

Carraro Group
Interim Financial
Report
for the six months
to 30 June 2009

CARRARO S.p.A.

Head Office in 35011 Campodarsego (PD) at Via Olmo no. 37

Share Capital Euro 21,840,000 fully paid-up

Tax Code, VAT and Registration Number in

the Padua Companies Register 00202040283 – R.E.A. No. 84.033

GENERAL INFORMATION

BOARD OF DIRECTORS

In office until approval of the 2011 Financial Statements (Appointed, General Meeting 23.04.2009 – Powers conferred, Board resolutions 07.05.2009 and 04.08.2009)

MARIO CARRARO	Chairman
ENRICO CARRARO (2) (3)	Deputy Chairman
ALEXANDER BOSSARD (3)	Managing Director
FRANCESCO CARRARO	Director
TOMASO CARRARO (3)	Director
ANNA MARIA ARTONI (1)	Director *
ARNALDO CAMUFFO (1) (2)	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 COMPANIES

Finaid S.p.A.

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

The Chairman Mr Mario Carraro, the Deputy Chairman Mr Enrico Carraro and the Managing Director Mr Alexander Bossard have been given severally powers of legal representation and use of the corporate signature in relations with third parties and in legal actions; they carry on their work within the limits of the powers conferred on them by the Board of Directors at the meetings on 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.

Interim Report on Operations

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.

CONSOLIDATED INTERIM INCOME STATEMENT AT 30.06.09

	30/06/09	%	30/06/08	%	Changes	31/12/08	%
	€/ooo		€/ooo		30.06.09 30.06.08	€/ooo	
REVENUES FROM SALES	255,594	100.00%	511,421	100.00%	-50.02%	973,369	100.00%
Purchases of goods and materials (net of change in stocks)	- 154,150	-60.31%	- 303,860	-59.41%	-49.27%	- 585,086	-60.11%
Services and Use of third-party goods and services	- 46,362	-18.14%	- 94,460	-18.47%	-50.92%	- 175,210	-18.00%
Personnel costs	- 55,512	-21.72%	- 68,818	-13.46%	-19.34%	- 132,848	-13.65%
Amortisation, depreciation and impairment of assets	- 15,991	-6.26%	- 16,525	-3.23%	-3.23%	- 33,141	-3.40%
Provisions for risks	- 2,396	-0.94%	- 4,304	-0.84%	-44.33%	- 16,050	-1.65%
Other income and expenses	304	0.12%	1,463	0.29%	-79.22%	3,514	0.36%
Internal construction	465	0.18%	521	0.10%	-10.75%	2,392	0.25%
OPERATING COSTS	- 273,642	-107.06%	- 485,983	-95.03%	-43.69%	- 936,429	-96.20%
OPERATING PROFIT/(LOSS)	- 18,048	-7.06%	25,438	4.97%	-170.95%	36,940	3.80%
Income from equity interests	-		-			-	
Other financial income	671	0.26%	942	0.18%		1,565	0.16%
Financial costs and expenses	- 7,142	-2.79%	- 8,571	-1.68%		- 17,818	-1.83%
Net foreign exchange gains/losses	1,654	0.65%	- 1,985	-0.39%		- 4,817	-0.49%
Value adjustments of financial assets	-	0.00%	-	0.00%		-	0.00%
GAINS/(LOSSES) ON FINANCIAL ASSETS	- 4,817	-1.88%	- 9,614	-1.88%	-49.90%	- 21,070	-2.16%
PROFIT/(LOSS) BEFORE TAXES	- 22,865	-8.95%	15,824	3.09%	-244.50%	15,870	1.63%
Current and deferred income taxes	5,197	2.03%	- 4,383	-0.86%		- 4,764	-0.49%
NET PROFIT/(LOSS)	- 17,668	-6.91%	11,441	2.24%	-254.43%	11,106	1.14%
Profit/(loss) pertaining to minorities	3,068	1.20%	- 761	-0.15%		204	0.02%
GROUP CONSOLIDATED PROFIT/(LOSS)	- 14,600	-5.71%	10,680	2.09%	-236.70%	11,310	1.16%

