



Carraro Group

Interim report on operations at March 31, 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 31.03.2010

| | 31/03/10 | % | 31/03/09 | % | Changes | |
|--|------------------|-----------------|------------------|-----------------|-----------------|----------------|
| | €/ooo | | €/ooo | | 31.03.10 | 31.03.09 |
| REVENUES FROM SALES | 127.189 | 100,00% | 139.916 | 100,00% | - 12.727 | -9,10% |
| Purchases of goods and materials (net of change in stock | - 69.026 | -54,27% | - 80.736 | -57,70% | 11.710 | -14,50% |
| Services and Use of third-party goods and services | - 26.526 | -20,86% | - 27.815 | -19,88% | 1.289 | -4,63% |
| Personnel costs | - 28.339 | -22,28% | - 30.132 | -21,54% | 1.793 | -5,95% |
| Amortisation, depreciation and impairment of assets | - 8.009 | -6,30% | - 8.268 | -5,91% | 259 | -3,13% |
| Provisions for risks | - 857 | -0,67% | - 905 | -0,65% | 48 | -5,30% |
| Other income and expenses | 284 | 0,22% | - 292 | -0,21% | 576 | -197,26% |
| Internal construction | 595 | 0,47% | 104 | 0,07% | 491 | 472,12% |
| OPERATING COSTS | - 131.878 | -103,69% | - 148.044 | -105,81% | 16.166 | -10,92% |
| OPERATING PROFIT/(LOSS) (EBIT) | - 4.689 | -3,69% | - 8.128 | -5,81% | 3.439 | -42,31% |
| Income from equity investments | - | | - | | - | |
| Other financial income | 114 | 0,09% | 363 | 0,26% | - 249 | |
| Financial costs and expenses | - 2.541 | -2,00% | - 3.958 | -2,83% | 1.417 | |
| Net foreign exchange gains/losses | 1.085 | 0,85% | 2.246 | 1,61% | - 1.161 | |
| Value adjustments of financial assets | - | | - | | - | |
| GAINS/(LOSSES) ON FINANCIAL ASSETS | - 1.342 | -1,06% | - 1.349 | -0,96% | 7 | -0,52% |
| PROFIT/(LOSS) BEFORE TAXES | - 6.031 | -4,74% | - 9.477 | -6,77% | 3.446 | -36,36% |
| Current and deferred income taxes | - 2.088 | -1,64% | 2.270 | 1,62% | - 4.358 | |
| NET PROFIT/(LOSS) | - 8.119 | -6,38% | - 7.207 | -5,15% | - 912 | 12,65% |
| Profit/(loss) pertaining to minorities | 691 | 0,54% | 1.324 | 0,95% | - 633 | |
| GROUP CONSOLIDATED PROFIT/(LOSS) | - 7.428 | -5,84% | - 5.883 | -4,20% | - 1.545 | 26,26% |
| EBITDA | 3.264 | 2,57% | 142 | 0,10% | 3.122 | n.a. |

CONSOLIDATED INTERIM BALANCE SHEET AT 31.03.2010

| | 31/03/10 €/ooo | 31/12/09 €/ooo | 31/03/09 €/ooo |
|---|-------------------|-------------------|-------------------|
| Property, plant and equipment | 243,506 | 238,464 | 244,142 |
| Intangible fixed assets | 77,297 | 79,964 | 75,950 |
| Real estate investments | 708 | 707 | 709 |
| Equity interests in group companies | 165 | 149 | 148 |
| Financial assets | 1,006 | 927 | 840 |
| Deferred tax assets | 29,353 | 28,997 | 22,349 |
| Trade and other receivables | 1,543 | 2,133 | 1,995 |
| NON CURRENT ASSETS | 353,578 | 351,341 | 346,133 |
| Closing inventory | 146,856 | 136,741 | 195,385 |
| Trade and other receivables | 118,361 | 104,995 | 157,617 |
| Financial assets | 1,839 | 14,561 | 14,927 |
| Cash and cash equivalents | 48,037 | 54,711 | 34,641 |
| CURRENT ASSETS | 315,093 | 311,008 | 402,570 |
| TOTAL ASSETS | 668,671 | 662,349 | 748,703 |
| Share Capital | 23,915 | 23,915 | 21,840 |
| Reserves | 69,513 | 115,117 | 111,039 |
| Foreign currency translation reserve | - 7,178 | - 11,707 | - 8,075 |
| Profit (loss) for the period | - 7,428 | - 45,856 | - 5,883 |
| Minority interests | 15,095 | 15,150 | 21,995 |
| SHAREHOLDERS' EQUITY | 93,917 | 96,619 | 140,916 |
| Financial liabilities | 132,419 | 26,437 | 159,988 |
| Trade and other payables | 325 | 306 | 17,335 |
| Deferred tax liabilities | 7,462 | 6,265 | 9,012 |
| Severance, pension and similar provisions | 20,824 | 21,576 | 23,374 |
| Provisions for risks and liabilities | 6,427 | 5,667 | 2,803 |
| NON CURRENT LIABILITIES | 167,457 | 60,251 | 212,512 |
| Financial liabilities | 196,773 | 285,522 | 113,659 |
| Trade and other payables | 187,940 | 195,180 | 255,742 |
| Current taxes payable | 7,343 | 6,228 | 10,147 |
| Provisions for risks and liabilities | 15,241 | 18,549 | 15,727 |
| CURRENT LIABILITIES | 407,297 | 505,479 | 395,275 |
| TOTAL EQUITY AND LIABILITIES | 668,671 | 662,349 | 748,703 |

