Carraro Group
Interim Financial Report as at 30 June 2011

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 AS AT 30.06.2011

	30.06.2011 €/000	%	31.12.2010 €/000	%	30.06.2010 €/000	%	Changes 30.06.2011	Changes 30.06.2010
REVENUES FROM SALES	**450,391**	**100.00%**	**717,748**	**100.00%**	**304,648**	**100.00%**	**145,743**	**47.84%**
Purchases of goods and materials (net of changes in inventories)	- 262,759	-58.34%	- 407,377	-56.76%	- 168,697	-55.37%	- 94,062	-55.76%
Services and Use of third-party goods and services	- 82,396	-18.29%	- 139,883	-19.49%	- 62,458	-20.50%	- 19,938	-31.92%
Personnel costs	- 69,337	-15.39%	- 119,103	-16.59%	- 59,383	-19.49%	- 9,954	-16.76%
Amortisation, depreciation and impairment of assets	- 16,640	-3.69%	- 36,431	-5.08%	- 16,232	-5.33%	- 408	-2.51%
Provisions for risks	- 4,681	-1.04%	- 8,988	-1.25%	- 2,432	-0.80%	- 2,249	-92.48%
Other income and expenses	1,077	0.24%	4,427	0.62%	1,081	0.35%	- 4	-0.37%
Internal construction	795	0.18%	4,261	0.59%	1,567	0.51%	- 772	-49.27%
OPERATING COSTS	**- 433,941**	**-96.35%**	**- 703,094**	**-97.96%**	**- 306,554**	**-100.63%**	**- 127,387**	**-41.55%**
OPERATING PROFIT/(LOSS) (EBIT)	**16,450**	**3.65%**	**14,654**	**2.04%**	**- 1,906**	**-0.63%**	**18,356**	**963.06%**
Income from equity investments	-		1,199		-		-	
Other financial income	265	0.06%	488	0.07%	194	0.06%	71	
Financial costs and expenses	- 7,008	-1.56%	- 11,524	-1.61%	- 5,105	-1.68%	- 1,903	
Net gains/(losses) on foreign exchange	- 685	-0.15%	756	0.11%	1,578	0.52%	- 2,263	
Value adjustments of financial assets	-		-		-		-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**- 7,428**	**-1.65%**	**- 9,081**	**-1.27%**	**- 3,333**	**-1.09%**	**- 4,095**	**-122.86%**
PROFIT/(LOSS) BEFORE TAXES	**9,022**	**2.00%**	**5,573**	**0.78%**	**- 5,239**	**-1.72%**	**14,261**	**272.21%**
Current and deferred income taxes	- 4,419	-0.98%	- 16,490	-2.30%	- 6,290	-2.06%	1,871	
NET PROFIT/(LOSS)	**4,603**	**1.02%**	**- 10,917**	**-1.52%**	**- 11,529**	**-3.78%**	**16,132**	**139.93%**
Profit/(loss) pertaining to minorities	273	0.06%	3,689	0.51%	1,257	0.41%	- 984	
GROUP CONSOLIDATED PROFIT/(LOSS)	**4,876**	**1.08%**	**- 7,228**	**-1.01%**	**- 10,272**	**-3.37%**	**15,148**	**147.47%**
EBITDA	**32,578**	**7.23%**	**49,444**	**6.89%**	**14,176**	**4.65%**	**18,402**	**129.81%**

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30.06.2011

	30.06.2011	**31.12.2010**	**30.06.2010**
	€/000	**€/000**	**€/000**
Property, plant and equipment	207,935	224,149	236,420
Intangible fixed assets	79,846	81,018	81,370
Real estate investments	706	708	709
Holdings in subsidiaries and associates	155	167	175
Financial assets	3,765	3,952	1,362
Deferred tax assets	28,456	30,483	28,765
Trade receivables and other receivables	1,434	1,630	1,731
NON-CURRENT ASSETS	***322,297***	***342,107***	***350,532***
Closing inventory	190,809	179,780	167,761
Trade receivables and other receivables	180,098	183,198	167,758
Financial assets	3,563	4,541	3,564
Cash and cash equivalents	51,848	44,940	42,750
CURRENT ASSETS	***426,318***	***412,459***	***381,833***
Assets held for sale	*4,000*	-	*15,866*
TOTAL ASSETS	**752,615**	**754,566**	**748,231**
Share Capital	23,915	23,915	23,915
Reserves	53,070	62,608	69,042
Foreign currency translation reserve	- 7,325	- 1,853	- 2,680
Profit/(Loss) for the period	4,876	- 7,228	- 10,272
Minority interests	11,294	12,002	19,098
SHAREHOLDERS' EQUITY	***85,830***	***89,444***	***99,103***
Financial liabilities	159,028	173,821	174,523
Trade payables and other payables	33	333	428
Deferred tax liabilities	7,500	8,667	7,764
Provision for severance indemnity and retirement benefits	17,354	19,364	19,957
Provisions for risks and liabilities	2,137	2,442	4,048
NON-CURRENT LIABILITIES	***186,052***	***204,627***	***206,720***
Financial liabilities	158,624	149,819	151,423
Trade payables and other payables	292,438	280,739	264,284
Current taxes payables	16,573	15,571	7,038
Provisions for risks and liabilities	13,098	14,366	11,998
CURRENT LIABILITIES	***480,733***	***460,495***	***434,743***
Liabilities held for sale	-	-	*7,665*
TOTAL EQUITY AND LIABILITIES	**752,615**	**754,566**	**748,231**

CASH FLOW AS AT 30.06.2011

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Opening Net Financial Position	**- 271,535**	**- 241,057**	**- 241,057**
Group profit/(loss)	*4,876*	*- 7,228*	*- 10,272*
Profit/(loss) pertaining to minorities	*- 273*	*- 3,689*	*- 1,257*
Amortisation, depreciation and impairment of fixed assets	*16,128*	*34,790*	*16,082*
Cash flow before Net Working Capital	20,731	23,873	4,553
Change in Net Working Capital	- 4,070	- 11,396	- 16,866
Investments in fixed assets	- 10,311	- 19,555	- 9,396
Disinvestments in fixed assets	493	973	654
Operating Free Cash Flow	***6,843***	***- 6,105***	***- 21,055***
Other operating flows	9,261	- 25,202	- 16,271
Other investing flows	5,927	- 2,913	- 6,728
Change in Share Capital	-	-	-
Other equity flows	- 8,217	3,742	14,013
Assets held for sale	-	-	-8.201
Free Cash Flow	***13,814***	***- 30,478***	***- 38,242***
Closing Net Financial Position	**- 257,721**	**- 271,535**	**- 279,299**

ANALYSIS OF NET WORKING CAPITAL AS AT 30.06.2011

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Trade Receivables	132,727	133,397	129,707
Inventory	190,809	179,780	167,761
Trade Payables	- 255,307	- 249,018	- 227,839
Net Working Capital (NWC)	***68,229***	***64,159***	***69,629***

General data and comments

The first six months of 2011, in line with the performance shown in the second half of 2010, confirms the improvement trend of all the Group's reference sectors, agricultural tractors, earth-moving machines and renewable energies. On a geographical level, growth is continuing in Asian markets, in particular India and China, and while a recovery has been recorded in the North American market, a condition of stability in demand in European countries persists.

The consolidated turnover for the half-year reached 450.391 million euro, up 47.84% as compared to 304.648 million euro for the same period in the previous year. This improvement involved all Business Units; only the Electronics BU reported, in the second quarter, a decrease in demand due to the sudden closure of the *Third Energy Account* and due to uncertainties connected to the implementation of the new *Energy Account*.

The good margins for the half-year result from an increase in sales volumes, from positive results regarding the localisation of production, which was started in previous years, which is particular evident for the Drivelines and Components BU, and from the good first quarter performance of the Electronics BU, which has maintained the same sales volumes and margins as the last part of the previous year. The results would have been even more positive compared to the first half of 2010 and budget expectations, if they had not been subject to the negative effects of procurement problems. To solve these problems, the Group decided, in addition to the activities already launched during the past few months, and to give a stronger push to the action, to re-organise the *Sourcing* function (Purchases), relocating its activity to the individual BUs with the aim of creating a stronger focus on satisfying specific needs.

EBITDA of the six-month period came to around 32.578 million euro (7.2% of turnover), up by 129.8% compared to 14.176 million euro (4.7% of turnover) as at 30 June 2010, and EBIT reached a positive balance of 16.450 million euro (3.7% of turnover) compared to the negative result of 1.906 million euro (-0.6% of turnover) in the same period last year.

The first half of 2011 closed with a profit of 4.876 million euro (1.1% of turnover) thus determining a net inversion of the trend when compared to the loss registered in the same period in 2010, equal to 10.272 million euro (-3.4% of turnover).

The net financial position, with payables amounting to 257.721 million euro as at 30 June 2011, improved compared to the 271.535 million euro of 31 December 2010 and 279.299 million euro of 30 June 2010, thanks to the positive cash flows derived from the current operating management, where working assets were more contained compared to the growth of turnover.

ECONOMIC AND EQUITY DATA

Turnover

The Group's consolidated turnover in the first half of 2011 amounted to 450.391 million euro, up 47.84% on turnover for the first half of 2010 equalling 304.648 million euro.

The following table breaks turnover down by market segment:

amounts in €/000	SALES			SALES TO THIRD PARTIES			INTRA-GROUP SALES		
	30.06.2011	**30.06.2010**	**Diff. %**	**30.06.2011**	**30.06.2010**	**Diff. %**	**30.06.2011**	**30.06.2010**	**Diff. %**
DRIVELINES	279,881	191,924	45.83	272,136	185,821	46.45	7,745	6,103	26.90
GEAR & COMPONENTS	94,983	72,218	31.52	64,300	50,985	26.12	30,683	21,233	44.51
VEHICLES	46,379	23,165	100.21	44,360	21,922	102.35	2,019	1,243	62.43
ELECTRONICS	71,485	46,205	54.71	69,721	45,679	52.63	1,764	526	n.r.
NON-ALLOCATED BUSINESS	14,054	12,782	9.95	- 126	241	-152.28	14,180	12,541	13.07
TOTAL SEGMENTS	**506,782**	**346,294**	**46.34**	**450,391**	**304,648**	**47.84**	**56,391**	**41,646**	**35.41**
INTRA-GROUP ELIMINATIONS	- 56,391	- 41,646	35.41	-	-		-	-	
CONSOLIDATED TOTAL	**450,391**	**304,648**	**47.84**	**450,391**	**304,648**	**47.84**	**56,391**	**41,646**	**35.41**

The following table breaks down turnover by geographical area:

(amounts in €/000) **Geographical Area**	**30.06.2011**	**%**	**30.06.2010**	**%**	**% Difference '11-'10**
Germany	60,652	13.47	49,718	16.32	21.99
North America	45,375	10.07	28,688	9.42	58.17
United Kingdom	34,528	7.67	20,233	6.64	70.65
South America	33,933	7.53	24,319	7.98	39.53
China	27,995	6.22	22,382	7.35	25.08
France	27,441	6.09	12,190	4.00	125.11
Switzerland	22,401	4.97	14,723	4.83	52.15
India	20,855	4.63	13,190	4.33	58.11
Turkey	17,374	3.86	4,716	1.55	268.41
Poland	7,340	1.63	5,462	1.79	34.38
Other non-E.U. areas	5,906	1.31	6,681	2.19	-11.60
Other E.U. areas	25,988	5.77	27,386	8.99	-5.10
Total Abroad	**329,788**	**73.22**	**229,688**	**75.39**	**43.58**
Italy	120,603	26.78	74,960	24.61	60.89
Total	**450,391**	**100**	**304,648**	**100**	**47.84**
of which:					
Total E.U. area	**276,552**	**61.40**	**189,949**	**62.35**	**45.59**
Total non-E.U. area	**173,839**	**38.60**	**114,699**	**37.65**	**51.56**

It is worth pointing out that the analysis of the previous table refers to the allocation of the turnover that generally coincides with the presence of the production plants of internal OEM customers in a specific geographic area, who can manage the allocation of the final product to markets other than production. Therefore, this analysis does not represent the geographic analysis of the demand in the reference markets of the Group's customers.

The different subdivision of the turnover compared to the same period of last year, shows a recovery of sales, also in western markets (Europe and North America).
In particular, a significant increase of the turnover stands out in:

- Great Britain (+70.65%), due to customer Caterpillar's transfer of several production lines from the USA;
- France (+125.11%), mainly due to the supply of planetary reduction units (*drives*) and tractors to customer Claas;
- North America (+58.17%), mainly due to the effect of increased sales of *drives* to customers Kobelco and CNH;
- Italy, where the growth (+60.89%) is led by the sales of Elettronica Santerno.

The positive trend of demand in Middle Eastern and Asian countries continues, having already been increasingly apparent during the second half of 2010, particularly in Turkey (+268.41%), India (+58.11%) and China (+25.08%), the Group's reference markets.

EBITDA and EBIT

Figures as at 30.06.2011 (amounts in €/000)

	30.06.2011	% of turnover	30.06.2010	% of turnover	Diff. %
EBITDA (1)	32,578	7.2	14,176	4.7	129.8
EBIT (2)	16,450	3.7	- 1,906	-0.6	963.1

(1) understood as the sum of operating profit/(loss), amortisation, depreciation and impairment of fixed assets
(2) understood as operating profit/(loss) in the income statement

Thanks to the considerable growth in turnover, the policies adopted by the Group to redefine its industrial activities at the various production sites and to fixed cost containment, the margins in the first half of the year have significantly improved.
EBITDA came in at 32.578 million euro (7.2% of turnover) up 129.8% as compared to 14.176 million euro (4.7% of turnover) for the first six months of 2010.
EBIT as at 30 June 2011 shows a positive value of 16.450 million euro (3.7% of turnover) compared to the negative value of 1.906 million euro for the first half of 2010 (-0.6% of turnover).

Financial expenses

Figures as at 30.06.2011 (amounts in €/000)

	30.06.2011	% of turnover	30.06.2010	% of turnover	Diff. %
Financial expenses	6,743	1.5	4,911	1.6	37.3

Financial expenses amount to 6.743 million euro (1.5% of turnover) compared to 4.911 million euro (1.6% of turnover) in the same period of last year. The increase of the absolute value is due to an average indebtedness of the period, slightly higher compared to the first half of 2010, and to the greater cost of money, derived from the growth of interest rates and from the application of higher *spreads* on medium- and long-term loans re-negotiated with the Framework Agreement, signed on 13 April 2010.

