CARRARO S.p.A.
Registered offices in Via Olmo 37, Campodarsego, Padua, Italy
Share capital Euro 21,840,000 fully paid in
Tax Code, VAT no. and enrolment in the Padua Companies' Register under no. 00202040283
Economic and Administrative Index (R.E.A.) no. 84.033

QUARTERLY REPORT AS OF 30 SEPTEMBER 2007
(CONSOLIDATED INFORMATION)

This report includes the administration report, accounting statements and related explanatory notes. It has been prepared in accordance with that specified by art. 82 of the Regolamento Emittenti (CONSOB 11971/1999 and subsequent amendments), using the table enclosed under attachment 3D. The indicated data was determined in conformity with the IAS/IFRS international accounting principles.

DIRECTORS' REPORT

The third quarter 2007 confirms the strong demand from the main markets of reference, in particular in the emerging geographical areas, favouring the continual growth of turnover. Despite this, some critical supply issues for which recovery activities have already begun, partly compromised the profitability of the quarter.

Under the new Group industrial project, in the field of components, Gear World successfully finalised the acquisition of miniGears Spa, one of the main manufacturers of high quality gears worldwide.

As compared with 2006, a 22% increase has been reported in the consolidated Group turnover of the third quarter, and a progressive turnover at 30 September 2007 showing an increase of 22.2%. Contributions to this increase came from the company miniGears Spa for 14.6 million euros, consolidated during the month of August, and from the company STM Srl, consolidated as of November 2006, net of which, the increase would in any case have been reported at 12.8% (as compared with the same quarter 2006) and at 17.7% (in progressive terms).
Ebitda has grown as compared with the same quarter of the previous year, by 12.2%, and in progressive terms by 31.6%, whilst Ebit grew by 2.3% during the quarter, and in progressive terms by 46.8% (based on a comparable geographical area, Ebitda would have been reported as having decreased by 7.2% during the quarter, and as a progressive increase of 18.4%, whilst Ebit would have been reported as a decrease of 14% during the quarter, and a progressive increase of 31.5%).

The net profit shown by the quarter is equal to 1.817 million euros, down by 22.8% as compared with the same period of the previous year, but up by 93.1% in progressive terms.
Again, based on a comparable consolidation area, the quarter profit would have been reported as down by 22.5% and as up by 93.2% in progressive terms.

The net financial position with a debit of 182.474 million euros, has increased as compared with 30 June 2007, to a debit of 131.300 million euros, including both expenses – equal to 25 million euros – for the acquisition of the share of miniGears Spa, and the consolidation of the related net financial position of a loss of 18.214 million euros.

As forecast, as of 30 September 2007, gearing is reported as 122.75%.

GENERAL INFORMATION

Here follow systematic reports and comments on the Group results.

Synthetic data relating to the third quarter 2007

(VALUES IN €/000)

	3rd Quarter 2007	% on turnover	3rd Quarter 2006	% on turnover	% diff.
Sales revenues	194,000		159,018		+22.00
EBITDA (1)	13,841	7.13	12,339	7.76	+12.17
EBIT (2)	7,308	3.77	7,149	4.50	+2.22
Net result	1,817	0.94	2,353	1.48	-22.78
Amortisation/ Depreciation	6,533	3.37	5,190	3.26	+25.88
Cash flow (3)	8,350	4.30	7,543	4.74	+10.70
Investments	12,215	6.30	8,972	5.64	+36.15

Progressive synthetic data as of 30/09/2007

(VALUES IN €/000)

	As of 30.09.2007	% on turnover	As of 30.09.06	% on turnover	% diff.
Sales revenues	588,654		481,631		+22.22
EBITDA (1)	46,719	7.94	35,493	7.37	+31.63
EBIT (2)	28,149	4.78	19,170	3.98	+46.84
Net result	11,860	2.01	6,142	1.28	+93.10
Amortisation/ Depreciation	18,570	3.15	16,323	3.39	+13.77
Cash flow (3)	30,430	5.17	22,465	4.66	+35.46
Investments	32,271		21,760		+48.30
Net financial pos. (4)	-182,474		-132,901		
Net equity*	124,763		111,100		
Gearing (5)	122.75%		116.21%		

*includes minorities

Definitions of alternative performance indicators used, not forecast by the IFRS accounting standards.