CASH FLOW AT 31.03.2010

| | 31/03/10 €/ooo | 31/12/09 €/ooo | 31/03/09 €/ooo |
|---|---------------------------------|---------------------------------|---------------------------------|
| Opening Net Financial Position | - 241,057 | - 216,545 | - 216,545 |
| <i>Group profit/(loss)</i> | <i>- 7,428</i> | <i>- 45,856</i> | <i>- 5,883</i> |
| <i>Profit/(loss) pertaining to minorities</i> | <i>- 691</i> | <i>- 7,656</i> | <i>- 1,324</i> |
| <i>Amortization, depreciation and impairment of fixed ass</i> | <i>7,953</i> | <i>31,913</i> | <i>8,270</i> |
| Cash flow before Net Working Capital | - 166 | - 21,599 | 1,063 |
| Change in Net Working Capital | - 13,061 | 28,766 | 4,542 |
| Investments in fixed assets | - 3,695 | - 24,337 | - 10,139 |
| Disinvestments in fixed assets | 568 | 2,973 | 435 |
| Operating Free Cash Flow | - 16,354 | - 14,197 | - 4,099 |
| Other operating flows | - 19,378 | - 885 | 378 |
| Other investing flows | - 7,218 | - 9,929 | 390 |
| Change in Share Capital | - | 2,075 | - |
| Dividends paid | - | - | - |
| Other equity flows | 5,417 | - 1,576 | - 1,509 |
| Free Cash Flow | - 37,533 | - 24,512 | - 4,840 |
| Closing Net Financial Position | - 278,590 | - 241,057 | - 221,385 |

ANALYSIS OF NET WORKING CAPITAL AT 31.03.10

| | 31/03/10 €/ooo | 31/12/09 €/ooo | 31/03/09 €/ooo |
|----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Trade Receivables | 79.934 | 67.995 | 109.620 |
| Inventory | 146.856 | 136.741 | 195.385 |
| Trade Payables | - 160.966 | - 151.973 | - 228.018 |
| Net Working Capital (NWC) | 65.824 | 52.763 | 76.987 |

The first quarter of 2010 confirms the three-year plan forecasts, highlighting a moderate recovery for the traditional reference markets - *construction equipment* and agricultural - driven by the growth of India, China, and South America and the conclusion of our main customers' de-stocking phenomenon, which characterised all of 2009. Regarding the renewable energies sector, an important acceleration, mainly linked to Government incentive plans, has been confirmed with particular reference to the photovoltaic sector.

The month of March alone shows an inversion of the trend, posting 8.5% growth compared with March 2009, bringing turnover for the first quarter to 127.2 million euro, a contraction of 9.1% compared with the 1st quarter of 2009 (139.9 million euro).

The heavy restructuring and reorganisation carried out during 2009 with the aim of lowering the break-even point on the EBITDA have confirmed their effectiveness, causing a first quarter positive EBITDA by 3.264 million euro, a clear improvement compared with 142 thousand euro in March 2009.

Quarter volumes, destined for further growth during the year, are not yet able to completely absorb fixed costs and therefore EBIT and the net result remain negative, respectively by 4.689 million euro (an improvement of 42.3% compared with March 2009, which posted a negative EBIT of 8.128) and by 7.428 million euro (compared with the net loss of 5.883 million euro as at March 31, 2009).

In the first quarter, 3.695 million euro in investments were recorded (-63.6% compared with the 1st quarter of 2009), mainly allocated to supporting manufacturing reorganisation programmes.

Each Business Unit's presence in strategic R&D activities continues to be significant, confirming period expenses equal to 2.9% of turnover (2.9% of turnover also in March 2009).

As in the forecasts, the net financial situation has increased, moving from 241.057 million euro on December 31, 2009 to 278.590 million euro on March 31, 2010. This is mainly due to the purchase of a minority holding (33%) in the company Elettronica Santerno SpA, the partial re-absorption of the supplier manoeuvre implemented during 2009, and a moderate increase in circulating capital due to volume recovery.

The level of borrowing reached is consistent with what was forecasted in the three-year plan and with the framework agreement signed with the main financing institutions for the purpose of reforming and setting a new maturity date for the loans.

ECONOMIC AND EQUITY DATA**Turnover**

In the first quarter of 2010, the Group's turnover came to 127.189 million euro, down by 9.1% from the figure recorded in the first quarter of 2009, when it was 139.916 million euro.