Exchange Differences

Figures as at 30.06.2011 (amounts in €/000)

	30.06.2011	% of turnover	30.06.2010	% of turnover	Diff. %
Exchange differences	- 685	-0.2	1,578	0.5	-143.4

The exchange differences as at 30 June 2011 were negative 685 thousand euro (positive 1.578 million euro as at 30 June 2010).

Net profit/(loss)

Figures as at 30.06.2011 (amounts in €/000)

	30.06.2011	% of turnover	30.06.2010	% of turnover	Diff. %
Net profit/(loss)	4,876	1.1	- 10,272	-3.4	147.5

The first half of 2011 closed with a net profit of 4.876 million euro (1.1% of turnover) against the loss of 10.272 million euro (-3.4% of turnover) for the first half of 2010. All Business Units contributed towards this result, with the exception of the Components Business Unit (Gear World) which still presents a negative result, as expected (equal to -1.309 million euro), but shows strong signs of recovery from its loss of 5.798 million euro in the same period of last year.

Amortisation, depreciation and impairment of assets

Figures as at 30.06.2011 (amounts in €/000)

	30.06.2011	% of turnover	30.06.2010	% of turnover	Diff. %
Amortisation, depreciation and impairment	16,128	3.6	16,082	5.3	0.3

Investments

Figures as at 30.06.2011 (amounts in €/000)

	30.06.2011	30.06.2010
Investments	10,311	9,396

As at 30 June 2011, investments totalled 10.311 million euro, compared with 9.396 million euro in the same period of last year, and these were allocated to the maintenance of plant efficiency and the launch of new products.

Research and Development

Again in 2011, the Group continues to confirm their desire to invest in constant technological innovation. Research and development expenses for the first semester amounted to 8.993 million euro (2.0% of turnover) compared with 7.256 million euro as at 30 June 2010 (2.4% of turnover).

Net financial position

Figures as at 30.06.2011 (amounts in €/000)

	30.06.2011	31.12.2010	30.06.2010
Net financial position*	257,721	271,535	279,299
Gearing	3.00	3.04	2.82

* understood as the sum of amounts payable to banks, short-, medium- and long-term bonds and loans, net of cash and cash equivalents, negotiable securities and financial receivables.

The net financial position showed debts of 257.721 million euro. At 31 December 2010 the position was net debts of 271.535 million euro. In June 2010 net debt was 279.299 million euro. The improvement is due to the positive cash flows derived from the current operating management of all Business Units, in particular the Drivelines and Vehicles Business Units.
Gearing (defined as the ratio of net financial position to owners' equity) came out at 3.00 as at 30 June 2011 compared with 3.04 as at 31 December 2010 and 2.82 as at 30 June 2010.
The Net Financial Position / EBITDA ratio, calculated using the budget data at the end of the fiscal year as value of EBITDA, is equal to 3.95 as at 30 June 2011.
Thanks to the values reached by said indicators as at 30 June 2011, the financial parameters (*covenants*) forecast by the Framework Agreement for said date, stipulated on 16 April 2010 with the financing banks, have been greatly respected.

PERSONNEL

Workforce trend

Figures as at 30.06.2011

	30.06.2011	31.12.2010	30.06.2010
Executives	64	58	57
Clerical staff	1,028	983	945
Factory workers	2,828	2,671	2,662
Temporary workers	404	302	177
Total	**4,324**	**4,014 (*)**	**3,841(*)**

(*) the data does not take into account suspended staff using instruments such as CIGS and/or similar

Group personnel as at 30 June 2011 amounted to 4,324 resources (including temporary workers, trainees and interim workers, where present), as compared with the 4,014 for 31 December 2010. The growth of staff mainly concerns the factory worker and temporary worker categories, and it is even more significant if compared with the data as at 30 June 2010.
After defining the restructuring agreements, between the end of 2009 and early 2010, and the consequent lay-off of staff, the recovery of the demand that occurred starting from the second half of 2010 and continuing during the first half of 2011, led to the immediate increase of employee resources through new hiring, particularly in the Asian areas of India and China, but also in units and plants located in the national territory. This led to a net increase of staff of 310 units compared to the number of employees as at 31 December 2010.

As at 30 June 2011, 1,996 employees (46% of the overall work force) were present in the Italian plants of the Group, while abroad, 2,328 employees are employed (54% of the overall work force) in view of the different location of the market demand recovery and consequently production.

Turnover

The Staff Turnover rate (staff laid off /staff hired), in view of the significant plan to introduce new resources, appears to be irrelevant.

Actions started

In Germany, in view of the recovery of the demand, it was not necessary to apply the Corporate Plan derived from the agreement signed during 2010, which forecast a further reduction in human resources.
In Poland, on the other hand, the production activity was stopped, with the agreed resolution of over 50 work contracts.
The *Performance Management* program implemented since the previous fiscal year, to which the *Management Review* process is related, involves over 210 people in 2011, at all the Group's units and locations.
During the first half of 2011, the training activities were expanded, with contents focused on economic-financial themes for people who are not expert on the subject, and on the management methods of the evaluation meetings for the individual managers. Activities planning contents and implementation methods for the actions aimed at re-defining the "Leadership Model" and the "Conduct Model" and adapting them to meet the new principles of Carraro 2.0 were concluded; finally, the communication and sharing process with and between all the Group's resources was started.

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, also in accordance to Legislative Decree 231/2001.

Performance and results of the Carraro Group Business Units

Drivelines Business Unit
Drivetech

This Business Unit recorded a 45.83% increase in turnover for the first half of 2011 as compared with the same period last year, maintaining the positive growth trend of the sales volumes that began in the second part of 2010; this progress constitutes a full recovery from the dramatic crisis that more than halved turnover in 2009. This increase in demand is led by a return to final sell-out, occurring in a homogeneous manner amongst markets and sectors.
These brilliant performances were attained in the main reference markets of the BU, both in Europe, in particular in Italy, Germany, England and Turkey, and in the North-American market, mainly represented by the USA. Completing the positive picture are Brazil and India, which has proved to be the principal Asian market of the Business Unit.

Agricultural market:
Demand in the market for agricultural applications shows a positive trend in the first half of 2011, up 22% as compared to the same period of 2010, confirming the signs of recovery seen in the previous fiscal year.
In terms of home geographic area, the markets that have contributed most to the growth in sales volumes are the Chinese market, where government subsidies support the demand, the Indian and the Russian markets. A fairly stable trend of the demand is seen in the areas at the ex-Soviet republics, in Europe and in North America; while the south-American area shows a modest growth trend compared to the first semester of 2010.

Construction equipment:
The increase of sales in the market of construction equipment amounted to 67.73% compared to the first semester of last year, and concerned all the main types of products - axles and transmissions.
As a consequence of this remarkable growth in sales, the incidence on the total turnover of the Business Unit exceeded 50% while it totalled 45% in the previous year.

Material Handling Market:
The generalised return to the economic activities has automatically entailed a greater quantity of goods sold and consequently moved: for this reason, the sector is performing much better compared to the first half of 2010 (+67%).

Planetary Drives Market:
The demand for drives remained high, both as a consequence of existing long-term business relationships and also due to the acquisition of significant market shares.
Also in the mine machinery market, characterised by contained, but high-value volumes, Drivetech maintains its consolidated position with the O&K brand.

Spare parts:

The sale of spare parts shows a significant growth, confirming the trend of the previous periods, with the development of independent channels.

* * * *

The turnover for the first half of 2011 improved significantly compared to the same period last year, thanks, in part, to the positive effects derived from the new production geography of the Business Unit. With this in mind, we also see a return to the decision to transfer the production activities of the Polish subsidiary FON S.A. which are deemed no longer strategic in the development plan of the BU.

The results recorded in terms of margin were still affected during the first half of 2011 by the procurement problems that arose in 2010. The Business Unit is currently implementing policies aimed at solving said problems; in particular, a re-organisation of the *Sourcing* function (Purchases) at Group level is being implemented, which sees the re-assignment of the activity tasks to the individual Business Unit. Activities are being performed, in agreement with the main customers, to adapt the final sales prices in view of the cost increases of raw materials and production.

SUBCONSOLIDATED INCOME STATEMENT AS AT 30.06.2011
DRIVELINES BU - DRIVETECH

	30.06.2011 €/000	%	31.12.2010 €/000	%	30.06.2010 €/000	%	Changes 30.06.2011 30.06.2010	
REVENUES FROM SALES	**279,881**	**100.00%**	**427,476**	**100.00%**	**191,924**	**100.00%**	**87,957**	**45.83%**
Purchases of goods and materials (net of changes in inventories)	- 191,005	-68.25%	- 286,366	-66.99%	- 126,869	-66.10%	- 64,136	-50.55%
Services and Use of third-party goods and services	- 42,403	-15.15%	- 73,670	-17.23%	- 33,513	-17.46%	- 8,890	-26.53%
Personnel costs	- 32,281	-11.53%	- 53,698	-12.56%	- 26,084	-13.59%	- 6,197	-23.76%
Amortisation, depreciation and impairment of assets	- 6,207	-2.22%	- 14,580	-3.41%	- 6,115	-3.19%	- 92	-1.50%
Provisions for risks	- 2,541	-0.91%	- 5,440	-1.27%	- 1,561	-0.81%	- 980	-62.78%
Other income and expenses	803	0.29%	2,346	0.55%	1,055	0.55%	- 252	-23.89%
Internal construction	394	0.14%	414	0.10%	205	0.11%	189	92.20%
OPERATING COSTS	**- 273,240**	**-97.63%**	**- 430,994**	**-100.82%**	**- 192,882**	**-100.50%**	**- 80,358**	**-41.66%**
OPERATING PROFIT/(LOSS) (EBIT)	**6,641**	**2.37%**	**- 3,518**	**-0.82%**	**- 958**	**-0.50%**	**7,599**	**793.22%**
Income from equity investments	-		-		-		-	
Other financial income	44	0.02%	72	0.02%	48	0.03%	- 4	
Financial costs and expenses	- 4,766	-1.70%	- 7,016	-1.64%	- 3,120	-1.63%	- 1,646	
Net gains/(losses) on foreign exchange	- 217	-0.08%	301	0.07%	195	0.10%	- 412	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**- 4,939**	**-1.76%**	**- 6,643**	**-1.55%**	**- 2,877**	**-1.50%**	**- 2,062**	**-71.67%**
PROFIT/(LOSS) BEFORE TAXES	**1,702**	**0.61%**	**- 10,161**	**-2.38%**	**- 3,835**	**-2.00%**	**5,537**	**144.38%**
Current and deferred income taxes	- 933	-0.33%	- 3,010	-0.70%	- 1,512	-0.79%	579	
NET PROFIT/(LOSS)	**769**	**0.27%**	**- 13,171**	**-3.08%**	**- 5,347**	**-2.79%**	**6,116**	**114.38%**
Profit/(loss) pertaining to minorities	19	0.01%	80	0.02%	12	0.01%	7	
BUSINESS UNIT CONSOLIDATED PROFIT/(LOSS)	**788**	**0.28%**	**- 13,091**	**-3.06%**	**- 5,335**	**-2.78%**	**6,123**	**114.77%**
EBITDA	**12,640**	**4.52%**	**10,835**	**2.53%**	**5,099**	**2.66%**	**7,541**	**147.89%**

SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30.06.2011 DRIVELINES BU - DRIVETECH

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Property, plant and equipment	74,019	84,008	91,203
Intangible fixed assets	24,439	24,193	25,224
Real estate investments	11	13	14
Holdings in subsidiaries and associates	155	167	175
Financial assets	27	35	358
Deferred tax assets	16,814	17,614	17,489
Trade receivables and other receivables	811	859	1,044
NON-CURRENT ASSETS	***116,276***	***126,889***	***135,507***
Closing inventory	115,526	106,821	103,578
Trade receivables and other receivables	109,684	99,931	88,906
Financial assets	1,001	590	1,351
Cash and cash equivalents	24,630	12,664	15,234
CURRENT ASSETS	***250,841***	***220,006***	***209,069***
Assets held for sale	*4,000*	-	-
TOTAL ASSETS	**371,117**	**346,895**	**344,576**
Share Capital	23,817	23,817	50,758
Reserves	11,892	25,387	7,350
Foreign currency translation reserve	- 7,234	- 2,773	- 4,703
Profit/(Loss) for the period	788	- 13,091	- 5,335
Minority interests	- 27	- 8	40
SHAREHOLDERS' EQUITY	***29,236***	***33,332***	***48,110***
Financial liabilities	11,631	12,557	8,546
Trade payables and other payables	12	329	299
Deferred tax liabilities	2,383	2,395	2,354
Provision for severance indemnity and retirement benefits	9,723	11,316	11,716
Provisions for risks and liabilities	716	843	1,152
NON-CURRENT LIABILITIES	***24,465***	***27,440***	***24,067***
Financial liabilities	119,639	125,264	113,099
Trade payables and other payables	188,043	150,989	149,698
Current taxes payables	2,479	1,827	2,129
Provisions for risks and liabilities	7,255	8,043	7,473
CURRENT LIABILITIES	***317,416***	***286,123***	***272,399***
Liabilities held for sale	-	-	-
TOTAL EQUITY AND LIABILITIES	**371,117**	**346,895**	**344,576**

CASH FLOW AS AT 30.06.2011 DRIVELINES BU - DRIVETECH

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Opening Net Financial Position	**- 124,883**	**- 81,099**	**- 81,099**
Group profit/(loss)	*788*	*- 13,091*	*- 5,335*
Profit/(loss) pertaining to minorities	*- 19*	*- 80*	*- 12*
Amortisation, depreciation and impairment of fixed assets	*5,999*	*14,353*	*6,057*
Cash flow before Net Working Capital	6,768	1,182	710
Change in Net Working Capital	14,260	- 14,167	- 13,135
Investments in fixed assets	- 4,862	- 8,117	- 5,273
Disinvestments in fixed assets	12	886	705
Operating Free Cash Flow	***16,178***	***- 20,216***	***- 16,993***
Other operating flows	4,595	- 15,769	- 3,933
Other investing flows	3,445	- 7,800	- 10,451
Change in Share Capital	-	- 26,941	-
Other equity flows	- 4,865	26,942	6,955
Free Cash Flow	***19,353***	***- 43,784***	***- 24,422***
Closing Net Financial Position	**- 105,530**	**- 124,883**	**- 105,521**

ANALYSIS OF NET WORKING CAPITAL AS AT 30.06.2011 DRIVELINES BU - DRIVETECH

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Trade Receivables	77,397	64,828	63,144
Inventory	115,526	106,821	103,578
Trade Payables	- 172,465	- 136,931	- 133,036
Net Working Capital (NWC)	***20,458***	***34,718***	***33,686***

Components Business Unit
GearWorld

The first half of fiscal year 2011 for the Components Business Unit finally shows positive results, better than expectations, thanks to a significant recovery of the market demand and consequent sales volumes.
Total consolidated revenues amount to 94.983 million euro, up 31.52% on the same period for last year (72.218 million euro). Greater demand by the Carraro Group has contributed to the growth of Gear World turnover, with a 44.51% increase on the first half of 2010 and a growth of 26.12% in turnover from third parties amounting to 64.300 million euro compared to 50.985 million euro for the same period last year.