(1) EBITDA is intended as the sum of the operating result of the income statement, amortisation and depreciation, and writedown of fixed assets;
(2) EBIT is intended as the operating result of the income statement;
(3) Cash Flow is intended as the sum of the net result, amortisation and depreciation, and writedown of fixed assets;
(4) Net Financial Position is intended as the sum of amounts due to banks, short and medium-long term bonds and loans, net of liquid funds, negotiable securities and financial receivables;
(5) Gearing is intended the ratio between the net financial position and the shareholders' equity.

Sales revenues

Net consolidated turnover for the third quarter of 2007 amounted to Euro 194.000 million euros and recorded an increase of 22% when compared with the figure of the third quarter of the previous year (159.018 million euros). In progressive terms, as of 30 September 2007, turnover reached 588.654 million euros, up by 22.22% as compared with the 481.631 million euros recorded at 30 September 2006.

In comparable terms, and therefore net of sales from miniGears Spa and STM Srl, the quarter turnover would have been equal to 179.405 million euros, thereby recording an increase of 12.8% as compared with 2006, with a progressive recording of 566.751 million euros and a growth of 17.7% as compared with 30 September 2006.

The following tables summarise and analyse the allocation of sales per Business Unit, the main variations and the geographical destination.

Segment reporting

a) business sector

Information third quarter 2007

(VALUES IN €/000)

	AGGREGATED SALES REVENUE			CONSOLIDATED TURNOVER			TURNOVER BETWEEN DIVISIONS		
	3rd Quarter 2007	3rd Quarter 2006	%	3rd Quarter 2007	3rd Quarter 2006	%	3rd Quarter 2007	3rd Quarter 2006	%
DRIVES & DRIVELINES	154,879	148,029	4.63	141,746	126,958	11.65	13,133	21,071	-37.67
GEAR & COMPONENTS	46,141	23,706	94.64	24,953	7,933	214.55	21,188	15,773	34.33
VEHICLES	19,621	19,157	2.42	19,607	19,135	2.47	14	22	-36.36
POWER CONTROL	7,694	4,992	54.13	7,694	4,992	54.13	0	0	
TOTAL PER MARKET SEGMENT	**228,335**	**195,884**	**16.57**	**194,000**	**159,018**	**22.00**	**34,335**	**36,866**	**-6.87**
ELIMINATIONS AND NON ALLOCATED ASSETS	(34,335)	(36,866)	-6.87	0	0		(34,335)	(36,866)	-6.87
CONSOLIDATED TOTAL	**194,000**	**159,018**	**22.00**	**194,000**	**159,018**	**22.00**	**0**	**0**	

Progressive data as of 30 September 2007

(VALUES IN €/000)

	AGGREGATED SALES REVENUE			CONSOLIDATED TURNOVER			TURNOVER BETWEEN DIVISIONS		
	30 September 2007	30 September 2006	%	30 Septembe r 2007	30 Septembe r 2006	%	30 Septembe r 2007	30 September 2006	%
DRIVES & DRIVELINES	482,361	450,036	7.18	443,362	395,589	12.08	38,999	54,447	-28.37
GEAR & COMPONENTS	118,706	70,929	67.36	55,059	23,369	135.61	63,647	47,560	33.82
VEHICLES	69,673	57,784	20.57	69,621	57,681	20.70	52	103	-49.51
POWER CONTROL	20,616	4,992	312.98	20,612	4,992	312.90	4	0	
TOTAL PER MARKET SEGMENT	**691,356**	**583,741**	**18.44**	**588,654**	**481,631**	**22.22**	**102,702**	**102,110**	**0.58**

ELIMINATIONS AND NON ALLOCATED ASSETS	(102,702)	(102,110)	-0.58	0	0		(102,702)	(102,110)	0.58
CONSOLIDATED TOTAL	**588,654**	**481,631**	22.22	**588,654**	**481,631**	22.22	**0**	**0**	0

b) geographic area

(VALUES IN €/000)

