Carraro Group Interim Financial Report to 30 June 2010

CARRARO

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	**MARIO CARRARO**	Chairman
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)	**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	**LUIGI BASSO**	Chairman
In office until approval of the 2011 Financial Statements (Appointed, General Meeting 23.04.2009)	**SAVERIO BOZZOLAN**	Regular Auditor
	ROBERTO SACCOMANI	Regular Auditor
	SILVANO CORBELLA	Alternate Auditor
	MARINA MANNA	Alternate Auditor
AUDITING COMPANY	**PricewaterhouseCoopers S.p.A.**	
from 2007 to 2015		
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 30.06.10

	30/06/10 €/000	%	31/12/09 €/000	%	30/06/09 €/000	%	Changes 30.06.10	Changes 30.06.09
REVENUES FROM SALES	**304,648**	**100.00%**	**487,440**	**100.00%**	**255,594**	**100.00%**	**49,054**	**19.19%**
Purchases of goods and materials (net of change in stocks)	- 168,697	-55.37%	- 293,492	-60.21%	- 154,150	-60.31%	- 14,547	-9.44%
Services and Use of third-party goods and services	- 62,458	-20.50%	- 91,692	-18.81%	- 46,362	-18.14%	- 16,096	-34.72%
Personnel costs	- 59,383	-19.49%	- 109,590	-22.48%	- 55,512	-21.72%	- 3,871	-6.97%
Amortisation, depreciation and impairment of assets	- 16,232	-5.33%	- 32,935	-6.76%	- 15,991	-6.26%	- 241	-1.51%
Provisions for risks	- 2,432	-0.80%	- 12,550	-2.57%	- 2,396	-0.94%	- 36	-1.50%
Other income and expenses	1,081	0.35%	1,623	0.33%	304	0.12%	777	255.59%
Internal construction	1,567	0.51%	1,711	0.35%	465	0.18%	1,102	236.99%
OPERATING COSTS	**- 306,554**	**-100.63%**	**- 536,925**	**-110.15%**	**- 273,642**	**-107.06%**	**- 32,912**	**-12.03%**
OPERATING PROFIT/(LOSS) (EBIT)	**- 1,906**	**-0.63%**	**- 49,485**	**-10.15%**	**- 18,048**	**-7.06%**	**16,142**	**89.44%**
Income from equity investments	-		-		-		-	
Other financial income	194	0.06%	1,204	0.25%	671	0.26%	- 477	
Financial costs and expenses	- 5,105	-1.68%	- 12,897	-2.65%	- 7,142	-2.79%	2,037	
Net foreign exchange gains/losses	1,578	0.52%	437	0.09%	1,654	0.65%	- 76	
Value adjustments of financial assets	-		- 8		-		-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**- 3,333**	**-1.09%**	**- 11,264**	**-2.31%**	**- 4,817**	**-1.88%**	**1,484**	**30.81%**
PROFIT/(LOSS) BEFORE TAXES	**- 5,239**	**-1.72%**	**- 60,749**	**-12.46%**	**- 22,865**	**-8.95%**	**17,626**	**77.09%**
Current and deferred income taxes	- 6,290	-2.06%	7,237	1.48%	5,197	2.03%	- 11,487	
NET PROFIT/(LOSS)	**- 11,529**	**-3.78%**	**- 53,512**	**-10.98%**	**- 17,668**	**-6.91%**	**6,139**	**34.75%**
Profit/(loss) pertaining to minorities	1,257	0.41%	7,656	1.57%	3,068	1.20%	- 1,811	
GROUP CONSOLIDATED PROFIT/(LOSS)	**- 10,272**	**-3.37%**	**- 45,856**	**-9.41%**	**- 14,600**	**-5.71%**	**4,328**	**29.64%**
EBITDA	**14,176**	**4.65%**	**- 17,572**	**-3.60%**	**- 2,228**	**-0.87%**	**16,404**	**n.r.**

CONSOLIDATED INTERIM BALANCE SHEET AT 30.06.10

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Property, plant and equipment	236,420	238,464	237,460
Intangible fixed assets	81,370	79,964	80,125
Real estate investments	709	707	708
Holdings in subsidiaries and associates	175	149	148
Financial assets	1,362	927	865
Deferred tax assets	28,765	28,997	26,170
Trade and other receivables	1,731	2,133	1,490
NON CURRENT ASSETS	***350,532***	***351,341***	***346,966***
Closing inventory	167,761	136,741	166,216
Trade and other receivables	167,758	104,995	125,419
Financial assets	3,564	14,561	15,891
Cash and cash equivalents	42,750	54,711	26,954
CURRENT ASSETS	***381,833***	***311,008***	***334,480***
Assets held for sale	15,866	-	-
TOTAL ASSETS	**748,231**	**662,349**	**681,446**
Share Capital	23,915	23,915	21,840
Reserves	69,042	115,117	111,574
Foreign currency translation reserve	- 2,680	- 11,707	- 11,051
Profit (loss) for the period	- 10,272	- 45,856	- 14,600
Minority interests	19,098	15,150	19,803
SHAREHOLDERS' EQUITY	***99,103***	***96,619***	***127,566***
Financial liabilities	174,523	26,437	142,786
Trade and other payables	428	306	516
Deferred tax liabilities	7,764	6,265	6,654
Severance, pension and similar provisions	19,957	21,576	22,211
Provisions for risks and liabilities	4,048	5,667	1,232
NON CURRENT LIABILITIES	***206,720***	***60,251***	***173,399***
Financial liabilities	151,423	285,522	141,968
Trade and other payables	264,284	195,180	213,152
Current taxes payable	7,038	6,228	9,117
Provisions for risks and liabilities	11,998	18,549	16,244
CURRENT LIABILITIES	***434,743***	***505,479***	***380,481***
Liabilities held for sale	7,665	-	-
TOTAL EQUITY AND LIABILITIES	**748,231**	**662,349**	**681,446**

CASH FLOW AT 30.06.10

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Opening Net Financial Position	**- 241,057**	**- 216,545**	**- 216,545**
Group profit/(loss)	*- 10,272*	*- 45,856*	*- 14,600*
Profit/(loss) pertaining to minorities	*- 1,257*	*- 7,656*	*- 3,068*
Amortization, depreciation and impairment of fixed assets	*16,082*	*31,913*	*15,820*
Cash flow before Net Working Capital	4,553	- 21,599	- 1,848
Change in Net Working Capital	- 16,866	28,766	- 5,241
Investments in fixed assets	- 9,396	- 24,337	- 16,865
Disinvestments in fixed assets	654	2,973	2,912
Operating Free Cash Flow	***- 21,055***	***- 14,197***	***- 21,042***
Other operating flows	- 16,271	- 885	1,846
Other investing flows	- 6,728	- 9,929	- 403
Change in Share Capital	-	2,075	-
Dividends paid	-	-	-
Other equity flows	14,013	- 1,576	- 4,398
Assets available for sale	*- 8,201*	-	-
Free Cash Flow	***- 38,242***	***- 24,512***	***- 23,997***
Closing Net Financial Position	**- 279,299**	**- 241,057**	**- 240,542**

ANALYSIS OF NET WORKING CAPITAL AT 30.06.10

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Trade Receivables	129,707	67,995	84,337
Inventory	167,761	136,741	166,216
Trade Payables	- 227,839	- 151,973	- 163,783
Net Working Capital (NWC)	***69,629***	***52,763***	***86,770***

General data and comments

The first six months of 2010 recorded a generalised return of the main markets, Agriculture and Industry, whilst the performance posted for the renewable energies sector, and photovoltaic in particular, stand out as having recorded truly exceptional results with almost exponential growth.

There was, then, an encouraging increase in sales volumes, above the budget's expectations, in every Business Unit, with the sole exception of Agritalia (Vehicles BU), which in the first months of the year had to deal with some problems - now being resolved - related to producing new ranges of tractors.

Total turnover for the half-year reached 304.6 million euros, up 19.2 % on the same period for last year and as compared with that forecast in the quarterly report and budget figures and those of the three-year plan.

In a context that has seen a significant increase in volumes, the Group has suffered problems with provisions of materials as a consequence of the restructuring and downsizing of production capacity carried out in 2009 by Italian and European suppliers. The major drop in demand seen in 2009 meant that Asian-based suppliers, another major source of provisions for the Group, allocated their capacity to the domestic market.
Consequently, a series of actions have been started for the recovery and alternative channels of supply, in a bid to solve the problems by the second half of the year.
The period also saw some tension on prices of raw materials and this was dealt with by taking action to redefine sales lists with all customers.
All this has resulted in economic inefficiencies during the half-year period, which have partly eliminated the benefit deriving from the greater sales volumes.

The first part of the year in any case was confirmed as basically in line with the forecasts of the three-year plan.
With reference to the redesign of the industrial footprint and corporate rationalisation, the transfer of production to BCC (Best Cost Countries) continued, along with the development of a series of actions supporting the BU Components (Gear World): These included the entrance of Friulia SpA (financial company of the Regional Friuli Venezia Giulia) into the capital of SIAP and the sale of the subsidiary STM, no longer considered to be strategic, involved in forging.

With reference to the economic-equity results, as already shown in the analysis of the total data for the first quarter, these are distinctly improved on the first quarter of last year. In addition to the stated growth of turnover, EBITDA reached a level of 14.2 million euros, whereas it had been negative for 2.2 million euros as of 30 June 2009. EBIT, although remaining negative for 1.9 million euros, showed a distinct improvement on the negative result of 18 million euros posted for the same period last year. We should also mention the return to net profits for the individual month of June 2010.
The net financial position, negative for 279.3 million euros as of 30 June 2010, is in line with expectations. Net of non-recurring items, the purchase of the minority share in Elettronica Santerno for 19 million euros and re-absorption of the 'suppliers manoeuvre' for a value of 24 million euros, the half-year period shows a limited increase in working capital as compared with the growth in volumes.

ECONOMIC AND EQUITY DATA

Turnover

In the first half of 2010, the G roup's turnover came to 304. 648 million euro, up by 19.2 % from the figure recorded in the first half of 2009, when it was 255.594 million euro.

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

SALE	S			SALES TO THIRD PARTIES			INTRA-GROUP SALES		
	30.6.10	30.6.09	Diff. %	30.6.10	30.6.09	Diff. %	30.6.10	30.6.09	Diff. %
DRIVELINES	191,924	166,015	15.61	185,821	160,275	15.94	6,103	5,740	6.32
GEARS & COMPONENTS	72,218	55,418	30.32	50,985	44,568	14.40	21,233	10,850	95.70
VEHICLES	23,165	36,979	-37.36	21,922	35,777	-38.73	1,243	1,202	3.41
POWER CONTROLS	46,205	15,040	207.21	45,679	14,841	207.79	526	199	164.32
NON-ALLOCATED BUSINESS	12,782	9,777	30.74	241	133	81.20	12,541	9,644	30.04
CONSOLIDATED SEGMENTS	**346,294**	**283,229**	**22.27**	**304,648**	**255,594**	**19.19**	**41,646**	**27,635**	**50.70**
INTRA-GROUP ELIMINATIONS	-41,646	-27,635	50.70	-	-	-	-	-	-
CONSOLIDATED TOTAL	**304,648**	**255,594**	**19.19**	**304,648**	**255,594**	**19.19**	**41,646**	**27,635**	**50.70**

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

Geographical Area	*30.06.2010*	*%*	*30.06.2009*	*%*
Germany	49,718	16.32	46,430	18.17
North America	28,688	9.42	29,880	11.69
South America	24,319	7.98	18,704	7.32
China	22,382	7.35	23,098	9.04
United Kingdom	20,233	6.64	6,818	2.67
Switzerland	14,723	4.83	17,446	6.82
India	13,190	4.33	8,024	3.14
France	12,190	4.00	24,346	9.52
Belgium	8,313	2.73	4,799	1.88
Poland	5,462	1.79	2,628	1.03
Turkey	4,716	1.55	1,153	0.45
Other E.U. areas	19,073	6.26	19,883	7.78
Other non-E.U. areas	6,681	2.19	5,265	2.06
Total Abroad	**229,688**	**75.39**	**208,474**	**81.56**
Italy	74,960	24.61	47,120	18.44
Total	**304,648**	**100**	**255,594**	**100**
of which:				
Total E.U. area	**189,949**	**62.35**	**152,024**	**59.48**
Total non-E.U. area	**114,699**	**37.65**	**103,570**	**40.52**

EBITDA and EBIT

Figures at 30.06.10 (amounts in €/000)

	30.06.2010	% of turnover	30.06.2009	% of turnover	Diff.%
EBITDA (1)	14,176	4.7	-2,228	-0.9	n.r.
EBIT (2)	-1,906	-0.6	-18,048	-7.1	+89.4

(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

The restructuring and reorganisation which began in 2009 and have consolidated during 2010, along with higher sales volumes, gave a further notable push towards profitability improvement.
EBITDA came to 14.176 million euro against the negative value of 2.228 million euro in the first half of 2009, moving from -0.9% to 4.7% of turnover.
EBIT, although negative by 1.906 million euro (-0.6% of turnover), it is clearly improving compared with the first half of 2009, which posted a negative value of 18.048 million euro (-7.1% of turnover).

Financial expenses

Figures at 30.06.10 (amounts in €/000)

	30.06.2010	% of turnover	30.06.2009	% of turnover	Diff.%
Financial expenses	4,911	1.6	6,471	2.5	-24.11

Although the average net financial position (indebtedness) for the period was more than in the previous year, owing to the lower cost of money, financial expenses fell to 4.911 million euro, 1.6% of turnover, a decrease of 24.11% compared with 6.471 million euro (2.5% of turnover) in the first half of 2009. This improvement should continue to be seen in the second half of the year.

Exchange Differences

Figures at 30.06.10 (amounts in €/000)

	30.06.2010	% of turnover	30.06.2009	% of turnover	Diff.%
Exchange differences	1,578	0.5	1,654	0.6	4.59

Exchange differences as at 30 June 2010 are positive 1.578 million euro (positive 1.654 euro as at 30.06.09).

Net profit/(loss)

Figures at 30.06.10 (amounts in €/000)

	30.06.2010	% of turnover	30.06.2009	% of turnover	Diff.%
Net profit/(loss)	-10,272	-3.4	-14,600	-5.7	+29.6

The first half of 2010 closed with a loss of 10.272 million euros (-3.4% on turnover) against the loss of 14.600 million euros (-5.7% on turnover) for the first half 2009. For a correct comparison of the net result for the half-year period as compared with the corresponding value as of 30 June 2009, we should, however, mention that, on the one hand, there is an improvement in the results of some companies, resulting in an increase of the current tax burden as compared with the previous period, whilst on the other, we have not presently considered it appropriate to increase the prepaid tax asset in relation to the period losses that can be carried forward. It therefore follows that as of 30 June 2010, we have current tax liabilities for 6.290 million euros, against net tax assets (current and deferred) as of 30 June 2009 for 5.197 million euros.

Amortization, depreciation and impairment of assets

Figures at 30.06.10 (amounts in €/000)

	30.06.2010	% of turnover	30.06.2009	% of turnover	Diff.%
Amortization, depreciation and impairment	16,082	5.3	15,820	6.2	+1,5

Investments

Figures at 30.06.10 (amounts in €/000)

	30.06.2010	30.06.2009
Investments	9,396	16,865

Investments of 9.396 million euro, drastically reduced compared with 16.865 million euro in the first half 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

The Group continued to confirm their desire to invest in constant technological innovation this year tool. Research and Development expenses for the semester amounted to 7.256 million euro (2.4% of turnover) compared with 6.322 million euro on 30 June 2009 (2.5% of turnover).

Net financial position

Figures at 30.06.10 (amounts in €/000)

	30.06.2010	31.12.2009	30.06.2009
Net financial position*	279,299	241,057	240,542
Gearing	2.82	2.49	1.89

* 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 279.299 million euro. At 31 December 2009 the position was net debts of 241.057 million euro. In June 2009 net debt was 240.542 million euro. This increase is due to the disbursement for purchasing the holding in the subsidiary Elettronica Santerno for 19 million euro, the total absorption of the manoeuvre to renegotiate loan maturities with suppliers, for 24 million euro, and a moderate increase in circulating capital due to volume recovery.

Gearing (defined as the ratio of net financial position to owners' equity) came out, as forecast, at 2.82 at 30 June 2010, compared with 2.49 at 31 December 2009 and 1.89 at 30 June 2009.

PERSONNEL

Workforce trend

30.06.	2010	31.12.2009	30.06.2009
Executives	57	66	80
Clerical staff	945	1,007	1,068
Factory workers	2,662	2,458	2,514
Temporary workers	177	81	28
Total	**3,841 (*)**	**3,612**	**3,690**

(*) the figure includes 222 resources suspended at 'zero hours' (185 factory workers and 37 clerical staff)

Group personnel as of 30 June amounted to 3,841 resources (including temporary workers, trainees and interim workers, where present), as compared with the 3,612 for 31 December 2009.
The figure includes the scheduled reduction of the workforce in Italy and Germany, people suspended using instruments such as CIGS and/or Kurzarbeit, and the increased workforce needed in view of the increase in volumes in India, China, Argentina and the Business Unit Power Controls (Elettronica Santerno).

As of the date, also in view of the CIGS repayment plan implemented in some Italian plants to deal with the need to increase production volumes, 198 employees were recorded as effectively suspended, of which 35 classified as middle management/clerical staff and 163 factory workers. Of these 198, 118 have already signed a 'voluntary mobility' agreement set to take effect as from 1 January 2011.