It must be underscored that the sales to third party customers account for 67.69% of turnover (as compared with the 70.60% posted for last year), whilst sales to the Carraro Group represent 32.31% of turnover (as compared with the 29.40% for last year), up in line with the trend of the Drivelines Business Unit.

The analysis of the turnover according to geographic area shows a market demand in recovery, albeit with diversified geographic dynamics: in particular, an increase in volumes can be seen in North America and partially in Europe, a positive trend of demand continues in Asia and a recovery of the South-American market has been recorded for the *Agriculture* and *Construction Equipment* sectors.

In terms of application markets, the growth in demand is more significant in the *Agriculture*, *Construction Equipment*
sectors, in particular with regards to the demand from the Group's *Lawn and Gardening* and *Power Tools* companies. The market of Renewable Energies shows a still unexpressed growth potential, due to the regulatory issues concerning the transfer of facilities on investments. The *Automotive* sector, on the other hand, recorded a growth of demand in Asia, while the trend is stable in European and North American countries.

In terms of margin, there has been a significant improvement compared to the first half of 2010 and compared to expectations for the period under consideration, thanks to the greater sales volumes and implementation of policies for the containment of fixed costs, and better absorption of industrial costs. In particular, the policies for the development of the production activities implemented in previous fiscal years, began to yield the first results in terms of efficiency. There remains a high incidence of purchase costs for materials on the turnover, due to the trend of the prices of raw materials related to the progressive expansion of international demand.
EBITDA amounts to 8.256 million euro (8.69% of turnover), compared to 4.211 million euro (5.83% of turnover) for the first half of 2010. EBIT as at 30 June 2011 is positive by 1.106 million euro (1.16% of turnover) compared to the negative balance of -3.610 million euro (-5.00% of turnover) for the same period in 2010.

Despite a growing margin, the net profit/(loss) as at 30 June 2011 is negative for 1.309 million euro (-1.38% of turnover), mainly due to the financial expenses equal to 1.970 million euro (2.07% of turnover) and negative exchange differences for 513 thousand euro (0.54% of turnover). However, the result appears to be significantly improved compared to the same period of 2010 (-5.798 million euro) and compared to the forecasts for the half-year under consideration.

SUBCONSOLIDATED INCOME STATEMENT AS AT 30.06.2011
COMPONENTS BU - GEAR WORLD

	30.06.2011 €/000	%	31.12.2010 €/000	%	30.06.2010 €/000	%	Changes 30.06.2011 30.06.2010	
REVENUES FROM SALES	**94,983**	**100.00%**	**152,045**	**100.00%**	**72,218**	**100.00%**	**22,765**	**31.52%**
Purchases of goods and materials (net of changes in inventories)	- 43,246	-45.53%	- 71,827	-47.24%	- 31,566	-43.71%	- 11,680	-37.00%
Services and Use of third-party goods and services	- 24,160	-25.44%	- 37,950	-24.96%	- 17,565	-24.32%	- 6,595	-37.55%
Personnel costs	- 19,437	-20.46%	- 36,268	-23.85%	- 19,477	-26.97%	40	0.21%
Amortisation, depreciation and impairment of assets	- 7,164	-7.54%	- 15,926	-10.47%	- 7,853	-10.87%	689	8.77%
Provisions for risks	- 203	-0.21%	- 473	-0.31%	- 115	-0.16%	- 88	-76.52%
Other income and expenses	142	0.15%	1,095	0.72%	207	0.29%	- 65	-31.40%
Internal construction	191	0.20%	816	0.54%	541	0.75%	- 350	-64.70%
OPERATING COSTS	**- 93,877**	**-98.84%**	**- 160,533**	**-105.58%**	**- 75,828**	**-105.00%**	**- 18,049**	**-23.80%**
OPERATING PROFIT/(LOSS) (EBIT)	**1,106**	**1.16%**	**- 8,488**	**-5.58%**	**- 3,610**	**-5.00%**	**4,716**	**130.64%**
Income from equity investments	-		1,158		-		-	
Other financial income	54	0.06%	214	0.14%	99	0.14%	- 45	
Financial costs and expenses	- 2,024	-2.13%	- 3,702	-2.43%	- 1,701	-2.36%	- 323	
Net gains/(losses) on foreign exchange	- 513	-0.54%	214	0.14%	446	0.62%	- 959	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**- 2,483**	**-2.61%**	**- 2,116**	**-1.39%**	**- 1,156**	**-1.60%**	**- 1,327**	**-114.79%**
PROFIT/(LOSS) BEFORE TAXES	**- 1,377**	**-1.45%**	**- 10,604**	**-6.97%**	**- 4,766**	**-6.60%**	**3,389**	**71.11%**
Current and deferred income taxes	157	0.17%	- 2,293	-1.51%	- 757	-1.05%	914	
NET PROFIT/(LOSS)	**- 1,220**	**-1.28%**	**- 12,897**	**-8.48%**	**- 5,523**	**-7.65%**	**4,303**	**77.91%**
Profit/(loss) pertaining to minorities	-89	-0.09%	292	0.19%	- 275	-0.38%	186	
BUSINESS UNIT CONSOLIDATED PROFIT/(LOSS)	**- 1,309**	**-1.38%**	**- 12,605**	**-8.29%**	**- 5,798**	**-8.03%**	**4,489**	**77.42%**
EBITDA	**8,256**	**8.69%**	**6,979**	**4.59%**	**4,211**	**5.83%**	**4,045**	**96.06%**

SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30.06.2011 COMPONENTS BU - GEAR WORLD

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Property, plant and equipment	95,342	101,426	108,016
Intangible fixed assets	24,184	24,670	25,137
Real estate investments	155	155	155
Holdings in subsidiaries and associates	-	-	-
Financial assets	3,151	3,214	247
Deferred tax assets	2,826	2,786	3,487
Trade receivables and other receivables	417	548	557
NON-CURRENT ASSETS	***126,075***	***132,799***	***137,599***
Closing inventory	35,715	30,165	30,874
Trade receivables and other receivables	48,633	39,389	35,781
Financial assets	1,920	1,827	990
Cash and cash equivalents	2,542	2,111	10,419
CURRENT ASSETS	***88,810***	***73,492***	***78,064***
Assets held for sale	-	-	15,947
TOTAL ASSETS	**214,885**	**206,291**	**231,610**
Share Capital	35,084	35,084	35,084
Reserves	- 4,561	8,106	7,604
Foreign currency translation reserve	- 391	899	3,142
Profit/(Loss) for the period	- 1,309	- 12,605	- 5,798
Minority interests	3,778	3,766	8,603
SHAREHOLDERS' EQUITY	***32,601***	***35,250***	***48,635***
Financial liabilities	67,475	71,844	74,012
Trade payables and other payables	4	4	129
Deferred tax liabilities	4,971	5,864	5,097
Provision for severance indemnity and retirement benefits	5,073	5,518	5,642
Provisions for risks and liabilities	130	140	1,113
NON-CURRENT LIABILITIES	***77,653***	***83,370***	***85,993***
Financial liabilities	38,587	33,001	39,128
Trade payables and other payables	63,685	53,012	49,027
Current taxes payables	938	293	733
Provisions for risks and liabilities	1,421	1,365	430
CURRENT LIABILITIES	***104,631***	***87,671***	***89,318***
Liabilities held for sale	-	-	7,664
TOTAL EQUITY AND LIABILITIES	**214,885**	**206,291**	**231,610**

CASH FLOW AS AT 30.06.2011 COMPONENTS BU - GEAR WORLD

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Opening Net Financial Position	**- 97,689**	**- 104,262**	**- 104,262**
Group profit/(loss)	*-1,309*	*- 12,605*	*- 5,798*
Profit/(loss) pertaining to minorities	*89*	*- 292*	*275*
Amortisation, depreciation and impairment of fixed assets	*7,150*	*15,467*	*7,821*
Cash flow before Net Working Capital	5,930	2,570	2,298
Change in Net Working Capital	- 6,339	379	- 2,138
Investments in fixed assets	- 3,510	- 6,698	- 4,385
Disinvestments in fixed assets	471	623	382
Operating Free Cash Flow	***- 3,448***	***- 3,126***	***- 3,843***
Other operating flows	1,558	1,840	2,416
Other investing flows	2,459	6,563	5,080
Other equity flows	- 1,429	1,296	7,307
Assets available for sale	-	-	*- 8,283*
Free Cash Flow	***- 860***	***6,573***	***2,677***
Closing Net Financial Position	**- 98,549**	**- 97,689**	**- 101,585**

ANALYSIS OF NET WORKING CAPITAL AS AT 30.06.2011 COMPONENTS BU - GEAR WORLD

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Trade Receivables	42,608	31,778	27,616
Inventory	35,715	30,165	30,874
Trade Payables	- 55,273	- 45,232	- 39,262
Net Working Capital (NWC)	***23,050***	***16,711***	***19,228***

Vehicles Business Unit
Agritalia

Agritalia closed the first half of 2011 with a turnover totalling 46.379 million euro, with 1,900 tractors sold, registering an increase of 100.21% compared to the same period last year, characterised by a significant drop in demand due to various factors (965 tractors sold and a turnover totalling 23.165 million euro).
The growth of the turnover achieved in the half year under consideration is due to the recovery of demand in the reference market (special and standard tractors between 60 and 100 horse power) and to the improvement of the qualitative and technological level of the product attained by the Business Unit, thanks to the re-organisation of the internal production process which made it possible to meet the market requests with more flexibility.
The current availability of a significant orders portfolio confirms the turnover forecast for the entire fiscal year 2011, which will see the achievement of volumes fairly in line with the trend of the first half year.

During the reference period, the incidence of variable costs on the turnover dropped by over 2 percentage points compared to the same period last year, thanks to the implementation of price policies aimed at reflecting the trend of the costs for materials and focus on the containment of internal production costs (which incidence on turnover dropped by 2.3% compared to the same period in 2010).

Thanks to the greater sales volumes and containment of the growth of fixed and industrial costs, the incidence in percentage terms of the same on the turnover (9.8%) appears to have improved compared to the same period of last year (19.1%) and compared to the values expected for 2011 (11.6%).

Benefiting from the aforementioned actions, the half-yearly result is positive (387 thousand euro), significantly improved compared to the loss of the first half of 2010 (-2.731 million euro). The expectation is for the positive result to be maintained even for the end of 2011 fiscal year.

SUBCONSOLIDATED INCOME STATEMENT AS AT 30.06.2011
VEHICLES BU - AGRITALIA

	30.06.2011 €/000	%	31.12.2010 €/000	%	30.06.2010 €/000	%	Changes 30.06.2011 30.06.2010	
REVENUES FROM SALES	**46,379**	**100.00%**	**56,513**	**100.00%**	**23,165**	**100.00%**	**23,214**	**100.21%**
Purchases of goods and materials (net of changes in inventories)	- 35,013	-75.49%	- 43,673	-77.28%	- 17,519	-75.63%	- 17,494	-99.86%
Services and Use of third-party goods and services	- 3,862	-8.33%	- 5,160	-9.13%	- 2,416	-10.43%	- 1,446	-59.85%
Personnel costs	- 5,485	-11.83%	- 9,565	-16.93%	- 4,918	-21.23%	- 567	-11.53%
Amortisation, depreciation and impairment of assets	- 604	-1.30%	- 1,163	-2.06%	- 556	-2.40%	- 48	-8.63%
Provisions for risks	- 603	-1.30%	- 825	-1.46%	- 309	-1.33%	- 294	-95.15%
Other income and expenses	28	0.06%	791	1.40%	117	0.51%	- 89	-76.07%
Internal construction	- 13	-0.03%	163	0.29%	72	0.31%	- 85	n.s.
OPERATING COSTS	**- 45,552**	**-98.22%**	**- 59,432**	**-105.17%**	**- 25,529**	**-110.21%**	**- 20,023**	**-78.43%**
OPERATING PROFIT/(LOSS) (EBIT)	**827**	**1.78%**	**- 2,919**	**-5.17%**	**- 2,364**	**-10.21%**	**3,191**	**134.98%**
Income from equity investments	-		-		-		-	
Other financial income	-	0.00%	-	0.00%	-	0.00%	-	
Financial costs and expenses	- 14	-0.03%	- 37	-0.07%	- 27	-0.12%	13	
Net gains/(losses) on foreign exchange	16	0.03%	- 24	-0.04%	- 46	-0.20%	62	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**2**	**0.00%**	**- 61**	**-0.11%**	**- 73**	**-0.32%**	**75**	**102.74%**
PROFIT/(LOSS) BEFORE TAXES	**829**	**1.79%**	**- 2,980**	**-5.27%**	**- 2,437**	**-10.52%**	**3,266**	**134.02%**
Current and deferred income taxes	- 442	-0.95%	- 275	-0.49%	- 294	-1.27%	- 148	
NET PROFIT/(LOSS)	**387**	**0.83%**	**- 3,255**	**-5.76%**	**- 2,731**	**-11.79%**	**3,118**	**114.17%**
Profit/(loss) pertaining to minorities		0.00%		0.00%		0.00%	-	
BUSINESS UNIT CONSOLIDATED PROFIT/(LOSS)	**387**	**0.83%**	**- 3,255**	**-5.76%**	**- 2,731**	**-11.79%**	**3,118**	**114.17%**
EBITDA	**1,420**	**3.06%**	**- 1,756**	**-3.11%**	**- 1,808**	**-7.80%**	**3,228**	**178.54%**

SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30.06.2011
VEHICLES BU - AGRITALIA