Geographic area	*3rd Quarter 2007*	*%*	*3rd Quarter 2006*	*%*
North America	31,980	16.48	36,303	22.83
Germany	31,895	16.44	24,378	15.33
France	10,915	5.63	14,774	9.29
Great Britain	20,348	10.49	14,898	9.37
South America	12,194	6.29	6,924	4.35
India	7,169	3.70	7,725	4.86
Poland	4,671	2.41	4,980	3.13
China	7,241	3.73	5,239	3.29
Other EU areas	18,315	9.44	11,030	6.94
Other countries outside EU	7,562	3.89	5,020	3.16
Total abroad	**152,290**	**78.50**	**131,192**	**82.50**
Italy	41,710	21.50	27,826	17.50
Total	**194,000**	**100.00**	**159,018**	**100.00**

The contribution made by the new consolidated companies has influenced the increase of the weight of some countries such as Germany, and, of the other EU areas, Sweden and Finland in particular.

(VALUES IN €/000)

Geographic area	*As of 30.09.2007*	*%*	*As of 30.09.2006*	*%*
North America	95,939	16.30	108,882	22.61
Germany	98,570	16.74	83,199	17.27
France	42,195	7.17	45,988	9.55
Great Britain	59,578	10.12	43,441	9.02
South America	29,819	5.06	19,710	4.09
India	25,233	4.29	22,479	4.67
Poland	16,288	2.77	14,102	2.93
China	16,339	2.78	12,181	2.53
Turkey	13,523	2.30	7,575	1.57
Other EU areas	51,555	8.75	33,764	7.01
Other countries outside EU	10,925	1.86	7,751	1.61
Total abroad	**459,964**	**78.14**	**399,072**	**82.86**

Italy	128,690	21.86	82,559	17.14
Total	**588,654**	**100.00**	**481,631**	**100.00**

EBITDA/EBIT

(VALUES IN €/000)

	3rd Quarter 2007	% on turnover	3rd Quarter 2006	% on turnover	% diff.
EBITDA	13,841	7.13	12,339	7.76	12.17
EBIT	7,308	3.77	7,149	4.50	2.22

(VALUES IN €/000)

	As of 30.09.2007	% on turnover	As of 30.09.2006	% on turnover	% diff.
EBITDA	46,719	7.94	35,493	7.37	31.63
EBIT	28,149	4.78	19,170	3.98	46.84

EBITDA and EBIT have been influenced by the specified supply difficulties caused by some key suppliers who, unable to sustain the rapid growth in volumes, caused a series of production difficulties and use of more expensive alternative sources.

Furthermore, in order to maintain a suitable level of client satisfaction, it was necessary to make use of more expensive, extraordinary means of transport, in some cases by air.

Net income

Net profit for the third quarter 2007 is equal to 1.817 million euros, down by 22.8% as compared with the 2.353 million euros of the third quarter 2006. In progressive terms, the net profit is up by 93.1%, reporting 11.860 million euros as compared to the 6.142 million euros of 30 September 2006.

In a comparable consolidation area, the net result would have been reported as 1.823 million euros during the quarter, down by 22.5%, and equal to 11.866 million euros as of 30 September 2007, with a growth of 93.2%.

Apart from the above-specified, the greater financial burdens deriving from the greater debt following acquisition of miniGears Spa, has also influenced this decrease.

Amortisation, depreciation and Cash-flow

(VALUES IN €/000)

	3rd Quarter 2007	% on turnover	3rd Quarter 2006	% on turnover	% diff.
Amortisation/ Depreciation	**6,533**	3.37	**5,190**	3.26	25.88
Cash flow	**8,350**	4.30	**7,543**	4.74	10.70

(VALUES IN €/000)

	As of 30 September 2007	% on turnover	As of 30 September 2006	% on turnover	% diff.
Amortisation/ Depreciation	**18,570**	3.15	**16,323**	3.39	13.77
Cash flow	30,430	5.17	22,465	4.66	35.46

Amortisation as of 30 September 2007 is reported as 18.570 million euros as compared with the 16.323 million euros of 30 September 2006. Amortisation for the third quarter is also reported as an increase, equal to 6.533 million euros as compared with the 5.190 million euros of the third quarter of last year, also due to the specified consolidation of miniGears and STM, with amortisation recorded as 1.227 million euros.

