 34,387	- 29,763
Net Working Capital (NWC)	17,014	17,090	28,013

Vehicles Business Unit – Carraro Divisione Agritalia

Agritalia ended the third quarter with turnover up compared with the previous year thanks to the complete launch of the new product ranges compliant with the updated European emission standards (*Tier III*), destined for the three main customers.

The cumulative turnover to September 2010, which was strongly influenced by the difficulties in the launch of the new products in the first six months of the year, has not yet recovered the volumes of the previous year and a slowdown is expected towards the end of the year.

The loss of cumulative volumes affects profitability. The operating income was negative in the third quarter, although it improved compared with the previous year and with the first two quarters of 2010, owing to the still low volumes and to the operating inefficiency connected with the start-up of the new products. As a consequence of the negative results of the first nine months of 2010, the net financial position worsened compared with the previous year.

**SUBCONSOLIDATED INCOME STATEMENT AT 30.09.10 QUARTER ANALYSIS
BU VEHICLES - CARRARO DIVISIONE AGRITALIA**

	3rd quarter 2010	%	3rd quarter 2009	%	Changes
	€/ooo		€/ooo		3rd Q. 2010 3rd Q. 2009
REVENUES FROM SALES	14,229	100.00%	6,534	100.00%	117.77%
Purchases of goods and materials (net of char	- 10,973	-77.12%	- 4,747	-72.65%	-131.16%
Services and Use of third-party goods and se	- 1,241	-8.72%	- 1,211	-18.53%	-2.48%
Personnel costs	- 2,088	-14.67%	- 1,772	-27.12%	-17.83%
Amortisation, depreciation and impairment	- 302	-2.12%	- 96	-1.47%	-214.58%
Provisions for risks	- 214	-1.50%	- 56	-0.86%	-282.14%
Other income and expenses	171	1.20%	93	1.42%	83.87%
Internal construction	23	0.16%	-	0.00%	#DIV/0!
OPERATING COSTS	- 14,624	-102.78%	- 7,789	-119.21%	-87.75%
OPERATING PROFIT/(LOSS) (EBIT)	- 395	-2.78%	- 1,255	-19.21%	68.53%
Income from equity investments	-		-		
Other financial income	-	0.00%	-	0.00%	
Financial costs and expenses	- 2	-0.01%	- 15	-0.23%	
Net gains/(losses) on foreign exchange	31	0.22%	5	0.08%	
Value adjustments of financial assets	-	0.00%	-	0.00%	
GAINS/(LOSSES) ON FINANCIAL ASSE	29	0.20%	- 10	-0.15%	390.00%
PROFIT/(LOSS) BEFORE TAXES	- 366	-2.57%	- 1,265	-19.36%	71.07%
Current and deferred income taxes	- 52	-0.37%	243	3.72%	
NET PROFIT/(LOSS)	- 418	-2.94%	- 1,022	-15.64%	59.10%
Profit/(loss) pertaining to minorities	-	0.00%	-	0.00%	
BUSINESS UNIT CONSOLIDATED PR	- 418	-2.94%	- 1,022	-15.64%	59.10%
EBITDA	- 93	-0.65%	- 1,159	-17.74%	91.98%