CONSOLIDATED INTERIM BALANCE SHEET AT 30.06.09

	30/06/09	30/06/08	31/12/08
	€/000	€/000	€/000
Property, plant and equipment	237,460	228,911	240,248
Intangible fixed assets	80,125	76,460	78,799
Real estate investments	708	709	709
Equity interests in group companies	148	170	148
Financial assets	865	1,404	446
Deferred tax assets	26,170	14,648	22,144
Trade and other receivables	1,490	866	2,366
NON CURRENT ASSETS	346,966	323,168	344,860
Closing inventory	166,216	212,532	203,602
Trade and other receivables	125,419	229,606	201,589
Financial assets	15,891	2,252	14,123
Cash and cash equivalents	26,954	41,416	51,674
CURRENT ASSETS	334,480	485,806	470,988
TOTAL ASSETS	681,446	808,974	815,848
Share capital	21,840	21,840	21,840
Reserves	111,574	104,402	101,410
Foreign currency translation reserve	- 11,051	- 10,333	- 8,101
Profit (loss) for the period	- 14,600	10,680	11,310
Minority interests	19,803	23,569	23,173
SHAREHOLDERS' EQUITY	127,566	150,158	149,632
Financial liabilities	142,786	148,943	161,565
Trade and other payables	516	16,763	17,149
Deferred tax liabilities	6,654	10,631	9,563
Severance, pension and similar provisions	22,211	23,980	23,642
Provisions for risks and liabilities	1,232	2,243	2,946
NON CURRENT LIABILITIES	173,399	202,560	214,865
Financial liabilities	141,968	92,108	123,518
Trade and other payables	213,152	345,676	303,103
Current taxes payable	9,117	10,086	9,299
Provisions for risks and liabilities	16,244	8,386	15,431
CURRENT LIABILITIES	380,481	456,256	451,351
TOTAL EQUITY AND LIABILITIES	681,446	808,974	815,848

CASH FLOW AT 30.06.2009

	30/06/09	30/06/08	31/12/08
	€/000	€/000	€/000
Opening Net Financial Position	- 216,545	- 175,947	- 175,947
<i>Group profit/(loss)</i>	<i>- 14,600</i>	<i>10,680</i>	<i>11,310</i>
<i>Profit/(loss) pertaining to minorities</i>	<i>- 3,068</i>	<i>761</i>	<i>- 204</i>
<i>Amortisation, depreciation and impairment of fixed assets</i>	<i>15,820</i>	<i>16,365</i>	<i>32,737</i>
Cash flow before Net Working Capital	- 1,848	27,806	43,843
Change in Net Working Capital	- 5,241	- 16,508	- 16,970
Investments in fixed assets	- 16,865	- 29,703	- 58,413
Disinvestments in fixed assets	2,912	1,938	3,875
Operational Free Cash Flow	- 21,042	- 16,468	- 27,665
Other operational flows	1,846	4,591	- 3,607
Other investment flows	- 403	4,169	2,152
Change in Share Capital	-	-	-
Dividends paid	-	- 7,209	- 7,209
Other equity flows	- 4,398	- 4,078	- 4,269
Free Cash Flow	- 23,997	- 18,995	- 40,598
Closing Net Financial Position	- 240,542	- 194,942	- 216,545

ANALYSIS OF NET WORKING CAPITAL AT 30.06.09

	30/06/09	30/06/08	31/12/08
	€/000	€/000	€/000
Trade Receivables	84,337	176,465	148,587
Inventory	166,216	212,532	203,602
Trade Payables	- 163,783	- 307,930	- 270,660
Net Working Capital (NWC)	86,770	81,067	81,529

The first half of 2009 showed an exceptional contraction of the main reference segments, in almost all geographical areas. While on the one hand the decline in the agricultural market is more cyclical, with a drop of around 25%, the same thing cannot be said for the construction equipment market, which in the first half of the year recorded in some places reductions of close to 80%, and for which a profound process of radical resizing at the structural level has begun. The renewable energy business also suffered a slowdown in the early months of the year, as a result of the credit crunch which involved the leading market players. Beginning in the second quarter, the first signs of a turnaround were visible, in both photovoltaic and wind power.