In Germany, besides the use of the Kurzarbeit instrument, a process began which is expected to lead to the signing of an Agreement and of a consequent Company Plan, with the aim of reducing the workforce and the structure down to 100 people by 31 March 2011.

In view of the massive reduction/growth programme launched, the Personnel Turnover rate (personnel leaving/personnel taken on) is not meaningful as the number of employees leaving was due mainly to corporate decisions and consequent actions.

In accordance with the three-year plan, after the pilot project that began in 2009, the 'Performance Management' programme to be followed with the 'Management Review', was extended on a vaster scale. These are instruments that can guarantee a detection of competences, capacity and performance of 124 collaborators identified from those of the higher levels of the organisational structure.

Activities aiming at redefining the 'Leadership Model', with a view to adapting it to meet the new principles of Carraro 2.0 are currently being studied and designed.

Risks regarding health and safety at work

The group carries out industrial processes that feature mechanical works and the assembly of mechanical components. The risks associated with health and safety at the workplace are those typical of manufacturing.

The Italian manufacturing facilities continually monitor compliance with current legislation. The other manufacturing facilities operate in compliance with local requirements while maintaining the standards envisaged by Italian legislation as a reference. The Group management is attentive to all efforts to ensure and improve safety at working conditions paying particular attention to situations with a greater degree of risk.

Performance and results of the Carraro Group Business Units

Drivelines – Drivetech Business Unit

The Business Unit Drivetech, which operates in the axle, transmission and drives sector, for construction equipment and agricultural use, recorded a 15.6% increase in turnover for the 1st half of 2010 as compared with last year.
This change, which, in itself, is entirely significant, in actual fact constitutes an initial, partial recovery from the dramatic crisis that more than halved turnover in 2009.
This increase does not only depend on the restoration of the stocks in the production and commercial pipeline of customers (which had been virtually zeroed as the crisis reached its peak), but rather, and which is even more encouraging, on a return to final sell-out, albeit in a non-homogeneous manner amongst markets and sectors.
The Asian markets, China, India and South America, were those with the best trends, whilst in Europe and North America, the final demand remains weak and erratic.

Agricultural market:

The basic conditions favourable to the growth trend of machinery for agriculture remained unchanged, but the weakness of the agricultural sector demand is mainly due to the reduced possibilities of credit access.
Where this is not the case due to the favourable local economic situation or the presence of government support, demand is supported, such as, for example, in Turkey, the Middle East, India, China and Brazil.

Construction equipment:

As this is the sector that had suffered the greatest drop in demand in 2009 by virtue of the destocking, it is also that which recorded the greatest growth rates in this first part of 2010.
Although the demand for housing, commercial and industrial buildings and infrastructures in western countries remains weak, and a slowing is forecast for the emerging countries too, we can reasonably estimate that the current level of turnover will remain constant throughout 2010.
Consequently, the incidence of the 'construction equipment' sector on total Drivetech turnover will be back around 40%, close to past values and, in dimensional terms, comparable with the agricultural sector.

Material Handling Market:

The generalised return to the economic activities has automatically entailed a greater quantity of goods sold and consequently moved: hence the sector boasts a decidedly improved performance on last year.

Planetary Drives Market:

The demand for drives has remained solid, particularly in the 1st half of 2010, both as a consequence of commercial relations standing for several years, and for the acquisition of significant market shares, particularly in China, thanks to the new production line opened in the Qingdao plant at end 2009.
In India, the development and industrialisation of the new range of drives was completed for the new wind power sector (pitch & yaw drives). Mass production will soon begin.
In the mining machines market too, featuring limited volumes but of high value, Drivetech maintains its consolidated position with the O&KA brand.
The power-stations segment for escalators remains stable.

Spare parts:

The sale of spare parts has remained in line with last year, but with a different, more favourable mix that sees an increase of independent channels.

* * * *

We should point out an upward tendency of raw materials for these first six months of 2010, and the appearance of production capacity constraints in the supply chain in Europe, India and China. These factors have resulted in, on the one hand the need to begin negotiating re-pricing with all customers, and on the other, extraordinary logistics costs. Inventories showed growing turnover, but no deterioration of rotation indexes was seen.

SUBCONSOLIDATED INCOME STATEMENT AT 30.06.10
BU DRIVELINES-DRIVETECH

	30/06/10	%	31/12/09	%	30/06/09	%	Changes	
	€ /000		€/000		€/000		30.06.10 30.06.09	
REVENUES FROM SALES	**191,924**	**100.00%**	**314,277**	**100.00%**	**166,015**	**100.00%**	**25,909**	**15.61%**
Purchases of goods and materials (net of change in stocks)	- 126,869	-66.10%	- 211,981	-67.45%	- 109,643	-66.04%	- 17,226	-15.71%
Services and Use of third-party goods and services	- 33,513	-17.46%	- 53,789	-17.12%	- 28,787	-17.34%	- 4,726	-16.42%
Personnel costs	- 26,084	-13.59%	- 48,592	-15.46%	- 25,751	-15.51%	- 333	-1.29%
Amortisation, depreciation and impairment of assets	- 6,115	-3.19%	- 12,196	-3.88%	- 5,793	-3.49%	- 322	-5.56%
Provisions for risks	- 1,561	-0.81%	- 5,369	-1.71%	- 1,598	-0.96%	37	2.32%
Other income and expenses	1,055	0.55%	563	0.18%	439	0.26%	616	140.32%
Internal construction	205	0.11%	201	0.06%	114	0.07%	91	79.82%
OPERATING COSTS	**- 192,882**	**-100.50%**	**- 331,163**	**-105.37%**	**- 171,019**	**-103.01%**	**- 21,863**	**-12.78%**
OPERATING PROFIT/(LOSS) (EBIT)	**- 958**	**-0.50%**	**- 16,886**	**-5.37%**	**- 5,004**	**-3.01%**	**4,046**	**80.86%**
Income from equity investments	-		-		-		-	
Other financial income	48	0.03%	146	0.05%	79	0.05%	- 31	
Financial costs and expenses	- 3,120	-1.63%	- 7,045	-2.24%	- 3,782	-2.28%	662	
Net gains/(losses) on foreign exchange	195	0.10%	- 1,353	-0.43%	- 1,454	-0.88%	1,649	
Value adjustments of financial assets	-	0.00%	- 8	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**- 2,877**	**-1,50%**	**- 8,260**	**-2.63%**	**- 5,157**	**-3.11%**	**2,280**	**44.21%**
PROFIT/(LOSS) BEFORE TAXES	**- 3,835**	**-2.00%**	**- 25,146**	**-8.00%**	**- 10,161**	**-6.12%**	**6,326**	**62.26%**
Current and deferred income taxes	- 1,512	-0.79%	4,354	1.39%	1,461	0.88%	- 2,973	
NET PROFIT/(LOSS)	**- 5,347**	**-2.79%**	**- 20,792**	**-6.62%**	**- 8,700**	**-5.24%**	**3,353**	**38.54%**
Profit/(loss) pertaining to minorities	12	0.01%	131	0.04%	160	0.10%	- 148	
GROUP CONSOLIDATED PROFIT/(LOSS)	**- 5,335**	**-2.78%**	**- 20,661**	**-6.57**	**- 8,540**	**-5.14%**	**3,205**	**37.53%**
EBITDA	**5,099**	**2.66%**	**- 5,115**	**-1.63%**	**678**	**0.41%**	**4,421**	**652.06%**

SUBCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30.06.10
BU DRIVELINES-DRIVETECH

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Property, plant and equipment	91,203	84,023	85,475
Intangible fixed assets	25,224	23,468	23,257
Real estate investments	14	12	13
Holdings in subsidiaries and associates	175	149	148
Financial assets	358	179	58
Deferred tax assets	17,489	17,504	15,062
Trade receivables and other receivables	1,044	1,188	1,020
NON CURRENT ASSETS	***135,507***	***126,523***	***125,033***
Closing inventory	103,578	86,028	100,221
Trade receivables and other receivables	88,906	54,464	75,446
Financial assets	1,351	119	560
Cash and cash equivalents	15,234	25,024	17,521
CURRENT ASSETS	***209,069***	***165,635***	***193,748***
TOTAL ASSETS	**344,576**	**292,158**	**318,781**
Share Capital	50,758	50,758	50,758
Reserves	7,350	25,431	21,311
Foreign currency translation reserve	- 4,703	- 9,078	- 8,695
Profit (loss) for the period	- 5,335	- 20,661	- 8,540
Minority interests	40	52	- 7
SHAREHOLDERS' EQUITY	***48,110***	***46,502***	***54,827***
Financial liabilities	8,546	4,776	11,180
Trade payables and other payables	299	302	279
Deferred tax liabilities	2,354	1,338	1,345
Provision for severance indemnity and retirement benefits	11,716	12,211	12,192
Provisions for risks and liabilities	1,152	1,987	322
NON CURRENT LIABILITIES	***24,067***	***20,614***	***25,318***
Financial liabilities	113,099	101,563	98,001
Trade payables and other payables	149,698	109,415	125,214
Current tax liabilities	2,129	2,172	3,201
Provisions for risks and liabilities	7,473	11,892	12,220
CURRENT LIABILITIES	***272,399***	***225,042***	***238,636***
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**344,576**	**292,158**	**318,781**

CASH FLOW AT 30.06.10
BU DRIVELINES-DRIVETECH

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Opening Net Financial Position	**- 81,099**	**- 67,440**	**- 67,440**
Group profit/(loss)	*- 5,335*	*- 20,661*	*- 8,540*
Profit/(loss) pertaining to minorities	*- 12*	*- 131*	-
Amortization, depreciation and impairment of fixed assets	*6,057*	*11,771*	*5,682*
Cash flow before Net Working Capital	710	- 9,021	- 2,858
Change in Net Working Capital	- 13,135	6,480	- 16,466
Investments in fixed assets	- 5,273	- 10,036	- 6,833
Disinvestments in fixed assets	705	3,832	1,916
Operating Free Cash Flow	***- 16,993***	***- 8,745***	***- 24,241***
Other operating flows	- 3,933	- 5,519	778
Other investing flows	- 10,451	- 2,080	2,247
Change in Share Capital	-	-	-
Dividends paid	-	-	- 217
Other equity flows	6,955	2,685	20,214
Free Cash Flow	***- 24,422***	***- 13,659***	***- 1,219***
Closing Net Financial Position	**- 105,521**	**- 81,099**	**- 68,659**

ANALYSIS OF NET WORKING CAPITAL AT 30.06.10
BU DRIVELINES-DRIVETECH

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Trade Receivables	63,144	34,634	51,461
Inventory	103,578	86,028	100,221
Trade Payables	- 133,036	- 100,111	- 108,185
Net Working Capital (NWC)	***33,686***	***20,551***	***43,497***

Gears&Components – GearWorld Business Unit

The first half of 2010 for Gear World confirmed the hypotheses stated on the plan and budget, for a clear inversion of the trend recorded for 2009.

Total consolidated revenues amount to 72.218 million euros, up 30.3% on the same period for last year (55.418 million euros). The Group demand has been a strong driving factor for the growth of Gear World turnover, with a 45% increase on last year, mainly thanks to the restored needs and stocks of Drivetech customers.

Turnover from third party customers, amounting to 50.98 million euros is up 14.3% on 2009, slightly below budget forecasts, mainly due to the delayed start-up of some new projects that will enter production in the second half of the year.

Sales to third party customers account for 70.6% of turnover (as compared with the 80.4% posted for last year), whilst sales to the Group represent 29.4% of turnover (as compared with the 19.6% for last year), up in line with the trend of the Business Unit Drivetech.

Trend according to geographic area shows the continuous progress of India and China, mainly due to the growth of local economies, but also to transfers of western production privileging collaborations with Global groups with local production.
Sales towards Europe are up, driven by the 'stock exhaustion' phenomenon, and towards South America, thanks to a strongly-expanding economy.
Turnover in North America is stable, where hints of growth have only been seen since May and June 2010. Further consolidation is forecast for the second half of the year.

In terms of markets of application, the trend recorded in many market segments is positive, such as: gardening, electrical appliances, earth moving and material handling. The automotive sector is stable, thanks above all to GW's presence in medium-high niche markets. The agricultural and wind power markets, on the other hand, were down. The latter in particular suffers lesser growth than forecasts, which had caused the OEMs to make significant investments in production. The lesser growth recorded for the first half of 2010 and the difficulties in accessing loans, has negatively affected orders, in particular with regards the Poggiofiorito plant, which continues to record little saturation of plants destined for the production of components for this market.

During the first half of 2010, a focus and specialisation began involving the Italian plants, and a strengthening of the Asian plants, in line with the three-year strategic plan. This provides the background for the entry of Friulia into the capital of SIAP, discussed further on, while the review of the industrial footprint continued.

SUBCONSOLIDATED INCOME STATEMENT AT 30.06.10
BU GEARS&COMPONENTS – GEARWORLD

	30/06/10 €/000	%	31/12/09 €/000	%	30/06/09 €/000	%	Changes 30.06.10 30.06.09	
REVENUES FROM SALES	**72,218**	**100.00%**	**109,073**	**100.00%**	**55,418**	**100.00%**	**16,800**	**30.32%**
Purchases of goods and materials (net of change in stocks)	- 31,566	-43.71%	- 54,253	-49.74%	- 27,560	-49.73%	- 4,006	-14.54%
Services and Use of third-party goods and services	- 17,565	-24.32%	- 26,135	-23.96%	- 13,742	-24.80%	- 3,823	-27.82%
Personnel costs	- 19,477	-26.97%	- 34,507	-31.64%	- 16,936	-30.56%	- 2,541	-15.00%
Amortisation, depreciation and impairment of assets	- 7,853	-10.87%	- 16,689	-15.30%	- 8,345	-15.06%	492	5.90%
Provisions for risks	- 115	-0.16%	- 3,180	-2.92%	- 102	-0.18%	- 13	-12.75%
Other income and expenses	207	0.29%	550	0.50%	- 59	-0.11%	266	450.85%
Internal construction	541	0.75%	630	0.58%	248	0.45%	293	118.15%
OPERATING COSTS	**- 75,828**	**-105.00%**	**- 133,584**	**-122.47%**	**- 66,496**	**-119.99%**	**- 9,332**	**-14.03%**
OPERATING PROFIT/(LOSS) (EBIT)	**- 3,610**	**-5.00%**	**- 24,511**	**-22.47%**	**- 11,078**	**-19.99%**	**7,468**	**67.41%**
Income from equity investments	-		-		-		-	
Other financial income	99	0.14%	74	0.07%	61	0.11%	38	
Financial costs and expenses	- 1,701	-2.36%	- 3,919	-3.59%	- 2,240	-4.04%	539	
Net foreign exchange gains/losses	446	0.62%	- 206	-0.19%	- 148	-0.27%	594	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**- 1,156**	**-1.60%**	**- 4,051**	**-3.71%**	**- 2,327**	**-4.20%**	**1,171**	**50.32%**
PROFIT/(LOSS) BEFORE TAXES	**- 4,766**	**-6.60%**	**- 28,562**	**-26.19%**	**- 13,405**	**-24.19%**	**8,639**	**64.45%**
Current and deferred income taxes	- 757	-1.05%	2,536	2.33%	3,242	5.85%	- 3,999	
NET PROFIT/(LOSS)	**- 5,523**	**-7.65%**	**- 26,026**	**-23.86%**	**- 10,163**	**-18.34%**	**4,640**	**45.66%**
Profit/(loss) pertaining to minorities	- 275	-0.38%	967	0.89%	359	0.65%	- 634	
GROUP CONSOLIDATED PROFIT/(LOSS)	**- 5,798**	**-8.03%**	**- 25,059**	**-22.97%**	**- 9,804**	**-17.69%**	**4,006**	**40.86%**
EBITDA	**4,211**	**5.83%**	**- 8,006**	**-7.34%**	**- 2,733**	**-4.93%**	**6,944**	**254.08%**

SUBCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30.06.10
BU GEARS&COMPONENTS - GEARWORLD

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Property, plant and equipment	108,016	116,671	122,725
Intangible fixed assets	25,137	25,378	26,332
Real estate investments	155	155	155
Holdings in subsidiaries and associates	-	-	-
Financial assets	247	82	165
Deferred tax assets	3,487	2,923	4,614
Trade receivables and other receivables	557	1,457	326
NON CURRENT ASSETS	***137,599***	***146,666***	***154,317***
Closing inventory	30,874	33,107	42,522
Trade receivables and other receivables	35,781	29,453	37,029
Financial assets	990	281	328
Cash and cash equivalents	10,419	4,583	3,557
CURRENT ASSETS	***78,064***	***67,424***	***83,436***
Assets held for sale	15,947	-	-
TOTAL ASSETS	**231,610**	**214,090**	**237,753**
Share Capital	35,084	35,084	35,084
Reserves	7,604	35,970	35,830
Foreign currency translation reserve	3,142	- 3,010	- 2,505
Profit (loss) for the period	- 5,798	- 25,059	- 9,804
Minority interests	8,603	3,866	4,474
SHAREHOLDERS' EQUITY	***48,635***	***46,851***	***63,079***
Financial liabilities	74,012	29,408	56,894
Trade payables and other payables	129	4	237
Deferred tax liabilities	5,097	4,804	5,554
Provision for severance indemnity and retirement benefits	5,642	6,662	6,807
Provisions for risks and liabilities	1,113	1,934	395
NON CURRENT LIABILITIES	***85,993***	***42,812***	***69,887***
Financial liabilities	39,128	79,904	55,842
Trade payables and other payables	49,027	42,174	47,487
Current tax liabilities	733	418	589
Provisions for risks and liabilities	430	1,931	869
CURRENT LIABILITIES	***89,318***	***124,427***	***104,787***
Liabilities held for sale	7,664	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**231,610**	**214,090**	**237,753**

CASH FLOW AT 30.06.10
BU GEARS&COMPONENTS - GEARWORLD

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Opening Net Financial Position	**- 104,262**	**- 104,404**	**- 104,404**
Group profit/(loss)	*- 5,798*	*- 25,059*	*- 9,804*
Profit/(loss) pertaining to minorities	*275*	*- 967*	*- 359*
Amortization, depreciation and impairment of fixed assets	*7,821*	*16,505*	*8,345*
Cash flow before Net Working Capital	2,298	- 9,521	- 1,818
Change in Net Working Capital	- 2,138	20,150	7,022
Investments in fixed assets	- 4,385	- 9,711	- 7,917
Disinvestments in fixed assets	382	261	131
Operating Free Cash Flow	***- 3,843***	***1,179***	***- 2,583***
Other operating flows	2,416	- 1,297	- 1,620
Other investing flows	5,080	1,501	990
Change in Share Capital	-	-	-
Dividends paid	-	- 150	- 150
Other equity flows	7,307	- 1,091	- 726
Assets available for sale	*- 8,283*	-	-
Free Cash Flow	***2,677***	***142***	***- 4,089***
Closing Net Financial Position	**- 101,585**	**- 104,262**	**- 108,493**

ANALYSIS OF NET WORKING CAPITAL AT 30.06.10
BU GEARS&COMPONENTS - GEARWORLD

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Trade Receivables	27,616	18,370	24,385
Inventory	30,874	33,107	42,522
Trade Payables	- 39,262	- 34,387	- 36,689
Net Working Capital (NWC)	***19,228***	***17,090***	***30,218***

Vehicles – Agritalia Business Unit

Agritalia closed the first half of 2010 with 23.165 million euros turnover and 965 tractors sold, a figure that is down 37.4% on the same period for last year.