The following table breaks turnover down by market segment:
(amounts in €/000)

| | SALES | | | SALES TO THIRD PARTIES | | | INTRA-GROUP SALES | | |
|---------------------------|----------------|----------------|--------------|------------------------|----------------|--------------|-------------------|---------------|-------------|
| | 31.03.2010 | 31.03.2009 | Diff. % | 31.03.2010 | 31.03.2009 | Diff. % | 31.03.2010 | 31.03.2009 | Diff. % |
| DRIVELINES | 82,326 | 91,916 | -10.43 | 79,358 | 88,191 | -10.02 | 2,968 | 3,725 | -20.32 |
| GEARS & COMPONENTS | 33,813 | 32,366 | 4.47 | 23,727 | 25,977 | -8.66 | 10,086 | 6,389 | 57.87 |
| VEHICLES | 10,204 | 20,175 | -49.42 | 9,732 | 19,502 | -50.10 | 472 | 673 | -29.87 |
| POWER CONTROLS | 14,368 | 6,290 | 128.43 | 14,328 | 6,153 | 132.86 | 40 | 137 | -70.80 |
| ASSETS NOT ALLOCATED | 5,225 | 6,314 | -17.25 | 44 | 93 | -52.69 | 5,181 | 6,221 | -16.72 |
| TOTAL SEGMENTS | 145,936 | 157,061 | -7.08 | 127,189 | 139,916 | -9.10 | 18,747 | 17,145 | 9.34 |
| INTRA-GROUP ELIMINATIONS | -18,747 | -17,145 | 9.34 | - | - | - | - | - | - |
| CONSOLIDATED TOTAL | 127,189 | 139,916 | -9.10 | 127,189 | 139,916 | -9.10 | 18,747 | 17,145 | 9.34 |

The following table breaks down turnover by geographical area:
(amounts in €/000)

| <i>Geographical Area</i> | <i>31.03.2010</i> | <i>%</i> | <i>31.03.2009</i> | <i>%</i> | <i>Difference % '10-'09</i> |
|----------------------------|-------------------|---------------|-------------------|---------------|-----------------------------|
| Germany | 22,041 | 17.33 | 27,084 | 19.36 | -18.62 |
| North America | 12,354 | 9.71 | 18,839 | 13.46 | -34.42 |
| China | 10,537 | 8.28 | 12,095 | 8.64 | -12.88 |
| South America | 9,951 | 7.82 | 9,873 | 7.06 | 0.79 |
| Great Britain | 7,721 | 6.07 | 4,659 | 3.33 | 65.72 |
| India | 6,340 | 4.98 | 3,220 | 2.30 | 96.89 |
| Switzerland | 6,243 | 4.91 | 10,763 | 7.69 | -42.00 |
| France | 5,354 | 4.21 | 12,432 | 8.89 | -56.93 |
| Poland | 2,166 | 1.70 | 1,395 | 1.00 | 55.27 |
| Turkey | 1,466 | 1.15 | 267 | 0.19 | 449.06 |
| Other E.U. areas | 11,845 | 9.31 | 12,870 | 9.20 | -7.96 |
| Other non-E.U. areas | 1,976 | 1.55 | 3,168 | 2.26 | -37.63 |
| Total Abroad | 97,994 | 77.05 | 116,665 | 83.38 | -16.00 |
| Italy | 29,195 | 22.95 | 23,251 | 16.62 | 25.56 |
| Total | 127,189 | 100.00 | 139,916 | 100.00 | -9.10 |
| of which: | | | | | |
| Total E.U. area | 78,322 | 61.58 | 81,691 | 58.39 | -4.12 |
| Total non-E.U. area | 48,867 | 38.42 | 58,225 | 41.61 | -16.07 |

EBITDA and EBIT

Figures at 31.03.2010 (amounts in €/000)

| | 31.03.2010 | % of turnover | 31.03.2009 | % of turnover | Diff.% |
|-------------------|-------------------|----------------------|-------------------|----------------------|---------------|
| EBITDA (1) | 3,264 | 2.6 | 142 | 0.1 | n.a. |
| EBIT (2) | -4,689 | -3.7 | -8,128 | -5.8 | 42.3 |

(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

EBITDA came to 3.264 million euro against 142 thousand euro in the first quarter of 2009, moving from 0.1% to 2.6% of turnover.

EBIT, although negative by 4.689 million euro (-3.7% of turnover), it is clearly improving compared with the first semester of 2009, which posted a negative value of 8.128 million euro (-5.8% of turnover).

This improvement is due to the effect of restructuring and reorganisation begun in 2009 and consolidated in 2010.

Financial expenses

Figures at 31.03.2010 (amounts in €/000)

| | 31.03.2010 | % of turnover | 31.03.2009 | % of turnover | Diff.% |
|---------------------------|-------------------|----------------------|-------------------|----------------------|---------------|
| Financial expenses | 2,427 | 1.9 | 3,595 | 2.6 | -32.5 |

Although the average net financial position (indebtedness) was more than in the previous year, owing to the lower cost of money, financial expenses fell to 2.427 million euro, 1.9% of turnover, compared with 3.595 million euro (2.6% of turnover) in the first quarter of 2009.

Exchange Differences

Figures at 31.03.2010 (amounts in €/000)

| | 31.03.2010 | % of turnover | 31.03.2009 | % of turnover | Diff.% |
|-----------------------------|-------------------|----------------------|-------------------|----------------------|---------------|
| Exchange differences | 1,085 | 0.9 | 2,246 | 1.6 | -51.7 |

Exchange differences as at March 31, 2010 are positive 1.085 million euro (positive 2,246 euro as at March 31, 2009).

