Press Release

<u>CARRARO GROUP:</u> Board of Directors approves 3Q2011 results.

Increase of the turnover during the first nine months compared to the previous fiscal year, mainly thanks to the growth of the traditional reference markets, agriculture and construction equipment.

The significant slow-down in the renewable energies sector in Italy – which significantly dropped compared to the boom of 2010 as a direct consequence of the reduction of the contributions to the photovoltaic sector – led to a significant drop of the sales volumes and turnover for Elettronica Santerno in the third quarter, with obvious consequences also at Group level, which have not been compensated yet with the good recovery of the other Business Units.

- **Consolidated turnover of € 230.5 million in the third quarter of 2011 (+20.3% in comparison to € 191.6 million for 3Q2010); in progressive terms, growth of 37.2% compared to 30.09.2010 (going from € 496.3 million to € 680.9 million);**
- **EBITDA of the third quarter equal to € 13.6 million, with a reduction compared to € 15.4 million of the third quarter of 2010, but growing by 56.5% in progressive terms, going from € 29.5 million as at 30.09.2010 to € 46.2 million as at 30.09.2011;**
- **EBIT of the third quarter positive by € 5.5 million, with a reduction compared to € 7.4 of the third quarter of 2010; instead, the progressive data improved, registering € 21.9 million compared to € 5.5 million of 30.09.2010 (+297.2%);**
- **The net profit/(loss) of the third quarter, negatively affected by exchange differences, registered a loss of € 1.1 million, thus worsening compared to the profit of € 3.1 million of the third quarter of 2010; in progressive terms, profit of € 3.7 million was registered, in significant recovery (+151.7%) compared to the loss of € 7.2 million of 30.09.2010;**
- **The net financial position improved showing liabilities of € 258.5 million compared to € 274.2 million of 30.09.2010 (it was € 257.7 million as at 30.06.2011 and € 271.5 million as at 31.12.2010).**

By the end of the year, a turnover of over € 900 million, in significant growth compared to € 717.7 million of 2010 (+25%) and a general improvement of the turnover compared to the previous fiscal year are confirmed.

Campodarsego (Padua), 28 October 2011 – The Board of Directors of Carraro SpA, a global leader in power transmission systems, met today under the chairmanship of Mario Carraro and approved the Group's results for the third quarter of 2011.

"The significant increase of the turnover of the third quarter is due to the return of volumes in markets linked to the core business, a phenomenon which is even more clear if analysed according to the progressive trend as at 30 September – commented **Enrico Carraro, Executive Deputy Chairman of the Group.** *This phenomenon compensated the significant drop registered by Elettronica Santerno, which was affected by the known events linked to the new Energy Bill".*

"The excellent performances registered by the core business, which grew as EBITDA by 185% compared to 2010, have to be considered satisfactory. This phenomenon confirms the expectations and the results prove the effectiveness of the strategies implemented – added **Enrico Carraro**. *We attained a good position in all the markets and expanded our customers. Today, we must do an additional step forward in improving the processes and innovating the products, also by implementing interventions in new technologies ".*

The third quarter of 2011 showed consistent levels in the main reference markets – agriculture and construction equipment – and on the other hand, it confirmed the significant slow-down trend in the sector of renewable energies in Italy, which registered a remarkable drop in the first months of the year due to the uncertainties generated by the discontinue application of the New Energy Bill and by the reduction of contributions to the photovoltaic sector.

This situation determined a significant drop of the volumes and turnover for Elettronica Santerno in the third quarter with obvious consequences also at Group's level, which have not been yet completely compensated by the good recovery of the other Business Units.

Consolidated turnover and performance in reference markets

In view of a significant increase of volumes in the traditional destination markets, mainly linked to transmission systems (Drivelines BU), the improved trend registered by the new sectors slowed down, with a consequent reduction in the portfolio of the Electronics BU.

As a consequence, **the quarterly turnover reached € 230.5 million, growing by 20.3%** compared to € 191.6 million of the same quarter of the previous fiscal year and the progressive turnover reached € 680.9 million as at 30 September 2011, thus growing by 37.2% compared to 30 September 2010 (it was € 496.3 million).