The numerical comparison with the previous financial year is in line with the difficult scenarios described above, recording falls and variance percentages never seen before in the history of the Carraro Group. In this context we launched proactively a series of initiatives with the aim of redefining the business structure to tackle as well as possible the deep and radical change in trends in the reference markets.

In an initial stage, when the crisis exploded, a plan was executed for containment of the cost factors. To limit the impact on the existing structure we made use – already in the last few months of 2008 and above all in the first two quarters of 2009 – of all existing kinds of flexibility measures and welfare support provisions. While on the one hand the reduction of cost factors (services, etc.) was in line in percentage terms with the decline in turnover, the same thing cannot be said of the reduction in personnel costs. Today, considering the speed of deterioration of the markets, and of their structural evolution, a detailed project has been launched with the aim of defining strategies for the relaunch of the Group and identifying at the same time the operational plans needed to reduce the breakeven point rapidly.

In particular, to safeguard profitability, restructuring actions will shortly be accelerated with the goal of reducing staff and improving industrial efficiency, to which must be added stringent mechanisms of operational cash control to safeguard the net financial position.

The Group intends to tackle and overcome the serious short-term situation, counting mainly on significant renewal of the structure which will have to deal with the new perimeters of the present and future business in the knowledge that it possesses specific skills in the reference segments and technological *know-how* consolidated over the years, as well as a solid globalized industrial platform, guaranteeing a presence in the geographical areas of the world where the highest rates of growth and development will be concentrated in the next few years.

GENERAL DATA AND COMMENTS

The Group's results are shown and analysed below.

2009 first half data (AMOUNTS IN €/000)

	30.06.2009	% of sales	30.06.2008	% of sales	Diff. %
Turnover	255,594		511,421		-50.0
EBITDA	-2,228	-0.9	41,803	8.2	-105.3
EBIT	-18,048	-7.1	25,438	5.0	-170.9
Net profit/(loss)	-14,600	-5.7	10,680	2.1	-236.7
Depreciation and amortization	15,820	6.2	16,365	3.2	-3.3
Investments	16,865	6.6	29,703	5.8	
Net financial position	240,542		194,942		
Shareholders' equity*	127,566		150,158		
Gearing	1.89		1.30		

*including minorities

Turnover

Consolidated turnover in the first half of 2009 fell to 255.594 million euro, down 50% on the figure for 30 June 2008 (511.421 million euro).

A breakdown of sales by Business Unit, the main changes and the geographical area are shown in the tables below.

Segment reporting

a) business segment

2009 first half data (AMOUNTS IN €/000)

	SALES			SALES TO THIRD PARTIES			INTRA-GROUP SALES		
	30.6.'09	30.6.'08	Diff. %	30.6.'09	30.6.'08	Diff. %	30.6.'09	30.6.'08	Diff. %
DRIVELINES	166,015	355,496	-53.30	160,275	342,935	-53.26	5,740	12,561	-54.30
GEARS & COMPONENTS	55,418	125,188	-55.73	44,568	85,266	-47.73	10,850	39,922	-72.82
VEHICLES	36,979	52,772	-29.93	35,777	51,633	-30.01	1,202	1,139	5.53
POWER CONTROLS	15,040	31,510	-52.27	14,841	31,510	-52.90	199	-	-
NON-ALLOCATED BUSINESS	9,777	6,609	47.93	133	77	72.73	9,644	6,532	47.64
TOTAL SEGMENTS	283,229	571,575	-50.45	255,594	511,421	-50.02	27,635	60,154	-54.06
INTRA-GROUP ELIMINATIONS	-27,635	-60,154	-54.06	-	-	-	-	-	-
CONSOLIDATED TOTAL	255,594	511,421	-50.02	255,594	511,421	-50.02	27,635	60,154	-54.06

Drivelines

For the reasons explained at length above the Drivelines Business Unit was the most affected; compared with the first half of 2008, turnover was down by 55%, with peaks of 83% in the construction equipment sector and 69% in the material handling sector, and by a more limited 31% in the agricultural market, while turnover remained steady for geared motors / drives for escalators and mining machinery.