Net Profit/(Loss)

Figures at 31.03.2010 (amounts in €/000)

| | 31.03.2010 | % of turnover | 31.03.2009 | % of turnover | Diff.% |
|--------------------------|-------------------|----------------------|-------------------|----------------------|---------------|
| Net Profit/(Loss) | -7,428 | -5.8 | -5,883 | -4.2 | -26.3 |

The first quarter of 2010 closed with a loss of 7.428 million euro (-5.8% of turnover) compared with the loss of 5.883 million euro (-4.2% of turnover) in the first quarter of 2009. However, it should be specified that the result as at March 31, 2010 includes appropriation of 2.088 million euro in tax liabilities while the result as at March 31, 2009 included tax assets of 2.270 million euro.

Amortization, depreciation and impairment of assets

Figures at 31.03.2010 (amounts in €/000)

| | 31.03.2010 | % of turnover | 31.03.2009 | % of turnover | Diff.% |
|--|-------------------|--------------------------|-------------------|--------------------------|---------------|
| Amortization, depreciation and impairment | 7,953 | 6.3 | 8,270 | 5.9 | -3.8 |

Investments

Figures at 31.03.2010 (amounts in €/000)

| | 31.03.2010 | 31.03.2009 |
|--------------------|-------------------|-------------------|
| Investments | 3,695 | 10,139 |

Investments of 3.695 million euro, drastically reduced compared with 10.139 million euro in the first quarter of 2009, were allocated to the transfer of manufacturing operations from Europe to India and China and to the technological updating of machines and plants.

Research and Development

Research and Development expenses for the quarter amount to 3.704 million euro (2.9% of turnover) compared with 4.069 million euro on March 31, 2009 (2.9% of turnover).

Net financial position

Figures at 31.03.2010 (amounts in €/000)

| | 31.03.2010 | 31.12.2009 | 31.03.2009 |
|--------------------------------|-------------------|-------------------|-------------------|
| Net financial position* | 278,590 | 241,057 | 221,385 |
| Gearing | 2.97 | 2.49 | 1.57 |

* 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 showed debts of 278.590 million euro. At December 31, 2009 the position was net debts of 241.057 million euro. In March 2009 net debt was 221.385 million euro. This increase is due to the disbursement for purchasing the holding in the subsidiary Elettronica Santerno for 18 million euro, the partial absorption of the manoeuvre to renegotiate loan maturities with suppliers, and to a moderate increase in circulating capital due to volume recovery.

Gearing (defined as the ratio of net financial position to owners' equity) came out at 2.97 at March 31, 2010, compared with 2.49 at December 31, 2009 and 1.57 at March 31, 2009.

PERSONNEL

Workforce trend

Figures at 31.03.2010

| | 31.03.2010 | 31.03.2009 | 31.03.2008 |
|-------------------|-------------------|-------------------|-------------------|
| Executives | 57 | 81 | 61 |
| Clerical staff | 941 | 1,105 | 1,016 |
| Factory workers | 2,550 | 2,678 | 2,826 |
| Temporary workers | 152 | 43 | 351 |
| Total | 3,700 | 3,907 | 4,254 |

As already highlighted in the Directors' Reports on Operations from previous years, the sudden change in the world economic panorama and consequent influences on activities, plans and programmes of various Group companies required the implementation of an articulated and diversified programme to adapt direct and indirect resources present in various locations. In December 2009, in Italy an agreement was signed with the national and territorial trade unions and with their representative at the individual factories for the use of instruments to facilitate the suspension and laying off of surplus staff. The Extraordinary Redundancy Benefit Fund was used for the company crisis and an articulated incentive proposal was identified for voluntary redundancy, already started in the first quarter of 2010. In Germany, on January 19, 2010, an agreement was signed which set forth the reduction of staff and structure to reach a size of 100 employees by March 31, 2011.

In consideration of the programme indicated above, without taking into account personnel suspended with instruments such as CIGS (Extraordinary Redundancy Benefits), the number of personnel of the Group employed at March 31, 2010 amounted to 3,700 compared with 3,907 at March 31, 2009.

Performance and results of the Carraro Group Business Units

Drivelines – Drivetech Business Unit

Faced with a still-unmoving market in the agricultural sector and with timid signs of recovery in construction equipment in Europe and the United States, the main Carraro Drive Tech customers highlighted the necessity to reset ordinary procurement flows after the completion of the de-stocking phase, with positive impacts on volume recovery. In a parallel manner, positive trends are confirmed in geographic areas such as India, China, and South America.