**SUBCONSOLIDATED INCOME STATEMENT AT 30.09.10
BU VEHICLES - CARRARO DIVISIONE AGRITALIA**

	30/09/10	%	30/09/09	%	Changes	
	€/ooo		€/ooo		30.09.10	
REVENUES FROM SALES	37,394	100.00%	43,513	100.00%	- 6,119	-14.06%
Purchases of goods and materials <i>(net of changes to inventories)</i>	- 28,492	-76.19%	- 33,029	-75.91%	4,537	13.74%
Services and Use of third-party goods and services	- 3,657	-9.78%	- 4,504	-10.35%	847	18.81%
Personnel costs	- 7,006	-18.74%	- 7,057	-16.22%	51	0.72%
Amortisation, depreciation and impairment of asse	- 858	-2.29%	- 246	-0.57%	- 612	-248.78%
Provisions for risks	- 523	-1.40%	- 527	-1.21%	4	0.76%
Other income and expenses	288	0.77%	447	1.03%	- 159	-35.57%
Internal construction	95	0.25%	-	0.00%	95	n.a.
OPERATING COSTS	- 40,153	-107.38%	- 44,916	-103.22%	4,763	10.60%
OPERATING PROFIT/(LOSS) (EBIT)	- 2,759	-7.38%	- 1,403	-3.22%	- 1,356	-96.65%
Income from equity investments	-		-		-	
Other financial income	-	0.00%	-	0.00%	-	
Financial costs and expenses	- 29	-0.08%	- 32	-0.07%	3	
Net gains/(losses) on foreign exchange	- 15	-0.04%	9	0.02%	- 24	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	- 44	-0.12%	- 23	-0.05%	- 21	-91.30%
PROFIT/(LOSS) BEFORE TAXES	- 2,803	-7.50%	- 1,426	-3.28%	- 1,377	-96.56%
Current and deferred income taxes	- 346	-0.93%	99	0.23%	- 445	
NET PROFIT/(LOSS)	- 3,149	-8.42%	- 1,327	-3.05%	- 1,822	-137.30%
Profit/(loss) pertaining to minorities		0.00%		0.00%	-	
BUSINESS UNIT CONSOLIDATED PROFIT	- 3,149	-8.42%	- 1,327	-3.05%	- 1,822	-137.30%
EBITDA	- 1,901	-5.08%	- 1,157	-2.66%	- 744	-64.30%

**SUBCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT
30.09.10**

	30/09/10	31/12/09	30/09/09
	€/ooo	€/ooo	€/ooo
Property, plant and equipment	13,051	13,266	4,156
Intangible fixed assets	289	403	312
Real estate investments	-	-	-
Holdings in subsidiaries and associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	2,477	2,770	2,553
Trade receivables and other receivables	8	8	6
NON CURRENT ASSETS	15,825	16,447	7,027
Closing inventory	11,886	10,373	13,528
Trade receivables and other receivables	6,107	4,004	4,501
Financial assets	3	7	2
Cash and cash equivalents	4	6,615	7,641
CURRENT ASSETS	18,000	20,999	25,672
TOTAL ASSETS	33,825	37,446	32,699
Share Capital	-	-	-
Reserves	10,316	12,214	7,803
Foreign currency translation reserve	-	-	-
Profit (loss) for the period	- 3,149	- 1,898	- 1,327
Minority interests	-	-	-
SHAREHOLDERS' EQUITY	7,167	10,316	6,476
Financial liabilities	-	-	-
Trade payables and other payables	-	-	-
Deferred tax liabilities	69	69	-
Provision for severance indemnity and retirement l	1,129	1,363	1,671
Provisions for risks and liabilities	703	594	399
NON CURRENT LIABILITIES	1,901	2,026	2,070
Financial liabilities	6,204	5,000	-
Trade payables and other payables	16,859	17,753	21,386
Current tax liabilities	165	101	-
Provisions for risks and liabilities	1,529	2,250	2,767
CURRENT LIABILITIES	24,757	25,104	24,153
TOTAL SHAREHOLDERS' EQUITY AND LI	33,825	37,446	32,699

CASH FLOW AT 30.09.10
BU VEHICLES - CARRARO DIVISIONE AGRITALIA

	30/09/10	31/12/09	30/09/09
	€/000	€/000	€/000
Opening Net Financial Position	1,622	8,383	8,383
<i>Group profit/(loss)</i>	- 3,149	- 1,898	- 1,327
<i>Profit/(loss) pertaining to minorities</i>	-	-	-
<i>Amortization, depreciation and impairment of fix</i>	858	314	246
Cash flow before Net Working Capital	- 2,291	- 1,584	- 1,081
Change in Net Working Capital	- 4,035	5,364	2,042
Investments in fixed assets	- 615	- 1,389	- 717
Disinvestments in fixed assets	99	256	138
Operating Free Cash Flow	- 6,842	2,647	382
Other operating flows	- 964	- 5,151	- 1,169
Other investing flows	- 13	- 8,668	47
Change in Share Capital	-	-	-
Dividends paid	-	-	-
Other equity flows	-	4,411	-
Free Cash Flow	- 7,819	- 6,761	- 740
Closing Net Financial Position	- 6,197	1,622	7,643