As envisaged when closing last year, the market of reference (special and light tractors from 60 to 100 HP) remained more or less stable at the minimum values for 2009, slowing disposal of stocks throughout the chain. Two endogenous factors have helped reduced the output of the first half of the year: the slow start-up of production of the new range of tractors for the customer Claas, and the delay in introducing the new Power Reverse transmission, developed by Drivetech, initially envisaged for the first quarter of 2010. The availability of a significant orders portfolio and imminent introduction of the new transmission, allow us to predict significantly greater turnover for the second half of the year, both as compared with the first half of 2010 and with the second half of 2009. The year end forecast is therefore confirmed, with volumes basically unchanged as compared with 2009.

In the period of reference, variable costs have particularly suffered the inefficient start-up, whilst materials costs have remained under control, despite the inflationist tendencies of the period. Fixed costs and general expenses settled at the values forecast for 2010, namely reduced respectively by 7% (net of amortisation) and 1.2% thanks to the activities that aimed to limit expenses and structural costs. These benefits will be more greatly appreciated at year end, when the figure affecting turnover will be less penalising.

SUBCONSOLIDATED INCOME STATEMENT AT 30.06.10
BU VEHICLES – AGRITALIA

	30/06/10 €/000	%	31/12/09 €/000	%	30/06/09 €/000	%	Changes 30.06.10 30.06.09	
REVENUES FROM SALES	**23,165**	**100.00%**	**58,790**	**100.00%**	**36,979**	**100.00%**	**- 13,814**	**-37.36%**
Purchases of goods and materials (net of changes to inventories)	- 17,519	-75.63%	- 45,223	-76.92%	- 28,282	-76.48%	10,763	38.06%
Services and Use of third-party goods and services	- 2,416	-10.43%	- 5,849	-9.95%	- 3,293	-8.91%	877	26.63%
Personnel costs	- 4,918	-21.23%	- 9,438	-16.05%	- 5,285	-14.29%	367	6.94%
Amortisation, depreciation and impairment of assets	- 556	-2.40%	- 314	-0.53%	- 150	-0.41%	- 406	-270.67%
Provisions for risks	- 309	-1.33%	- 1,460	-2.48%	- 471	-1.27%	162	34.39%
Other income and expenses	117	0.51%	1,229	2.09%	354	0.96%	- 237	-66.95%
Internal construction	72	0.31%	87	0.15%	-	0.00%	72	
OPERATING COSTS	**- 25,529**	**-110.21%**	**- 60,968**	**-103.70%**	**- 37,127**	**-100.40%**	**11,598**	**31.24%**
OPERATING PROFIT/(LOSS) (EBIT)	**- 2,364**	**-10.21%**	**- 2,178**	**-3.70%**	**- 148**	**-0.40%**	**- 2,216**	**n.r.**
Income from equity investments	-		-		-		-	
Other financial income	-	0.00%	-	0.00%	-	0.00%	-	
Financial costs and expenses	- 27	-0.12%	- 55	-0.09%	- 17	-0.05%	- 10	
Net gains/(losses) on foreign exchange	- 46	-0.20%	15	0.03%	4	0.01%	- 50	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**- 73**	**-0.32%**	**- 40**	**-0.07%**	**- 13**	**-0.04%**	**- 60**	**n.r.**
PROFIT/(LOSS) BEFORE TAXES	**- 2,437**	**-10.52%**	**- 2,218**	**-3.77%**	**- 161**	**-0.44%**	**- 2,276**	**n.r.**
Current and deferred income taxes	- 294	-1.27%	320	0.54%	- 144	-0.39%	- 150	
NET PROFIT/(LOSS)	**- 2,731**	**-11.79%**	**- 1,898**	**-3.23%**	**- 305**	**-0.82%**	**- 2,426**	**n.r.**
Profit/(loss) pertaining to minorities		0.00%		0.00%		0.00%	-	
GROUP CONSOLIDATED PROFIT/(LOSS)	**- 2,731**	**-11.79%**	**- 1,898**	**-3.23%**	**- 305**	**-0.82%**	**- 2,426**	**n,r,**
EBITDA	**- 1,808**	**-7.80%**	**- 1,864**	**-3.17%**	**2**	**0.01%**	**- 1,810**	**n.r.**

SUBCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30.06.10
BU VEHICLES - AGRITALIA

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Property, plant and equipment	13,034	13,266	3,872
Intangible fixed assets	485	403	396
Real estate investments	-	-	-
Holdings in subsidiaries and associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	2,478	2,770	2,185
Trade receivables and other receivables	8	8	5
NON CURRENT ASSETS	***16,005***	***16,447***	***6,458***
Closing inventory	13,412	10,373	12,369
Trade receivables and other receivables	11,448	4,004	4,888
Financial assets	-	7	9
Cash and cash equivalents	5	6,615	14,915
CURRENT ASSETS	***24,865***	***20,999***	***32,181***
TOTAL ASSETS	**40,870**	**37,446**	**38,639**
Share Capital	-	-	-
Reserves	10,316	12,214	7,803
Foreign currency translation reserve	-	-	-
Profit (loss) for the period	- 2,731	- 1,898	- 305
Minority interests	-	-	-
SHAREHOLDERS' EQUITY	***7,585***	***10,316***	***7,498***
Financial liabilities	-	-	-
Trade payables and other payables	-	-	-
Deferred tax liabilities	69	69	-
Provision for severance indemnity and retirement benefits	1,204	1,363	1,681
Provisions for risks and liabilities	703	594	399
NON CURRENT LIABILITIES	***1,976***	***2,026***	***2,080***
Financial liabilities	9,724	5,000	-
Trade payables and other payables	19,908	17,753	26,246
Current tax liabilities	102	101	-
Provisions for risks and liabilities	1,575	2,250	2,815
CURRENT LIABILITIES	***31,309***	***25,104***	***29,061***
TOTAL SHAREHODLERS' EQUITY AND LIABILITIES	**40,870**	**37,446**	**38,639**

CASH FLOW AT 30.06.10
BU VEHICLES - AGRITALIA

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Opening Net Financial Position	**1,622**	**8,383**	**8,383**
Group profit/(loss)	*- 2,731*	*- 1,898*	*- 305*
Profit/(loss) pertaining to minorities	-	-	-
Amortization, depreciation and impairment of fixed assets	*556*	*314*	*150*
Cash flow before Net Working Capital	- 2,175	- 1,584	- 155
Change in Net Working Capital	- 8,453	5,364	7,182
Investments in fixed assets	- 518	- 1,389	- 438
Disinvestments in fixed assets	99	256	128
Operating Free Cash Flow	***- 11,047***	***2,647***	***6,717***
Other operating flows	- 307	- 5,151	- 250
Other investing flows	13	- 8,668	74
Change in Share Capital	-	-	-
Dividends paid	-	-	-
Other equity flows	-	4,411	-
Free Cash Flow	***- 11,341***	***- 6,761***	***6,541***
Closing Net Financial Position	**- 9,719**	**1,622**	**14,924**

ANALYSIS OF NET WORKING CAPITAL AT 30.06.10
BU VEHICLES – AGRITALIA

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Trade Receivables	10,833	3,465	4,696
Inventory	13,412	10,373	12,369
Trade Payables	- 17,497	- 15,543	- 20,588
Net Working Capital (NWC)	***6,748***	***- 1,705***	***- 3,523***

Power Controls – Elettronica Santerno Business Unit

The first half of 2010 more than confirmed the exceptional return seen at the end of last year, mainly for the development of the renewable energies sector and photovoltaic in particular.

Thanks to the investments and reorganisation of the commercial structure implemented during the difficult year of 2009, Elettronica Santerno has successfully made the most of the opportunities deriving from the great expansion of the markets of reference and particularly those of Italy and Germany.

In this sector therefore characterised by three-figure development rates, Elettronica Santerno is consolidating its leadership position, confirming this path towards a great internationalisation that underlay the commercial actions taken in 2009.

Industrial applications

After the generalised drop of 2009, the world industrial drives market showed signs of a reprieve in line with forecasts. Elettronica Santerno enjoyed very positive growth indeed on the export market, where new customers and new applications ensured that the first half closed in line with 2008 results, the year in which the industrial drives sector turnover had reached an absolute maximum.

The scenario of reference allows us to perceive interesting medium-term prospects – particularly in Russia and Brazil.

The development of the 690V drives range, intended for specific applications for energy saving and innovative regeneration systems, the first of which have already been installed in Canada and Texas, is proving popular with customers.

Energy management

The market of the management of renewable energies showed a very strong growth trend in 2010, which – in a certain sense – was actually unexpected even by sector operators.

Photovoltaics

The Italian market records three-figure growth rates on 2009. In a legislative situation that is, as yet, not perfectly outlined, with various hypotheses and alternatives in relation to the renewal of the energy account, the race to complete plant installations by 2010 is, and will be, a main feature of the year. To this, we must add the growth of the German photovoltaic market, far above expectations. These significant increases in volume have sent the whole production system into a crisis, with important repercussions on the materials and components supplies market, to the extent that operators are unable to entirely satisfy the demand for products in the terms required by the market.

For Elettronica Santerno, the Italian market – which has always been the geographic area of reference and in which it enjoys a technological leadership position – has given a certainly important boost. The German market too – after the end of 2009 – has proved to be rather interesting, both in terms of order collection and turnover, considering the sales network and product appreciation, we consider that demand will remain at good levels for the second half of the year and years to come.

In other countries, we should mention a shy reawakening of the Spanish market (still mid–crisis after the exceptional 2008), and the growth in terms of importance, of other European markets such as Belgium, Austria and, above all, France. In these markets, agreements with the major operators in the energy field lay the bases for a 2011 that look certain to prove interesting.

Elettronica Santerno pursues commercial development in far-off markets to, such as South Korea and China, which represent major potential business sources for the years to come, in view of the increasing interest of governments of these areas in the matter of renewable energy.

Finally, activities underway for the homologation of products for North America will allow Elettronica Santerno to face up to the 'departure' of these markets in the sector of renewable energies, with what will certainly be a leading role.

Wind power

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 been a great success, and forecasts for 2010 - after a first half of the year that generated insignificant business - are in any case positive for the future, also due to some agreements drawn up with the major sector players.

Traction

In the traction field, in 2010 Elettronica Santerno continued its work on developing a new hybrid platform for the use of hybrid and/or electric traction systems for town buses, as part of a project financed by an “Industria 2015” grant.

SUBCONSOLIDATED INCOME STATEMENT AT 30.06.10
BU POWER CONTROLS - ELETTRONICA SANTERNO

	30/06/10 €/000	%	31/12/09 €/000	%	30/06/09 €/000	%	Changes 30.06.10	Changes 30.06.09
REVENUES FROM SALES	**46,205**	**100.00%**	**43,295**	**100.00%**	**15,040**	**100.00%**	**31,165**	**207.21%**
Purchases of goods and materials (net of changes to inventories)	- 23,281	-50.39%	- 20,974	-48.44%	- 6,859	-45.61%	- 16,422	-239.42%
Services and Use of third-party goods and services	- 10,392	-22.49%	- 10,916	-25.21%	- 4,316	-28.70%	- 6,076	-140.78%
Personnel costs	- 5,563	-12.04%	- 8,264	-19.09%	- 3,975	-26.43%	- 1,588	-39.95%
Amortisation, depreciation and impairment of assets	- 489	-1.06%	- 963	-2.22%	- 361	-2.40%	- 128	-35.46%
Provisions for risks	- 448	-0.97%	- 2,477	-5.72%	- 224	-1.49%	- 224	-100.00%
Other income and expenses	87	0.19%	75	0.17%	93	0.62%	- 6	-6.45%
Internal construction	788	1.71%	701	1.62%	19	0.13%	769	n.r.
OPERATING COSTS	**- 39,298**	**-85.05%**	**- 42,818**	**-98.90%**	**- 15,623**	**-103.88%**	**- 23,675**	**-151.54%**
OPERATING PROFIT/(LOSS) (EBIT)	**6,907**	**14.95%**	**477**	**1.10%**	**- 583**	**-3.88%**	**7,490**	**n.r.**
Income from equity investments	-		-		-		-	
Other financial income	29	0.06%	30	0.07%	17	0.11%	12	
Financial costs and expenses	- 176	-0.38%	- 437	-1.01%	- 158	-1.05%	- 18	
Net gains/(losses) on foreign exchange	136	0.29%	179	0.41%	93	0.62%	43	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**- 11**	**-0.02%**	**- 228**	**-0.53%**	**- 48**	**-0.32%**	**37**	**77.08%**
PROFIT/(LOSS) BEFORE TAXES	**6,896**	**14.92%**	**249**	**0.58%**	**- 631**	**-4.20%**	**7,527**	**n.r.**
Current and deferred income taxes	- 2,389	-5.17%	- 252	-0.58%	96	0.64%	- 2,485	
NET PROFIT/(LOSS)	**4,507**	**9.75%**	**- 3**	**-0.01%**	**- 535**	**-3.56%**	**5,042**	**n.r.**
Profit/(loss) pertaining to minorities	-	0.00%	-	0.00%	-	0.00%	-	
GROUP CONSOLIDATED PROFIT/(LOSS)	**4,507**	**9.75%**	**- 3**	**-0.01%**	**- 535**	**-3.56%**	**5,042**	**n.r.**
EBITDA	**7,336**	**15.88%**	**1,123**	**2.59%**	**- 282**	**-1.88%**	**7,618**	**n.r.**

SUBCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30.06.10
BU POWER CONTROLS - ELETTRONICA SANTERNO

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Property, plant and equipment	2,274	1,969	2,077
Intangible fixed assets	9,750	7,330	6,674
Real estate investments	-	-	-
Holdings in subsidiaries and associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	1,223	1,111	510
Trade receivables and other receivables	111	116	112
NON CURRENT ASSETS	***13,358***	***10,526***	***9,373***
Closing inventory	23,100	10,801	15,007
Trade receivables and other receivables	44,372	24,992	17,633
Financial assets	51	1	31
Cash and cash equivalents	11,244	700	965
CURRENT ASSETS	***78,767***	***36,494***	***33,636***
TOTAL ASSETS	**92,125**	**47,020**	**43,009**
Share Capital	2,500	2,500	2,500
Reserves	9,972	8,941	8,974
Foreign currency translation reserve	113	56	8
Profit (loss) for the period	4,507	- 3	- 535
Minority interests	-	-	-
SHAREHOLDERS' EQUITY	***17,092***	***11,494***	***10,947***
Financial liabilities	58	58	116
Trade payables and other payables	-	-	-
Deferred tax liabilities	-	-	-
Provision for severance indemnity and retirement benefits	685	634	663
Provisions for risks and liabilities	48	40	35
NON CURRENT LIABILITIES	***791***	***732***	***814***
Financial liabilities	263	5,016	6,980
Trade payables and other payables	69,421	25,949	20,703
Current tax liabilities	2,037	1,352	3,225
Provisions for risks and liabilities	2,521	2,477	340
CURRENT LIABILITIES	***74,242***	***34,794***	***31,248***
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**92,125**	**47,020**	**43,009**

CASH FLOW AT 30.06.10
BU POWER CONTROLS - ELETTRONICA SANTERNO

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Opening Net Financial Position	**- 4,373**	**- 3,013**	**- 3,013**
Group profit/(loss)	*4,507*	*- 3*	*- 535*
Profit/(loss) pertaining to minorities	-	-	-
Amortization, depreciation and impairment of fixed assets	*429*	*646*	*301*
Cash flow before Net Working Capital	4,936	643	- 234
Change in Net Working Capital	10,446	814	- 2,413
Investments in fixed assets	- 2,049	- 2,306	- 1,086
Disinvestments in fixed assets	-	41	21
Operating Free Cash Flow	***13,333***	***- 808***	***- 3,713***
Other operating flows	2,028	3,128	4,627
Other investing flows	- 1,105	- 710	- 1,017
Change in Share Capital	-	-	-
Dividends paid	-	- 3,000	- 3,000
Other equity flows	1,091	30	15
Free Cash Flow	***15,347***	***- 1,360***	***- 3,087***
Closing Net Financial Position	**10,974**	**- 4,373**	**- 6,100**

ANALYSIS OF NET WORKING CAPITAL AT 30.06.10
BU POWER CONTROLS - ELETTRONICA SANTERNO

	30/06/10 €/000	31/12/09 €/000	30/06/09 €/000
Trade Receivables	42,273	21,923	16,536
Inventory	23,100	10,801	15,007
Trade Payables	- 63,145	- 20,050	- 15,642
Net Working Capital (NWC)	***2,228***	***12,674***	***15,901***

Significant events in the first half of 2010

On 31 March 2010, the purchase of a minority share (33%) in the company Elettronica Santerno SpA was subscribed.