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Property, plant and equipment	12,273	12,619	13,034
Intangible fixed assets	493	570	485
Real estate investments	-	-	-
Holdings in subsidiaries and associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	2,676	2,508	2,478
Trade receivables and other receivables	6	8	8
NON-CURRENT ASSETS	***15,448***	***15,705***	***16,005***
Closing inventory	11,919	10,188	13,412
Trade receivables and other receivables	7,315	8,773	11,448
Financial assets	2	22	-
Cash and cash equivalents	5,838	4	5
CURRENT ASSETS	***25,074***	***18,987***	***24,865***
TOTAL ASSETS	**40,522**	**34,692**	**40,870**
Share Capital	-	-	-
Reserves	7,053	10,330	10,316
Foreign currency translation reserve	-	-	-
Profit/(Loss) for the period	387	- 3,255	- 2,731
Minority interests	-	-	-
SHAREHOLDERS' EQUITY	***7,440***	***7,075***	***7,585***
Financial liabilities	-	-	-
Trade payables and other payables	-	-	-
Deferred tax liabilities	69	74	69
Provision for severance indemnity and retirement benefits	1,114	1,138	1,204
Provisions for risks and liabilities	399	399	703
NON-CURRENT LIABILITIES	***1,582***	***1,611***	***1,976***
Financial liabilities	12	3,624	9,724
Trade payables and other payables	29,757	20,895	19,908
Current taxes payables	- 42	-	102
Provisions for risks and liabilities	1,773	1,487	1,575
CURRENT LIABILITIES	***31,500***	***26,006***	***31,309***
TOTAL EQUITY AND LIABILITIES	**40,522**	**34,692**	**40,870**

CASH FLOW AS AT 30.06.2011 VEHICLES BU - AGRITALIA

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Opening Net Financial Position	**- 3,615**	**1,622**	**1,622**
Group profit/(loss)	*387*	*- 3,255*	*- 2,731*
Profit/(loss) pertaining to minorities	-	-	-
Amortisation, depreciation and impairment of fixed assets	*593*	*1,163*	*556*
Cash flow before Net Working Capital	980	- 2,092	- 2,175
Change in Net Working Capital	8,137	- 1,400	- 8,453
Investments in fixed assets	- 193	- 683	- 518
Disinvestments in fixed assets	4	395	99
Operating Free Cash Flow	***8,928***	***- 3,780***	***- 11,047***
Other operating flows	530	- 1,076	- 307
Other investing flows	19	- 395	13
Other equity flows	- 22	14	-
Free Cash Flow	***9,455***	***- 5,237***	***- 11,341***
Closing Net Financial Position	**5,840**	**- 3,615**	**- 9,719**

ANALYSIS OF NET WORKING CAPITAL AS AT 30.06.2011 VEHICLES BU - AGRITALIA

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Trade Receivables	7,548	8,380	10,833
Inventory	11,919	10,188	13,412
Trade Payables	- 27,909	- 18,873	- 17,497
Net Working Capital (NWC)	***- 8,442***	***- 305***	***6,748***

Electronics Business Unit
Elettronica Santerno

In respect to the Electronics Business Unit, the first half of 2011 was influenced by the extreme volatility of the Italian market, derived from the issuing in March 2011, of the so called “Romani decree” with which the Italian government, unexpectedly, discontinued the application of the feed-in tariffs applied according to the *Third Energy Bill,* imposing the conclusion of feed-in tariffs on new systems by the end of May 2011, and leaving to a future decree the definition of the new feed-in tariffs for photovoltaic systems built in Italy and not connected to the grid, after 31 May 2011.

In this context, Elettronica Santerno, in line with its development plan, continued the expansion activity of its business network abroad, and it continued the expansion and consolidation of its products portfolio in order to extend its presence in international markets, mainly in the renewable energies sector and photovoltaic in particular.

Energy management

Photovoltaics
Within a context that in 2010 saw Italy positioning itself as second world market after Germany, and that marked a natural consolidation period in the first two months of 2011, the sudden suspension of the *Third Energy Bill* in March by the Council of Ministers caused the almost total block of all business and installation activities of new systems.
Only at the beginning of May 2011, with the issuing of the *Fourth Energy Bill,* was the situation partially unblocked, while waiting for the implementation laws that came into effect at the end of July 2011.
Today, we are seeing the first signs of recovery of the market and despite the substantial reduction of feed-in tariffs, it is forecast that the market will be fully recovered from September 2011, albeit with lower values compared to 2010.

Wind power
With regards to the products destined for the micro and mini-wind power sector, stimulated in the Italian market by the presence of a specific energy bill, Elettronica Santerno has already concluded the prototyping activities. Within a highly competitive market, the introduction of said products by the BU generated positive feedbacks and the forecasts for 2011 – after a first six-month period that generated a low turnover – are, in any case, positive.

Traction
In the traction field, the first half of 2011 saw the Electronics BU continuing its work in developing a new hybrid platform for the use of hybrid and/or electric traction systems for urban buses, as part of a project financed by an “Industria 2015” grant.

Industrial applications

The worldwide market of industrial drives continues to show signs of recovery, in line with the forecasts. Elettronica Santerno maintains its growth expectations in the Italian and foreign market. The first half year closes with a substantially better result compared to the same period in 2010, showing at the same time definite positive aspects (like the significant growth trend of the Brazilian market) and improvement points, in particular in those markets where a stronger business presence is required (such as, for example, the Russian market).

The business agreement with Teco Westinghouse, concluded at the beginning of 2011, currently represents the most important opportunity for the development of the Electronics BU's foreign market with regards to industrial drives, even if interesting growth prospects are foreseen in the short-term in other new markets.

SUBCONSOLIDATED INCOME STATEMENT AS AT 30.06.2011
ELECTRONICS BU - ELETTRONICA SANTERNO

	30.06.2011 €/000	%	31.12.2010 €/000	%	30.06.2010 €/000	%	Changes 30.06.2011 30.06.2010	
REVENUES FROM SALES	**71,485**	**100.00%**	**143,895**	**100.00%**	**46,205**	**100.00%**	**25,280**	**54.71%**
Purchases of goods and materials (net of changes in inventories)	- 35,894	-50.21%	- 69,315	-48.17%	- 23,281	-50.39%	- 12,613	-54.18%
Services and Use of third-party goods and services	- 13,774	-19.27%	- 27,497	-19.11%	- 10,392	-22.49%	- 3,382	-32.54%
Personnel costs	- 8,008	-11.20%	- 12,599	-8.76%	- 5,563	-12.04%	- 2,445	-43.95%
Amortisation, depreciation and impairment of assets	- 1,464	-2.05%	- 1,993	-1.39%	- 489	-1.06%	- 975	-199.39%
Provisions for risks	- 1,334	-1.87%	- 2,250	-1.56%	- 448	-0.97%	- 886	-197.77%
Other income and expenses	289	0.40%	311	0.22%	87	0.19%	202	232.18%
Internal construction	202	0.28%	2,593	1.80%	788	1.71%	- 586	n.s.
OPERATING COSTS	**- 59,983**	**-83.91%**	**- 110,750**	**-76.97%**	**- 39,298**	**-85.05%**	**- 20,685**	**-52.64%**
OPERATING PROFIT/(LOSS) (EBIT)	**11,502**	**16.09%**	**33,145**	**23.03%**	**6,907**	**14.95%**	**4,595**	**66.53%**
Income from equity investments	-		-		-		-	
Other financial income	163	0.23%	179	0.12%	29	0.06%	134	
Financial costs and expenses	- 190	-0.27%	- 407	-0.28%	- 176	-0.38%	- 14	
Net gains/(losses) on foreign exchange	7	0.01%	124	0.09%	136	0.29%	- 129	
Value adjustments of financial assets	-	0.00%	-	0.00%	-	0.00%	-	
GAINS/(LOSSES) ON FINANCIAL ASSETS	**- 20**	**-0.03%**	**- 104**	**-0.07%**	**- 11**	**-0.02%**	**- 9**	**-81.82%**
PROFIT/(LOSS) BEFORE TAXES	**11,482**	**16.06%**	**33,041**	**22.96%**	**6,896**	**14.92%**	**4,586**	**66.50%**
Current and deferred income taxes	- 4,013	-5.61%	- 11,001	-7.65%	- 2,389	-5.17%	- 1,624	
NET PROFIT/(LOSS)	**7,469**	**10.45%**	**22,040**	**15.32%**	**4,507**	**9.75%**	**2,962**	**65.72%**
Profit/(loss) pertaining to minorities	-	0.00%	-	0.00%	-	0.00%	-	
BUSINESS UNIT CONSOLIDATED PROFIT/(LOSS)	**7,469**	**10.45%**	**22,040**	**15.32%**	**4,507**	**9.75%**	**2,962**	**65.72%**
EBITDA	**12,687**	**17.75%**	**34,183**	**23.76%**	**7,336**	**15.88%**	**5,351**	**72.94%**

SUBCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30.06.2011 ELECTRONICS BU - ELETTRONICA SANTERNO

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Property, plant and equipment	5,298	4,744	2,274
Intangible fixed assets	9,852	10,367	9,750
Real estate investments	-	-	-
Holdings in subsidiaries and associates	-	-	-
Financial assets	-	-	-
Deferred tax assets	2,100	2,204	1,223
Trade receivables and other receivables	225	211	111
NON-CURRENT ASSETS	***17,475***	***17,526***	***13,358***
Closing inventory	30,861	35,680	23,100
Trade receivables and other receivables	32,610	50,106	44,372
Financial assets	196	18	51
Cash and cash equivalents	21,479	27,989	11,244
CURRENT ASSETS	***85,146***	***113,793***	***78,767***
TOTAL ASSETS	**102,621**	**131,319**	**92,125**
Share Capital	2,500	2,500	2,500
Reserves	19,943	7,939	9,972
Foreign currency translation reserve	104	125	113
Profit/(Loss) for the period	7,469	22,040	4,507
Minority interests	-	-	-
SHAREHOLDERS' EQUITY	***30,016***	***32,604***	***17,092***
Financial liabilities	-	-	58
Trade payables and other payables	17	-	-
Deferred tax liabilities	- 5	-	-
Provision for severance indemnity and retirement benefits	660	712	685
Provisions for risks and liabilities	90	71	48
NON-CURRENT LIABILITIES	***762***	***783***	***791***
Financial liabilities	1,500	1,327	263
Trade payables and other payables	56,202	82,249	69,421
Current taxes payables	11,492	10,885	2,037
Provisions for risks and liabilities	2,649	3,471	2,521
CURRENT LIABILITIES	***71,843***	***97,932***	***74,242***
TOTAL EQUITY AND LIABILITIES	**102,621**	**131,319**	**92,125**

CASH FLOW AS AT 30.06.2011 ELECTRONICS BU - ELETTRONICA SANTERNO

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Opening Net Financial Position	**26,680**	**- 4,373**	**- 4,373**
Group profit/(loss)	*7,469*	*22,040*	*4,507*
Profit/(loss) pertaining to minorities	-	-	-
Amortisation, depreciation and impairment of fixed assets	*1,185*	*1,038*	*429*
Cash flow before Net Working Capital	8,654	23,078	4,936
Change in Net Working Capital	- 17,344	5,291	10,446
Investments in fixed assets	- 1,266	- 6,680	- 2,049
Disinvestments in fixed assets	4	4	-
Operating Free Cash Flow	***- 9,952***	***21,693***	***13,333***
Other operating flows	13,466	10,464	2,028
Other investing flows	38	- 174	- 1,105
Other equity flows	- 10,057	- 930	1,091
Free Cash Flow	***- 6,505***	***31,053***	***15,347***
Closing Net Financial Position	**20,175**	**26,680**	**10,974**

ANALYSIS OF NET WORKING CAPITAL AS AT 30.06.2011 ELECTRONICS BU - ELETTRONICA SANTERNO

	30.06.2011 €/000	31.12.2010 €/000	30.06.2010 €/000
Trade Receivables	30,362	47,346	42,273
Inventory	30,861	35,680	23,100
Trade Payables	- 36,496	- 75,643	- 63,145
Net Working Capital (NWC)	***24,727***	***7,383***	***2,228***

Significant events in the first half of 2011

Nothing to point out, concerning the six-month period under consideration.

Share performance

During the first six months of 2011, Carraro's stocks registered a fluctuating trend, in line with the dynamics of the main Stock Exchange indicators (FTSE MIB), at least until the end of May 2011. In June 2011, the trend appeared to be decreasing and under-performing compared to the market indexes.
The official average price of the period was 3.87 euros, with a minimum listing at 3.04 euros on 13 June 2011, and a maximum listing at 4.55 euros on 18 February 2011.

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 Condensed Consolidated Interim Financial Statements.

STANDARDS USED IN PREPARING THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated annual 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 reporting'. 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 2010. Furthermore, these financial statements are based on the assumption of the company as a going concern.

Events subsequent to the balance sheet date

On 4 July 2011, within the strategic re-organisation process of the Drivelines Business Unit, a Memorandum of Understanding was signed between Carraro Drive Tech Spa and SKB, which defines the negotiation terms for the possible transfer of the production activities of the Polish company FON S.A.

BUSINESS OUTLOOK FOR THE CURRENT YEAR

For the second part of the year, there is a trend in sales volume growth in line with the first six-month period, in particular for the Drivelines and Components Business Units. The turnover of the Electronics Business Unit, penalised in mid 2011 by the uncertainties generated in the market due to the *Fourth Energy Bill,* will recover part of the volumes by the end of the fiscal year, thanks, in part, to the expansion of the commercial presence in international markets.

The expected profitability for the entire year continues to remain in line with the budget forecasts and has improved in comparison with the previous year.

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With reference to the provisions of Articles 36 and 39 of Consob Order 16191 of 29.10.2007 (the so-called "Market Regulations") and of Art. 2.6.2 Section 15 of the Stock Exchange Regulations we can confirm that the parent company Carraro S.p.A. meets the conditions required by points a), b) and c) of Section 1 of the aforementioned Art. 36 on the subject of accounting situations, bylaws, corporate bodies and administrative and accounting control of its subsidiaries incorporated and regulated in countries that do not belong to the European Union.

The span of the group includes 29 companies of which 17 are established and regulated in non-European Union countries, specifically in Argentina, Brazil, China, India, Russia and the United States; of these, six, in Argentina, China, India, and the United States, are significant under the terms of Title VI, Section II of the Issuer Regulations (Consob Order 11971/1999).