Geographically the contraction was seen much more clearly in North America and Europe, respectively of 70% (from 65 to 21 million euro) and 60% (from 122 to 58 million euro), while only China grew (+41%) rising from 14.5 to 20.7 million euro bringing its share to 12.5% of the total turnover of the Business Unit (a 4% share at 30 June 2008).

Gears & Components

The turnover of the Gear & Components Business Unit declined with respect to the same period in 2008 by about 48% as a consequence of the crisis of the markets of leading customers and of the consequent destocking policies. In general the decline affected all sectors but with more accentuated falls in construction equipment where gears dropped by 77%, and moulded products by 65%. There were less marked contractions in the agricultural (-46%) automotive (-41%) and gardening (-32.5%) sectors. The Wind Energy sector maintained the levels of the previous year as these are associated with the start of new projects.

Vehicles

For the Agritalia Division the first half of 2009 was characterized not only by the international economic situation, the effects of which were evident and grew steadily, but also by the need to dispose rapidly, in Western Europe, of vehicles with Tier II engines, which necessarily had to be replaced with compliant (Tier III) vehicles by 30 June as a result of European legislation. The combination of these two factors led to a decline in turnover compared with the same half of the previous year of 39.8% (the special and light utility reference market reached just under 50%).

Power Controls

The period was characterised by a drop in turnover of 52%, owing mainly to the limitation of government subsidies in the Spanish and Italian markets with a first quarter of substantial shutdown.

The industrial inverter sector instead showed a slowdown in line with the world trend, -35% compared with the first half of 2008.

The reductions in the reference markets which in reality show lower percentage falls than the performance of the company, were accompanied by a number of management inefficiencies which were remedied at the end of the first quarter with an internal reorganization and the appointment of the new managing director (within Santerno).

b) geographical area

2009 first half data (AMOUNTS IN €/000)

Geographical Area	30.06.2009	%	30.06.2008	%
Germany	46,430	18.17	89,184	17.44
North America	29,880	11.69	73,704	14.41
France	24,346	9.52	30,866	6.04
China	23,098	9.04	20,116	3.93
South America	18,704	7.32	25,073	4.90
Switzerland	17,446	6.82	5,616	1.1
India	8,024	3.14	15,297	3.00
United Kingdom	6,818	2.67	50,758	9.92
Austria	5,707	2.23	9,660	1.89
Spain	3,995	1.56	17,878	3.50
Poland	2,628	1.03	12,988	2.54
Other E.U. areas	14,980	5.86	34,839	6.81
Other non-E.U. areas	6,418	2.51	18,277	3.57
Total outside of Italy	208,474	81.56	404,256	79.05
Italy	47,120	18.44	107,165	20.95
Total	255,594	100	511,421	100

of which:

Total E.U. area	152,024	59.48	353,338	69.09
Total non-E.U. area	103,570	40.52	158,083	30.91

EBITDA and EBIT

2009 first half data (AMOUNTS IN €/000)

	30.06.2009	% of sales	30.06.2008	% of sales	Diff. %
EBITDA	-2,228	-0.9	41,803	8.2	-105.3
EBIT	-18,048	-7.1	25,438	5.0	-170.9

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) was a negative 2.228 million euro compared with the 41.803 million euro of the first half of 2008.

EBIT (Earnings before Interest and Taxes) was negative by Euro 18.048 million, compared with the Euro 25.438 million of 30 June 2008.

Although action was taken quickly with cost-cutting measures, these were not sufficient and only had the effect of attenuating the impact of such a rapid change. As already mentioned in other parts of the report, starting in the last quarter new actions will be taken with the aim of recovering the Group's profitability during 2010.