**DRIVELINES-DRIVETECH BU
SUBCONSOLIDATED INCOME STATEMENT AT 31.03.2010**

| | 31/03/10 | % | 31/03/09 | % | Changes | |
|---|-----------------|----------|-----------------|----------|----------------|----------------|
| | €/ooo | | €/ooo | | 31.03.10 | 31.03.09 |
| REVENUES FROM SALES | 82.326 | 100,00% | 91.916 | 100,00% | - 9.590 | -10,43% |
| OPERATING COSTS | - 83.400 | -101,30% | - 94.680 | -103,01% | 11.280 | -11,91% |
| OPERATING PROFIT/(LOSS) (EBIT) | - 1.074 | -1,30% | - 2.764 | -3,01% | 1.690 | -61,14% |
| GAINS/(LOSSES) ON FINANCIAL ASSETS | - 1.175 | -1,43% | - 2.454 | -2,67% | 1.279 | -52,12% |
| PROFIT/(LOSS) BEFORE TAXES | - 2.249 | -2,73% | - 5.218 | -5,68% | 2.969 | -56,90% |
| Current and deferred income taxes | - 981 | -1,19% | 602 | 0,65% | - 1.583 | |
| NET PROFIT/(LOSS) | - 3.230 | -3,92% | - 4.616 | -5,02% | 1.386 | -30,03% |
| Profit/(loss) pertaining to minorities | 9 | 0,01% | 55 | 0,06% | - 46 | |
| GROUP CONSOLIDATED PROFIT/(LOSS) | - 3.221 | -3,91% | - 4.561 | -4,96% | 1.340 | -29,38% |
| EBITDA | 1.839 | 2,23% | 120 | 0,13% | 1.719 | n.a. |

**DRIVELINES-DRIVETECH BU
SUBCONSOLIDATED INTERIM BALANCE SHEET AT 31.03.2010**

| | 31/03/10 | 31/12/09 | 31/03/09 |
|-------------------------------------|----------------|----------------|----------------|
| | €/ooo | €/ooo | €/ooo |
| NON CURRENT ASSETS | 127,900 | 126,523 | 104,482 |
| CURRENT ASSETS | 171,204 | 165,635 | 231,797 |
| TOTAL ASSETS | 299,104 | 292,158 | 336,279 |
| SHAREHOLDERS' EQUITY | 46,668 | 46,502 | 38,593 |
| NON CURRENT LIABILITIES | 20,182 | 20,614 | 27,043 |
| CURRENT LIABILITIES | 232,254 | 225,042 | 270,643 |
| TOTAL EQUITY AND LIABILITIES | 299,104 | 292,158 | 336,279 |

**CASH FLOW AL 31.03.2010
BU DRIVELINES-DRIVETECH**

| | 31/03/10 €/ooo | 31/12/09 €/ooo | 31/03/09 €/ooo |
|--|--------------------------|--------------------------|--------------------------|
| Opening Net Financial Position | - 81,099 | - 67,440 | - 67,440 |
| <i>Group profit/(loss)</i> | - 3,221 | - 20,661 | - 4,561 |
| <i>Profit/(loss) pertaining to minorities</i> | - 9 | - 131 | - 55 |
| <i>Amortization, depreciation and impairment of fixed assets</i> | 2,913 | 11,771 | 2,884 |
| Cash flow before Net Working Capital | - 317 | - 9,021 | - 1,732 |
| Change in Net Working Capital | - 8,928 | 6,480 | - 7,048 |
| Investments in fixed assets | - 1,057 | - 10,036 | - 3,386 |
| Disinvestments in fixed assets | 16 | 3,832 | 95 |
| Operating Free Cash Flow | - 10,286 | - 8,745 | - 12,071 |
| Other operating flows | - 942 | - 5,519 | 428 |
| Other investing flows | - 4,044 | - 2,080 | 22,035 |
| Change in Share Capital | - | - | - |
| Dividends paid | - | - | - 217 |
| Other equity flows | 3,396 | 2,685 | - 21,183 |
| Free Cash Flow | - 11,876 | - 13,659 | - 11,008 |
| Closing Net Financial Position | - 92,975 | - 81,099 | - 78,448 |

**DRIVELINES-DRIVETECH BU
ANALYSIS OF NET WORKING CAPITAL AT 31.03.10**

| | 31/03/10 €/ooo | 31/12/09 €/ooo | 31/03/09 €/ooo |
|----------------------------------|--------------------------|--------------------------|--------------------------|
| Trade Receivables | 43,074 | 34,634 | 69,117 |
| Inventory | 89,759 | 86,028 | 116,070 |
| Trade Payables | - 103,354 | - 100,111 | - 151,108 |
| Net Working Capital (NWC) | 29,479 | 20,551 | 34,079 |

Gears&Components – GearWorld Business Unit

In the first quarter, volume recovery is confirmed, both for demand originating from the Group and for that coming from third parties, where growth in the Power Tools & Gardening sector is particularly noted.