CARRARO 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 AS AT 30 JUNE 2011

BOARD OF DIRECTORS In office until approval of the 2011 Financial Statements (Appointed, General Meeting 23.04.2009 - Powers conferred, Board resolutions 07.05.2009 and 04.08.2009)	**MARIO CARRARO**	Chairman
	ENRICO CARRARO (2) (3)	Deputy Chairman
	ALEXANDER JOSEF BOSSARD (3)	Chief Executive Officer
	ANNA MARIA ARTONI (1)	Director *
	ARNALDO CAMUFFO (1) (2)	Director *
	FRANCESCO CARRARO	Director
	TOMASO CARRARO (3)	Director
	ANTONIO CORTELLAZZO (1) (2)	Director *
	PIETRO GUINDANI (2) (3)	Director *
	MARCO MILANI (2) (3)	Director *

(1) Members of the Internal Auditing Committee
(2) Members of the Human Resources and Remuneration Committee
(3) Members of the Strategic Operational Committee
* Independent directors

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

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

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

CONSOLIDATED INCOME STATEMENT

(amounts in euro thousands)	NOTES	30.06.2011	30.06.2010
A) REVENUES FROM SALES			
1) Products		441,235	299,779
2) Services		3,050	2,024
3) Other revenues		6,106	2,845
TOTAL REVENUES FROM SALES	**1**	**450,391**	**304,648**
B) OPERATING COSTS			
1) Purchases of goods and materials		277,670	197,655
2) Services		79,631	60,003
3) Use of third-party goods and services		2,765	2,455
4) Personnel costs		69,337	59,383
5) Amortisation, depreciation and impairment of assets		16,640	16,232
5.a) depreciation of property, plant and equipment		*13,805*	*14,439*
5.b) amortisation of intangible assets		*2,230*	*1,617*
5.c) impairment of fixed assets		*93*	*26*
5.d) impairment of receivables		*512*	*150*
6) Changes in inventories		-14,911	-28,958
7) Provision for risks and other liabilities		4,681	2,432
8) Other income and expenses		-1,077	-1,081
9) Internal construction		-795	-1,567
TOTAL OPERATING COSTS	**2**	**433,941**	**306,554**
OPERATING PROFIT/(LOSS)		**16,450**	**-1,906**
C) GAINS/(LOSSES) ON FINANCIAL ASSETS			
10) Income from equity investments		-	-
11) Other financial income		265	194
12) Financial costs and expenses		-7,008	-5,105
13) Net gains/(losses) on foreign exchange		-685	1,578
14) Value adjustments of financial assets		-	-
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	**3**	**-7,428**	**-3,333**
PROFIT/(LOSS) BEFORE TAXES		**9,022**	**-5,239**
15) Current and deferred income taxes	**4**	4,419	-6,290
NET PROFIT/(LOSS) FOR THE PERIOD		**4,603**	**-11,529**
16) Net profit/(loss) pertaining to minority interest		273	1,257
NET GROUP PROFIT/(LOSS)		**4,876**	**-10,272**
EARNINGS (LOSSES) PER SHARE	**5**		
- basic, for the profit for the period attributable to ordinary shareholders of the parent company		*€ 0.11*	*-€ 0.23*
-diluted, for the profit for the period attributable to ordinary shareholders of the parent company		*€ 0.11*	*-€ 0.23*

CONSOLIDATED COMPREHENSIVE INTERIM INCOME STATEMENT

(amounts in euro thousands)	**30.06.2011**	**30.06.2010**
NET PROFIT/(LOSS) FOR THE PERIOD	**4,603**	**-11,529**
Other comprehensive income components:		
Net change in cash flow hedge reserve	-1,799	1,109
Foreign operation translation exchange differences	-5,890	10,899
Taxes on other comprehensive income components	524	-353
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS	**-7,165**	**11,655**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-2,562**	**126**
Total comprehensive income attributable to:		
Shareholders of the parent company	-1,854	-521
Profit/(loss) pertaining to minorities	-708	647
Total comprehensive income for the period	**-2,562**	**126**

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(amounts in euro thousands)	NOTES	30.06.2011	31.12.2010
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	6	207,935	224,149
2) Intangible fixed assets	7	79,846	81,018
3) Real estate investments	8	706	708
4) Holdings in subsidiaries and associates	9	155	167
4.1) Holdings in subsidiaries and associates		*155*	*167*
4.2) Equity investments held for sale		-	-
5) Financial assets	10	3,765	3,952
5.1) Loans and receivables		*3,075*	*3,075*
5.2) Other financial assets		*690*	*877*
6) Deferred tax assets	11	28,456	30,483
7) Trade receivables and other receivables	12	1,434	1,630
7.1) Trade receivables		-	-
7.2) Other receivables		*1,434*	*1,630*
TOTAL NON-CURRENT ASSETS		**322,297**	**342,107**
B) CURRENT ASSETS			
1) Closing inventory	13	190,809	179,780
2) Trade receivables and other receivables	12	180,098	183,198
2.1) Trade receivables		*132,727*	*133,397*
2.2) Other receivables		*47,371*	*49,801*
3) Financial assets	10	3,563	4,541
3.1) Loans and receivables		*1,449*	*1,451*
3.2) Other financial assets		*2,114*	*3,090*
4) Cash and cash equivalents	14	51,848	44,940
4.1) Cash		*268*	*216*
4.2) Bank current accounts and deposits		*50,659*	*44,724*
4.3) Other cash and cash equivalents		*921*	-
TOTAL CURRENT ASSETS		**426,318**	**412,459**
ASSETS HELD FOR SALE	22	4,000	-
TOTAL ASSETS		**752,615**	**754,566**

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(amounts in euro thousands)	**NOTES**	**30.06.2011**	**31.12.2010**
A) SHAREHOLDERS' EQUITY	**15**		
1) Share Capital		23,915	23,915
2) Other Reserves		9,314	17,594
3) Profits/(Losses) brought forward		-	-
4) IAS/IFRS first adoption reserve		44,384	44,384
5) Other IAS/IFRS reserves		-628	630
Foreign currency translation reserve		-7,325	-1,853
6) Result for the period pertaining to the group		4,876	-7,228
GROUP SHAREHOLDERS' EQUITY		74,536	77,442
7) Minority interests		11,294	12,002
TOTAL SHAREHOLDERS' EQUITY		**85,830**	**89,444**
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	**16**	159,028	173,821
1.1) Bonds		-	-
1.2) Loans		*158,998*	*173,821*
1.3) Other financial liabilities		*30*	-
2) Trade payables and other payables	**17**	33	333
2.1) Trade payables		-	-
2.2) Other payables		*33*	*333*
3) Deferred tax liabilities	**11**	7,500	8,667
4) Provision for severance indemnity and retirement benefits	**19**	17,354	19,364
4.1) Provision for severance indemnity		*13,018*	*14,583*
4.2) Provision for retirement benefits		*4,336*	*4,781*
5) Provision for risks and liabilities	**20**	2,137	2,442
5.1) Provision for warranties		*544*	*762*
5.2) Provision for legal claims		*1,503*	*1,599*
5.3) Provision for restructuring and reconversion		-	-
5.4) Other provisions		*90*	*81*
TOTAL NON-CURRENT LIABILITIES		**186,052**	**204,627**
C) CURRENT LIABILITIES			
1) Financial liabilities	**16**	158,624	149,819
1.1) Bonds		-	-
1.2) Loans		*155,879*	*147,737*
1.3) Other financial liabilities		*2,745*	*2,082*
2) Trade payables and other payables	**17**	292,438	280,739
2.1) Trade payables		*255,307*	*249,018*
2.2) Other payables		*37,131*	*31,721*
3) Current taxes payables	**18**	16,573	15,571
4) Provision for risks and liabilities	**20**	13,098	14,366
4.1) Provision for warranties		*10,572*	*9,634*
4.2) Provision for legal claims		*918*	*1,059*
4.3) Provision for restructuring and reconversion		*1,600*	*3,119*
4.4) Other provisions		*8*	*554*
TOTAL CURRENT LIABILITIES		**480,733**	**460,495**
LIABILITIES HELD FOR SALE		-	-
TOTAL LIABILITIES		**666,785**	**665,122**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**752,615**	**754,566**

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	Cash flow hedge reserve	Foreign currency translation reserve	Profit/(Loss) for the period	Equity of Group	Minority interests	Total
Balance as at 01.01.2010	**23,915**	**27,130**	**46,641**	**44,384**	**-2,481**	**-557**	**-11,707**	**-45,856**	**81,469**	**15,150**	**96,619**
Comprehensive income for the period						**724**	**9,027**	**-10,272**	**-521**	**647**	**126**
Transactions with shareholders:											
Allocation of 2009 residual profit			-45,856					45,856	**-**		**-**
Own share purchase					-642				**-642**		**-642**
Other changes			-301						**-301**	3301	**3000**
Total transactions of the period	**-**		**-46,157**	**-**	**-642**	**-**	**-**	**45,856**	**-943**	**3,301**	**2,358**
Balance as at 30.06.2010	**23,915**	**27,130**	**484**	**44,384**	**-3,123**	**167**	**-2,680**	**-10,272**	**80,005**	**19,098**	**99,103**

(amounts in euro thousands)	Share Capital	Other reserves: equity	Other reserves: profit	1st application reserve IAS/IFRS	Treasury stock acquired	Cash flow hedge reserve	Foreign currency translation reserve	Profit/(Loss) for the period	Equity of Group	Minority interests	Total
Balance as at 01.01.2011	**23,915**	**27,130**	**-6,163**	**44,384**	**-3,373**	**630**	**-1,853**	**-7,228**	**77,442**	**12,002**	**89,444**
Comprehensive income for the period						**-1,258**	**-5,472**	**4,876**	**-1,854**	**-708**	**-2,562**
Transactions with sharehold-ers:											
Allocation of 2010 residual profit			-7,228					7,228	**-**		**-**
Own share purchase					-1,052				**-1,052**		**-1,052**
Total transactions of the period	**-**		**-7,228**	**-**	**-1,052**	**-**	**-**	**7,228**	**-1,052**	**-**	**-1,052**
Balance as at 30.06.2011	**23,915**	**27,130**	**-13,391**	**44,384**	**-4,425**	**-628**	**-7,325**	**4,876**	**74,536**	**11,294**	**85,830**

CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in euro thousands)	NOTES	**30.06.2011**	**30.06.2010**
Profit/(loss) for the year pertaining to the Group	15	4,876	-10,272
Profit/(Loss) for the year pertaining to minority interests		-273	-1,257
Tax for the year		4,419	6,290
Profit/(loss) before taxes		***9,022***	***-5,239***
Depreciation of property, plant and equipment	2	13,805	14,439
Amortisation of intangible assets	2	2,230	1,617
Impairment of intangible assets	2	93	26
Provisions for risks	2	4,681	2,432
Provisions for employee benefits	2	2,900	2,934
Net financial income/expense	3	6,743	4,911
Net gains/(losses) on foreign exchange	3	685	-1,578
Cash flows before changes in Net Working Capital		***40,159***	***19,542***
Changes in inventory	13	-11,029	-34,250
Changes in trade receivables and other receivables	12	3,296	-63,862
Changes in trade payables and other payables	17	11,709	71,421
Changes in receivables/payables for deferred taxation	11	792	291
Use of funds for employee benefits	19	-4,487	-3,896
Use of risks funds	20	-5,824	-10,591
Interest received		2	-
Interest paid		-6,972	-5,774
Tax consolidation expense and income		-1,678	-
Tax payments	4	-1,671	-3,422
Cash flows from operating activities		***24,297***	***-30,540***
Investments in PPE and real estate investments	6	-9,251	-7,667
Disinvestments and other movements in PPE	6	6,406	-12,180
Investments in intangible assets	7	-1,060	-2,729
Disinvestments and other movements in intangible assets	7	2	-300
Effect of forex conversion on equity investments		12	-26
Cash flows from Investing activities		***-3,891***	***-22,902***
Changes in current financial assets	10	743	13,771
Changes in non-current financial assets	10	-	-178
Changes in current financial liabilities	16	8,799	-133,403
Changes in non-current financial liabilities	16	-14,823	148,121
Changes in reserves	15	-7,782	8,808
Changes in minority interests		-435	5,205
Cash flows from financing activities		***-13,498***	***42,324***
Total cash flow for the period		***6,908***	***-11,118***
Opening cash and cash equivalents		**44,940**	**54,711**
Liquid funds for sale		-	*843*
Closing cash and cash equivalents		**51,848**	**42,750**

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED ACCOUNTS TO THE INTERIM FINANCIAL REPORT AS AT 30 JUNE 2011

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 2011 to 30 June 2011 is authorised by resolution taken by the Board of Directors on 29 July 2011.

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 financial statements in accordance with the principles described in the notes that follow.
Amounts in these financial statements are given in thousand euro, while amounts in the notes are indicated in million euro (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 S.p.A., as the parent company, has the function of strategic direction, control and coordination of the four Business Units (BU) of the Carraro Group: Drivelines (under the control of Carraro Drive Tech S.p.A.), Gear & Components (under the control of Gear World S.p.A.), Vehicles (Divisione Agritalia, administered by Carraro S.p.A) and Electronics (under the control of Elettronica Santerno S.p.A.).

The consolidated financial statements comprise, in addition to the BU, 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 Deutschland based in Hattingen (Germany), financial holding company which holds 10% of Carraro Drive Tech S.p.A.

Reporting criteria and accounting principles

The consolidated annual 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 condensed consolidated interim financial statements have been drawn up in abridged form in compliance with IAS 34 "Interim financial reporting". 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 2010.

In preparing these condensed interim financial statements, drawn up in accordance with IAS 34 "Interim financial reporting" the same accounting standards have been used as adopted in preparing the consolidated financial statements as at 31 December 2010, with the exception of that described in the paragraph below entitled "Accounting standards, amendments and interpretations coming into effect as from 1 January 2011"

The Condensed Consolidated Interim Financial Statements were prepared assuming that the company is a going concern.

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 condensed consolidated interim financial statements

These condensed consolidated interim 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 interim 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 which are not included in the income statement for the year, as requested or allowed by IFRS, such as the variations of the cash flow hedge reserve, and the variations of the currency exchange reserve.

Statement of Cash Flows
The consolidated statement of cash flows illustrates the changes in cash and cash equivalents (as presented in the balance sheet) 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 comprehensive income 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 Carraro 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 Carraro Group's annual financial statements as at 31 December 2010.

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	23,817,193	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	5,256,951	65.40%
Siap S.p.A.	Maniago (PN)	EUR	17,622,616	61.26%
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 GmbH & Co. KG	Hattingen (Germany)	EUR	4,000,000	100.00%
Carraro Argentina S.A.	Haedo (Argentina)	ARS	105,096,503	99.94%
Carraro China Drive System	Qingdao (China)	USD	22,534,709	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	39,868,220	98.35%
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	1,000	100.00%
Zao Santerno	Moscow (Russia)	RUBLES	100,000	100.00%
Energy Engineering Srl	Imola (Bologna)	EUR	110,000	100.00%
Turbo Gears India Ltd.	Pune (India)	INR	550,000,000	73.82%
Mini Gears Inc	Virginia Beach (USA)	USD	8,910,000	65.40%
Gear World North America Inc.	Virginia Beach (USA)	USD	20,000	65.40%
Mini Gears Property	Virginia Beach (USA)	USD	20,000	65.40%
Mini Gears Shangai Trading Ltd	Shanghai (China)	USD	200,000	100.00%
MiniGears Suzhou Co. Ltd.	Suzhou (China)	USD	4,300,000	65.40%

Changes in the consolidation area and other operations of company reorganisation
There are no changes in the area of consolidation in the reference period.