Financial expenses

2009 first half data (AMOUNTS IN €/000)

	30.06.2009	30.06.2008
Financial expenses	6,471	7,629

Although the net financial position showed higher debts compared with the same six months of the previous year, net financial expenses declined owing to the lower cost of money, and **amounted in the first half of 2009 to Euro 6.471 million euro compared with 7.629 million euro** at 30 June 2008.

Exchange differences

2009 first half data (AMOUNTS IN €/000)

	30.06.2009	30.06.2008
Exchange differences	1,654	-1,985

At 30 June 2009 exchange differences were positive by 1.654 million euro, compared with losses of 1.985 million euro at 30 June 2008, and include an adjustment of medium/long-term loans denominated in foreign currencies and the MTM (Mark-to-Market) effects of designating derivative instruments at fair value.

Net profit/(loss)

2009 first half data (AMOUNTS IN €/000)

	30.06.2009	% of sales	30.06.2008	% of sales	Diff. %
Net profit/(loss)	-14,600	-5.7	10,680	2.1	-236.7

Considering all of the above, the net loss for the period was 14.600 million euro (-5.7% of turnover), down compared with the figure for June 2008 (a profit of 10.680 million euro, 2.1% of turnover).

Depreciation and amortisation

2009 first half data (AMOUNTS IN €/000)

	30.06.2009	% of sales	30.06.2008	% of sales	Diff. %
Depreciation and amortisation	15,820	6.2	16,365	3.2	-3.3

At 30 June 2009 depreciation and amortisation amounted to 15.820 million euro compared with 16.365 million euro at 30 June 2008.

Investments

2009 first half data (AMOUNTS IN €/000)

	30.06.2009	30.06.2008
Investments	16,865	29,703

Investments in the period amounted to 16.865 million euro (29.703 million euro at 30 June 2008), and include, for approximately 11 million euro, the knock-on effect of investments launched in the previous year. As a result of the restructuring now undertaken these will be used to support the manufacturing reorganization programmes. The remaining portion of approximately 5.8 million euro was earmarked, as well as for the maintenance, also for the development of new projects.

Net financial position and gearing

2009 first half data (AMOUNTS IN €/000)

	30.06.2009	31.12.2008	30.06.2008
Net financial position	240,542	221,385	194,942
Gearing	1.89	1.45	1.30

The net financial position (the sum of bank borrowing, bonds and short-term and medium/long-term loans, net of cash and cash equivalents, marketable securities and financial receivables) is negative by 240.542 million euro, worse than the figure for 31 March 2009 which was negative by 221.385 million euro (in June 2008 negative by 191.942 million euro).

The causes of this worsening in the period compared with the figure at 31 December 2008 are to be found mainly in investments not financed by generating operating cash and the inability to reduce working capital.

As of 30 June 2009, gearing (the ratio between net debt and owner's equity) stood at 1.89, compared with 1.45 at 31 December 2008, and 1.30 at 30 June 2008.

Workforce trend

2009 first half data

	30.06.2009	31.12.2008	30.06.2008
Executives	80	78	72
White-collar workers	1,068	1,133	1,087
Blue-collar workers	2,514	2,810	2,892
Temporary workers	28	184	414
Total	3,690	4,205	4,465

Faced with a drastic contraction in business, as illustrated above, the Group used the existing flexibility measures, adjusting the workforce only marginally and reducing, almost exclusively, temporary staff.

The aforementioned restructuring plan, which will begin to be implemented in the second half of the year, has the aim of bringing the corporate organization in line with the new turnover scenarios.

Significant events in the period

During the first half of the year, on 23 April 2009, the Shareholders' Meeting voted to renew the Board of Directors and the Board of Statutory Auditors, which were both due for renewal. The following people were elected directors: Mario Carraro – Chairman, Anna Maria Artoni, Carlo Borsari, Alexander Josef Bossard, Arnaldo Camuffo, Enrico Carraro, Francesco Carraro, Tomaso Carraro, Antonio Cortellazzo, Pietro Guindani, Marco Milani, while the following people were elected members of the Board of Statutory Auditors: Luigi Basso – Chairman, Saverio Bozzolan – Regular Auditor, Roberto Saccomani – Regular Auditor, Silvano Corbella – Alternate Auditor, Marina Manna – Alternate Auditor.