Investments

(VALUES IN €/000)

	3rd Quarter 2007	3rd Quarter 2006
Investments	**12,215**	**8,972**

(VALUES IN €/000)

	As of 30 September 2007	As of 30 September 2006
Investments	**32,271**	**21,760**

Investments as of 30 September 2007 amount to 32.271 million euros (21.760 million euros as of 30 September 2006), to go towards the planned increase in production capacity, including activities in China. During the quarter, investments equalled 12.215 million euros, as compared with the 8.972 million euros during the third quarter 2006.

Net financial position

The net financial position of 182.474 million euros in debit, as compared with the figure recorded as of 30 June 2006 (132.901 million euros), and includes, as already stated, expenses for the acquisition of the share of miniGears. As of 30 September, gearing, as was forecast, was reported as 122.75%, as of 30 June it was equal to 104.86%.

OUTLOOK FOR ACTIVITIES DURING THE CURRENT ACCOUNTING PERIOD

The current examination of the orders portfolio confirms the forecast growth from the main markets of reference.

Thanks to the start-up of alternative suppliers and organisational improvement actions of the supply chain, the above-specified difficulties in supplies will progressively be solved, as from the current

quarter, once again, slightly affecting profitability, ready to return to normality during the first quarter 2008.

ACCOUNTING SCHEDULES
CONSOLIDATED ECONOMIC AND EQUITY DATA
(IAS/IFRS)

Consolidated Profit and Loss Account (Balances in thousands of Euro)				
	30.09.2007	**%**	**30.09.2006**	**%**
Revenues from sales	**588,654**	**100.00**	**481,631**	**100.00**
Purchases of goods and materials	-381,007	-64.73	-311,215	-64.62
Services	-101,569	-17.25	-88,110	-18.29
Use of third-party goods and services	-2,656	-0.45	-2,630	-0.55
Payroll and related costs:	-77,653	-13.18	-63,459	-13.18
Amortization, depreciation and writedowns of assets	-18,865	-3.20	-16,453	-3.42
Change in inventories	23,729	4.03	16,958	3.52
Provisions for risks	-4,396	-0.75	-1,537	-0.32
Other income and expense	1,912	0.33	3,985	0.83
EBIT	**28,149**	**4.78**	**19,170**	**3.98**
Income from equity investments	-	0.00	-	0.00
Net financial income/expense	-7,088	-1.20	-5,190	-1.07
Exchange gains and losses (net)	1,069	0.18	-697	-0.14
Value adjustments to financial assets	-2	0.00	465	0.10
Pre-tax result	22,128	3.76	13,748	2.85
Current and deferred taxation:	-9,301	-1.58	-6,996	-1.45
Net result	12,827	2.18	6,752	1.40
Results pertaining to minority shareholders	-967	-0.16	-610	-0.13
Group consolidated result	**11,860**	**2.01**	**6,142**	**1.28**

Consolidated Profit and Loss Account (Balances in thousands of Euro)		
	30.09.2007	**30.09.2006**
Non-current assets	**299,306**	**204,253**
Tangible fixed assets	220,760	152,773
Intangible fixed assets	60,991	11,509
Real estate property investments	710	712
Equity investments:	190	3,678
Financial assets	1,068	20,828
Deferred tax assets	13,564	12,868
Trade and other receivables	2,023	1,885
Current assets	**385,656**	**331,080**
Final inventories	168,906	130,716
Trade and other receivables	186,531	175,215
Financial assets	1,887	1,814
Liquid funds	28,332	23,335
Total assets	**684,962**	**535,333**
Shareholders' equity	**148,657**	**114,360**
Non-current liabilities	**162,769**	**108,098**
Financial liabilities	116,010	78,066
Trade and other payables	5,965	346
Deferred tax liabilities	12,670	3,522
Severance Pay and Pension funds and similar	26,333	23,691

Provisions for risks and charges	1,791	2,473
Current liabilities	**373,536**	**312,875**
Financial liabilities	96,288	80,474
Trade and other payables	260,951	221,087
Amounts due for current taxes	8,762	5,617
Provisions for risks and charges (current portions)	7,535	5,697
Total liabilities and shareholders' equity	**684,962**	**535,333**