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 at 30 June 2011 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 profit/(loss) 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 recognised 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 balances presented in foreign currencies were as follows:

Currency	Average exchange 01.01.2011/ 30.06.2011	Exchange as at 30.06.2011	Average exchange 01.01.2010/ 30.06.2010	Exchange as at 31.12.2010
Indian Rupee	63.14	64.56	60.73	59.758
Polish Zloty	3.95	3.99	4.00	3.975
US Dollar	1.40	1.45	1.33	1.3362
Chinese Renminbi	9.18	9.34	9.06	8.822
Argentine Peso	5.68	5.93	5.13	5.30994
Russian Ruble	40.14	40.40	39.89	40.82
Brazilian Real	2.29	2.26	2.37	2.2177

3.2 Accounting standards and measurement criteria

Accounting standards. amendments and interpretations coming into effect as from 1st January 2011

Standards relevant to the Group for the first half of 2011

- IAS 24 Revised (2009): Related Party Disclosures

On 4 November 2009, IASB issued a revised version of IAS 24 which simplifies the type of information requested in case of transactions with related parties, controlled by the State, and it clarifies the definition of related parties. As requested, the principle must be applied from 1 January 2011. The adoption of said change did not produce any effect on the evaluation of the financial statement items, nor on related party disclosures, included in this Interim Financial Report.

Standards not relevant to the Group, or not yet applicable, and not adopted in advance
- Amendment to IAS 32 – Financial instruments: classification of rights issues.
- IFRIC 14 – Prepayments of a Minimum Funding Requirement.
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation.
- Amendment to IFRS 7 – Financial Instruments: Disclosures (applicable from 1 July 2011).
- Amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards (IFRS) (forward-looking application from 1 July 2011).
- Amendment to IAS 12 – Income Taxes (retrospective application from 1 January 2012).
- Amendment to IAS 1 – Presentation of Financial Statements (applicable from 1 July 2012).
- Amendment to IFRS 9 – Financial Instruments (retrospective application from 1 January 2013).
- IFRS 10 – Consolidated Financial Statements (retrospective application from 1 January 2013).
- IFRS 11 – Joint Arrangements (retrospective application from 1 January 2013).
- IFRS 12 – Disclosures on Interests in Other Entities (retrospective application from 1 January 2013).
- IFRS 13 – Fair Value Measurement (retrospective application from 1 January 2013).
- Amendment to IAS 19 – Employee Benefits (forward-looking application from 1 January 2013).

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:

- *Drivelines*: production and marketing of axles, transmissions and drives for construction equipment and agricultural applications;
- *Components*: production and marketing of components for axles and transmissions, and of gears;
- *Vehicles*: production and marketing of agricultural tractors;
- *Electronics*: production and marketing of electronic and power systems.

The item “other segments” brings together the Group’s operations not allocated to the four segments, and comprises the central holding and management activities of the Carraro Group.

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/(loss) which may differ in some respects from the operating profit/(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 2010 and first half of 2011.

a) economic data

30.06.2011 *(amounts in euro thousands)*	**Drives & Drivelines**	**Components**	**Vehicles**	**Power Controls**	**Eliminations and items not allocated**	**Consolidated Total**
Revenues from sales	**279,881**	**94,983**	**46,379**	**71,485**	**-42,337**	**450,391**
Sales to third parties	272,136	64,300	44,360	69,721	-126	450,391
Sales between divisions	7,745	30,683	2,019	1,764	-42,211	-
Operating costs	**273,240**	**93,877**	**45,552**	**59,983**	**-38,711**	**433,941**
Purchases of goods and materials	202,975	49,460	36,500	31,272	-42,490	277,717
Services	39,547	23,298	3,798	13,127	-186	79,584
Use of third-party goods and services	2,856	862	64	647	-1,664	2,765
Personnel costs	32,281	19,437	5,485	8,008	4,126	69,337
Amortisation, depreciation and impairment of assets	6,207	7,164	604	1,464	1,201	16,640
Changes in inventories	-11,970	-6,214	-1,487	4,622	138	-14,911
Provisions for risks	2,541	203	603	1,334	-	4,681
Other income and expenses	-803	-142	-28	-289	185	-1,077
Internal construction	-394	-191	13	-202	-21	-795
Operating profit/(loss)	**6,641**	**1,106**	**827**	**11,502**	**-3,626**	**16,450**
Gains/(losses) on financial assets	-4,939	-2,483	2	-20	12	-7,428
Current and deferred income taxes	-933	157	-442	-4,013	812	-4,419
Minorities	19	-89	-	-	343	273
Net profit/(loss)	**788**	**-1,309**	**387**	**7,469**	**-2,459**	**4,876**

30.06.2010 *(amounts in euro thousands)*	**Drives & Drivelines**	**Components**	**Vehicles**	**Power Controls**	**Eliminations and items not allocated**	**Consolidated Total**
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 inventories	-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 profit/(loss)	**-5,335**	**-5,798**	**-2,731**	**4,507**	**-915**	**-10,272**

b) balance sheet

30.06.2011 *(amounts in euro thousands)*	Drives & Drivelines	Components	Vehicles	Power Controls	Eliminations and items not allocated	Consolidated Total
Non-current assets (*)	116,276	126,075	15,448	17,475	47,023	322,297
Current assets	250,841	88,810	25,074	85,146	-23,553	426,318
Assets held for sale	*4,000*	-	-	-	-	*4,000*
Shareholders' equity	29,236	32,601	7,440	30,016	-13,463	85,830
Non-current liabilities	24,465	77,653	1,582	762	81,590	186,052
Current liabilities	317,416	104,631	31,500	71,843	-44,657	480,733
Liabilities held for sale	-	-	-	-	-	-

31.12.2010 *(amounts in euro thousands)*	Drives & Drivelines	Components	Vehicles	Electronics	Eliminations and items not allocated	Consolidated Total
Non-current assets (*)	126,889	132,799	15,705	17,526	49,188	342,107
Current assets	220,006	73,492	18,987	113,793	-13,819	412,459
Shareholders' equity	33,332	35,250	7,075	32,604	-18,817	89,444
Non-current liabilities	27,440	83,370	1,611	783	91,423	204,627
Current liabilities	286,123	87,671	26,006	97,932	-37,237	460,495

(*) Non-current assets include goodwill amounting to 21.08 million euro relating to the Drives & Drivelines business unit, goodwill amounting to 21.88 million euro relating to the Power Controls business unit and goodwill amounting to 20.21 million euro attributable to the Components segment.

c) Other information

30.06.2011	Drives & Drivelines	Components	Vehicles	Power Controls	Eliminations and items not allocated	Consolidated Total
Investments *(Euro/000)*	4,862	3,512	192	1,267	478	10,311
Workforce as at 30.06.2011	2,168	1,574	243	263	76	4,324

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

4.2 Geographic areas

The Carraro 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 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)*	**30.06.2011**	**%**	**30.06.2010**	**%**
Germany	60,652	13.47	49,718	16.32
North America	45,375	10.07	28,688	9.42
United Kingdom	34,528	7.67	20,233	6.64
South America	33,933	7.53	24,319	7.98
China	27,995	6.22	22,382	7.35
France	27,441	6.09	12,190	4.00
Switzerland	22,401	4.97	14,723	4.83
India	20,855	4.63	13,190	4.33
Turkey	17,374	3.86	4,716	1.55
Poland	7,340	1.63	5,462	1.79
Other non-E.U. areas	5,906	1.31	6,681	2.19
Other E.U. areas	25,988	5.77	27,386	8.99
Total Abroad	**329,788**	**73.22**	**229,688**	**75.39**
Italy	120,603	26.78	74,960	24.61
Total	**450,391**	**100.00**	**304,648**	**100.00**
of which:				
Total E.U. area	**276,552**	**61.40**	**189,949**	**62.35**
Total non-E.U. area	**173,839**	**38.60**	**114,699**	**37.65**

b) Assets

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)	**30.06.2011**		**31.12.2010**	
	CURRENT ASSETS	**NON-CURRENT ASSETS**	**CURRENT ASSETS**	**NON-CURRENT ASSETS**
Italy	317,828	456,094	305,964	468,120
Other E.U. countries (Germany, Poland)	193,352	129,448	188,701	130,823
North America	7,104	7,446	6,786	8,602
South America	42,125	11,705	40,033	13,122
Asia (India, China)	106,001	64,332	86,712	68,745
Non-E.U. countries	856	85	488	72
Eliminations and items not allocated	-240,948	-346,813	-216,225	-347,377
Total	**426,318**	**322,297**	**412,459**	**342,107**

c) Investments

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

(amounts in euro thousands)	**30.06.2011**	**30.06.2010**
Italy	6,196	9,543
Other E.U. countries	443	1,001
North America	14	409
South America	176	163
Non-E.U. countries	4,000	3,194
Asia	8	-
Eliminations and items not allocated	-526	-3,914
TOTAL	**10,311**	**10,396**

5. Assets held for sale (note 22)

Carraro Group has decided to transfer the production activities of the Polish subsidiary FON S.A. because they are deemed no longer strategic in the development plan of the Drivelines Business Unit.
In this context, on 4 July 2011, a “Memorandum of Understanding” was signed with a Polish economic subject (FON SKB), which defined the main terms of the agreement: area of the corporate branch object of transfer, estimated transfer price, collaboration agreements.
Based on this Memorandum and considering that the accounting value of the branch will be mainly recovered through a sale instead of through its ongoing use, the interim consolidated interim financial statements on 30 June 2011 show “Non-current assets destined to be disinvested“ for a total of 4 million euro. This amount is net of depreciations derived from its evaluation which takes in consideration the lower amount between the accounting value and the “fair value” (that is the transfer price), minus the foreseeable disinvestment costs, without a significant net economic impact.

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)	**30.06.2011**	**30.06.2010**
1) PURCHASES OF GOODS AND MATERIALS	277,670	197,655
2) SERVICES	79,631	60,003
3) USE OF THIRD-PARTY GOODS AND SERVICES	2,765	2,455
4) PERSONNEL COSTS	69,337	59,383
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	16,640	16,232
6) CHANGES IN INVENTORIES	-14,911	-28,958
7) PROVISION FOR RISKS AND OTHER LIABILITIES	4,681	2,432
8) OTHER INCOME AND EXPENSES	-1,077	-1,081
9) INTERNAL CONSTRUCTION	-795	-1,567
Total	**433,941**	**306,554**

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

GAINS/(LOSSES) ON FINANCIAL ASSETS

(amounts in euro thousands)	**30.06.2011**	**30.06.2010**
10) INCOME FROM EQUITY INVESTMENTS	-	-
11) OTHER FINANCIAL INCOME	265	194
12) FINANCIAL COSTS AND EXPENSES	-7,008	-5,105
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	-685	1,578
14) ADJUSTMENTS OF FINANCIAL ASSETS	-	-
Total	**-7,428**	**-3,333**

The net financial expenses amount to 6.7 million euro, compared to 4.9 million euro for the first six-months of 2010. The increase is due to an average indebtedness of the period, slightly higher compared to the first half of 2010, and to the greater cost of money, derived from the growth of interest rates and from the application of higher spreads on medium- and long-term loans re-negotiated with the Framework Agreement, signed on 13 April 2010.
The net exchange differences as at 30 June 2011 were negative 0.69 million euro and include, as well as financial items, the MTM (Market-to-Market) effects of the measurement at fair value of derivatives, particularly in relation to the fluctuations recorded by the Argentinian Peso, Chinese Renminbi and Indian Rupee.

Income taxes (note 4)

INCOME TAXES

(amounts in euro thousands)	**30.06.2011**	**30.06.2010**
CURRENT TAXES	2,523	4,335
TAX CONSOLIDATION EXPENSE AND INCOME	1,678	
TAXES FROM PREVIOUS YEARS	150	-
DEFERRED TAXES	18	1,955
PROVISION FOR TAX RISKS RELATIVE TO DIRECT TAXES	50	-
Total	**4,419**	**6,290**

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

Companies Carraro S.p.A., Carraro Drive Tech S.p.A., and since 2011, Elettronica Santerno Spa and its subsidiary Energy Engineering S.r.l., adhere to the tax consolidation of 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 regulation on Tax Consolidation, Carraro S.p.A. and its subsidiaries have the right to a "refund" on the possible use of fiscal losses relative to companies controlled by Finaid. 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 its subsidiaries.
The regulation also provides for a mechanism of priority offsetting of the positive and negative taxable amounts between Carraro S.p.A. and its subsidiaries with respect to offsetting with the other companies of the Finaid Consolidation. The same mechanism is foreseen for financial expenses that cannot be deducted and are brought forward.
In the first half of 2011, the compensation of fiscal losses of Carraro S.p.A. and Carraro Drive Tech S.p.A. with the taxable amount of Elettronica Santerno S.p.A. made it possible to register income for 1.5 million euro and compensate further previous losses for 4.8 million euro, which led to the reduction of the relative active deferred taxes for 1.4 million euro.
A tax consolidation scheme is also applicable between Gear World S.p.A. and its subsidiaries, which has not yet had any significant effect.

Deferred taxes
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 52 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 shareholders by the weighted average number of outstanding ordinary shares during the year.

	30.06.2011	**30.06.2010**
Earnings	***Euro/000***	***Euro/000***
Earnings (Losses) for the purposes of calculation of basic earnings per share	4,876	-10,272
Diluting effect deriving from potential ordinary shares:	-	-
Earnings (Losses) for the purposes of calculation of diluted earnings per share	4,876	-10,272

	30.06.2011	**30.06.2010**
Number of shares	**No./000**	**No./000**
Weighted average number of ordinary shares for the calculation		
of basic earnings (losses) per share:	44,638	44,962
of diluted earnings (losses) per share:	44,638	44,962
Basic earnings (losses) per share (Euro):	0.11	-0.23
Diluted earnings (losses) per share (Euro):	0.11	-0.23

Property, plant and equipment (Note 6)
These items present a net balance of 207.94 million euro compared with 224.15 million 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	79,769	199,425	118,424	18,413	8,338	424,369
Provisions for amortisation and impairment	-19,021	-99,362	-69,171	-12,216	-450	-200,220
Net as at 31.12.2010	**60,748**	**100,063**	**49,253**	**6,197**	**7,888**	**224,149**
Movements in 2011:						
Increases	122	5,303	3,324	668	-166	9,251
Decreases	-	-471	-16	-	-	-487
Capitalisation	-	355	422	140	-917	-
Assets held for sale	-3,638	-681	-668	-156	-20	-5,163
Depreciation and amortisation	-1,050	-7,071	-4,856	-828	-	-13,805
Reclassification	96	7,924	-7,898	-122	-	-
Impairment	-	-88	-	1	-6	-93
Translation exchange differences	-1,687	-2,726	-1,075	-59	-370	-5,917
Net as at 30.06.2011	**54,591**	**102,608**	**38,486**	**5,841**	**6,409**	**207,935**
Made up of:						
Historical cost	71,477	197,953	107,816	18,244	6,728	402,218
Provisions for amortisation and impairment	-16,886	-95,345	-69,330	-12,403	-319	-194,283

As at 30.06.2011, there are leased assets registered among plant and machinery for 2.28 million euro.