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

Specifically, this agreement sets forth the concession of a waiver on the 31 December 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).
On 30 June 2010, the covenants contractually envisaged for that date were met.

On 30 June 2010, in order to support the development of the business activities under the scope of gearing, in line with the path envisaged by the Carraro Group three-year plan, the Shareholders' Meeting of SIAP SpA resolved to increase capital by a total of 7.5 million euros (thereby taking the share capital of SIAP from 10,122,616 euros to 17,622,616 euros).

More specifically, 4.5 million euros were subscribed by the company Gear World SpA, a sub-holding controlled by the Components B.U., and 3 million euros by Friulia SpA, the Friuli Venezia Giulia regional finance company (which settles at 17.02% of the new share capital).

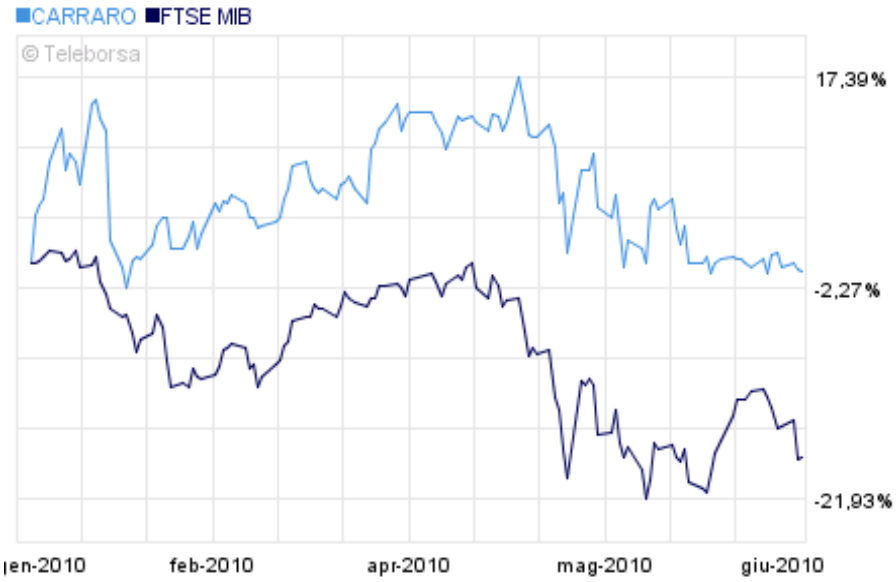
This agreement with Friulia aims to guarantee continuity of personnel employment in conditions of good economic and financial balance. So, the strategic role of the "Mantiago hub" is confirmed for the production of transmission shafts, cylindrical gears, bevel gear pairs, epicycloidal gears and assembled units for power transmissions and axles.

As well as acquiring stock in SIAP SpA, Friulia SpA, the Friuli Venezia Giulia regional finance company, shall also issue a medium-long term loan to SIAP for 4 million euros.

Share performance

In the first six months of 2010, the Carraro share recorded a fairly constant trend, always remaining within a relatively limited range, with performance that is better than the trend of the main Stock exchange indexes (FTSE MIB), although following the trend.

The official period average price was 2.442 euros, with a minimum listing on 26th January at 2.204 euros and a peak of 2.690 euros on 26 April, just before presentation of the three-year plan.



TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties carried out during the period gave rise to relationships of a commercial, financial or advisory nature and were expedited at market terms, in the economic interest of the individual companies involved in the transactions.

No transactions were carried out that were atypical or unusual with respect to normal business operations, with the exception of the conferment of the business arm of Agritalia S.p.A. to Carraro S.p.A., and the interest rates and terms applied to and by the companies in their reciprocal financial relationships are in line with market terms.

Detailed information on the transactions carried out with related parties are provided in the Explanatory Notes to the Interim Financial Statements.

STANDARDS USED IN PREPARING THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The annual consolidated financial statements are drawn up in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board ("IASB") and homologated by the European Union in accordance with Regulation no. 1606/2002 and with the provisions issued in implementation of Art. 9 of Italian Legislative Decree no. 38/2005. These condensed consolidated interim financial statements have been drawn up in abbreviated form in accordance with IAS 34 'Interim financial statements'. As such, they do not include the information required for the consolidated annual financial statements and must therefore be read together with the consolidated annual financial statements drawn up for the year ended on 31 December 2009. Furthermore, these statements are based on the assumption of the company as a going concern, considering both the framework agreement signed with the banking system and the period economic equity trend.

Events subsequent to the balance sheet date

In July 2010, moreover, with a view to better focusing the development objectives in the core sector of high quality gearing, SIAP SpA completed sale of its majority share (of 50.0001292%) of the company STM Srl, steel component forging company, with production plant adjacent to that of SIAP, to MARIV Srl (company that can be traced to the current minority shareholder).

This operation, worth a total of 5.3 million euros, will take the 'Maniago pole' to further concentrate its investments and R&D activities on processes and technologies that are increasingly strategic in a bid to better satisfy the demand both from traditional and emerging markets.

BUSINESS OUTLOOK FOR THE CURRENT YEAR

Different performance between the various business areas is expected during the second part of the year.

Current visibility confirms growth in line with the present trend for Drivetech through to the end of the third quarter. The dimensions of the demand for the latter part of the year are still being defined.

For Gear World, the second half year sees a forecast of a further consolidation of demand, whilst for Agritalia, the second part of the year will see the possibility of following up on the acquired orders portfolio, bringing turnover to forecast levels, in line with the values recorded for 2009.

At the same time, Elettronica Santerno will continue on its path of growth for the whole year, reaching results above expectations both compared with last year and with budget volumes and economic performance.

In this context, further improved profitability is also expected for the second half of the year.

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With reference to the provisi ons of Articl es 36 and 39 o f Consob O rder 16191 of 29.10 .2007 (the so-ca lled " Market Regulations") and of Art. 2.6. 2 Section 15 of the Stock Exch ange 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 th e aforementioned Art. 36 on th e 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 spa n of the g roup inclu des 31 compa nies o f wh ich 18 ar e establis hed and r egulated i n no n-European U nion countries, spec ifically in Argentina, Br azil, China, I ndia, Russia and the U nited Stat es; of these, six , in Ar gentina, China, I ndia, a nd th e U nited States, ar e sig nificant u nder th e ter ms of Title VI , Section I I of th e I ssuer Reg ulations (Consob Order 11971/1999).

CARRARO S.p.A.
Registered office in Campodarsego, Padua (Italy) – 37 Via Olmo
Share Capital Euro 23,914,696, fully paid-up
Tax Code / VAT Registration Number and
In the Padua Companies Register 00202040283
R.E.A. no. 84033

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE CARRARO GROUP AT 30 JUNE 2010

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 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 Managing Director, 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 07 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 Self-Disciplinary Code.

CONSOLIDATED INCOME STATEMENT

(amounts in euro thousands)	NOTES	30.06.2010	30.06.2009
A) REVENUES FROM SALES			
1) Products		299,779	251,483
2) Services		2,024	2,620
3) Other revenues		2,845	1,491
TOTAL REVENUES FROM SALES	**1**	**304,648**	**255,594**
B) OPERATING COSTS			
1) Purchases of goods and materials		197,655	118,820
2) Services		60,003	43,437
3) Leases, rents and third-party services		2,455	2,925
4) Personnel costs		59,383	55,512
5) Amortisation, depreciation and impairment of assets		16,232	15,991
5.a) depreciation of property, plant and equipment		*14,439*	*14,073*
5.b) amortisation of intangible assets		*1,617*	*1,747*
5.c) impairment of fixed assets		*26*	-
5.d) impairment of receivables		*150*	*171*
6) Changes in inventories		-28,958	35,330
7) Provision for risks and other liabilities		2,432	2,396
8) Other expenses and income		-1,081	-304
9) Internal construction		-1,567	-465
TOTAL OPERATING COSTS	**2**	**306,554**	**273,642**
OPERATING PROFIT/(LOSS)	**-1,906**		**-18,048**
C) GAINS/(LOSSES) ON FINANCIAL ASSETS			
10) Income from equity interests		-	-
11) Other financial income		194	671
12) Financial costs and expenses		-5,105	-7,142
13) Net gains/(losses) on foreign exchange		1,578	1,654
14) Value adjustments of financial assets		-	-
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3 -3,333**		**-4,817**
PROFIT/(LOSS) BEFORE TAXES	**-5,239**		**-2,865**
15) Current and deferred income taxes	**4**	-6,290	5,197
NET PROFIT/(LOSS) FOR THE PERIOD	**-11,529**		**-17,668**
16) Net profit/(loss) pertaining to minority interest		1,257	3,068
GROUP CONSOLIDATED PROFIT/(LOSS)	**-10,272**		**-14,600**
EARNINGS PER SHARE	**5**		
- basic, for the profit for the period attributable to ordinary shareholders of the parent company		*-€ 0.23*	-€ 0.35
-diluted, for the profit for the period attributable to ordinary shareholders of the parent company		*-€ 0.23*	-€ 0.35

CONSOLIDATED COMPREHENSIVE INTERIM INCOME STATEMENT

(amounts in euro thousands)	**30.06.2010**	**30.06.2009**
NET PROFIT/(LOSS) FOR THE PERIOD	**-11,529**	**-17,668**
Other comprehensive income components:		
Net change in cash flow hedge reserve	1,109	-376
Foreign operation translation exchange differences	10,899	-3,161
Taxes on other comprehensive income components	-353	-11
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS	**11,655**	**-3,548**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**126**	**-21,216**
Total comprehensive income attributable to:		
Shareholders of the parent company	-521	-17,987
Profit/(loss) pertaining to minorities	647	-3,229
Total comprehensive income for the period	**126**	**-21,216**

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(amounts in euro thousands)	**NOTES**	**30.06.2010**	**31.12.2009**
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	**6**	236,420	238,464
2) Intangible fixed assets	**7**	81,370	79,964
3) Real estate investments	**8**	709	707
4) Holdings in subsidiaries and associates	**9**	175	149
4.1) Holdings in subsidiaries and associates		*175*	*149*
4.2) Equity investments held for sale		-	-
5) Financial assets	**10**	1,362	927
5.1) Loans and receivables		*300*	*122*
5.2) Other financial assets		*1,062*	*805*
6) Deferred tax assets	**11**	28,765	28,997
7) Trade receivables and other receivables	**12**	1,731	2,133
7.1) Trade receivables		-	-
7.2) Other receivables		*1,731*	*2,133*
TOTAL NON-CURRENT ASSETS		**350,532**	**351,341**
B) CURRENT ASSETS			
1) Closing inventory	**13**	167,761	136,741
2) Trade receivables and other receivables	**12**	167,758	104,995
2.1) Trade receivables		*129,707*	*67,995*
2.2) Other receivables		*38,051*	*37,000*
3) Financial assets	**10**	3,564	14,561
3.1) Loans and receivables		*411*	*13,976*
3.2) Other financial assets		*3,153*	*585*
4) Cash and cash equivalents	**14**	42,750	54,711
4.1) Cash		*219*	*219*
4.2) Bank current accounts and deposits		*42,531*	*54,413*
4.3) Other cash and cash equivalents		-	*79*
TOTAL CURRENT ASSETS		**381,833**	**311,008**
ASSETS HELD FOR SALE	**22**	15,866	-
TOTAL ASSETS		**748,231**	**662,349**

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(amounts in euro thousands)	NOTES	30.06.2010	31.12.2009
A) SHAREHOLDERS' EQUITY	15		
1) Share Capital		23,915	23,915
2) Other Reserves		24,491	71,290
3) Profits/(Losses) brought forward		-	-
4) IAS/IFRS first adoption reserve		44,384	44,384
5) Other IAS/IFRS reserves		167	-557
Foreign currency translation reserve		-2,680	-11,707
6) Result for the period pertaining to the group		-10,272	-45,856
GROUP SHAREHOLDERS' EQUITY		80,005	81,469
7.1) Minority interests		*14,998*	-
7.2) Minority interests in assets held for sale	22	*4,100*	-
7) Minority interests		19,098	15,150
TOTAL SHAREHOLDERS' EQUITY		**99,103**	**96,619**
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	16	174,523	26,437
1.1) Bonds		-	-
1.2) Loans		*174,523*	*26,437*
1.3) Other		-	-
2) Trade payables and other payables	17	428	306
2.1) Trade payables		*125*	-
2.2) Other payables		*303*	*306*
3) Deferred tax liabilities	11	7,764	6,265
4) Provision for severance indemnity and retirement benefits	19	19,957	21,576
4.1) Provision for severance indemnity		*14,897*	*16,615*
4.2) Provision for retirement benefits		*5,060*	*4,961*
5) Provision for risks and liabilities	20	4,048	5,667
5.1) Provision for warranties		*707*	*655*
5.2) Provision for legal claims		*1,156*	*1,248*
5.3) Provision for restructuring and reconversion		*2,001*	*3,628*
5.4) Other provisions		*184*	*136*
TOTAL NON-CURRENT LIABILITIES		**206,720**	**60,251**
C) CURRENT LIABILITIES			
1) Financial liabilities	16	151,423	285,522
1.1) Bonds		-	-
1.2) Loans		*149,624*	*283,953*
1.3) Other		*1,799*	*1,569*
2) Trade payables and other payables	17	264,284	195,180
2.1) Trade payables		*227,839*	*151,973*
2.2) Other payables		*36,445*	*43,207*
3) Current tax liabilities	18	7,038	6,228
4) Provision for risks and liabilities	20	11,998	18,549
4.1) Provision for warranties		*9,659*	*10,880*
4.2) Provision for legal claims		*130*	*207*
4.3) Provision for restructuring and reconversion		*843*	*6,080*
4.4) Other provisions		*1,366*	*1,382*
TOTAL CURRENT LIABILITIES		**434,743**	**505,479**
TOTAL LIABILITIES		**641,463**	**565,730**
LIABILITIES HELD FOR SALE	22	7,665	-

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**748,231**	**662,349**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(amounts in Euro thousands)	Share Capital	Other reserves: equity	Other reserves: profit	1st application reserve IAS/IFRS	Treasury stock acquired	Reserve cash flow hedge	Reserve conversion difference	Profit/(Loss) for period	Equity of Group	Minority interests	Total
Balance at 01.01.2009	**21,840**	**17,833**	**42,313**	**44,384**	**-1,526**	**-1,594**	**-8,101**	**11,310**	**126,459**	**23,173**	**149,632**
Total income for the period						**-434**	**-2,953**	**-14,600**	**-17,987**	**-3,229**	**-21,216**
Transactions with shareholders:											
Dividend, other companies										**-150**	**-150**
Allocation of 2008 residual profit			11,310					-11,310	-		-
Own share purchase					-712				**-712**		**-712**
Change in consolidation area									**-9**		**9**
			11,310	-	**-712**	-	-	**-11,310**	**712**	**-110**	**3,325**
Balance at 30.06.09	**21,840**	**17,833**	**53,623**	**44,384**	**-2,238**	**-2,028**	**-11,054**	**-14600**	**107,760**	**19,803**	**127,563**

(amounts in Euro thousands)	Share Capital	Other reserves: equity	Other reserves: profit	1st application reserve IAS/IFRS	Treasury stock acquired	Reserve cash flow hedge	Reserve conversion difference	Profit/(Loss) for period	Equity of Group	Minority interests	Total
Balance at 01.01.10	**23,915**	**27,130**	**46,641**	**44,384**	**-2,481**	**-557**	**-11,707**	**-45,856**	**81,469**	**15,150**	**96,619**
Total period result						**724**	**9,027**	**-10,272**	**-521**	**647**	**126**
Transactions with shareholders:											
Dividend, other companies											-
Allocation of 2009 residual profit			-45,856					45,856	-		-
Own share purchase					-642				**-642**		**-642**
Other changes			-301						**-301**	**3301**	**3000**
	-		**- 46,157**	**-**	**-642**	**-**	**-**	**45,856**	**-943**	**3,301**	**2,358**
Balance at 30.06.10	**23,915**	**27,130**	**484**	**44,384**	**-3,123**	**167**	**-2,680**	**-10,272**	**80,005**	**19,098**	**99,103**

CONSOLIDATED CASH FLOW STATEMENT

(amounts in euro thousands)	NOTES	**30.06.2010**	**30.06.2009**
Profit/(loss) for the year pertaining to the Group	15	-10,272	-14,600
Profit/(Loss) for the year pertaining to minority interests		-1,257	-3,068
Tax for the year		6,290	-5,197
Profit/(loss) before tax		***-5,239***	***-22,865***
Depreciation of property, plant and equipment	2	14,439	14,073
Amortisation of intangible assets	2	1,617	1,747
Impairment of intangible assets	2	26	-
Provisions for risks	2	2,432	2,396
Provisions for employee benefits	2	2,934	2,929
Net financial income/expense	3	4,911	6,471
Net foreign exchange gains/losses	3	-1,578	-1,654
Cash flows before changes in Net Working Capital		***19,542***	***3,097***
Changes in inventory	13	-34,250	37,583
Changes in trade and other receivables	12	-63,818	77,144
Changes in trade and other receivables from related parties		-44	-98
Changes in trade and other payables	17	72,044	-108,132
Changes in trade and other payables to related parties		-623	1,548
Changes in receivables/payables for deferred taxation	11	291	358
Use of funds for employee benefits	19	-3,896	-4,360
Use of risks funds	20	-10,591	-3,297
Interest received		-	331
Interest paid		-5,774	-7,596
Tax payments	4	-3,422	-2,278
Cash flows from operating activities		***-30,540***	***-5,700***
Investments in PPE and real estate investments	6	-7,667	-15,021
Divestments and other movements in PPE	6	-12,180	3,764
Investments in intangible assets	7	-2,729	-2,848
Divestments and other movements in intangible assets	7	-300	441
Net cash provided by business combinations	22	-	-890
Effect of forex conversion on equity investments		-26	-
Cash flows from Investing activities		***-22,902***	***-14,554***
Changes in current financial assets	10	13,771	-193
Changes in non-current financial assets	10	-178	-
Changes in current financial liabilities	16	-133,403	19,020
Changes in non-current financial liabilities	16	148,121	-18,895
Changes in reserves	15	8,808	-4,096
Changes in minority interests		5,205	-302
Cash flows from financing activities		***42,324***	***-4,466***
Total cash flow for the period		***-11,118***	***-24,720***
Opening cash and cash equivalents		**54,711**	**51,674**
Liquid funds for sale		*843*	-
Closing cash and cash equivalents		**42,750**	**26,954**

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED ACCOUNTS TO THE HALF-YEARLY FINANCIAL REPORT AS OF 30 JUNE 2010

1. Introduction

Publication of the consolidated financial report and abridged consolidated financial statements of Carraro S.p.A. and subsidiaries, the Carraro Group, for the period running from 1 January 2010 to 30 June 2010 is authorised by resolution taken by the Board of Directors on 6 August 2010.