The Meeting also 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 Meeting decided to allocate the profit for the year, of Euro 8,587,035 entirely to the extraordinary reserve, without therefore proceeding to the distribution of dividends.

On 1 March 2009 a new company was incorporated by A.E. S.r.l., and given the name "AE Assemblaggi Emiliani S.r.l.". A.E. S.r.l. conferred to it the business unit involved in the work of assembling axles and mechanical components in general. As part of this operation, the company CPS Italia Scarl, which held a 10% stake in A.E. S.r.l. sold its holding to the company Carraro Drive Tech S.p.A., while A.E. S.r.l. sold to CPS Italia Scarl its entire equity interest, representing 100% of the share capital of AE Assemblaggi Emiliani S.r.l.

Electronica Santerno España S.A., which was incorporated in February of this year with registered office in Valencia, acquired, on 1st April 2009, the business unit involved in the distribution, marketing and post-sale servicing of inverters for the industrial, wind power and photovoltaic sectors of the company Servicios de Cogeneracion s.l., a company with twenty years' experience in the industry.

SHARE PERFORMANCE

The early months of 2009 showed an uneven trend but one in line with the performance of the Italian stock market. This trend, which saw downward fluctuations in particular between February and April, is also in line with the share prices of the Group's main customers. In the middle of April the Carraro stock began a gradual recovery, as the equity market slowly regained momentum. The maximum quotation in the period was recorded on 7 May, at a price of 3.139 euro, while the minimum quotation was on 24 February, at a level of 2.308 euro, and the average price in the first six months came out at 2.648 euro. At the end of the period the share price was 2.865 euro, representing a gain of 17.8% since the start of the year.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

With effect from 31 July 2009 the Managing Director Mr Carlo Borsari resigned his position renouncing the mandate received from the Board of Directors.

On 4 August 2009 the Board of Directors of Carraro S.p.A. appointed as Managing Director the Director Alexander Josef Bossard granting him all the necessary powers.

BUSINESS OUTLOOK

During the last six months of 2009 no significant signs of improvement are expected from the main reference markets, which should continue in line with the second quarter. A slight increase of volumes is expected in the last quarter coinciding with the completion of the destocking stages of a number of key customers and with the start-up of production of a number of projects acquired.

Within this scenario, the second half of the year will see the start of a wide-ranging restructuring plan with the aim of making the structure of the Group more flexible and appropriate to the new dimensions of demand, and will also see the continuation of a plan designed to rationalize the different manufacturing facilities in Italy and abroad.

The expected benefits of all these actions together will be visible in part by the end of the year, but the positive effects will mainly be felt in financial year 2010.

RELATED-PARTY TRANSACTIONS

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 and the interest rates and terms applied to and by the companies in their reciprocal financial relationships are in line with market terms.

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

STANDARDS USED IN PREPARING THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accounting standards, consolidation principles and measurement criteria used in preparing the present report were applied in a manner consistent with the consolidated financial statements at 31.12.2008 and on an ongoing concern basis in view of the following considerations.

During the first half of 2009, the Group recorded a significant decline in turnover and a gradual deterioration in its economic results. The ongoing situation of difficulty in the global economy, which is reflected also in a significant drop in the consumption of durable goods and the eventuality that the Group will have to continue working in such a context create an expectation of uncertainty as to the possibility of turning the negative trend around in the short term.

Consequently, the Management of the Company, with the collaboration also of strategic consultants, has begun a profound reorganization, with the aim of cutting overhead costs, improving industrial efficiency and rationalising the various manufacturing facilities in Italy and abroad, to which will be added stringent operational cash control mechanisms .