The main investments in plant and machinery were made by O&K, Turbo Gears, Carraro India and by MiniGears, Poggiofiorito division.

The increases in industrial equipment mainly refer to the purchases of fusion moulds and tools by Mini Gears, Siap, Carraro Drive Tech, Carraro India and Elettronica Santerno.

The increases in fixed assets under construction and advances are mainly due to the investments currently being made in Mini Gears, Mini Gears Suzhou, Carraro Drive Tech and Elettronica Santerno.

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

Intangible assets (Note 7)
These items present a net balance of 79.85 million euro compared with 81.02 million euro in the previous period.
The breakdown is as follows:

Items *(amounts in euro thousands)*	**Goodwill**	**Development costs**	**Royalties and patents**	**Licences and Trademarks**	**Invest. in prog. and deposits**	**Other intangible assets**	**Total**
Historical cost	63,171	12,381	1,386	21,227	2,356	1,733	102,253
Provisions for amortisation and impairment	-	-6,649	-1,111	-12,039	-	-1,437	-21,235
Net as at 31.12.2010	**63,171**	**5,732**	**275**	**9,188**	**2,356**	**296**	**81,018**
Movements in 2011:							
Increases	-	-	9	459	592	-	1,060
Decreases	-	-	-	-1	-4	-1	-6
Capitalisation	-	430	-	-	-430	-	-
Assets held for sale	-	-	-	-	-	-	-
Depreciation and amortisation	-	-745	-54	-1,409	-	-22	-2,230
Reclassification	-	-	-	80	-	-80	-
Impairment	-	-	-	-	-	-	-
Translation exchange differences	-	-	-	18	-12	-2	4
Net as at 30.06.2011	**63,171**	**5,417**	**230**	**8,335**	**2,502**	**191**	**79,846**
Made up of:							
Historical cost	63,171	12,811	1,395	21,801	2,502	1,629	103,309
Provisions for amortisation and impairment	-	-7,394	-1,165	-13,466	-	-1,438	-23,463

The item Concessions, Licenses and Trademarks includes the residual value of the fair value of the Brand (1.98 million euro) and the Technology (1.57 million euro) recorded in fiscal year 2007 during the acquisition of the Mini Gears group. These intangible fixed 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 fixed 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 consolidated financial statements as at 31 December 2010.

No elements have arisen up to the current date, compared to the date of the last execution, such to deem that the hypotheses and parameters used in the impairment test shall be reviewed.

The amounts of goodwill recognised are shown below:

(amounts in euro thousands)	**Business Unit** (CGU)	**31.12.2010**	**Changes**	**30.06.2011**
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*	21,877	-	21,877
Mini Gears Group	*Components*	20,215	-	20,215
Total		**63,171**	**-**	**63,171**

Investments in progress and deposits
The item mainly refers to the development costs incurred by companies Carraro S.p.A. and Carraro Drive Tech 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. and Elettronica Santerno S.p.A.

Research and development costs (non-capitalisable)
During the course of the first half of 2011 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 8.99 million euro (not capitalised through the lack of the requirements envisaged by IAS 38) (7.25 million euro in the first half of 2010).

Real estate investments (Note 8)
These present a net balance of 0.7 million euro 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 0.155 million euro can be broken down as follows:

Name	Parent company	Based in	Currency	Share Capital Par Value	Percentage stake	Value of Shareholders' Equity 30.06.2011 (Euro)	Carrying amount (Euro)
Carraro PNH Components India Ltd.	Carraro India Ltd	Bombay (India)	Rupees	10,000,200	99.998%	118,905	154,890

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 financial statements.

Financial assets (Note 10)

(amounts in euro thousands)	**30.06.2011**	**31.12.2010**
Loans to third parties	3,075	3,075
LOANS AND RECEIVABLES	***3,075***	***3,075***
Available for sale	114	114
Other financial assets	*576*	*763*
OTHER FINANCIAL ASSETS	***690***	***877***
NON-CURRENT FINANCIAL ASSETS	**3,765**	**3,952**
With third parties	1,449	1,451
LOANS AND RECEIVABLES	***1,449***	***1,451***
Fair value of derivatives	648	2,074
Other financial assets	1,466	1,016
OTHER FINANCIAL ASSETS	**2,114**	**3,090**
CURRENT FINANCIAL ASSETS	***3,563***	***4,541***

Non-current financial assets
This is the medium- and long-term amount of the loan towards company MARIV S.r.l. to which STM euros was transferred on 1 July 2010, equal to 3.08 million euro; the loan will expire on 30 December 2014. The item also includes the commissions for 0.58 million euro, paid to Carraro International for the re-negotiation of the financing falling within the Framework Agreement with the main financing banks, described in note 16.

Current loans and receivables:
They mainly refer to the short-term loan towards MARIV S.r.l., equal to 1.02 million euro and the residual loan towards STM S.r.l. (equal to 0.39 million euro), no longer belonging to Carraro Group.

Other current financial assets
They include the cash flow hedge derivatives for 0.65 million euro. The amount refers to the fair value calculated as at 30.06.2011 on current instruments on currencies. As described in detail in the section on derivative financial instruments (Paragraph 9), gains or losses deriving from hedging instruments are recognised in the consolidated comprehensive income statement and accumulated in a specific shareholders' equity reserve for the efficient part, while the remaining (inefficient) portion is recognised in the consolidated 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.

Deferred tax assets and liabilities (Note 11)

The carrying amount of net deferred tax assets recognised as at 30 June 2011 was 21.0 million euro (31 December 2010: 21.9 million euro).

Deferred tax assets include the 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 recognise deferred tax assets as at 30 June 2011 amounted to 59.5 million euro (31 December 2010: 65.1 million euro) with a tax effect of 16.4 million euro (31 December 2010: 18.0 million 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 13.8 million euro (31 December 2010: 13.8 million euro) with a tax effect of 3.8 million euro (31 December 2010: 3.8 million euro).

Trade receivables and other receivables (Note 12)

(amounts in euro thousands)	**30.06.2011**	**31.12.2010**
NON CURRENT TRADE RECEIVABLES	**-**	**-**
With third parties	1,434	1,630
OTHER NON-CURRENT RECEIVABLES	***1,434***	***1,630***
NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**1,434**	**1,630**
With related parties	82	153
With third parties	132,645	133,244
CURRENT TRADE RECEIVABLES	***132,727***	***133,397***
With related parties	3,594	1,119
With third parties	43,777	48,682
OTHER CURRENT RECEIVABLES	***47,371***	***49,801***
CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES	**180,098**	**183,198**

Closing inventory (Note 13)

Items *(amounts in euro thousands)*	**30.06.2011**	**31.12.2010**
Raw materials	110,808	101,409
Work in progress and semi-finished products	44,898	37,833
Finished products	57,426	61,150
Goods in transit	907	686
Total inventories	***214,039***	***201,078***
Provisions for impairment of inventories	-23,230	-21,298
Total inventories	**190,809**	**179,780**

The increase of the inventories is strictly linked to the significant amount of sales.

Cash and cash equivalents (Note 14)

(amounts in euro thousands)	**30.06.2011**	**31.12.2010**
CASH	268	216
BANK CURRENT ACCOUNTS AND DEPOSITS	50,659	44,724
OTHER LIQUID FUNDS OR EQUIVALENT ASSETS	921	-
TOTAL	**51,848**	**44,940**

Shareholders' equity (Note 15)

Amounts in euro thousands	**30.06.2011**	**31.12.2010**
1) Share Capital	23,915	23,915
2) Other Reserves	9,314	17,594
3) Profits/(Losses) brought forward	-	-
4) IAS/IFRS first adoption reserve	44,384	44,384
5) Other IAS/IFRS reserves	-628	630
6) Foreign currency translation reserve	-7,325	-1,853
7) Result for the period pertaining to the group	4,876	-7,228
GROUP SHAREHOLDERS' EQUITY	**74,536**	**77,442**
8) Minority interests	11,294	12,002

The Shareholders' Meeting of Carraro S.p.A. held on 5 May 2011 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 2010, amounting to 6,121,605 euros by withdrawing this same amount from the extraordinary reserve.

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 2011, 1,475,348 had been purchased for a total investment of Euro 4.425 mln.

Other reserves
The item Other reserves for 9.314 million euro 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 carrying amounts of the relevant investments and consolidation adjustments.

IAS/IFRS first adoption reserve
The IAS/IFRS first adoption reserve amounted to 44.384 million euro as at 30 June 2011.

Other IAS/IFRS reserves
It contains the values derived from the application of the criterion foreseen for the cash flow hedges for negative 0.628 million euro.

Foreign currency translation reserve
This reserve, of 7.325 million 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 1.853 million euro as at 31 December 2010 and negative for 7.325 million euro as at 30 June 2011) particularly derives from the great changes recorded during the period of the Argentine Peso, the Chinese Renminbi and the Indian Rupee.

(amounts in euro thousands)	**31.12.2010**	**Movements of the period**	**30.06.2011**
Exchange reserve of the parent company's shareholders	-1,450	-5,885	-7,335
Exchange reserve of minority interests	-403	413	10
Effect of the exchange reserve on the consolidated comprehensive income statement	**-1,853**	**-5,472**	**-7,325**

Financial liabilities (Note 16)

The classification of the financial liabilities as at 30.06.2011 and 31.12.2010 is indicated.

(amounts in euro thousands)	**30.06.2011**	**31.12.2010**
Medium/long-term loans	*158,998*	*173,821*
Other non-current financial liabilities	*30*	-
NON-CURRENT FINANCIAL LIABILITIES	**159,028**	**173,821**
Medium/long-term loans – short-term portion	*82,128*	*70,957*
Loans with third parties	*5*	*11*
Short-term loans	*73,746*	*76,769*
LOANS	**155,879**	**147,737**
Fair value of interest rate derivatives	*99*	*617*
Fair value derivatives on exchange rates	*1,418*	*243*
Other current financial liabilities	*1,228*	*1,222*
OTHER FINANCIAL LIABILITIES	**2,745**	**2,082**
CURRENT FINANCIAL LIABILITIES	**158,624**	**149,819**

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

COMPANY *(amounts in euro thousands)*	LENDER	Amount at short term as at 30.06.2011	Amount at mid/long term as at 30.06.2011	EXPIRY	RATE	RATE TYPE	CURRENCY
Carraro China Drive System	Intesa SanPaolo	833	3,334	Jun. 2014	7.74%	variable	CNY
Carraro India	Exim	273	-	Mar. 2012	12.50%	variable	INR
Carraro India	Exim	233	2,091	Sep. 2015	12.50%	fixed	INR
Carraro India	Idbi Bank	387	290	Jan. 2013	11.75%	variable	INR
Carraro India	Axis	116	2,207	Nov. 2016	12.50%	variable	INR
Carraro India	MCC	242	488	Apr. 2013	3.07%	variable	EURO
Carraro India	MCC	324	-	Apr. 2012	3.07%	variable	EURO
Carraro International	Banca Antonveneta	1,500	8,907	Jun. 2015	3.27%	variable	EURO
Carraro International	MPS	1,290	7,469	Mar. 2015	3.05%	variable	EURO
Carraro International	Pool of banks	9,090	89,101	May 2017	3.21%	variable	EURO
Carraro International	Banca Pop. Vicenza (revolving)	16,600	-	Dec. 2015	3.11%	variable	EURO USD PLN
Carraro International	Pool of banks (*revolving*)	27,000	-	May 2014	2.92%	variable	EURO
Carraro International	Banca Antonveneta (revolving)	17,600	-	Dec. 2012	2.75%	variable	EURO
Carraro S.p.A.	Banca Antonveneta	963	15,877	Dec. 2020	3.27%	variable	EURO
Carraro S.p.A.	Italian lessor	35	-	Jul. 2011	n.a.	n.a.	EURO
Elettronica Santerno	Simest	29	-	Nov. 2011	1.40%	fixed	EURO
FON	Capitalia Lux	905	1,207	Jun. 2013	6.16%	variable	EURO
SIAP	Friulia	-	4,000	Jun. 2016	3.06%	variable	EURO
MG MINI GEARS SPA	Banca Pop.Verona	2,520	18,652	Mar. 2016	3.03%	variable	EURO
MG MINI GEARS SPA	Interbanca	500	1,494	Dec. 2013	3.27%	variable	EURO
MG MINI GEARS SPA	Intesa Mediocredito	421	206	Sep. 2012	3.03%	variable	EURO
MG MINI GEARS SPA	Ministry of Research	144	73	Jan. 2013	2.00%	fixed	EURO
MG MINI GEARS SPA	San Paolo Locat Leasing	352	210	Aug. 2011 May 2013	1.92% 2.12%	variable	EURO
Energy Engineering Srl	Banca Pop. Vicenza	1,100	-	Sep. 2011	3.28%	variable	EURO
Turbo Gears	Idbi Bank	77	58	Jan. 2013	12.75%	variable	INR
Turbo Gears	MCC	370	3,334	Dec. 2016	3.27%	variable	EURO
TOTAL		**82,904**	**158,998**				

Medium- and long-term financial debts are indicated below according to the year of expiry (shown at par value).

Year of expiry *(amounts in euro thousands)*	
2012 (second half)	19,647
2013	37,110
2014	34,026
2015	30,536
2016	23,550
2017	11,025
2018	2,100
2019	1,925
2020	1,925
Total financial debts	**161,844**

The net financial position is broken down below.

Net financial position *(amounts in euro thousands)*	**30.06.2011**	**31.12.2010**
Non-current loans payable	158,998	173,821
Current loans payable	155,879	147,737
Other non-current financial liabilities	30	-
Other current financial liabilities	1,228	1,222
Financial liabilities:	**316,135**	**322,780**
Non-current loans and receivables	-3,075	-3,075
Current loans and receivables	-1,449	-1,451
Other non-current financial assets	-576	-763
Other current financial assets	-1,466	-1,016
Financial assets:	**-6,566**	**-6,305**
Cash	-268	-216
Bank current accounts and deposits	-50,659	-44,724
Other cash and cash equivalents	-921	-
Cash and cash equivalents:	**-51,848**	**-44,940**
Net financial position	**257,721**	**271,535**
of which payables / (receivables):		
- non-current	155,377	169,983
- current	102,344	101,552

The Carraro Group has available short term banking credit facilities for a total of 120.20 million euro, sued for 73.11 million 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 275.70 million euro, as compared with use for 241.87 million euro (medium- and 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).
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 with the credit institutions in view of the payment of an up-front fee (advanced commission) and the increase of the spreads related to the interest rates, up to maximum 200 bps (basic points).