Carraro S.p.A. is a joint-stock company registered in Italy at the Padua Companies Register and controlled by Finaid S.p.A..

Carraro S.p.A. is not subject to management and coordination activities under the terms of Art. 2497 *et seq* of the Civil Code.
The controlling shareholder of Finaid S.p.A. does not direct and coordinate Carraro's operations. More specifically:
- Finaid is a purely financial holding;
- Finaid does not issue any directions to Carraro;
- the Finaid Board of Directors does not approve Carraro's strategic plans or business plans nor does it "interfere" regularly in its operations;
- there are no relationships of a commercial or financial nature between Finaid and Carraro.

These condensed consolidated interim financial statements are presented in euro, as this is the currency in which most of the group's operations are conducted. The foreign companies are included in the consolidated report in accordance with the principles described in the notes that follow.
Amounts in these financial statements are given in euro thousands, while amounts in the notes are indicated in euro millions (mln).

The Carraro Group companies are principally engaged in the manufacture and marketing of drive systems developed for agricultural tractors, construction equipment, material moving machinery, light commercial vehicles and automobiles, and electronic control and power systems.

Carraro, as the parent company, has function of strategic direction, control and coordination of the four business units of the Carraro Group: Drivelines (under the control of Carraro Drive Tech S.p.A.), Gears & Components (under the control of Gear World S.p.A.), Vehicles (Divisione Agritalia, industrial branch of the company Carraro S.p.A.) and Power Controls (under the control of Elettronica Santerno S.p.A.).

The consolidated financial statements, besides the Business Units mentioned above and the companies included therein, comprise Carraro International, based in Luxembourg, which carries on the work of financial and treasury management of the Group, as well as business of a commercial nature at the Swiss branch, Carraro Finance, based in Dublin (Ireland), which supports Carraro International in the performance of financial and treasury work, and Carraro Technologies, based in Pune (India), which works on design, research and development in favour of the Group and of third parties.

Reporting criteria and accounting principles

The annual consolidated financial statements are drawn up in compliance with the International Financial Reporting Standards ('IFRS') issued by the International Accounting Standard Board ("IASB") and homologated by the European Union in accordance with Regulation no. 1606/2002, in addition to with the provisions issued in implementing Art. 9 of Italian Legislative Decree no. 38 /2005. These abridged consolidated financial statements have been drawn up in abridged form in compliance with IAS 34 'Interim financial statements'. As such, it does not include all the information required by the consolidated annual financial statements and must be read together with the consolidated annual financial statements drawn up for the year ended on 31 December 2009.

In preparing these abridged half-yearly financial statements, drawn up in accordance with IAS 34 – Interim financial statements – the same accounting standards have been used as adopted in preparing the consolidated financial statements as of 31 December 2009, with the exception of that described in the paragraph below entitled "Accounting standards, amendments and interpretations coming into effect as from 1 January 2010"

The abridged, consolidated, half-yearly financial statements were prepared assuming that the company is a going concern, on the basis of the considerations already explained in the half-yearly financial report.

The preparation of the interim financial statements requires management to make estimates and assumptions based on the best information available, which affect the value of revenues, costs, assets and liabilities on the statements and the disclosure in relation to potential assets and liabilities as of the date of the interim financial statements.

Some of the measurement processes, and in particular the more complex processes, such as calculating any impairment of non-current assets, are generally only carried out in a complete manner upon preparing the annual financial statements, when all information as may be necessary is available. This is without prejudice to cases where there are indicators of impairment that require an immediate assessment of loss of value.

2. Structure and content of the abridged half-yearly consolidated financial statements

These abridged half-yearly consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union and to this end the figures of financial statements of the consolidated companies have been reclassified and adjusted appropriately.

2.1 Format of the consolidated financial statements

With regard to the format of consolidated accounting schedules, the Company opted to present the following accounting statements:

Financial position
The consolidated statement of financial position is presented with separate disclosure of Assets, Liabilities and Shareholders' Equity.
Assets and Liabilities are in turn presented according to their classification as current and non-current.

Income Statement
Items on the consolidated income statement are classified by their nature.

Statement of Comprehensive Income
The statement of comprehensive income includes items of income and costs that are not posted on the period income statement, as required or permitted by the IFRS, namely changes to cash flow hedge reserve, changes to the conversion reserve, the result of financial assets available for sale and actuarial profits/losses resulting from the application of IAS 19.

Statement of Cash Flows
The consolidated cash flow statement illustrates the changes in cash and cash equivalents (as presented in the statement of financial position) divided by cash generating area in accordance with the "indirect method", as permitted by IAS 7.

Statement of Changes in Shareholders' Equity
The statement of changes in shareholders' equity is presented in accordance with the requirements of the international accounting standards, showing the total result for the period and all changes generated from transactions with shareholders.

Accounting statements of transactions with related parties (Consob resolution 15519)
With reference to the reporting of related-party transactions in the financial statements, provided for in Consob Resolution 15519 of 27 July 2006, balances of a significant amount are specifically indicated, to facilitate understanding of the assets and liabilities, financial position and results of the group, in the table of paragraph 8 below devoted to related party transactions.

2.2 Content of the Condensed Consolidated Interim Financial Statements

Consolidation scope

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

The definition of a subsidiary is in keeping with that given in the Group's annual financial statements at 31 December 2009.

The following companies are consolidated using the line-by-line method:

Name	Based in	Currency	Par value Share capital	Group stake
Parent company:				
Carraro S.p.A.	Campodarsego (PD)	Euro	23,914,696	
Italian subsidiaries:				
Carraro Drive Tech S.p.A.	Campodarsego (PD)	EUR	50,758,291	100.00%
Elettronica Santerno S.p.A.	Campodarsego (PD)	EUR	2,500,000	100.00%
Gear World S.p.A.	Padua	EUR	35,084,397	73.82%
M.G. Mini Gears S.p.A.	Padua	EUR	15,000,000	65.44%
Siap SpA	Maniago (PN)	EUR	17,622,616	61.26%
Stm S.R.L.	Maniago (PN)	EUR	1,549,080	30.63%
Foreign subsidiaries:				
Carraro International S.A.	Luxembourg	EUR	39,318,000	100.00%
Carraro Deutschland Gmbh	Hattingen (Germany)	EUR	10,507,048	100.00%
Carraro Technologies India Pvt. Ltd.	Pune (India)	INR	18,000,000	100.00%
Carraro Finance Ltd.	Dublin (Ireland)	EUR	100,000	100.00%
O&K Antriebstechnik & Co. Gmbh Kg	Hattingen (Germany)	EUR	2,045,168	100.00%
Carraro Argentina S.A.	Haedo (Argentina)	ARS	77,327,617	99.94%
Carraro China Drive System	Qingdao (China)	USD	16,570,168	100.00%
Carraro India Ltd	Pune (India)	INR	568,260,000	100.00%
Carraro North America Inc.	Norfolk (USA)	USD	1,000	100.00%
Carraro Qingdao Trading Co Ltd.	Qingdao (China)	EUR	170,000	100.00%
Fon S.A.	Radomsko (Poland)	PLN	35,918,220	98.17%
Carraro Drive Tech Do Brasil	Santo Andrè (State of Sao Paulo)	REAL	25,569	99.84%
Eletronica Santerno Industria and Comercio LTDA	Minas Gerais (Brazil)	REAL	2,443,827	100.00%
Elettronica Santerno Espana S.L.	Valencia (Spain)	EURO	1,003,006	100.00%
Santerno Inc.	San Francisco (USA)	USD	10	100.00%
Zao Santerno	Moscow (Russia)	RUBLES	100,000	100.00%
Turbo Gears India Ltd.	Pune (India)	INR	550,000,000	73.82%
South America Gears	Haedo (Argentina)	ARS	27,768,888	100.00%
Mini Gears Inc	Virginia Beach (USA)	USD	8,910,000	65.44%
Gear World North America Inc.	Virginia Beach (USA)	USD	20,000	65.44%
Mini Gears Property	Virginia Beach (USA)	USD	20,000	65.44%
Mini Gears Shangai Trading Ltd	Shanghai (China)	USD	200,000	65.44%
MiniGears Suzhou Co. Ltd.	Suzhou (China)	USD	4,300,000	65.44%

Changes in the consolidation area and other operations of company reorganisation

On 31 March 2010, the purchase of the minority share (33%) was subscribed in the company Elettronica Santerno SpA by Carraro International S.A., taking the majority share held by Carraro S.p.A. to 100%.

On 30 June 2010, in order to support the development of the business activities under the scope of gearing, in line with the path envisaged by the Carraro Group three-year plan, the Shareholders' Meeting of SIAP SpA resolved to increase capital by a total of 7.5 million euros (thereby taking the share capital of SIAP from 10,122,616 euros to 17,622,616 euros).

More specifically, 4.5 million euros were subscribed by the company Gear World SpA, a sub-holding controlled by the Components B.U., and 3 million euros by Friulia SpA, the Friuli Venezia Giulia regional finance company (which settles at 17% of the new share capital). This agreement with Friulia aims to guarantee continuity of personnel employment in conditions of good economic and financial balance. So, the strategic role of the "Maniago hub" is confirmed for the production of transmission shafts, cylindrical gears, bevel gear pairs, epicycloidal gears and assembled units for power transmissions and axles.
As well as acquiring stock in SIAP SpA, Friulia SpA, the Friuli Venezia Giulia regional finance company, shall also issue a medium-long term loan to SIAP for 4 million euros.

On 1 April 2010, Gear World S.p.A. sold the entire share held in the company South America Gears S.A. to Carraro Drive Tech S.p.A. for a price of 5, 615,000 euros. Subsequently the shareholders' meetings of Carraro Argentina S.A. and South America Gears S.A. resolved the merger project by incorporation of South America Gears S.A. into Carraro Argentina S.A., which is scheduled for completion by end 2010.

In July 2010, the deed of sale of the investment held by Siap S.p.A. in STM Srl was stipulated, as explained in paragraph 5 'Assets held for sale'.

3. Consolidation criteria and accounting principles

3.1 Consolidation criteria

The figures are consolidated using the line by line method, that is assuming the entire amount of the assets, liabilities, costs and earnings of the individual companies, regardless of the stock held in the company.
Foreign companies are consolidated using financial statement formats in line with the layout adopted by the parent company and compiled in accordance with common accounting standards, as applied for Carraro S.p.A. The directors prepared the interim financial statements as of 30 June 2010 using the same criteria as for those of year end.
The carrying amount of consolidated equity interests, held by Carraro S.p.A. or by other companies within the consolidation scope, was offset by the relevant amount of shareholders' equity in the subsidiary company.
The amount of shareholders' equity and the net result of these third-party shareholders are shown in the Consolidated Statement of Financial Position and Income Statement respectively.
Payable and receivables, income and expenditure and all operations undertaken between the companies included within the consolidation scope have been eliminated, including dividends distributed within the Group.
Profits not yet realised and capital gains and losses deriving from operations between companies of the Group have also been eliminated.
Intra-group losses that indicate impairment are recognized in the consolidated financial statements.
Balances in foreign currencies have been converted into euro using the exchange rate of the end of the period for assets and liabilities, historical exchange rates for shareholders' equity items and average exchange rates in the period for the income statement.
Exchange differences resulting from this conversion method are shown in a specific shareholders' equity item entitled "Foreign currency translation reserve".
The exchange rates applied for the translation of accounts presented in foreign currencies were as follows:

Currency	Average exchange 01.01.2010/ 30.06.2010	Exchange as of 30.06.2010	Average exchange 01.01.2009/ 30.06.2009	Exchange as of 31.12.2009
Indian Rupee	60.73	56.99	65.59	67.04
Polish Zloty	4.00	4.15	4.48	4.1
US Dollar	1.33	1.23	1.33	1.44
Chinese Renminbi	9.06	8.32	9.11	9.84
Argentine Peso	5.13	4.83	4.85	5.46
Russian Ruble	39.89	38.28	44.1	43.15
Brazilian Real	2.37	2.21	2.92	2.51

3.2 Accounting standards and measurement criteria

Accounting standards, amendments and interpretations coming into effect as from 1st January 2010

Standards relevant to the Group for the first half of 2010

- IAS 27 (2008): Consolidated and individual financial statements

The changes to IAS 27 mainly concern the accounting of transactions or events affecting interest shares held in subsidiaries and the attribution of losses of the subsidiary to the interests pertaining to third parties. In accordance with the rules of principle transition the Group has adopted these changes to IAS 27 prospectively, noting effects on the accounting of certain acquisitions and sales of minority shares in subsidiaries.

- IFRS 3 (2008): Business combinations

The amendment clarifies that third party interest items that do not give rise to the right of holders to receive proportional shares of the subsidiary's net assets must be measured at fair value or according to the requirements of the accounting standards.

- "Improvement" to IFRS 5: Non-current assets held for sale and discontinued operations.

Standards not relevant to the Group

- Amendments to IAS 28: Investments held in related companies and to IAS 31 – Investments in joint ventures consequent to the changes made to IAS 27.
- Amendment to IFRS 2: Share-based payments: payments based on Group shares settled in cash.
- IFRIC 12 – Agreements for concession services.
- IFRIC 17 – Distribution of non-liquid assets to shareholders.
- IFRIC 18 – Transfer of assets from customers.
- Amendment to IAS 39: Financial instruments: accounting and assessment – elements that can be qualified for hedging

Intra-group transactions

In accordance with the Consob recommendations of 20 February 1997 (DAC/97001574) and 27 February 1998 (DAC/98015375) we can confirm that:

a) intragroup transactions and transactions with related parties which took place during the period, gave rise to trade, financial or consultancy-related relationships, and were carried out under standard market terms, in the financial interest of the individual companies involved in the transactions;
b) no atypical or unusual operations were implemented as compared with normal business management;
c) the interest rates and terms applied (paid and received) in financial relationships between the various companies are in line with market terms.

4. Information on business segments and geographical areas

Information on Operating Segments is given on the basis of the internal reporting provided to the highest operating decision-making level.

For operational purposes, the group manages and controls its business on the basis of the type of products supplied. Four operating segments were identified, corresponding to the following Business Units:

- *Drivetech*: production and marketing of axles, transmissions and drives for construction equipment and agricultural applications;
- *Gears & Components*: production and marketing of components for axles and transmissions, and of gears;
- *Vehicles*: production and marketing of agricultural tractors;
- *Power Controls*: production and marketing of electronic and power systems.

The item "other segments" brings together the Groups operations not allocated to the four segments, and comprises the central holding and group management activities.

The Management examines separately the results achieved by the operating segments in order to take decisions on the allocation of resources and on assessment of the results. The results of the segments are assessed on the basis of the operating profit or loss which may differ in some respects from the operating profit or loss shown in the consolidated financial statements.