ANALYSIS OF NET WORKING CAPITAL AT 30.09.10
BU VEHICLES - CARRARO DIVISIONE AGRITALIA

	30/09/10	31/12/09	30/09/09
	€/000	€/000	€/000
Trade Receivables	5,574	3,465	4,264
Inventory	11,886	10,373	13,528
Trade Payables	- 15,130	- 15,543	- 16,175
Net Working Capital (NWC)	2,330	- 1,705	1,617

Electronics Business Unit – Elettronica Santerno

In a segment characterized by very significant growth rates, Santerno consolidated its position as the leader in Italy laying the groundwork for stronger penetration at the international level.

In particular the Italian photovoltaic market continued to grow significantly compared with 2009, while the German market (the top international market) grew much more slowly in the first half of 2010, before slowing down in the last quarter.

Thanks also to the positive trend in the markets, precisely during third quarter 2010 Santerno reached the threshold of one gigawatt of photovoltaic inverters sold and installed worldwide.

In the meantime the commercial development of the company continued even in distant markets, such as China, which represent important potential reservoirs of business for the coming years, and in which considerable levels of turnover have already been achieved during this quarter and 2010 in general.

The range designed for the North American market is also at the final certification stage and during 2011 Santerno will therefore be able to market its products for renewable energies in a geographical area of strategic interest.

The products destined for micro and mini wind systems, which from February 2009 have received incentives in the Italian market with a specific energy account, completed the prototyping stage. In a highly competitive market, the introduction of these products by Santerno has met with an encouraging response and the forecasts for 2011 are again positive.

The global market of inverters for industrial applications is confirming the signs of recovery, although in the presence of a slight downturn in demand over the last few months. In this context Santerno saw confirmation of the trend of the first six months, and it stabilized on slight growth in the order book.

The third quarter again shows exceptional growth, thus confirming the figure already recorded during the first half of 2010. This positive performance was reflected in excellent EBITDA and net income, despite the difficulties in procurement and the tension on material prices caused by this unexpected and rapid growth. The net financial position improved significantly thanks to the excellent economic results and to a positive change in working capital.

**SUBCONSOLIDATED INCOME STATEMENT AT 30.09.10 QUARTER ANALYSIS
BU ELECTRONICS - ELETTRONICA SANTERNO**

	3rd quarter 2010	%	3rd quarter 2009	%	Changes
	€/ooo		€/ooo		3rd Q. 2010 3rd Q. 2009
REVENUES FROM SALES	43,056	100.00%	10,737	100.00%	301.01%
Purchases of goods and materials (net of change in st	- 19,819	-46.03%	- 5,404	-50.33%	-266.75%
Services and Use of third-party goods and services	- 9,266	-21.52%	- 2,960	-27.57%	-213.04%
Personnel costs	- 2,962	-6.88%	- 2,165	-20.16%	-36.81%
Amortisation, depreciation and impairment of asse	- 502	-1.17%	- 298	-2.78%	-68.46%
Provisions for risks	- 430	-1.00%	- 306	-2.85%	-40.52%
Other income and expenses	149	0.35%	- 59	-0.55%	352.54%
Internal construction	657	1.53%	- 19	-0.18%	3557.89%
OPERATING COSTS	- 32,173	-74.72%	- 11,211	-104.41%	-186.98%
OPERATING PROFIT/(LOSS) (EBIT)	10,883	25.28%	- 474	-4.41%	n.a.
Income from equity investments	-		-		
Other financial income	25	0.06%	22	0.20%	
Financial costs and expenses	- 67	-0.16%	- 124	-1.15%	
Net gains/(losses) on foreign exchange	- 69	-0.16%	33	0.31%	
Value adjustments of financial assets	-	0.00%	-	0.00%	
GAINS/(LOSSES) ON FINANCIAL ASSETS	- 111	-0.26%	- 69	-0.64%	-60.87%
PROFIT/(LOSS) BEFORE TAXES	10,772	25.02%	- 543	-5.06%	n.a.
Current and deferred income taxes	- 3,663	-8.51%	169	1.57%	
NET PROFIT/(LOSS)	7,109	16.51%	- 374	-3.48%	n.a.
Profit/(loss) pertaining to minorities	-	0.00%	-	0.00%	
BUSINESS UNIT CONSOLIDATED PROFIT/	7,109	16.51%	- 374	-3.48%	n.a.
EBITDA	11,110	25.80%	- 301	-2.80%	n.a.