As at 30 June 2011, as well as at 31 December 2010, the financial parameters (covenants) foreseen in the agreement for said date, have been respected.
In particular:
- the gearing (defined as the ratio of net financial position to owners' equity) came out at 3.00 as at 30 June 2011 (the Framework Agreement defines a minimum value of the parameter for said date equal to 2.93, with a tolerance margin up to 3.37);
- the ratio of Net Financial Position/ EBITDA calculated using the EBITDA value indicated in the 2011 budget, is 3.95 as at 30 June 2011 (the Framework Agreement defines a minimum value of the parameter for said date equal to 3.92, with a tolerance margin up to 4.51).

Fair Value
The fair value of medium- and 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 Carraro Group's main management objective is to ensure that a sound credit rating is maintained, together with adequate levels of the capital indicators so as to support its activities and maximise value for the shareholders.
The Carraro Group manages and modifies the capital structure in line with changes in the economic conditions. To maintain or change the capital structure, the Group can adjust the dividends paid to the shareholders, redeem the capital or issue new shares.

Trade payables and other payables (Note 17)

(amounts in euro thousands)	**30.06.2011**	**31.12.2010**
NON-CURRENT TRADE PAYABLES	**-**	**-**
With third parties	33	333
OTHER NON-CURRENT PAYABLES	***33***	***333***
TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES	**33**	**333**
With related parties	89	47
With third parties	255,218	248,971
CURRENT TRADE PAYABLES	***255,307***	***249,018***
With related parties	3,171	39
With third parties	33,960	31,682
OTHER CURRENT PAYABLES	***37,131***	***31,721***
TRADE PAYABLES AND OTHER CURRENT PAYABLES	**292,438**	**280,739**

Current taxes payables (Note 18)

(amounts in euro thousands)	**30.06.2011**	**31.12.2010**
Current taxes payable	16,573	15,571
Substitute tax payable pursuant to Law 266/2005	-	-
Current taxes payables	**16,573**	**15,571**

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

EMPLOYEE SEVERANCE INDEMNITIES *(amounts in euro thousands)*	**30.06.2011**	**31.12.2010**
Opening severance indemnities in accordance with IAS 19	**14,583**	**16,615**
Changes	-1,565	-2,032
Closing severance indemnities in accordance with IAS 19	**13,018**	**14,583**

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 4.37 million euro (4.78 million euro as at 31 December 2010) mainly relate to the liabilities recognised in the financial statements 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	30.06.2011	31.12.2010
Executives	64	58
Clerical staff	1,028	983
Factory workers	2,828	2,671
Temporary workers	404	302
Total	**4,324**	**4,014**

Provision for risks and liabilities (Note 20)

The item can be broken down as follows:

(amounts in euro thousands)	Provisions 31.12.2010	Increases 1st half 2011	Decreases 1st half 2011	Reclassification 1st half 2011	Liabilities held for sale	Exchange-rate adjustments	Provisions 30.06.2011
Non-current portion							
1) WARRANTY	762	-	-	-210	-	-8	544
2) COSTS OF LEGAL CLAIMS	1,599	50	-187	-	-	41	1,503
3) RENOVATION AND CONV.	-	-	-	-	-	-	-
4) OTHER PROVISIONS	81	19	-10	-	-	-	90
TOTAL	**2,442**	**69**	**-197**	**-210**	**-**	**33**	**2,137**
Current portion							
1) WARRANTY	9,634	4,283	-3,823	581	-	-103	10,572
2) COSTS OF LEGAL CLAIMS	1,059	57	-172	-	-	-26	918
3) RENOVATION AND CONV.	3,119	341	-1,396	-	-430	-34	1,600
4) OTHER PROVISIONS	554	-	-176	-371	-	1	8
TOTAL	**14,366**	**4,681**	**-5,567**	**210**	**-430**	**-162**	**13,098**

From the product warranty reserve, 3.82 million euro was used for customer claims accepted and the reserve was increased by 4.28 million 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:
- 1.08 million euro for a proceeding with the Argentine revenue agency concerning property tax;
- 0.13 million euro for a fiscal case relative to Mini Gears S.p.A.;
- 0.08 million euro for a proceeding on VAT relative to Carraro S.p.A.;
- 0.11 million euro for amounts still to pay to verify the adhesion referred to 2005 of Carraro Spa;
- 0.2 million euro for a proceeding concerning Minigears Usa.

(amounts in euro thousands)	Provisions 31.12.2010	Increases 2011	2011 Issuing	Reclassification to payables 2011	Liabilities held for sale	Exchange delta	Provisions 30.06.2011
Carraro S.p.A.	27	-	-	-	-	-	27
Carraro Drive Tech	432	141	-	-432	-	-	141
O&K	1,147	200	-911	-	-	-	436
Fon S.A.	1,005	-	-	-	-430	-4	571
Carraro Argentina S.A.	293	-	-39	-	-	-29	225
Mini Gears Inc.	15	-	-15	-	-	-	-
Gear World S.p.A.	200	-	-	-	-	-	200
TOTAL	**3,119**	**341**	**-965**	**-432**	**-430**	**-33**	**1,600**

The process to relocate surplus staff continued in 2011. The restructuring provision was increased by 0.34 million euro to complete the re-organisation scheduled in the plants of Gorizia and O&K Antriebstechnik.
The definitive amount to issue in the following year was reclassified as payable.

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 at 30 June 2011 held 64.9301% of the shares outstanding.

Companies Carraro S.p.A., Carraro Drive Tech S.p.A. and, since 2011, Elettronica Santerno Spa and its subsidiary Energy Engineering S.r.l., adhere to the tax consolidation area of 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 regulation on Tax Consolidation, Carraro S.p.A. and its subsidiaries have the right to a “refund” on the possible use of fiscal losses relative to companies controlled by Finaid. 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 its subsidiaries.
The regulation also provides for a mechanism of priority offsetting of the positive and negative taxable amounts between Carraro S.p.A. and its subsidiaries with respect to offsetting with the other companies of the Finaid Consolidation. The same mechanism is foreseen for financial expenses that cannot be deducted.

The transactions between Carraro S.p.A. and its subsidiaries which are affiliated entities of Carraro S.p.A., were eliminated in the consolidated financial statements and are not pointed out in these notes. The details of the transactions between Carraro Group and other affiliated companies according to principle IAS 24 and Consob requirements, are indicated 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 products	Sales of services	Purchases of goods and materials	Purchases of services	Use of third-party goods and services
FINAID S.r.l.	3,593	3,171		3			
Maus S.p.A.	43	78		47	34	37	8
Maus U.S.A.	31			68			
European Power System S.r.l.	9	8	2	3		4	

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.
Receivables and payables towards Finaid represent the counter-party of the income and expenses from the tax consolidation, derived from the compensation between the fiscal losses of Carraro Spa and Carraro Drive Tech Spa on one hand, and the taxable income of Elettronica Santerno Spa on the other.

9. FINANCIAL INSTRUMENTS

9.1 Derivative financial instruments on currencies

The following table indicates all the key information relating to the portfolio of derivative financial instruments on currencies outstanding as at 30 June 2011. These are instruments designated to cover:
- foreign currency sales budgets;
- cash flows of medium- and long-term loans;
- imbalances of current receivables and payables in foreign currencies.

a) Notional values

CONTRACT *(amounts in euro thousands)*	**Carraro Drive Tech**	**Carraro SpA**	**O&K**	**Carraro Argentina**	**Carraro International**	**Fon**	**Carraro India**	**Turbo Gears**	**Mini Gears SpA**	**Siap**	**TOTAL GROUP 30.06.2011**	**TOTAL GROUP 31.12.2010**
Swaps (DCSs) (1)	-1,365	-305	348	-	48,602	-	4,177	629	-718	412	51,779	94,646
Swap (DCSs) (2)	365	245	359	3,451	3,401	1,350	-3,409	-4,883	-	-	879	-2,528
TOTAL NOTIONAL VALUES	**-1,000**	**-60**	**707**	**3,451**	**52,003**	**1,350**	**768**	**4,254**	**-718**	**412**	**52,658**	**92,058**

b) Reference currencies and expiry dates of contracts

CONTRACT	**Carraro Drive Tech**	**Carraro SpA**	**O&K**	**Carraro Argentina**	**Carraro International**	**Fon**	**Carraro India**	**Turbo Gears**	**Mini Gears SpA**	**Siap**
Swaps (DCS)(1)										
Ref. currencies	USD/EUR	USD/EUR	USD/EUR	-	INR/EUR INR/USD EUR/USD ARS/EUR ARS/USD CNY/EUR CNY/USD	-	INR/EUR INR/USD	INR/EUR INR/USD	USD/EUR	USD/EUR
Expiry dates	Jul. 11 – Feb. 12	Jul. 11 – Feb. 12	Aug. 11 - Jan. 12	-	Jul. 11- Feb. 12 Jul. 11 - Feb. 12 Jul. - Oct. 11 Jul. - Dec. 11 Jul. 11 - Jan. 12 Jul. 11 - Feb. 12 Jul. 11 - Feb. 12	-	Jul. – Oct. 11 Jul. – Oct. 11	July - Oct. 11 July - Oct. 11	Jul. 11 – Feb. 12	Jul. 11 – Mar. 12
Swap (DCS)(2)										
Ref. currencies	USD/EUR	USD/EUR	USD/EUR	ARS/EUR ARS/USD	ARS/EUR CNY/EUR CNY/USD USD/EUR USD/INR PLN/EUR	PLN/EUR	INR/EUR	INR/EUR	-	-
Expiry dates	Jul. - Aug. 11	Aug. - Sep. 11	Jul. - Aug. 11	Jul. - Sep. 11 Jul. - Sep. 11	Jul. 11 Jul. - Sep. 11 Jul. - Aug. 11 Jul. - Aug. 11 Jul. 11 Jul. – Sep.. 11	Jul. - Sep. 11	Jul. - Aug. 11	Jul. 11	-	-

c) Fair value

(amounts in euro thousands)	**Carraro Drive Tech**	**Carraro SpA**	**O&K**	**Carraro Argentina**	**Carraro International**	**Fon**	**Carraro India**	**Turbo Gears**	**Mini Gears SpA**	**Siap**	**TOTAL GROUP 30.06.2011**	**TOTAL GROUP 31.12.2010**
Swaps (DCS) (1)	-52	-12	23	-	-916	-	-64	-7	-28	24	**-1,031**	**1,621**
Swap (DCS) (2)	-26	3	7	1	165	-7	29	90			**261**	**19**
Total	**-78**	**-9**	**30**	**1**	**-751**	**-7**	**-35**	**83**	**-28**	**24**	**-770**	**1,640**

(1) instruments hedging foreign currency sales budget
(2) instruments hedging imbalances of current receivables and payables in foreign currencies

d) Details of fair values

(amounts in euro thousands)	30.06.2011		31.12.2010	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
CASH FLOW HEDGES				
Exchange rate risk – Domestic Currency Swaps	648	-1,418	2,074	-434

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

(amounts in euro thousands)	Carraro Drive Tech	Carraro SpA	O&K	Carraro Argentina	Carraro International	Fon	Carraro India	Turbo Gears	Mini Gears SpA	SIAP	TOTAL GROUP 30.06.2011	TOTAL GROUP 31.12.2010
Fair value entered to income statement	-33	-1	12	1	-89	-7	41	98	-7	5	**20**	**301**
Fair value entered to shareholders' equity	-45	-8	17	-	-661		-77	-14	-21	19	**-790**	**1,340**
Total	**-78**	**-9**	**29**	**1**	**-750**	**-7**	**-36**	**84**	**-28**	**24**	**-770**	**1,641**

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 as at 30 June 2011 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 shareholders' 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 as at 30 June 2011; on said date, open agreements concern Carraro International S.A.

CONTRACT (amounts in euro thousands)	CURRENCY	EXPIRY	NOTIONAL 30.06.2011	NOTIONAL 31.12.2010	FAIR VALUE 30.06.2011	FAIR VALUE 31.12.2010
Interest Rate Swap	EUR	29.05.2012	1,320	1,988	-9	-29
Interest Rate Swap	EUR	29.05.2012	1,320	1,988	-9	-29
Interest Rate Swap	EUR	29.05.2012	1,320	1,988	-13	-36
Interest Rate Swap	EUR	29.05.2012	1,320	1,988	-17	-44
Interest Rate Swap	EUR	29.05.2012	1,320	1,988	-17	-44
Interest Rate Swap	EUR	31.03.2013	5,219	6,454	-121	-232
Interest Rate Swap	EUR	30.06.2015	10,500	10,500	87	-11
Total derivates from cash flow hedge			**22,319**	**26,894**	**-99**	**-425**

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.

On 4 July 2011, within the strategic re-organisation process of the Drivelines Business Unit, a Memorandum of Understanding was signed between Carraro Drive Tech Spa and FON-SKB, which defines the negotiation terms for the possible transfer of the production activities of the Polish company FON S.A.

The Chairman

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Mario Carraro

Certification of the condensed interim 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, Chief Executive Officer, and Enrico Gomiero, Director Responsible for producing the company's accounting documents 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;

• the effective application of the administrative and accounting procedures for preparation of the consolidated condensed interim financial statements during the first half of 2011;

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: 29 July 2011

/signature/ *Alexander Bossard*

/signature/ *Enrico Gomiero*

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Carraro SpA

1 We have reviewed the condensed consolidated interim financial statements of Carraro SpA and its subsidiaries ("Carraro Group" or the "Company") as of 30 June 2011 and for the six months period then ended, which comprise consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and related explanatory and supplementary notes. The Directors of the Company are responsible for the preparation of these condensed consolidated interim financial statements in accordance with the International Accounting Standard ("IAS 34") applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution n. 10867 of 31 July 1997. The review mainly consisted of making inquiries of Company's personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned condensed consolidated interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

Regarding the financial data contained in the consolidated financial statements as at 31 December 2010 and the condensed consolidated interim financial statements of the prior year period, presented for comparative purposes, reference should be made to our reports dated 13 April 2011 and 12 August 2010, respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Carraro Group as of 30 June 2011 and for the six months period than ended have not been prepared, in all material respects, in accordance with International Accounting Standard ("IAS 34") applicable to interim financial reporting, as adopted by the European Union.

Padua, 9 August 2011

PricewaterhouseCoopers SpA

Signed by
Armando Boffi
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.