**GEARS&COMPONENTS - GEARWORLD BU
SUBCONSOLIDATED INCOME STATEMENT AT 31.03.2010**

| | 31/03/10 | % | 31/03/09 | % | Changes | |
|---|-----------------|----------|-----------------|----------|--------------|----------|
| | €/ooo | | €/ooo | | 31.03.10 | 31.03.09 |
| REVENUES FROM SALES | 33.813 | 100,00% | 32.366 | 100,00% | 1.447 | 4,47% |
| OPERATING COSTS | - 35.819 | -105,93% | - 36.695 | -113,38% | 876 | -2,39% |
| OPERATING PROFIT/(LOSS) (EBIT) | - 2.006 | -5,93% | - 4.329 | -13,38% | 2.323 | -53,66% |
| GAINS/(LOSSES) ON FINANCIAL ASSETS | - 389 | -1,15% | - 1.492 | -4,61% | 1.103 | -73,93% |
| PROFIT/(LOSS) BEFORE TAXES | - 2.395 | -7,08% | - 5.821 | -17,98% | 3.426 | -58,86% |
| Current and deferred income taxes | - 322 | -0,95% | 1.342 | 4,15% | - 1.664 | |
| NET PROFIT/(LOSS) | - 2.717 | -8,04% | - 4.479 | -13,84% | 1.762 | -39,34% |
| Profit/(loss) pertaining to minorities | - 38 | -0,11% | 169 | 0,52% | - 207 | |
| GROUP CONSOLIDATED PROFIT/(LOSS) | - 2.755 | -8,15% | - 4.310 | -13,32% | 1.555 | -36,08% |
| EBITDA | 1.910 | 5,65% | - 104 | -0,32% | 2.014 | n.a. |

**GEARS&COMPONENTS - GEARWORLD BU
SUBCONSOLIDATED INTERIM BALANCE SHEET AT 31.03.2010**

| | 31/03/10 | 31/12/09 | 31/03/09 |
|-------------------------------------|----------------|----------------|----------------|
| | €/ooo | €/ooo | €/ooo |
| NON CURRENT ASSETS | 147,954 | 146,666 | 157,118 |
| CURRENT ASSETS | 74,429 | 67,424 | 103,767 |
| TOTAL ASSETS | 222,383 | 214,090 | 260,885 |
| SHAREHOLDERS' EQUITY | 46,563 | 46,851 | 70,234 |
| NON CURRENT LIABILITIES | 44,737 | 42,812 | 76,324 |
| CURRENT LIABILITIES | 131,083 | 124,427 | 114,327 |
| TOTAL EQUITY AND LIABILITIES | 222,383 | 214,090 | 260,885 |

**GEARS&COMPONENTS - GEARWORLD BU
CASH FLOW AT 31.03.2010**

| | 31/03/10 | 31/12/09 | 31/03/09 |
|---|------------------|------------------|------------------|
| | €/000 | €/000 | €/000 |
| Opening Net Financial Position | - 104,262 | - 104,404 | - 104,404 |
| <i>Group profit/(loss)</i> | <i>- 2,755</i> | <i>- 25,059</i> | <i>- 4,310</i> |
| <i>Profit/(loss) pertaining to minorities</i> | <i>38</i> | <i>- 967</i> | <i>- 169</i> |
| <i>Amortization, depreciation and impairment of fixed as:</i> | <i>3,916</i> | <i>16,505</i> | <i>4,225</i> |
| Cash flow before Net Working Capital | 1,199 | - 9,521 | - 254 |
| Change in Net Working Capital | - 4,316 | 20,150 | 7,748 |
| Investments in fixed assets | - 2,021 | - 9,711 | - 5,801 |
| Disinvestments in fixed assets | 546 | 261 | - |
| Operating Free Cash Flow | - 4,592 | 1,179 | 1,693 |
| Other operating flows | - 336 | - 1,297 | - 1,775 |
| Other investing flows | - 2,956 | 1,501 | 45 |
| Change in Share Capital | - | - | - |
| Dividends paid | - | - 150 | - |
| Other equity flows | 2,429 | - 1,091 | 595 |
| Free Cash Flow | - 5,455 | 142 | 558 |
| Closing Net Financial Position | - 109,717 | - 104,262 | - 103,846 |

**GEARS&COMPONENTS - GEARWORLD BU
ANALYSIS OF NET WORKING CAPITAL AT 31.03.10**

| | 31/03/10 | 31/12/09 | 31/03/09 |
|----------------------------------|-----------------|-----------------|-----------------|
| | €/000 | €/000 | €/000 |
| Trade Receivables | 25,262 | 18,370 | 32,954 |
| Inventory | 34,097 | 33,107 | 50,203 |
| Trade Payables | - 37,953 | - 34,387 | - 53,665 |
| Net Working Capital (NWC) | 21,406 | 17,090 | 29,492 |

Vehicles – Agritalia Business Unit

Faced with an expected market contraction, Agritalia's performance was less than expected due to difficulties encountered in beginning manufacturing of the new Tier III tractor ranges.

**VEHICLES – AGRITALIA BU
INCOME STATEMENT AT 31.03.2010**

| | 31/03/10 | % | 31/03/09 | % | Changes | |
|---|-----------------|----------|-----------------|---------|----------------|----------------|
| | €/000 | | €/000 | | 31.03.10 | 31.03.09 |
| REVENUES FROM SALES | 10.201 | 100,00% | 20.175 | 100,00% | - 9.974 | -49,44% |
| OPERATING COSTS | - 11.580 | -113,52% | - 20.076 | -99,51% | 8.496 | -42,32% |
| OPERATING PROFIT/(LOSS) (EBIT) | - 1.379 | -13,52% | 99 | 0,49% | - 1.478 | n.a. |
| GAINS/(LOSSES) ON FINANCIAL ASSETS | - 34 | -0,33% | - 10 | -0,05% | - 24 | 240,00% |
| PROFIT/(LOSS) BEFORE TAXES | - 1.413 | -13,85% | 89 | 0,44% | - 1.502 | n.a. |
| Current and deferred income taxes | - 23 | -0,23% | - 80 | -0,40% | 57 | |
| NET PROFIT/(LOSS) | - 1.436 | -14,08% | 9 | 0,04% | - 1.445 | n.a. |
| Profit/(loss) pertaining to minorities | - | - | - | - | - | |
| GROUP CONSOLIDATED PROFIT/(LOSS) | - 1.436 | -14,08% | 9 | 0,04% | - 1.445 | n.a. |
| EBITDA | - 1.102 | -10,80% | 251 | 1,24% | - 1.353 | n.a. |