This wide-ranging restructuring plan, which will take effect starting in the second half of 2009, will have the aim of rendering the structure of the Group more flexible and appropriate to the new dimensions of demand. The process of rolling out these initiatives and strategic lines in the three-year plan will be completed by the end of the year.

After carrying out the necessary checks, the management of Carraro S.p.A. believes that there is a reasonable expectation that the Group will have adequate resources to continue its operations in the foreseeable future. For these reasons, for the preparation of the condensed consolidated interim financial statements the ongoing concern presumption continues to be adopted.

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 perimeter of the group includes 19 companies incorporated and regulated in non-European Union countries, specifically in Argentina, Brazil, China, India, Russia and the United States; of these, five, 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).

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2009**

INCOME STATEMENT

<i>(amounts in Euro thousands)</i>	NOTES	30.06.2009	30.06.2008
A) REVENUES FROM SALES			
1) Products		251,483	503,082
2) Services		2,620	3,932
3) Other revenues		1,491	4,407
TOTAL REVENUES FROM SALES	1	255,594	511,421
B) OPERATING COSTS			
1) Purchases of goods and materials		118,820	334,992
2) Services		43,437	91,760
3) Leases, rents and third-party services		2,925	2,700
4) Personnel costs		55,512	68,818
5) Amortisation and depreciation of assets		15,991	16,525
5.a) depreciation of property, plant and equipment		14,073	14,548
5.b) amortisation of intangible assets		1,747	1,817
5.c) impairment of fixed assets		-	-
5.d) impairment of receivables		171	160
6) Changes in stocks		35,330	-31,132
7) Provision for risks and other liabilities		2,396	4,304
8) Other expenses and income		-304	-1,463
9) Internal construction		-465	-521
TOTAL OPERATING COSTS	2	273,642	485,983
OPERATING PROFIT/(LOSS)		-18,048	25,438
C) GAINS/(LOSSES) ON FINANCIAL ASSETS			
10) Income from equity interests		-	-
11) Other financial income		671	942
12) Financial costs and expenses		-7,142	-8,571
13) Net gains/(losses) on foreign exchange		1,654	-1,985
14) Adjustments of financial assets		-	-
NET GAINS/(LOSSES) ON FINANCIAL ASSETS	3	-4,817	-9,614
PROFIT/(LOSS) BEFORE TAXES		-22,865	15,824
15) Current and deferred income taxes	4	5,197	-4,383
NET PROFIT/(LOSS)		-17,668	11,441
16) Profit/(Loss) pertaining to minority interests		3,068	-761
GROUP CONSOLIDATED PROFIT/(LOSS)		-14,600	10,680
EARNINGS PER SHARE			
- basic and diluted, for profit for the period attributable to ordinary shareholders of the parent company	5	€ -0.35	€ 0.25

STATEMENT OF COMPREHENSIVE INCOME

<i>(amounts in Euro thousands)</i>	30.06.2009	30.06.2008
NET PROFIT/(LOSS) FOR THE PERIOD	-17,668	11,441
Other comprehensive income components:		
Net change in cash flow hedge reserve	-376	-292
Foreign operation translation exchange differences	-3,161	-3,569
Taxes on other comprehensive income components	-11	28
OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS	-3,548	-3,833
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-21,216	7,608
Total comprehensive income attributable to:		
Shareholders of the parent company	-17,987	7,403
Minority interests	-3,229	205
Total comprehensive income for the period	-21,216	7,608