4.1 Business segments

The most significant information by business segment is presented in the tables below, with comparisons for the first half of 2009 and first half of 2010.

a) economic data

30.06.2010 Drive *(amounts in euro thousands)*	s & Drivelines	Components	Vehicles	Power Controls	Eliminations and items not allocated	Total Consolidated
Revenues from sales	**191,924**	**72,218**	**23,165**	**46,205**	**-28,864**	**304,648**
Sales to third parties	185,821	50,985	21,922	45,679	241	304,648
Sales between divisions	6,103	21,233	1,243	526	-29,105	-
Operating costs	**192,882**	**75,828**	**25,529**	**39,298**	**-26,983**	**306,554**
Purchases of goods and materials	137,611	34,153	20,487	35,698	-30,294	197,655
Services	31,089	16,654	2,353	9,952	-45	60,003
Use of third-party goods and services	2,424	911	63	440	-1,383	2,455
Personnel costs	26,084	19,477	4,918	5,563	3,341	59,383
Amortisation, depreciation and impairment of assets	6,115	7,853	556	489	1,219	16,232
Changes in stocks	-10,742	-2,587	-2,968	-12,417	-244	-28,958
Provisions for risks	1,561	115	309	448	-1	2,432
Other income and expenses	-1,055	-207	-117	-87	385	-1,081
Internal construction	-205	-541	-72	-788	39	-1,567
Operating profit/(loss)	**-958**	**-3,610**	**-2,364**	**6,907**	**-1,881**	**-1,906**
Gains/(losses) on financial assets	-2,877	-1,156	-73	-11	784	-3,333
Current and deferred income taxes	-1,512	-757	-294	-2,389	-1,338	-6,290
Minorities	12	-275	-	-	1,520	1,257
Net income	**-5,335**	**-5,798**	**-2,731**	**4,507**	**-915**	**-10,272**

30.06.2009 Drive *(amounts in euro thousands)*	s & Drivelines	Components	Vehicles	Power Controls	Eliminations and items not allocated	Total Consolidated
Revenues from sales	**166,015 55,4**	**18**	**36,979**	**15,040**	**-17,858 255,594**	
Sales to third parties	160,275 44,56	8	35,777	14,841	133 255,	594
Sales between divisions	5,740 10,850		1,202	199	-17,991 -	
Operating costs	**171,019 66,4**	**96**	**37,127**	**15,623**	**-16,623 273,64**	**2**
Purchases of goods and materials	88,284 20,33	2	18,954	8,973	-17,723 118,820	
Services	26,419 12,94	1	2,520	3,985	-2,428 43,4	37
Use of third-party goods and services	2,368 801		773	331	-1,348 2,925	
Personnel costs	25,751 16,936		5,285	3,975	3,565 55,5	12
Amortisation, depreciation and impairment of assets	5,793 8,34	5	150	361	1,342 15,9	91
Changes in stocks	21,359 7,228		9,328	-2,114	-471 35,	330
Provisions for risks	1,598 102		471	224	1 2,39	6
Other income and expenses	-439 59		-354	-93	523 -304	
Internal construction	-114 -248		0	-19	-84 -465	
Operating profit/(loss)	**-5,004 -11,**	**078**	**-148**	**-583**	**-1,235 -18,**	**048**
Gains/(losses) on financial assets	-5,157 -2,327		-13	-48	2,728 -4,817	
Current and deferred income taxes	1,461 3,24	2	-144	96	542 5,197	
Minorities	160 359		-	-	2549 3,068	
Net income	**-8,540 -9,**	**804**	**-305**	**-535**	**4,584 -14,**	**600**

b) balance sheet

30.06.2010 *(amounts in euro thousands)*	Drives & Drivelines	Components	Vehicles	Power Controls	Eliminations and items not allocated	Total Consolidated
Non-current assets (*)	135,507	137,599	16,005	13,358	48,063	350,532
Current assets	209,069	78,064	24,865	78,767	-8,932	381,833
Assets held for sale	-	15,947	-	-	-81	15,866
Shareholders' equity	48,110	48,635	7,585	17,092	-22,319	99,103
Non-current liabilities	24,067	85,993	1,976	791	93,893	206,720
Current liabilities	272,399	89,318	31,309	74,242	-32,525	434,743
Liabilities held for sale	-	7,664	-	-	1	7,665

(*) Non -current ass ets in clude goodwill amou nting to 21.08 mln eu ro relating to the Driv es & Dr ivelines bu siness unit, goodwil l amounting to 21.88 mln euro relating to the Power Controls business unit and goodwill amounting to 20.21 mln euro attributable to the Components segment.

30.06.2009 Drive *(amounts in euro thousands)*	s & Drivelines	Components	Vehicles	Power Controls	Eliminations and items not allocated	Total Consolidated
Non-current assets (*)	125,033	154,317	6,458	9,373	51,785	346,966
Current assets	193,748	83,436	32,181	33,636	-8,521	334,480
Shareholders' equity	54,827	63,079	7,498	10,947	-8,785	127,566
Non-current liabilities	25,318	69,887	2,080	814	75,300	173,399
Current liabilities	238,636	104,787	29,061	31,248	-23,251	380,481

(*) Non -current as sets include goodwill amounting to 21.0 8 mln eu ro relating to the Drives & Drivelines business u nit, g oodwill amounting to 20.88 mln euro relating to the Power Controls business unit and goodwill amounting to 20.21 mln euro attributable to the Components segment.

c) Other information

30.06.2010	Drives & Drivelines	Components	Vehicles	Power Controls	Cancellations and items not allocated	Consolidated Total
Investments *(Euro/000)*	5,273	4,385	518	2,049	-1,829	10,396
Workforce as of 30.06.2010	1,883	1,428	220	208	102	3,841

30.06.2009	Drives & Drivelines	Components	Vehicles	Power Controls	Cancellations and items not allocated	Consolidated Total
Investments *(Euro/000)*	6,833	7,917	438	1,086	591	16,865
Workforce as of 30.06.09	1,666	1,523	226	163	112	3,690

4.2 Geographic areas

The Group's industrial operations are located in various areas of the world: Italy, other European countries, North and South America, Asia and other non-European countries.
The Group's sales, deriving from the manufacturing carried out in the above areas are achieved equally with customers in Europe, Asia and the Americas. Other information is better commented in the half-yearly interim report on operations.

a) Sales

The breakdown of sales by main geographic area is shown in the following table.

Geographical Area *(amounts in euro thousands)*	*30.06.2010*	*%*	*30.06.2009*	*%*
Germany	49,718	16.32	46,430	18.17
North America	28,688	9.42	29,880	11.69
South America	24,319	7.98	18,704	7.32
China	22,382	7.35	23,098	9.04
United Kingdom	20,233	6.64	6,818	2.67
Switzerland	14,723	4.83	17,446	6.82
India	13,190	4.33	8,024	3.14
France	12,190	4.00	24,346	9.52
Belgium	8,313	2.73	4,799	1.88
Poland	5,462	1.79	2,628	1.03
Turkey	4,716	1.55	1,153	0.45
Other E.U. areas	19,073	6.26	19,883	7.78
Other non-E.U. areas	6,681	2.19	5,265	2.06
Total Abroad	**229,688**	**75.39**	**208,474**	**81.56**
Italy	74,960	24.61	47,120	18.44
Total	**304,648**	**100**	**255,594**	**100**
of which:				
Total E.U. area	**189,949**	**62.35**	**152,024**	**59.48**
Total non-E.U. area	**114,699**	**37.65**	**103,570**	**40.52**

b) accounting values of assets by area

The following table illustrates the book values of current and non-current assets according to the primary geographic areas of manufacture.

(amounts in euro thousands)	**30.06.2010**		**31.12.2009**	
	CURRENT ASSETS	**NON-CURRENT ASSETS**	**CURRENT ASSETS**	**NON-CURRENT ASSETS**
Italy	283,038	465,412	**219,216**	**440,036**
Other EU countries (Germany, Poland)	169,125	141,412	**188,496**	**89,291**
North America	6,776	10,074	**4,505**	**8,926**
South America	43,071	14,372	**32,118**	**13,033**
Asia (India, China)	70,273	71,386	**43,196**	**61,860**
Non-E.U. countries	496	44	**391**	**5**
Cancellations and items not allocated	-190,946	-352,168	**-176,914**	**-261,810**
Total	**381,833**	**350,532**	**311,008**	**351,341**

c) investments by geographical area

The table below illustrates the value of investments in the primary geographic areas of manufacture.

(amounts in euro thousands)	**30.06.2010**	**31.12.2009**
Italy	9,543	16,940
Other E.U. countries	1,001	992
North America	409	420
South America	163	567
Non-E.U. countries	3,194	8,621
Asia	-	3
Cancellations and items not allocated	-3,914	-1,509
TOTAL	**10,396**	**26,034**

5. Assets held for sale (note 22)

In July 2010, with a view to better focusing the development objectives in the core sector of high quality gearing, SIAP SpA completed sale of its majority share (of 50.0001292%) of the company STM Srl, steel components forging company, with production plant adjacent to that of SIAP, to MARIV Srl As such, on 30 June 2010, it was classified amongst assets under disposal. This operation, worth a total of 5.3 million euros, will take the 'Maniago pole' to further concentrate its investments and R&D activities on processes and technologies that are increasingly strategic in a bid to better satisfy the demand both from traditional and emerging markets.

Effects on the consolidated financial statement items of the posting of the company STM Srl amongst assets/liabilities held for sale.

30.06.2010 STM srl *(amounts in euro thousands)*	**30.06.2010**
Non-current assets	7,533
Current assets	8,333
Assets held for sale	**15,866**
Non-current liabilities	1,313
Current liabilities	6,352
Liabilities held for sale	**7,665**
Third party equity held for sale	4,100
Equity held for sale	4,101
Equity held for sale	**8,201**

Revenues from sales	8,309
Total Operating costs	-7,690
Operating profit/(loss)	**619**
Gains/(losses) on financial assets	-29
Current and deferred income taxes	-76
Third party result	-329
Net group profit/(loss)	**185**

6. Notes and comments

Revenues and costs

***A) Revenues from sales* (Note 1)**

Analysis by business segment and geographical area

See the information provided in section 4 above.

***B) Operating costs* (Note 2)**

OPERATING COSTS

(amounts in euro thousands)	**30.06.2010**	**30.06.2009**
1) PURCHASES OF GOODS AND MATERIALS	197,655	118,820
2) SERVICES	60,003	43,437
3) SERVICES, LEASES AND RENTS	2,455	2,925
4) PERSONNEL EXPENSES	59,383	55,512
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	16,232	15,991
6) CHANGES IN INVENTORIES	-28,958	35,330
7) PROVISIONS FOR RISKS AND SUNDRY CHARGES	2,432	2,396
8) TOTAL OTHER EXPENSES AND INCOME	-1,081	-304
9) INTERNAL CONSTRUCTION	-1,567	-465
Total	**306,554**	**273,642**

***C) Net income from financial assets* (note 3)**

GAINS/(LOSSES) ON FINANCIAL ASSETS

(amounts in euro thousands)	**30.06.2010**	**30.06.2009**
10) INCOME FROM EQUITY INVESTMENTS	-	-
11) OTHER FINANCIAL INCOME	194	671
12) FINANCIAL COSTS AND EXPENSES	-5,105	-7,142
13) FOREIGN EXCHANGE INCOME/EXPENSES	1,578	1,654
14) ADJUSTMENTS OF FINANCIAL ASSETS	-	-
Total	**-3,333**	**-4,817**

Although suffering a net financial position that shows greater debt than 30 June 2009, in view of the lesser cost of money, net financial expense is down to 4.9 ml. euro, 1.61% of turnover, compared with 6.5 mln euro (2.53% of turnover) in the first half of 2009.
Net exchange differences at 30 June 2009 were a positive 1.58 mln euro and include, as well as the adjustment of equity entries, the MTM (Mark to Market) effects of measurement at fair value of derivative instruments, particularly in relation to the fluctuations recorded in particular of the Argentinean Peso, the Chinese Renminbi and the Indian Rupee.

Income taxes (note 4)

INCOME TAXES

(amounts in euro thousands)	**30.06.2010**	**30.06.2009**
CURRENT TAXES	4,335	1,666
TAXES FROM PREVIOUS YEARS	-	430
DEFERRED TAX LIABILITIES	1,955	-7,293
Total	**6,290**	**-5,197**

Current taxes
Tax on the income of Italian companies is calculated at 27.50%, for IRES (corporation tax), and at 3.90% for IRAP (regional business tax) on the respective taxable income for the period. Taxes for the other foreign companies are calculated at the rates in force in the various countries.

Tax consolidation expense and income
The companies Carraro S.p.A. and Carraro Drive Tech S.p.A. adhere to the tax consolidation of the parent company Finaid S.p.A.. The charges/income deriving from the transfer of the IRES taxable base are booked under current taxes. According to the current regulations of the Tax Consolidation Agreement, Carraro S.p.A. has the right to "relief" for the use of the tax losses of the subsidiary companies by Finaid, other than those belonging to the Carraro Group. This "relief" amounts to 3% of the tax loss of the other companies of the Finaid Consolidation possibly offset with the taxable amounts of Carraro S.p.A. and Carraro Drive Tech S.p.A..
The regulation also provides for a mechanism of priority offsetting of the positive and negative taxable amounts between Carraro SpA and Carraro Drive Tech SpA with respect to offsetting with the other companies of the Finaid Consolidation. The same mechanism is provided for with reference to the non-deductible expenses as an effect of the Thin Cap Rule.
There is also a tax consolidation in place between Gear World Spa and its subsidiaries.

Deferred tax liabilities
These are set aside on the temporary differences between the carrying amount of the assets and liabilities and the corresponding tax value.

As well as taxes entered in the income statement for the period, deferred tax assets for 20 euro/000 were charged directly to shareholders' equity.

Group earnings or losses per share (Note 5)
Basic earnings (losses) per share are calculated by dividing the net earnings (net losses) for the year attributable to the company's ordinary equity holders by the weighted average number of outstanding ordinary shares during the year.

	30.06.2010	**31.12.2009**	**30.06.2009**
Earnings	***Euro/000***	***Euro/000***	***Euro/000***
Earnings (Losses) for the purposes of calculation of basic earnings per share	-10,272	-45,856	-14,600
Diluting effect deriving from potential ordinary shares:	-	-	-
Earnings (Losses) for the purposes of calculation of diluted earnings per share	-10,272	-45,856	-14,600

	30.06.2010	**31.12.2009**	**30.06.2009**
Number of shares	**No./000**	**No./000**	**No./000**
Weighted average number of ordinary shares for the calculation			
of basic earnings (losses) per share:	44,962	41,272	41,407
of diluted earnings (losses) per share:	44,962	41,272	41,407
Basic earnings (losses) per share (Euro):	-0.23	-1.11	-0.35
Diluted earnings (losses) per share (Euro):	-0.23	-1.11	-0.35

We would remind you that on 23 December 2009, Carraro S.p.A. increased its share capital by a nominal Euro 2,074,696, by issuing 3,989,800 ordinary shares of a nominal value of 0.52 euro each at a price of Euro 2.85 of which a share premium of Euro 2.33, regular entitlement, destined exclusively and irrevocably for subscription of the company Agritalia S.p.A., to be settled by conferment in kind by Agritalia S.p.A. of its business, including tangible and intangible assets, other assets, bonds, contractual relationships and associated rights relating to the exercise of the business of developing, assembling or distributing agricultural tractors, and distribution of commercial replacement parts for such tractors.

Property, plant and equipment (Note 6)
These items present a net balance of 236.42 mln euro compared with 238.46 mln euro in the previous period.
The breakdown is as follows:

Items *(amounts in euro thousands)*	**Land and buildings**	**Plant and machinery**	**Industrial equipment**	**Other assets**	**Invest. in prog. and deposits**	**Total**
Historical cost	77,057	199,507	100,591	15,880	7,071	400,106
Provisions for depreciation, amortization and impairment	-14,996	-87,081	-50,318	-9,019	-228	-161,642
Net at 31.12.2009	**62,061**	**112,426**	**50,273**	**6,861**	**6,843**	**238,464**
Movements in 2010:						
Increases	4	1,275	3,279	78	3,031	7,667
Decreases	-	-259	573	-10	-844	-540
Capitalisation	-	36	331	1	-368	-
Assets held for sale	-2,116	-3,780	-1,345	-177	-7	-7,425
Change in consolidation scope	-	-	-	-	-	-
Depreciation and amortization	-1,090	-7,170	-5,350	-868	39	-14,439
Reclassification	525	119	762	18	-1,424	-
Impairment	-	-	-	-	68	68
Forex translation diff.	3,380	5,840	3,077	-248	576	12,625
Net at 30.06.10	**62,764**	**108,487**	**51,600**	**5,655**	**7,914**	**236,420**
Made up of:						
Historical cost	79,544	203,461	112,747	16,431	8,037	420,220
Provisions for amortization and impairment	-16,780	-94,974	-61,147	-10,776	-123	-183,800

At 30 June 2010 there were leased assets recognised as plant and machinery of 5.31 mln euro and as land and Buildings of 4.06 mln euro.

The main investments in plants and machinery were made by STM S.r.l. and by O&K.

The increases in industrial equipment refer primarily to the acquisitions of casting moulds and tools by Mini Gears Suzhou, Carraro Drive Tech S.p.A., Carraro India and Carraro S.p.A. (Divisione Agritalia).

The increases in Investments in Progress and Deposits were mainly due to investments being made in Carraro India Ltd., Mini Gears S.p.A., Mini Gears Suzhou, Carraro Drive Tech S.p.A. and Siap S.p.A..

The properties of Carraro S.p.A. have mortgage loans secured against them for a total of 26.3 mln euro.