In detail:

- **Carraro Drive Tech (Drivelines BU)** registered a turnover of €153.9 million in the third quarter, thus growing by 36.9% compared to 2010 (it was € 112.4 million); in progressive terms, the turnover grew by 42.5%, going from € 304.3 million to € 433.8 million.
  This is mainly due to a recovery of the final sell-out that took place homogeneously between markets and sectors.
- In the third semester of 2011 **Gear World's turnover (Components BU)** registered € 47.9 million, thus growing by 28.1% compared to € 37.5 million of 2010; in progressive terms, this datum grew by 30.3%, going from € 109.7 million to € 142.9 million.
  This growth is due to the increase of intercompany's volumes (from Carraro Drive Tech) and to a good recovery of the markets, mainly China and India.
- The turnover of **Carraro Divisione Agritalia (Vehicles BU)** registered a growth of 26.9% in the third quarter, going from a turnover of € 14.2 million to € 18.1 million, while in progressive terms, the growth is consolidated by 72.3% with a turnover going from € 37.4 million as at 30 September 2010 to € 64.4 million as at 30 September 2011.
  The steady demand of the European and especially the Turkish market supports said results.
- **Elettronica Santerno (Electronics BU)** suffered in the first nine months, and in particular in the third quarter, the consequences of the changes in tax incentives in the Italian photovoltaic market. In view of an increase of production in the third quarter in object, aimed at delivering the systems foreseen within the deadlines in order to be eligible for the government, the orders slowed down for the following

months, while waiting for future developments concerning the issuing of a inter-ministerial decree aimed at regulating the tax incentives applicable to the sector.
As a consequence, the quarterly turnover reached € 33.1 million, thus dropping by 23.2% compared to the € 43.1 million of 2010, while in progressive terms, it grew by 17.1% going from € 89.3 million to € 104.5 million.

EBITDA and EBIT

On one hand, the greater purchase and logistics costs linked to the impossibility to resolve some difficulties affecting the *supply chain* of Carraro Drive Tech, have partially cancelled out the increases of the turnover linked to the increase of volumes. On the other hand, the drop of the photovoltaic market and the uncertainties generated by the discontinue application of the New Energy Bill determined a significant drop of Santerno's turnover.

Based on these preliminary remarks **the quarterly Ebitda amounted to € 13.6 million**, thus showing a drop compared to € 15.4 millions of the third quarter of 2010. In progressive terms, the Ebitda as at 30 September 2011 was equal to € 46.2 million, showing an increase of 56.5% compared to datum as at 30 September 2010, equal to € 29.5 million.

The **quarterly Ebit was equal to € 5.5 million**, showing a drop of € 7.4 million compared to the third quarter of 2010. In progressive terms, the Ebit as at 30 September 2011 was equal to € 21.9 million, thus showing a significant increase (+297.2%) compared to € 5.5 million as at 30 September 2010.

Net profit/(loss), amortisations and depreciations

The third quarter of 2011, influenced by non-recurring elements such as exchange differences, closed with a **net loss of € 1.1 million** (-0.5% on the turnover), thus worsening compared to the profit of € 3.1 million Euro of the third quarter of 2010. **In progressive terms, the net profit as at 30 September 2010 amounted to € 3.7 million** (0.6% on the turnover)**, thus showing a significant growth (+151.7%) compared to the loss of € 7.2 million** (-1.5% on the turnover) of 30 September 2010.

The amortisations as at 30 September 2011 amounted to € 24.3 million compared to € 24 million as at 30 September 2010.

Investments

As at 30 September 2011, **investments totalled € 18.5 million, compared with € 13.1 million** as at 30 September 2010, and these were directed to the maintenance of plant efficiency and the launch of new products.

Research and Development

The expenses for Research and Development grew by 17.9% and amounted to € 13.1 million as at 30 September 2011 (1.9% on the turnover) compared to € 11.1 million as at 30 September 2010 (2.2% on the turnover), thanks to the constant effort towards innovation, an essential element for the future of the Group.

Net financial position and gearing

The net financial position **showed liabilities for € 258.5 million,** as at 30 June 2011 it was equal to € 257.7 million, while as at 31 December 2010 it was equal to € 271.5 million and as at 30 September 2010 it was equal to € 274.2 million.
The improvement is due to the positive cash flows derived from the current operating management of all Business Units, in particular the Drivelines, Vehicles and Components Business Units.

Gearing (defined as the ratio of net financial position to owners' equity) came out at 3.00 as at 30 September 2011, compared with 3.04 as at 31 December 2010 and 3.06 as at 30 September 2010.

Transfer of subsidiary FON

In view of the review project of the production sites at global level within the Drivelines Business Unit, the production activities of the Polish subsidiary FON S.A. were transferred in September, since they were deemed no longer strategic in the development plant of the same BU.

Business outlook

During the last part of the year, the main destination markets, agriculture and construction equipment kept in line with the data registered in the first nine months, while for the market of renewable energies, a further drop is foreseen compared to the third quarter.

As a consequence, 2011 will close with a turnover of over € 900 million, in significant growth compared to 2010 (it was € 717.7 million). The turnover, despite the drop of Santerno's contribution, is expected to improve compared to the previous fiscal year thanks to the continuous progressive improvement of the results of the Drivelines and Components BU, in line with previous months.

The director responsible for producing the company's accounting documents, Enrico Gomiero, declares pursuant to paragraph 2 article 154 bis of the Consolidated Finance Act that the accounts report contained in this press release reflects the results in the accounting documents, books and records.