SUBCONSOLIDATED INCOME STATEMENT AT 30.09.10
BU ELECTRONICS - ELETTRONICA SANTERNO

	30/09/10	%	30/09/09	%	Changes	
	€/ooo		€/ooo		30.09.10	30.09.09
REVENUES FROM SALES	89,261	100.00%	25,777	100.00%	63,484	246.28%
Purchases of goods and materials <i>(net of changes to inventories)</i>	- 43,100	-48.29%	- 12,263	-47.57%	- 30,837	-251.46%
Services and Use of third-party goods and services	- 19,658	-22.02%	- 7,276	-28.23%	- 12,382	-170.18%
Personnel costs	- 8,525	-9.55%	- 6,140	-23.82%	- 2,385	-38.84%
Amortisation, depreciation and impairment of asse	- 991	-1.11%	- 659	-2.56%	- 332	-50.38%
Provisions for risks	- 878	-0.98%	- 530	-2.06%	- 348	-65.66%
Other income and expenses	236	0.26%	34	0.13%	202	594.12%
Internal construction	1,445	1.62%	-	0.00%	1,445	n.a.
OPERATING COSTS	- 71,471	-80.07%	- 26,834	-104.10%	- 44,637	-166.34%
OPERATING PROFIT/(LOSS) (EBIT)	17,790	19.93%	- 1,057	-4.10%	18,847	n.a.
Income from equity investments	-		-		-	
Other financial income	54	0.06%	39	0.15%	15	
Financial costs and expenses	- 243	-0.27%	- 282	-1.09%	39	
Net gains/(losses) on foreign exchange	67	0.08%	126	0.49%	- 59	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	- 122	-0.14%	- 117	-0.45%	- 5	-4.27%
PROFIT/(LOSS) BEFORE TAXES	17,668	19.79%	- 1,174	-4.55%	18,842	n.a.
Current and deferred income taxes	- 6,052	-6.78%	265	1.03%	- 6,317	
NET PROFIT/(LOSS)	11,616	13.01%	- 909	-3.53%	12,525	n.a.
Profit/(loss) pertaining to minorities	-	0.00%	-	0.00%	-	
BUSINESS UNIT CONSOLIDATED PROFIT/	11,616	13.01%	- 909	-3.53%	12,525	n.a.
EBITDA	18,446	20.67%	- 583	-2.26%	19,029	n.a.

**SUBCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT
30.09.10**

	30/09/10	31/12/09	30/09/09
	€/000	€/000	€/000
Property, plant and equipment	2,705	1,969	2,069
Intangible fixed assets	10,341	7,330	6,798
Real estate investments	-	-	-
Holdings in subsidiaries and associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	1,288	1,111	653
Trade receivables and other receivables	347	116	116
NON CURRENT ASSETS	14,681	10,526	9,636
Closing inventory	33,784	10,801	13,584
Trade receivables and other receivables	52,177	24,992	18,473
Financial assets	42	1	32
Cash and cash equivalents	16,098	700	535
CURRENT ASSETS	102,101	36,494	32,624
TOTAL ASSETS	116,782	47,020	42,260
Share Capital	2,500	2,500	2,500
Reserves	9,940	8,941	8,942
Foreign currency translation reserve	76	56	32
Profit (loss) for the period	11,616	- 3	- 909
Minority interests	-	-	-
SHAREHOLDERS' EQUITY	24,132	11,494	10,565
Financial liabilities	29	58	116
Trade payables and other payables	-	-	-
Deferred tax liabilities	-	-	-
Provision for severance indemnity and retirement benefits	676	634	659
Provisions for risks and liabilities	604	40	36
NON CURRENT LIABILITIES	1,309	732	811
Financial liabilities	329	5,016	8,189
Trade payables and other payables	83,474	25,949	21,965
Current tax liabilities	5,659	1,352	200
Provisions for risks and liabilities	1,879	2,477	530
CURRENT LIABILITIES	91,341	34,794	30,884
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	116,782	47,020	42,260