Intangible assets (Note 7)
These items present a net balance of 81.37 mln euro compared with 79.96 mln euro in the previous period.
The breakdown is as follows:

Items *(amounts in euro thousands)*	**Goodwill**	**Development costs**	**Royalties and patents**	**Concessions, Licenses and Trademarks**	**Invest. in prog. and deposits**	**Other intangible assets**	**Total**
Historical cost	62,171	6,574	894	18,033	5,347	1,025	94,044
Provisions for amortization and impairment	-	-5,519	-570	-8,020	-	29	-14,080
Net at 31.12.2009	**62,171**	**1,055**	**324**	**10,013**	**5,347**	**1,054**	**79,964**
Movements in 2010:							
Increases	1,000	-	13	316	1400	-	2,729
Decreases	-	-	-	-	-	-	-
Capitalisation of int. costs	-	-	-	49	-49	-	-
Assets held for sale	-	-	-	-6	-	-	-6
Amortization	-	-278	-96	-1,170	-	-73	-1,617
Reclassification	-	887	-	-	-	-887	-
Impairment	-	-	-	-	-	-	-
Forex translation diff.	-	-	-	9	-	291	300
Net at 30.06.10	**63,171**	**1,664**	**241**	**9,211**	**6,698**	**385**	**81,370**
Made up of:							
Historical cost	63,171	7,618	907	18,467	6,698	2,419	99,280
Provisions for amortization and impairment	-	-5,954	-666	-9,256	-	-2,034	-17,910

The item Licences and trademarks includes the fair value of the Brand (3.30 mln euro) and the Technology (3.50 mln euro) recorded in the 2007 period in the acquisition of the company Mini Gears. These intangible assets with a limited useful life are amortised on a straight-line basis over the terms estimated at 10 and 7 years respectively.
The other intangible assets with a limited useful life are amortised on a straight-line basis over terms estimated at between 3 and 5 years.

Goodwill

Goodwill is attributed to the entity, respectively belonging to the various operative sectors, or rather Business Units of the group (corresponding to the CGU, Cash Generating Units, for the purpose of the impairment testing), as reported in the table below.
These CGUs are subjected to specific impairment testing at least once a year, in application of the provisions of IAS 36 as described in the explanatory notes to the financial statements as of 31 December 2009.

As of today's date, as compared with the last occasion, no elements have emerged such as to consider that the hypotheses and parameters used in the test performed for the financial statements as of 31 December 2009 should be reviewed.

The amounts of goodwill recognized are shown below:

(amounts in euro thousands)	**Business Unit** (CGU)	**31.12.2009**	**Changes**	**30.06.2010**
O&K Antriebstechnik GmbH &Co. KG.	*Drivelines*	3,000	-	3,000
Carraro India Ltd	*Drivelines*	18,079	-	18,079
Elettronica Santerno S.p.A.	*Power Controls*	20,877	1,000	21,877
Mini Gears Group	*Components*	20,215	-	20,215
Total		**62,171**	**1,000**	**63,171**

On 31 March 2010, the purchase option was exercised by Carraro International S.A. over the remaining capital share (33%) in Elettronica Santerno SpA, at the price already established as 18 million euros. The structure of the options in place on minority shares had already led to the full consolidation of the investment, in accordance with international accounting standards. On the same date, the willingness was expressed to recognise a further amount of 1 million euros to the counterparty, as a settlement with regards to all debt and credit positions of the respective groups, as originating from the original investment purchase agreement, thereby increasing the final cost of the acquisition. This increase was considered as a greater value of goodwill.

Investments in progress and deposits
The item refers mainly to development costs incurred by the companies Carraro S.p.A., Carraro Drive Tech S.p.A. and Elettronica Santerno S.p.A.. These expenses derive from the design of new product lines developed in connection with similar projects launched by customers. Development costs generated internally are capitalised at cost.

Licences and Trademarks
The increases mainly refer to licenses and the start-up of software by Carraro S.p.A..

Research and development costs (non-capitalizable)
During the course of the first half of 2010 research and trials were carried out by some of the personnel employed in both development and production. For these operations, the Group sustained total expenditure of 7.25 mln euro (not capitalised through the lack of the requirements envisaged by IAS 38). (6.32 mln euro in the first half of 2009).

Real estate investments (Note 8)
These present a net balance of 0.7 mln euros and relate to civil property owned by Carraro S.p.A., Siap S.p.A and Carraro Argentina SA.

Equity investments (Note 9)

Equity interests in subsidiaries

The balance of 0.175 mln euro can be broken down as follows:

Name	Parent company	Based in	Currency	Par value Share Capital	Percentage stake	Value of Net Equity 30.06.10 Ctv. Euro	Carrying amount
Carraro PNH Components India Ltd.	Carraro India Ltd	Bombay (India)	Rupees	10,000,200	99.998%	119,080	175,460

Carraro PNH Components India Ltd. is a non-operational company, whose only assets consist of land for industrial development and the decision not to consolidate is not considered significant in presenting the accounts.

Financial assets (Note 10)

(amounts in euro thousands)	30.06.2010	31.12.2009
Loans to third parties	300	122
LOANS AND RECEIVABLES	**300**	**122**
Available for sale	165	167
Other financial assets	897	638
OTHER FINANCIAL ASSETS	**1,062**	**805**
NON-CURRENT FINANCIAL ASSETS	**1,362**	**927**
With third parties	411	13,976
LOANS AND RECEIVABLES	**411**	**13,976**
Fair value of derivates	1,809	48
Other financial assets	1,344	537
OTHER FINANCIAL ASSETS	**3,153**	**585**
CURRENT FINANCIAL ASSETS	**3,564**	**14,561**

Non-current financial assets
These include a loan of 0.300 mln euro to CPS and available-for-sale assets of 0.165 mln euro consisting mostly of guarantee deposits. These also include the interest shares and commission on bank loans referred for competence to subsequent years.

Other current financial assets
These include cash flow hedging derivatives of 1.809 mln euro. The balance relates to the fair value recognized at 30 December 2010 on existing derivatives on foreign currencies. As described in detail in the section on derivative financial instruments (Paragraph 9), gains or losses deriving from hedging instruments are recognized in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve for the efficient part, while the remaining (inefficient) portion is recognized in the income statement. These also include the portion of interest and fees on bank loans and on interest for VAT rebates deferred for accrual to the following year.

Current loans and receivables
As of 31 December 2009, these included a loan asset for 13.94 mln euros granted to the Busi group under the scope of the contract to purchase the remaining 33% of Elettronica Santerno by Carraro S.p.A.. This purchase took place on 31 March 2010.

Deferred tax assets and liabilities (Note 11)

The carrying amount of net deferred tax assets recognized at 30 June 2010 was 21 mln euro. (31 December 2009: 22.7 mln euro).

Deferred tax assets include the potential benefits associated with retained tax losses, insofar as it is likely that there will be suitable future taxable profits against which these losses can be used in a reasonably short period. Tax losses to be carried forward, for which it was decided not to recognize deferred tax assets at 30 June 2010 amounted to 47.9 mln euro. (31 December 2009: 26.4 mln euro) with a tax effect of 11.5 mln euro (31 December 2009: 7.1 mln euro).
We did not consider it necessary to post deferred assets with reference to financial expenses that are temporarily non-deductible in accordance with the Thin Cap Rule for a taxable figure of 7.5 mln euros (31 December 2009: 5.9 mln euro) with a tax effect of 2.1 mln euro (31 December 2009: 1.6 mln euro).

Trade and other receivables (Note 12)

(amounts in euro thousands)	**30.06.2010**	**31.12.2009**
NON CURRENT TRADE RECEIVABLES	**-**	**-**
With related parties	-	-
With third parties	-	2,133
OTHER NON-CURRENT RECEIVABLES	**-**	**2,133**
NON-CURRENT TRADE & OTHER RECEIVABLES	**-**	**2,133**
With related parties	38	45
With third parties	129,669	67,950
CURRENT TRADE RECEIVABLES	**129,707**	**67,995**
With related parties	331	287
With third parties	37,720	36,713
OTHER CURRENT RECEIVABLES	**38,051**	**37,000**
CURRENT TRADE & OTHER RECEIVABLES	**167,758**	**104,995**

The increase in trade receivables with third parties is strictly linked to the significant increase in sales.

Closing inventory (Note 13)

Items *(amounts in euro thousands)*	**30.06.2010**	**31.12.2009**
Raw materials	99,921	86,567
Work in progress and semi-finished products	42,006	31,575
Finished products	46,829	40,210
Goods in transit	703	151
Total Inventories	***189,458***	***158,504***
Provisions for impairment of inventories	-21,699	-21,763
Total inventory	**167,761**	**136,741**

Cash and cash equivalents (Note 14)

(amounts in euro thousands)	**30.06.2010**	**31.12.2009**
CASH	219	219
CURRENT ACCOUNTS AND BANK DEPOSITS	42,531	54,413
OTHER LIQUID FUNDS OR EQUIVALENT ASSETS	-	79
TOTAL	**42,750**	**54,711**

Shareholders' equity (Note 15)

In thousands of euro	**30.06.2010**	**31.12.2009**
1) Share Capital	23,915	23,915
2) Other Reserves	24,491	71,290
3) Profits/(Losses) brought forward	-	-
4) IAS/IFRS first adoption reserve	44,384	44,384
5) Other IAS/IFRS reserves	167	-557
Foreign currency translation reserve	-2,680	-11,707
6) Result for the period pertaining to the group	-10,272	-45,856
GROUP SHAREHOLDERS' EQUITY	80,005	81,469
7.1) Minority interests	*14,998*	-
7.2) Minority interests held for sale	*4,100*	-
7) Minority interests	19,098	15,150

The Shareholders' Meeting of Carraro SpA held on 30 April 2010 approved a treasury share purchase and disposal plan involving no more than 5% of the share capital, for a term of 18 months, which provides for: a purchase price per ordinary share no less than 30% lower, and no more than 20% higher than the reference price for the share recorded in the stock exchange session on the day prior to each individual transaction, and a sale price per ordinary share no less than 20% lower, and no more than 20% higher than the reference price for the share recorded in the stock exchange session on the day prior to each individual transaction.

The same meeting resolved to cover the losses of the year 2009, amounting to 8,557,205 euros by withdrawing this same amount from the extraordinary reserve.

We would remind you that on 23 December 2009, following conferment of the business of the Agritalia S.p.A. company to Carraro S.p.A., the share capital of Carraro S.p.A. was increased by Euro 2,074,696 by the issue of 3,989,800 shares with a nominal value of Euro 0.52 each at a price of Euro 2.85 of which Euro 2.33 as a share premium destined exclusively for the subscription of Agritalia S.p.A..
With effect from 31 December 2009, the share capital of Carraro S.p.A. is therefore Euro 23,914,696, corresponding to 45,989,800 shares of a nominal value of Euro 0.52 each.

The company has issued a single category of ordinary shares which do not give the right to a fixed dividend.
No other financial instruments which assign equity and investment rights have been issued.

At 30 June 2010, 1,106,155 had been purchased for a total investment of Euro 3.123 mln.

Other reserves
The item Other reserves for 24.491 mln euros includes the Carraro S.p.A. reserves and all else generated by the excess of shareholders' equity of the consolidated companies as compared with the corresponding book values of the relevant investments and consolidation adjustments.

IAS/IFRS 1st adoption reserve
The IAS/IFRS first adoption reserve amounted to 44.384 mln euro at 30 June 2010.

Other IAS/IFRS reserves
This includes the values arising from application of the criterion prescribed for cash flow hedging of 0.167 mln euro.

Foreign currency translation reserve
This reserve, of 2.68 mln euro is used to record the exchange differences deriving from the conversion into euros of the financial statements of foreign subsidiaries.

The change to the reserve (negative for 11.71 mln euros as of 31 December 2009 and negative for 2.68 mln euros as of 30 June 2010) particularly derives from the great changes recorded during the period of the Argentinean Peso, the Chinese Renminbi and the Indian Rupee.

Financial liabilities (Note 16)

On 13 April 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 31 December 2009. The agreement shall be valid until 31 December 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).

As forecast, the net financial position grows, going from 241.057 million euros as of 31 December 2009 to 279,299 euros as of 30 June 2010 (278.590 euros as of 31 March 2010). This is mainly due to the purchase of the minority share (33%) in the company Elettronica Santerno SpA, the re-absorption of the suppliers manoeuvre implemented in 2009 and the moderate increase in working capital due to a return to volumes.

For better understanding, the following is a classification of financial liabilities as of 30 June 2010 and 31 December 2009. We would remind you that the figures as of 31 December 2009 consider the reclassification, amounting to 109.11 mln euros, from medium/long to short-term, as envisaged by IAS 1, paragraph 74.

(amounts in euro thousands)	**30.06.2010**	**31.12.2009**
Medium/long-term loans	174,523	26,437
Other non-current financial liabilities	-	-
NON-CURRENT FINANCIAL LIABILITIES	**174,523**	**26,437**
Medium/long-term loans – short-term portion	48,446	149,508
Loans with third parties	221	438
Short-term loans	100,957	134,007
LOANS	**149,624**	**283,953**
Fair value of interest rate derivatives	736	896
Fair value derivatives on exchange rates	209	22
Other current financial liabilities	854	651
OTHER FINANCIAL LIABILITIES	**1,799**	**1,569**
CURRENT FINANCIAL LIABILITIES	**151,423**	**285,522**

A breakdown of medium- and long-term financial debts is presented below, inclusive of the portion expiring before the end of the year.

COMPANY (figures in thousands of euros)	LENDER	Amount at short term at 30.06.10	Amount at mid/long term at 30.06.10	EXPIRY	RATE	RATE TYPE	CURRENCY
Carraro China Drive System	Intesa SanPaolo	-	4,678	Jun-14	5.18%	variable	CNY
Carraro India	Exim	413	310	Mar-12	13.00%	variable	INR
Carraro India	Idbi Bank	439	768	Jan-13	11.75%	variable	INR
Carraro India	MCC		321	Apr-12	2.70%	variable	Euro
Carraro India	MCC		727	Apr-13	2.70%	variable	Euro
Carraro International	Banca Antonveneta		10,347	Jun-15	2.75%	variable	Euro
Carraro International	Banca Antonveneta *(revolving)*	20,000		Dec-12	2.01%	variable	Euro
Carraro International	MPS		8,773	Mar-15	2.70%	variable	Euro
Carraro International	Pool of banks		97,468	May-17	2.74%	variable	Euro
Carraro International	Pool of banks *(revolving)*	20,000		May-14	2.00%	variable	Euro
Carraro International	Banca Pop.Vicenza *(revolving)*	5,000		Dec-15	2.83%	variable	Euro
Carraro S.p.A.	Banca Antonveneta		16,690	Dec-20	2.74	variable	Euro
Carraro S.p.A.	Italian lessor	118		Jun-11			
Carraro S.p.A.	MPS Leasing	654		Feb-11	1.35%	variable	Euro
Carraro S.p.A.	San Paolo IMI (F.I.T.)	277		Jun-11	1.01%	fixed	Euro
Elettronica Santerno	Simest	29	58	Nov-11	1.40%	fixed	Euro
FON	Capitalia Lux		1,742	Jun-13	5.41%	variable	PLN
MG MINI GEARS SPA	Banca Pop.Verona		21,387	Jun-16	2.34%	variable	Euro
MG MINI GEARS SPA	Interbanca		2,000	Dec-13	2.79%	variable	Euro
MG MINI GEARS SPA	Intesa Mediocredito		632	Sep-12	2.39%	variable	Euro
MG MINI GEARS SPA	Ministry of Research	141	217	Jan-13	2.00%	fixed	Euro
MG MINI GEARS SPA	Locat Leasing	38		Aug-10	1.66%	variable	Euro
MG MINI GEARS SPA	San Paolo Leasint	518	563	Jul-10/Apr-13	1.47%-1.86%	variable	Euro
SIAP	Friulia		4,000	Jun-16	3.00%	variable	Euro
Turbo Gears	BNP	732		Nov-11	8.60%	fixed	INR
Turbo Gears	Idbi Bank	87	154	Jan-13	12.75%	variable	INR
Turbo Gears	MCC	-	3,688	Dec-16	2.78%	variable	Euro
TOTAL		**48,446**	**174,523**				

The following is a summary according to year of expiry.

Year of expiry *(amounts in euro thousands)*	
2011, second half	1,069
2012	34,676
2013	36,378
2014	33,198
2015	29,606
2016	22,621
2017 11,025	
2018 2,100	
2019 1,92	5
2020 1,92	5
Total financial payables	**174,523**

The net financial position is broken down below.

Net financial position *(amounts in euro thousands)*	**30.06.2010**	**31.12.2009**
Non-current loans payable	174,523 26,4	37
Current loans payable	149,624 28	3,953
Other current financial liabilities	854 651	
Financial liabilities:	**325,001 311,0**	**41**
Non-current loans and receivables	-300 -122	
Current loans and receivables	-411 -13,97	6
Loans and receivables with related parties	- -	
Other non-current financial assets	-897 -638	
Other current financial assets	-1,344 -537	
Financial assets:	**-2,952 -15**	**,273**
Cash	-219 -219	
Bank current accounts and deposits	-42,531 -54,492	
Cash and cash equivalents:	**-42,750 -5**	**4,711**
Net financial position	**279,299 241,**	**057**
of which payables / (receivables):		
- non-current	**173,626 25,799**	
- current	**105,673 215,258**	

The group has available short term banking credit facilities for a total of 138.56 mln euro, sued for 1 00.96 mln euro. These facilities may be used for current account overdrafts and short-term loans.

Medium and long-term bank credit facilities amount to a total of 272.37 mln euros, as compared with use for 222.97 mln euros (medium/long-term portion and portion due within the year).

A significant share of the above-described facilities is included in the agreement signed on 13th April 2010 between the Carraro Group and the main Financing Banks (Framework Agreement).