**VEHICLES – AGRITALIA BU
INTERIM BALANCE SHEET AT 31.03.2010**

| | 31/03/10 | 31/12/09 | 31/03/09 |
|-------------------------------------|---------------|---------------|---------------|
| | €/000 | €/000 | €/000 |
| NON CURRENT ASSETS | 16,293 | 16,447 | 6,390 |
| CURRENT ASSETS | 15,600 | 20,999 | 28,257 |
| TOTAL ASSETS | 31,893 | 37,446 | 34,647 |
| SHAREHOLDERS' EQUITY | 8,880 | 10,316 | 7,812 |
| NON CURRENT LIABILITIES | 1,906 | 2,026 | 2,967 |
| CURRENT LIABILITIES | 21,107 | 25,104 | 23,868 |
| TOTAL EQUITY AND LIABILITIES | 31,893 | 37,446 | 34,647 |

**VEHICLES-AGRITALIA BU
CASH FLOW AT 31.03.2010**

| | 31/03/10 €/ooo | 31/12/09 €/ooo | 31/03/09 €/ooo |
|--|-------------------|-------------------|-------------------|
| Opening Net Financial Position | 1,622 | 8,383 | 8,383 |
| <i>Group profit/(loss)</i> | - 1,436 | - 1,898 | 9 |
| <i>Profit/(loss) pertaining to minorities</i> | - | - | - |
| <i>Amortization, depreciation and impairment of fixed assets</i> | 277 | 314 | 152 |
| Cash flow before Net Working Capital | - 1,159 | - 1,584 | 161 |
| Change in Net Working Capital | - 2,012 | 5,364 | 6,424 |
| Investments in fixed assets | - 156 | - 1,389 | - 197 |
| Disinvestments in fixed assets | 6 | 256 | - |
| Operating Free Cash Flow | - 3,321 | 2,647 | 6,388 |
| Other operating flows | - 915 | - 5,151 | - 3,111 |
| Other investing flows | 12 | - 8,668 | - 39 |
| Change in Share Capital | - | - | - |
| Dividends paid | - | - | - |
| Other equity flows | - | 4,411 | - |
| Free Cash Flow | - 4,224 | - 6,761 | 3,238 |
| Closing Net Financial Position | - 2,602 | 1,622 | 11,621 |

**VEHICLES-AGRITALIA BU
ANALYSIS OF NET WORKING CAPITAL AT 31.03.2010**

| | 31/03/10 €/ooo | 31/12/09 €/ooo | 31/03/09 €/ooo |
|----------------------------------|-------------------|-------------------|-------------------|
| Trade Receivables | 3,416 | 3,465 | 9,975 |
| Inventory | 11,640 | 10,373 | 18,141 |
| Trade Payables | - 14,749 | - 15,543 | - 30,881 |
| Net Working Capital (NWC) | 307 | - 1,705 | - 2,765 |

Power Controls – Elettronica Santerno Business Unit

The year 2010 opened with volume growth higher than the positives expected due to a strong high-range photovoltaic market demand, at both the Italian and the international level.

**POWER CONTROLS-ELETTRONICA SANTERNO BU
SUBCONSOLIDATED INCOME STATEMENT AT 31.03.2010**

| | 31/03/10 | % | 31/03/09 | % | Changes | |
|---|-----------------|---------|----------------|----------|----------------|----------|
| | €/000 | | €/000 | | 31.03.10 | 31.03.09 |
| REVENUES FROM SALES | 14.368 | 100,00% | 6.290 | 100,00% | 8.078 | 128,43% |
| OPERATING COSTS | - 13.533 | -94,19% | - 7.049 | -112,07% | - 6.484 | 91,98% |
| OPERATING PROFIT/(LOSS) (EBIT) | 835 | 5,81% | - 759 | -12,07% | 1.594 | -210,01% |
| GAINS/(LOSSES) ON FINANCIAL ASSETS | - 15 | -0,10% | - 64 | -1,02% | 49 | -76,56% |
| PROFIT/(LOSS) BEFORE TAXES | 820 | 5,71% | - 823 | -13,08% | 1.643 | -199,64% |
| Current and deferred income taxes | - 369 | -2,57% | 182 | 2,89% | - 551 | |
| NET PROFIT/(LOSS) | 451 | 3,14% | - 641 | -10,19% | 1.092 | -170,36% |
| Profit/(loss) pertaining to minorities | - | - | - | - | - | |
| GROUP CONSOLIDATED PROFIT/(LOSS) | 451 | 3,14% | - 641 | -10,19% | 1.092 | -170,36% |
| EBITDA | 1.040 | 7,24% | - 585 | -9,30% | 1.625 | -277,78% |