CASH FLOW AT 30.09.10
BU ELECTRONICS - ELETTRONICA SANTERNO

	30/09/10	31/12/09	30/09/09
	€/ooo	€/ooo	€/ooo
Opening Net Financial Position	- 4,373	- 3,013	- 3,013
<i>Group profit/(loss)</i>	<i>11,616</i>	<i>- 3</i>	<i>- 909</i>
<i>Profit/(loss) pertaining to minorities</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Amortization, depreciation and impairment of fixed assets</i>	<i>656</i>	<i>646</i>	<i>474</i>
Cash flow before Net Working Capital	12,272	643	- 435
Change in Net Working Capital	6,954	814	312
Investments in fixed assets	- 3,266	- 2,306	- 1,597
Disinvestments in fixed assets	-	41	13
Operating Free Cash Flow	15,960	- 808	- 1,707
Other operating flows	4,310	3,128	762
Other investing flows	- 1,137	- 710	- 787
Change in Share Capital	-	-	-
Dividends paid	-	- 3,000	- 3,000
Other equity flows	1,022	30	7
Free Cash Flow	20,155	- 1,360	- 4,725
Closing Net Financial Position	15,782	- 4,373	- 7,738

ANALYSIS OF NET WORKING CAPITAL AT 30.09.10
BU ELECTRONICS - ELETTRONICA SANTERNO

	30/09/10	31/12/09	30/09/09
	€/ooo	€/ooo	€/ooo
Trade Receivables	49,961	21,923	15,654
Inventory	33,784	10,801	13,584
Trade Payables	- 78,025	- 20,050	- 16,062
Net Working Capital (NWC)	5,720	12,674	13,176

Significant events in the quarter

During third quarter 2010 the work of corporate rationalization continued through an operation of reorganization of the German subsidiaries.

More specifically this operation is being carried out in 3 stages:

- the merger by incorporation of the companies O&K Verwaltung GmbH and O&K Antriebstechnik GmbH & Co KG into the company Carraro Deutschland GmbH (wholly controlled by Carraro S.p.A.)
- the incorporation of the company O&K Antriebstechnik GmbH and subscription of a capital increase by Carraro Deutschland GmbH through conferment of the business unit relating to the work of development, production and marketing of drives carried on at the Hattingen plant
- the capital increase of Carraro Drive Tech SpA (a company in which Carraro S.p.A. holds 51% and Carraro International S.A. 49%) fully subscribed by Carraro Deutschland GmbH through conferment of the equity investments held in the company O&K Antriebstechnik GmbH.

As of September 30 the first two stages have been completed, while the planned capital increase will be carried out before the end of financial year 2010.

BUSINESS OUTLOOK FOR THE CURRENT YEAR

For the last part of the year the performance of the destination markets is expected to be in line with the trend of the first nine months. As a result of this, 2010 is expected to end with turnover of more than 660 million euro, decidedly better than in 2009 (when it was 487 million euro) and better than the forecasts in the Three Year Plan (550 mln euro). At the level of profitability, despite the ongoing – but lesser – difficulties associated with the supply chain, a further improvement of results can be confirmed.

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, bylaws, corporate bodies and administrative and accounting control of its subsidiaries incorporated and regulated in countries that do not belong to the European Union.

The span of the group includes 31 companies of which 18 are established and regulated in non-European Union countries, specifically in Argentina, Brazil, China, India, Russia and the United States; of these, six, 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).

Carraro SpA
The Chairman

Mario Carraro

Interim Report on Operations at 30 September 2010

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

Subject: interim management report at 30.09.2010

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 2010

Carraro SpA
Chief Financial Officer

Enrico Gomiero