This Framework Agreement ensures medium and long-term bank overdrafts for 239.68 mln euro.
It also s pecifically envisages the conc ession of a w aiver of cov enants o f 31 D ecember 2009 and th eir r edefinition f or future years, the re-scheduling of repayment of the capital share of the current medium and long-term loans for expiries of 201 0 and 2 011, postponin g them for two year s a s co mpared with t he or iginal r epayment pl ans and confir ming availability of the revolving line (RCF) for an amount of 50.00 mln euro.
It also en sures short-term banking faciliti es for 95.12 mln euro, after a total reduction of 47.00 mln euro, which will be renewed on a n an nual ba sis, for th e entir e du ration o f the Fr amework Ag reement, should th e fin ancial parameters defined by the agreement be respected.

Fair Value
The fair value of medium/long-term financial liabilities, taking account of the fact that these are almost exclusively for variable-rate funding and that the terms being renegotiated with the banking counterparties are in line with the average levels for the market and the segment – even considering the residual volatility of the markets and the relative uncertainty in identifying "reference" conditions – as measured is not significantly different overall from the carrying amounts.

Management of capital
The Group's main managem ent objective is to ensure th at a sou nd cr edit rating is maint ained, to gether with adequ ate levels of the capital indicators so as to support its activities and maximise value for the shareholders.
The Group manages and modifies the capital structure in line wi th changes in th e economic conditions. To maintai n or change the capital structure, the Group can adjust the dividends paid to the shareholders, redeem the capital or issue new shares.
Particular attention is paid to the level o f debt in rel ation to net equity and EBITDA, thereby pursuing the objectives of profitability and the generation of cash for the Group business.

Trade payables and other payables (Note 17)

(amounts in euro thousands)	30.06.2010	31.12.2009
NON-CURRENT TRADE PAYABLES	**125**	**-**
OTHER NON-CURRENT PAYABLES	**303**	**306**
TRADE AND OTHER NON-CURRENT PAYABLES	**428**	**306**
With related parties	79	591
With third parties	227,760	151,382
CURRENT TRADE PAYABLES	**227,839**	**151,973**
With related parties	39	151
With third parties	36,407	43,056
OTHER CURRENT PAYABLES	**36,446**	**43,207**
TRADE AND OTHER PAYABLES	**264,285**	**195,180**

Other payables as of 31 December 2009 included the price for the purchase option of the remaining 33% of Elettronica Santerno by Carraro S.p.A., exercised on 31 March 2010 for an amount of 18 million euros.

Liabilities for current taxes (Note 18)

(amounts in euro thousands)	30.06.2010	31.12.2009
Current taxes payable	6,240	5,430
Substitute tax payable pursuant to Law 266/2005	798	798
Current taxes payable	**7,038**	**6,228**

Employee severance indemnities and retirement benefits (employee benefits) (Note 19)

EMPLOYEE SEVERANCE INDEMNITIES *(amounts in euro thousands)*	30.06.2010	31.12.2009
Opening severance indemnities in accordance with IAS 19	**16,615**	**18,755**
Changes	-1,718	-2,140
Closing severance indemnities in accordance with IAS 19	**14,897**	**16,615**

Employee severance indemnities with reference to the employees of the Italian companies, are calculated according to current provisions of law and booked as a defined performance benefit. As such, they are recalculated every period end according to a statistical-actuarial criterion that also considers the effects of financial discounting, as envisaged by IAS 19. The change to the liability stated between one period end and the previous is recorded in full on the income statement and classified as personnel costs.

Pension/retirement funds
Pension and similar funds for 5.060 mln euros (4.961 mln euros as of 31 December 2009) relate to the liabilities recognised in the accounts of the company O&K Antriebstechnik; the actuarial recalculation, except for the structural differences of the relevant plans, follows the same criterion described for the Italian termination benefit provisions.

Number of employees
The number of employees refers only to the fully consolidated companies and is divided into categories:

Employees	30.06.2010	31.12.2009	30.06.2009
Executives	57	66	80
Clerical staff	945	1,007	1,068
Factory workers	2,662	2,458	2,514
Temporary workers	177	81	28
Total at 31.12	**3,841**	**3,612**	**3,690**

Provisions for risks and liabilities (Note 20)

The item can be broken down as follows:

(amounts in euro thousands)	Provisions 31.12.2009	Increases 1st half 2010	Decreases 1st half 2010	Reclassification 1st half 2010	Liabilities held for sale	Exchange-rate adjustments	Provisions 30.06.2010
Non-current portion							
1) WARRANTY	655	70	-43	-	-	25	707
2) COSTS OF LEGAL CLAIMS	1,248	-	-81	-	-11	-	1,156
3) RENOVATION AND CONV.	3,628	-	-	-1,627	-	-	2,001
4) OTHER PROVISIONS	136	55	-8	-	-	1	184
TOTAL	**5,667**	**125**	**-132**	**-1,627**	**-11**	**26**	**4,048**
Current portion							
1) WARRANTY	10,880	2,302	-3,664	-	-	141	9,659
2) COSTS OF LEGAL CLAIMS	207	5	-10	-77	-	5	130
3) RENOVATION AND CONV.	6,080	-	-3,580	-1,657	-	-	843
4) OTHER PROVISIONS	1,382	-	-106	77	-	13	1,366
TOTAL	**18,549**	**2,307**	**-7,360**	**-1,657**	**-**	**159**	**11,998**

From the product warranty reserve, 3.71 mln euro was used for customer claims accepted and the reserve was increased by 2.37 mln euro on the basis of the expected warranty costs which will be incurred in relation to the sales made.

The item Costs of legal claims includes an allocation of 0.13 mln euro for a tax department dispute in 2008 with Mini Gears S.p.A..
With reference to the fund for tax risks allocated by Carraro Spa (0.96 mln as of 31 December 2009) against the inspection carried out in 2009 by the Tax Authorities – mainly concerning the year 2006 and extended, for some instances, to the years 2005 and 2007 – we would mention that the dispute is currently being settled by means of inspection with adhesion.

RESTRUCTURING FUND	Short-term fund	Medium/long-term fund	Fund use	Reclassification to payables	Short-term fund	Medium/long -term fund
(amounts in euro thousands)	31.12.2009	31.12.2009	1st half 2010	30.06.2010	30.06. 2010	30.06.2010
Carraro S.p.A.	150	260	-	41	-	369
Carraro Drive Tech	1,746	1,722	606	2,025	-	837
MG S.p.A.	1,214	658	789	618	-	465
Siap S.p.A.	360	988	418	600	-	330
O&K	2,610	-	1,767	-	843	-
TOTAL	**6,080**	**3,628**	**3,580**	**3,284**	**843**	**2,001**

In order to facilitate a process of re-employment of personnel made redundant, in alternative to the immediate start of a mobility procedure, in Italy the Group opted for the use of Cassa Integrazione Guadagni Straordinaria (CIGS - the Extraordinary Redundancy Benefit Fund). The agreement, signed in the presence of the Ministry of Employment on 15 December 2009, provides for an initial phase of this procedure for the year 2010 as a result of the "situation of crisis", with the possibility to extend it, after an agreement with both the trade unions – on the basis of the overall situation and the performance of the markets – for a further period of 1 year for "reorganization".
To this end, as of 31st December 2009, in the various Italian companies, restructuring funds were allocated for a total of 7.098 mln euros, used during the first half of 2010 for 1.814 mln euros, as shown in the explanatory table. The amount relative to further individual agreements reached (leaving and pensions) not yet supplied, has been reclassified to payables.

In Germany, in the same way, the company O&K Antriebstechnik has used a similar agreement (Kurzarbeit) was signed to deal with the reduction in the workforce in accordance with the most opportune existing social "shock absorbers". The fund was used for 1.750 mln euros and the remainder for 0.860 euros, in line with the initial allocation.

7. Commitments and risks

No significant events occurred as worthy of note.

8. Transactions with related parties (Note 21)

The Carraro Group is controlled directly by Finaid S.p.A., which as of 30 June 2010 held 64.9301% of the shares outstanding.

The companies Carraro S.p.A. and Carraro Drive Tech S.p.A. adhere to the tax consolidation of the parent company Finaid S.p.A.. The charges/income deriving from the transfer of the IRES taxable base are booked under current taxes. According to the current regulations of the Tax Consolidation Agreement, Carraro S.p.A. has the right to "relief" for the use of the tax losses of the subsidiary companies by Finaid, other than those belonging to the Carraro Group. This "relief" amounts to 3% of the tax loss of the other companies of the Finaid Consolidation possibly offset with the taxable amounts of Carraro S.p.A. and Carraro Drive Tech S.p.A..
The regulation also provides for a mechanism of priority offsetting of the positive and negative taxable amounts between Carraro SpA and Carraro Drive Tech SpA with respect to offsetting with the other companies of the Finaid Consolidation. The same mechanism is provided for with reference to the non-deductible expenses as an effect of the Thin Cap Rule.

Transactions between Carraro S.p.A. and its subsidiaries, which are related entities of Carraro S.p.A., were eliminated in the consolidated financial statements and are not shown. Details of transactions between the Carraro Group and other related entities, in accordance with IAS 24 and with the Consob requirements, are provided below.

(amounts in euro thousands)	**Financial and equity transactions**		**Economic transactions**				
Other related parties	Trade receivables and other receivables	Trade payables and other payables	Sales of services	Purchases of goods and materials	Purchases of services	Use of third-party goods and services	Purchases of fixed assets
FINAID S.r.l.	234	39	-	-	-	-	-
Maus S.p.A.	124	79	25	1	40	-	-
European Power System S.r.l.	11	1	-	-	2	-	-

Purchases from Maus S.p.A. relate to the supply of specific machine tools and the related spare parts and accessories. The services include mainly charges for the use of central information systems.

9. FINANCIAL INSTRUMENTS

9.1 Derivative financial instruments on currencies

The follo wing table i ndicates all the key in formation rel ating to the portfolio of derivative fin ancial instruments on currencies outstanding at 30 June 2010. These are instruments designated to cover:
- foreign currency sales budgets
- cash flows of medium/long-term loans
- imbalances of current receivables and payables in foreign currencies

a) Notional values

CONTRACT (*amounts in Euro thousands*)	Carraro Drive Tech	O&K	Carraro Argentina	Carraro International	Fon India	Carraro	Turbo Gears	TOTAL GROUP 30.06.2010	TOTAL GROUP 31.12.2009
Swaps (DCSs) (1)	1,121	- -		21,817	-	10,103	2,889	-	2,828
Swaps (DCSs) (2)	-	-	-	-	-	273	430	-	-
Swaps (DCSs) (3)	-	-410	-2,309	1,529	-1,789	-	704	-2,275	-1,812
TOTAL NOTIONAL VALUES	**1,121**	**-410**	**- 2,309**	**23,346**	**-1,789**	**10,376**	**4,023**	**34,358**	**1,016**

b) Reference currencies and expiry dates of contracts

CONTRACT		Carraro Drive Tech	O&K	Carraro Argentina	Carraro International	Fon	Carraro India	Turbo Gears
Swaps (DCSs) (1)	Ref. currencies	USD/EUR			ARS/EUR ARS/USD CNY/EUR CNY/USD		INR/EUR INR/USD	INR/EUR INR/USD
	Expiry dates	Aug-Dec 2010			Jul. - Dec. 2010 Jul. - Dec. 2010 Jul. - Dec. 2010 Jul. - Dec. 2010		Jul. - Dec. 2010 Sep. – Dec. 2010	Jul. - Dec. 2010 Jul. - Dec. 2010
Swap (DCS) (2)	Ref. currencies						INR/EUR	INR/EUR
	Expiry dates						Oct. 2010	Dec. 2010
Swaps (DCSs) (3)	Ref. currencies		USD/EUR	ARS/EUR ARS/USD		PLN/EUR		INR/EUR
	Expiry dates		Jul. - Aug. 2010	Jul. - Aug. 2010 Jul. - Sep. 2010		Jul. - Aug. 2010		Sep. 2010

c) Fair value

(*amounts in Euro thousands*)	Carraro Drive Tech	O&K	Carraro Argentina	Carraro International	Fon India	Carraro	Turbo Gears	TOTAL GROUP 30.06.2010	TOTAL GROUP 31.12.2009
Swaps (DCSs) (1)	-20	-	-	704	-	840	206	**1,730**	**28**
Swaps (DCSs) (2)	-	-	-	-	-	-31	-61	**-92**	**-**
Swaps (DCSs) (3)	0	2	-9	-11	-20	-	-	**-38**	**-2**
Total	**-20**	**2**	**-9**	**693**	**-20**	**809**	**145**	**1,600**	**26**

(1) instruments hedging foreign currency sales budget
(2) instruments hedging cash flows of medium/long-term loans (MCC Carraro India)
(3) instruments hedging imbalances of current receivables and payables in foreign currencies

d) Details of fair values

(amounts in euro thousands)	30.06.2010		31.12.2009	
	Fair value positive	Fair value negative	Fair value positive	Fair value negative
CASH FLOW HEDGES				
Exchange rate risk – Domestic Currency Swaps	1,830	-230	84	-58

e) Summary of fair values recognised before tax effect according to their accounting treatment

(amounts in Euro thousands)	Carraro Drive Tech	O&IK	Carraro Argentina	Carraro International	Fon India	Carraro	Turbo Gears	TOTAL GROUP 30.06.2010	TOTAL GROUP 31.12.2009
Value entered income statement	-8	2	-9	433	-20	226	-14	**610**	**22**
Value entered To net equity	-12	-	-	260		583	159	**990**	**4**
Total	**-20**	**2**	**-9**	**693**	**-20**	**809**	**145**	**1,600**	**26**

In relation to the positioning in the hierarchy of fair values pursuant to IFRS 7 par. 27 the financial instruments described are classifiable as level 2; there were no transfers of level during the period.

The fair values at 30 June 2010 of financial instruments on exchange rates were calculated using the forward exchange rate method.
The counterparties with which the contracts are stipulated are leading national and international banking institutions.
The financial instruments on currencies are used, on a basis consistent with the financial risk management policy adopted by the group, to hedge the risks deriving from exchange rate fluctuations and concern sales volumes compared with the budget exchange rate and the collections and payment of short and medium-term receivables and payables with respect to the historical value.
For accounting purposes in relation to contracts hedging sales budgets in foreign currencies effective at the reporting date, it should be noted that for the transactions executed, especially Domestic Currency Swaps, and in accordance with all the conditions provided by the IAS/IFRS standards, hedge accounting was applied with reference to the type of "cash flow hedge". Consequently, the corresponding changes in fair values are reflected in a net equity reserve, net of the tax effect.

9.2 Derivative financial instruments on interest rates

a) Notional values and fair value
The table shows the details of the **notional** and **fair values** and other information regarding the various types of derivative contract on interest rates in existence at 30 June 2010; on this date the ongoing contracts involved Carraro International S.A. and Mini Gears S.p.A..

CONTRACT *(amounts in euro)*	CURRENCY	EXPIRY	NOTIONAL 30.06.2010	NOTIONAL 31.12.2009	FAIR VALUE 30.06.2010	FAIR VALUE 31.12.2009
Interest Rate Swap	EUR	29.05.2012	2,656,000	3,324,000	-54,426	-61,465
Interest Rate Swap	EUR	29.05.2012	2,656,000	3,324,000	-53,962	-60,765
Interest Rate Swap	EUR	29.05.2012	2,656,000	3,324,000	-66,656	-79,912
Interest Rate Swap	EUR	29.05.2012	2,656,000	3,324,000	-80,588	-100,927
Interest Rate Swap	EUR	29.05.2012	2,656,000	3,324,000	-80,201	-100,343
Interest Rate Swap	EUR	31.03.2013	7,661,870	8,843,744	-334,739	-369,221
Interest Rate Swap	EUR	29.11.2010	5,000,000	5,000,000	-64,762	-122,703
Total derivates from cash flow hedge			**25,941,870**	**30,463,744**	**-735,334**	**-895,336**

In relation to the positioning in the hierarchy of fair values pursuant to IFRS 7 par. 27 the financial instruments described are classifiable as level 2; there were no transfers of level during the period.

For determination of the fair value of Interest Rate Swaps the discounted cash flow method was applied.

10. Events subsequent to the reporting date.

In July 2010, the deed of sale of the holdings relative to the investment held by Siap S.p.A. in STM Srl was stipulated, as explained previously in paragraph 5 'Assets held for sale'.

The Chairman

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Mario Carraro

Certification of the abridged half-yearly financial statements pursuant to article 154-bis, subsection 5 of Legislative Decree 58/1998 (Consolidated Finance Act) and article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended.

1. The undersigned Alexander Bossard, Managing Director, and Enrico Gomiero, Manager Responsible for Corporate Financial Reporting of Carraro S.p.A., taking into account also the provisions of Art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, certify:

• the adequacy in relation to the characteristics of the enterprise; and

• the effective application of the administrative and accounting procedures for preparation of the consolidated condensed interim financial statements during the first half of 2009.

2. In this regard no significant aspects emerged which require disclosure.

3. We can also certify that:

3.1 the condensed interim financial statements:

a) were prepared in conformity with the applicable international accounting standards endorsed by the European Community under the terms of Regulation (EC) N° 1606/2002 of the European Parliament and Council, of July 19, 2002;

b) correspond to the figures in the accounting documents and books;

c) give a true and fair picture of the economic, financial and equity position of the Group and of all the companies included in the consolidation;

3.2 The interim report on operations contains a reliable analysis of the references to important events that occurred in the first six months of the year and their impact on the condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of significant operations with related parties.

Date: 06 August 2010

/signature/ *Alexander Bossard* /signature/ *Enrico Gomiero*