**POWER CONTROLS-ELETTRONICA SANTERNO BU
SUBCONSOLIDATED INTERIM BALANCE SHEET AT 31.03.2010**

| | 31/03/10 | 31/12/09 | 31/03/09 |
|-------------------------------------|---------------|---------------|---------------|
| | €/000 | €/000 | €/000 |
| NON CURRENT ASSETS | 10,914 | 10,526 | 7,524 |
| CURRENT ASSETS | 42,854 | 36,494 | 33,836 |
| TOTAL ASSETS | 53,768 | 47,020 | 41,360 |
| SHAREHOLDERS' EQUITY | 11,954 | 11,494 | 13,493 |
| NON CURRENT LIABILITIES | 1,472 | 732 | 824 |
| CURRENT LIABILITIES | 40,342 | 34,794 | 27,043 |
| TOTAL EQUITY AND LIABILITIES | 53,768 | 47,020 | 41,360 |

**POWER CONTROLS-ELETTRONICA SANTERNO BU
CASH FLOW AT 31.03.2010**

| | 31/03/10 €/ooo | 31/12/09 €/ooo | 31/03/09 €/ooo |
|--|--------------------------|--------------------------|--------------------------|
| Opening Net Financial Position | - 4,373 | - 3,013 | - 3,013 |
| <i>Group profit/(loss)</i> | 451 | - 3 | - 641 |
| <i>Profit/(loss) pertaining to minorities</i> | - | - | - |
| <i>Amortization, depreciation and impairment of fixed as</i> | 205 | 646 | 174 |
| Cash flow before Net Working Capital | 656 | 643 | - 467 |
| Change in Net Working Capital | 4,874 | 814 | - 210 |
| Investments in fixed assets | - 518 | - 2,306 | - 419 |
| Disinvestments in fixed assets | - | 41 | - |
| Operating Free Cash Flow | 5,012 | - 808 | - 1,096 |
| Other operating flows | 793 | 3,128 | 1,274 |
| Other investing flows | - 10 | - 710 | 127 |
| Change in Share Capital | - | - | - |
| Dividends paid | - | - 3,000 | - |
| Other equity flows | 9 | 30 | - 333 |
| Free Cash Flow | 5,804 | - 1,360 | - 28 |
| Closing Net Financial Position | 1,431 | - 4,373 | - 3,041 |

**POWER CONTROLS-ELETTRONICA SANTERNO BU
ANALYSIS OF NET WORKING CAPITAL AT 31.03.10 ANALYSIS**

| | 31/03/10 €/ooo | 31/12/09 €/ooo | 31/03/09 €/ooo |
|----------------------------------|--------------------------|--------------------------|--------------------------|
| Trade Receivables | 21,513 | 21,923 | 16,401 |
| Inventory | 14,505 | 10,801 | 15,190 |
| Trade Payables | - 28,218 | - 20,050 | - 17,893 |
| Net Working Capital (NWC) | 7,800 | 12,674 | 13,698 |

Events subsequent to the balance sheet date

On April 13, 2010, a framework agreement was signed regarding renegotiating maturities and terms and conditions of contracts existing with financing banks for some Group company financial loans at the reference date of December 31, 2009. The agreement shall be valid until December 31, 2012.

Specifically, this agreement sets forth the concession of a waiver on the December 31, 2009 financial covenants and a redefinition of the same for future years, the resetting of maturities for the repayment of portions of the principal on current medium- and long-term loans with 2010 and 2011 maturities, extending them by two years over the original amortisation schedules, the confirmation of revolving line (RCF) availability for an amount of 50 million euro, the maintenance, upon a comprehensive reduction of 47 million euro, of short-term lines of credit during the term of the agreement, and the right to distribute dividends subject to compliance with specific financial covenants. These conditions were agreed upon with the credit institutes against payment of an upfront fee and the increase of spreads correlated with interest rates up to a maximum of 200 bps (basis points).

BUSINESS OUTLOOK FOR THE CURRENT YEAR

The analysis of the main reference markets and the visibility into the order portfolio allow us to forecast a second quarter in line with what has been recorded starting from the beginning of this year, with stable core markets but with the need to supply manufacturing lines after the end of de-stocking activities, and the renewable sector in strong growth especially thanks to photovoltaic demand.

Based on these premises turnover equal to 298 million euro is forecasted for the first semester of 2010, an increase of 17% compared with the previous year (255.5 million euro) with an improvement in profitability in line with what was recorded in the first quarter of 2010.

As of today, the evidence confirms that the market outlook will be compliant with what is described above also in the second part of the year.

With reference to the provisions of Articles 36 and 39 of the Consob Order 16191 dated 29.10.2007 (the so-called "Market Regulations") and of art. 2.6.2 Section 15 of the Stock Exchange Regulations we can confirm that the parent company 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 03.31.2010

Statement pursuant to Art. 154 bis, section 2, Lgs. Dec. no. 58/1998

Subject: interim report on operations at 31.03.2010

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, May 11, 2010

Carraro SpA
Chief Financial Officer

Enrico Gomiero