Consolidated Profit and Loss Account (Balances in thousands of Euro)				
	3rd Quarter 2007	**%**	**3rd Quarter 2006**	**%**
Revenues from sales	**194,000**	**100.00**	**159,018**	**100.00**
Purchases of goods and materials	-123,618	-63.72	-99,828	-62.78
Services	-34,676	-17.88	-34,002	-21.38
Use of third-party goods and services	-1,088	-0.56	-907	-0.57
Payroll and related costs:	-26,537	-13.68	-20,104	-12.64
Amortisation, depreciation and writedowns of assets	-6,783	-3.5	-5,256	-3.31
Change in inventories	6,761	3.48	5,190	3.26
Provisions for risks	-1,412	-0.73	709	0.45
Other income and expense	661	0.24	2,329	1.46
EBIT	**7,308**	**3.77**	**7,149**	**4.50**
Income from equity investments	-	0.00	0	0.00
Net financial income/expense	-2,894	-1.39	-1,902	-1.20
Exchange gains and losses (net)	-399	-0.21	27	0.02
Value adjustments to financial assets	-2	0.00	113	0.07
Pre-tax result	4,012	2.07	5,387	3.39
Current and deferred taxation	-1,857	-1.92	-2,454	-1.54
Net result	2,155	1.11	2,933	1.48
Results pertaining to minority shareholders	-338	-0.17	-580	-0.36
Group consolidated result	**1,817**	**0.94**	**2,353**	**1.48**

NET FINANCIAL POSITION

In thousands of Euro

Description	*30.09.2007*	*31.12.2006*	*30.09.2006*
Bonds:			
- not current	0	0	0
- current	0	0	0
Loans:			
- not current	116,010	85,537	78,066
- current	95,036	62,589	79,092
Financial accruals and deferrals			
- not current	104	-88	-131
- current	-258	-520	-232
NET OF:			
Liquid funds			

Cash	-118	-84	-138
Bank income	-28,214	-15,901	-23,197
Loans and receivables	-86	-99	-486
Securities	0	-73	-73
Amounts due from factoring companies	0	0	0
Consolidated net financial position	**182,474**	**131,361**	**132,901**

ACCOUNTING PRINCIPLES

Basis of presentation

The accounting data in the report were prepared in conformity with the International Financial Reporting Standards (IFRS), on the basis of the historic cost principle, with the exception of derived financial instruments, which are booked at fair value.

The accounting policies adopted by the Group comply with the international IAS/IFRS policies issued by the International Accounting Standard Board (IASB) and adopted by the European Commission in accordance with the procedure as per art. 6 of Regulation no. 1606/2002 of the European Parliament and the Board of 19 July 2002.

Consolidation principles

The consolidation criteria are those adhered to for the annual financial statements.

Scope of consolidation

The Group's consolidated data include those of Carraro S.p.A. and of those companies in which it holds, either directly or indirectly, a majority of voting rights at the annual general meeting of the shareholders.

A subsidiary company is an entity in which the Group holds, directly or indirectly via its subsidiary companies, more than half of the voting rights, unless, under exceptional circumstances, it can be clearly demonstrated that such a holding does not represent control over the entity. Control also exists when the Group Parent Company holds half, or a smaller portion, of the votes which can be exercised during general meetings if it has:
(a) control over more than half of the voting rights by virtue of an agreement with other investors;
(b) the power to determine the financial and operating policies of the entity by virtue of a clause in the Articles of Association or a contract;
(c) the power to appoint or remove the majority of the members of the board of directors or the equivalent corporate management body, and the control over the entity is held by that board or body; or
(d) the power to exercise the majority of the voting rights during board meetings or meetings of the equivalent corporate management body, and the control over the entity is held by that board or body.