This press release uses some "alternative performance indicators" not stipulated in the IFRS accounting principles: EBITDA (earnings before interest, taxes, depreciation and amortisation); EBIT (earnings before interest and taxes); NET FINANCIAL POSITION (the sum of bank borrowing, bonds and short-term and medium-to long-term loans, net of cash and cash equivalents, marketable securities and financial receivables); GEARING (the ratio of the net financial position and shareholders' equity).

The Carraro Group is a global leader in power transmission systems that are highly efficient and eco-friendly, with consolidated turnover in 2010 of € 717.7 million. The holding company, Carraro SpA, oversees strategic direction, coordination of inter-Group business, and support services. It has four independent Business Units, each with a specific mission and different risk profiles and strategic objectives.

More details about their areas of responsibility are provided below:

- **Carraro Drive Tech**: drive systems for construction equipment, agricultural tractors, fork-lift trucks, light commercial vehicles, mining applications, automotive and stationary applications (such as escalators and wind generators).

- **Gear World**: gears and components – in cut steel and sintered steel – for the automotive sector, for agricultural and construction applications, for material handling applications, for the gardening and power tools sector and for wind generators.
- **Carraro Divisione Agritalia**: specialised tractors (*light-utility*, vineyard, orchard) up to 100 HP power produced for third parties (Massey Ferguson, John Deere, Claas, Valtra); engineering and production outsourcing services for niche tractor markets.
- **Elettronica Santerno**: *inverters* for power electronics management applied to different industrial areas and renewable energies (photovoltaic and wind); management systems for electrical and hybrid power trains.

Transversally, the Carraro Group is a supplier of advanced technological solutions and integrated systems, in an effective strategic partnership with customers, supported by a constant commitment to maintain a high performance level and products and services quality throughout the world.

The Group's holding company Carraro SpA has been listed on the Italian Stock Exchange since 1995 (CARR.MI), has its headquarters in Campodarsego (Padua), as at 30 September 2011 it has 4,390 employees – 2,038 of which are in Italy – and has manufacturing facilities in Italy (7), India (2), Argentina, China (2), Germany and the United States. For further information **carraro.com.**

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Carraro Group September, 30 2011

(Figures not audited by independent auditors)

Balance Sheet (Euro thousands)

IAS/IFRS	Sep 30, 2011	Dec 31, 2010
Fixed assets	**329.741**	**342.107**
Tangible	213.118	224.149
Intangible	77.128	81.018
Capital assets	709	708
Investments	151	167
Financial assets	7.076	3.952
Deferred taxes assets	28.635	30.483
Trade and other current receivables	2.924	1.630
Current assets	**458.208**	**412.459**
Inventory	203.512	179.780
Trade and other current receivables	186.846	183.198
Financial assets	4.193	4.541
Liquid assets	63.657	44.940
Assets held for sale	-	-
Total assets	**787.949**	**754.566**
Total group shareholders' equity	**86.236**	**89.444**
Non current liabilities	**191.599**	**204.627**
Financial liabilities	163.504	173.821
Trade and other non current payables	1.148	333
Deferred taxes liabilities	7.736	8.667
Provision for indemnity, pension and similar	17.117	19.364
Provision for risks and contingencies	2.094	2.442
Current liabilities	**510.114**	**460.495**
Financial liabilities	171.277	149.819
Trade and other current payables	317.732	280.739
Current taxes	7.531	15.571
Provision for contingencies and obligations	13.574	14.366
Liabilities held for sale	-	-
Total liabilities & shareholders' equity	**787.949**	**754.566**
Net financial position	**258.543**	**271.535**
Cash flow	**28.035**	**27.562**

Income Statement (Euro thousands)

	Sep 30, 2011		Jun 30, 2010	
Revenues	680.870		717.748	
Cost of material	- 427.711		- 451.078	
Services	- 123.874		- 134.536	
Leases	- 4.310		- 5.347	
Cost of personnel	- 101.744		- 119.103	
Depreciations and writedown of Assets	- 24.302		- 34.790	
Writedown Of Receivables	- 530		- 1.641	
Changes in inventories stock	26.265		43.701	
Provison for risks and contingencies	- 6.826		- 8.988	
Other incomes / expenses	4.062		8.688	
EBIT	**21.900**	**3,2%**	**14.654**	**2,0%**
EBITDA	**46.202**	**6,8%**	**49.444**	**6,9%**
Incomes from investments	-		1.199	
Financial incomes / expenses	- 10.501		- 11.036	
Incomes / losses in exchange rates	- 1.853		756	
Adjustments of the value of financial essets	-		-	
Net result before taxes	**9.546**		**5.573**	
Income and deferred taxes	- 6.484		- 16.490	
Net result divestment of the activities	-		-	
Minority interest	671		3.689	
Net consolidated result	**3.733**	**0,5%**	**- 7.228**	**-1,0%**