The companies consolidated on a line-by-line basis are the following:

Name	Registered offices	Currency	Nominal value of share capital	Interest holding
SIAP S.p.A.	Maniago (Pordenone)	Euro	10,122,616	100%
A.E. S.r.l.	Castello d'Argile (Bologna)	Euro	40,000	90%
Elettronica Santerno S.p.A.	Campodarsego (Padua)	Euro	2,500,000	67%
STM S.r.l.	Maniago (Pordenone)	Euro	1,549,080	50.001%
Carraro Deutschland GmbH	Hattingen (Germany)	Euro	10,507,048	100%

Carraro Argentina S.A.	Haedo - Buenos Aires (Argentina)	Argentine Peso	97,596,505	99.94%
Carraro India Ltd.	Rajangaon – New Delhi (India)	Indian Rupee	400,000,000	100%
Turbo Gears Ltd.	Rajangaon – Pune (India)	Indian Rupee	550,000,000	100%
Carraro Technologies India Pvt. Ltd.	Mumbai (India)	Indian Rupee	18,000,000	100%
F.O.N. S.A.	Radomsko (Poland)	Polish Zloty	7,058,220	90.667%
Carraro International S.A.	Luxembourg	Euro	39,318,000	99.99%
Carraro North America Inc.	Calhoun - Georgia (USA)	US Dollar	100	100%
O&K Antriebstechnik GmbH &Co. KG	Hattingen (Germany)	Euro	2,045,168	100%
Carraro Qingdao Drive Systems Co. Ltd.	Shandong (China)	Euro	1,050,000	100%
Carraro Qingdao Trading Co. Ltd.	Shandong (China)	Euro	170,000	100%
Carraro China Drive System Co. Ltd.	Shandong (China)	US Dollar	7,500,000	100%
Gear World S.p.A.	Via Lussemburgo 25/27	Euro	35,084,397	73.82%
MG Holding S.p.A.	Via Lussemburgo 25/27	Euro	500,000	100%
MG Mini Gears S.p.A.	Via Lussemburgo 25/27	Euro	18,720,000	100%
MG Mini Gears Inc.	Virginia Beach – Virginia (USA)	USDollar	8,910,000	100%
MG MiniGears North America LLC.	Virginia Beach – Virginia (USA)	US Dollar	20,000	100%
MG Mini Gears Property LLC.	Virginia Beach – Virginia (USA)	US Dollar	20,000	100%
MG Mini Gears (Shangai) Trading Co. Ltd.	Shanghai (China)	US Dollar	200,000	100%
MG Mini Gears (Suzhou) Co. Ltd.	Jiangsu (China)	US Dollar	4,300,000	100%

The following companies have been included in the consolidation area as from this year:

Carraro China Drive Systems Co. Ltd.
The company was constituted on 19 January 2007, and works in the field of manufacturing axles.

Gear World S.r.l.
The company was constituted on 27 April 2007. On 10 May 2007, Carraro S.p.A. transferred a book value in Gear World S.r.l. of 100% share of Siap S.p.A. and 20.01% share in Carraro Argentina S.A.. On 29 May, Carraro International S.A. transferred 99.9998% of the share in Turbo Gears India Pvt. Ltd.. On 19 July 2007, Gear World S.r.l. was transformed into S.p.A. and an increase of share capital was resolved, up to € 35,084,397, fully allocated to being undersigned by Interbanca S.p.A.. Upon completion of the increase in share capital, Interbanca now holds 26.18% of the share capital of Gear World, whilst the remaining 74.82% continues to be held by the Carraro Group, and specifically by Carraro S.p.A. to the value of 45.60%, and by Carraro International S.A. to the value of 28.22%.

MiniGears Group
On 30 July 2007, the acquisition of 100% of the shares of the company MG Holding S.p.A. was completed, which in turn holds 100% of the shares of MG Mini Gears S.p.A., with payment by the company of a price equal to € 50,000,000. MG Mini Gears S.p.A. directly holds 100% of the share capital of the company MG Mini Gears Inc., MG Mini Gears (Shangai) Trading Co. Ltd. and MG Mini Gears (Suzhou) Co. Ltd., and indirectly through MG Mini Gears Inc., 100% of the company MG MiniGears North America LLC and MG Mini Gears Property LLC.

The following equity investments have been excluded from the scope of consolidation:

Name	Parent company	Registered	Currency	Nominal value	Interest holding

		offices		of share capital	
Carraro PNH Components India Ltd.	Carraro India Ltd.	Mumbai (India)	Indian Rupee	10,000,200	99.998%
Carraro Korea Ltd.	Carraro International S.A.	Ulsan (Republic of Korea)	South Korean Won	3,000,000,000	100%

Carraro PNH Components India Ltd. is a dormant company, whose only balance sheet items comprise land for industrial use and its exclusion from the scope of consolidation was not considered to have any significance on the financial statements presentation.

Carraro Korea Ltd. was placed in liquidation during 2004 and is currently dormant. Final closure is forecast by the end 2007.

The company Zao Santerno, acquired on 27 July 2007, has not been consolidated as the process of allocation of the acquisition value has not yet been completed. The company is irrelevant for the purposes of the Carraro Group Consolidated Financial Statements. Assets are estimated as 0.2 million euros, shareholder's equity as -0.03 million euros, and income as 0.03 million euros, against an acquisition price of 294 euros.

Conversion of accounting data to foreign currency

The conversion into Euro of the accounting data expressed in foreign currency, is carried out by adopting the period-end exchange rate for assets and liabilities, historic exchange rates for the equity accounts and the average rates for the period for the income statement.
Any exchange differences originating from this method are stated in a specific equity item called "Reserve from conversion difference".

The exchange rates applied for the conversion of accounting data into foreign currency are as follows:

Company	Currency	Average rate 1/1-30/09/2007	Exchange rate as of 30 September 2007
Carraro India Ltd.	Indian Rupee	56.3691282	56.4064
Turbo Gears Ltd.	Indian Rupee	56.3691282	56.4064
Carraro Technologies Ltd.	Indian Rupee	56.3691282	56.4064
F.O.N. S.A.	Polish Zloty	3.8256900	3.7730
Carraro North America Inc.	US Dollar	1.3442984	1.4179
MG Mini Gears Inc.	US Dollar	1.3442984	1.4179
MG MiniGears North America LLC.	US Dollar	1.3442984	1.4179
MG Mini Gears (Shangai) Trading Co. Ltd.	US Dollar	1.3442984	1.4179
Carraro Qingdao Drive Systems Co. Ltd.	Chinese Renminbi	10.2998361	10.6429
Carraro Qingdao Trading Co. Ltd.	Chinese Renminbi	10.2998361	10.6429
Carraro China Drive Systems Co. Ltd.	Chinese Renminbi	10.2998361	10.6429
MG Mini Gears (Shangai) Trading Co. Ltd.	Chinese Renminbi	10.2998361	10.6429
MG Mini Gears (Suzhou) Co. Ltd.	Chinese Renminbi	10.2998361	10.6429
Carraro Argentina S.A.	Argentine Peso	4.1751819	4.46575

Accounting principles and evaluation criteria
The depreciation is calculated, on a straight-line basis, on the cost of the assets net of the related residual values, in relation to their estimated useful life applying the following rates to newly acquired assets:

	% rate for 2007	% rate for 2006
industrial land	-	-
industrial buildings	2 - 5	2 - 5

plants	4 - 5	4 - 5
machinery	5.56 - 6.67	5.56 - 6.67
equipment	6.67 - 25	6.67 - 25
dies and models	12.50	12.50
furniture and furnishings	6.67	6.67
office machines	12.50 - 20	12.50 - 20
vehicles	6.67 - 12.50	6.67 - 12.50

Land is not depreciated.
Assets held in relation to financial lease agreements are depreciated on the basis of their estimated useful life, on a consistent basis with owned assets.

Overall, the evaluation criteria and the accounting principles are those adopted for presenting the annual financial statements.

The Chairman

_____

Mario Carraro

Declaration by the director responsible for preparing the Company accounting documents, in accordance with article 154-*bis*, subsection 2 of Legislative Decree no. 58/1998

The undersigned Enrico Gomiero, director responsible for preparing the Company accounting documents, hereby declares in accordance with article 154-*bis*, subsection 2 of Legislative Decree no. 58/1998, that the accounting data contained within this report is consistent with the underlying documents, books and accounting records.

Campodarsego, 14 November 2007

The Director

_____

Enrico Gomiero