BALANCE SHEET

<i>(amounts in Euro thousands)</i>	NOTE S	30.06.2009	31.12.2008
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	6	237,460	240,248
2) Intangible fixed assets	7	80,125	78,799
3) Real estate investments	8	708	709
4) Holdings in subsidiaries and associates	9	148	148
5) Financial assets	10	865	446
5.1) Loans and advances		1	-
5.2) Other financial assets		166	167
5.3) Prepaid expenses		698	279
6) Deferred tax assets	11	26,170	22,144
7) Trade receivables and other receivables	12	1,490	2,366
7.1) Trade receivables		12	-
7.2) Other receivables		1,478	2,366
TOTAL NON-CURRENT ASSETS		346,966	344,860
B) CURRENT ASSETS			
1) Closing inventory	13	166,216	203,602
2) Trade receivables and other receivables	12	125,419	201,589
2.1) Trade receivables		84,337	148,587
2.2) Other receivables		41,082	53,002
3) Financial assets	10	15,891	14,123
3.1) Loans and advances		13,588	13,210
3.2) Other financial assets		1,744	275
3.3) Financial accruals and deferrals		559	638
4) Cash and cash equivalents	14	26,954	51,674
4.1) Cash		216	135
4.2) Bank current accounts and deposits		26,716	51,539
4.3) Other cash and cash equivalents		22	-
TOTAL CURRENT ASSETS		334,480	470,988
TOTAL ASSETS		681,446	815,848

BALANCE SHEET

<i>(amounts in Euro thousands)</i>	NOTE S	30.06.2009	31.12.2008
A) SHAREHOLDERS' EQUITY	15		
1) Share Capital		21,840	21,840
2) Other Reserves		69,218	58,620
3) Profits/(Losses) brought forward		-	-
4) IAS/IFRS first adoption reserve		44,384	44,384
5) Other IAS/IFRS reserves		-2,028	-1,594
Foreign currency translation reserve		-11,051	-8,101
6) Result for the period pertaining to the group		-14,600	11,310
GROUP SHAREHOLDERS' EQUITY		107,763	126,459
7) Minority interests		19,803	23,173
TOTAL SHAREHOLDERS' EQUITY		127,566	149,632
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	16	142,786	161,565
1.1) Bonds		-	-
1.2) Loans		142,670	161,565
1.3) Financial deferrals		116	-
1.4) Other		-	-
2) Trade payables and other payables	17	516	17,149
2.1) Trade payables		-	8
2.2) Other payables		516	17,141
3) Deferred tax liabilities	11	6,654	9,563
4) Provision for severance indemnity and retirement benefits	18	22,211	23,642
4.1) Provision for severance indemnity		19,965	18,755
4.2) Provision for retirement benefits		5,246	4,887
5) Provision for risks and liabilities	19	1,232	2,946
5.1) Provision for warranties		714	1,331
5.2) Provision for legal claims		455	628
5.3) Provision for restructuring and reversion		-	-
5.4) Other provisions		63	987
TOTAL NON-CURRENT LIABILITIES		173,399	214,865
C) CURRENT LIABILITIES			
1) Financial liabilities	16	141,968	123,518
1.1) Bonds (short-term)		-	-
1.2) Loans		138,874	119,529
1.3) Financial accruals and deferrals		682	1,252
1.4) Other		2,412	2,737
2) Trade payables and other payables	17	213,152	303,103
2.1) Trade payables		163,783	270,660
2.2) Other payables		49,369	32,443
3) Current tax liabilities		9,117	9,299
4) Provision for risks and liabilities (short-term)	19	16,244	15,431
4.1) Provision for warranties		10,732	10,541
4.2) Provision for legal claims		215	130
4.3) Provision for restructuring and reversion		1,275	1,400
4.4) Other provisions		4,022	3,360
TOTAL CURRENT LIABILITIES		380,481	451,351
TOTAL LIABILITIES		553,880	666,216
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		681,446	815,848

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

<i>(amounts in Euro thousands)</i>	Share Capital	Other reserves: equity profit		IAS/IFRS 1st adoption reserve	Own shares purchased	Cash flow hedge reserve	Foreign currency translation reserve	Profit /(loss) for the period	Group Shareholders' Equity	Minority interests	Total
Balance at 1.1.2008	21,840	17,833	34,207	44,384	-	(143)	(7,288)	15,587	126,420	23,584	150,004
Net profit/(loss) for the period						(206)	(3,071)	10,680	7,403	205	7,608
Transactions with shareholders:											
Distribution of dividends: Carraro Spa								(6,930)	(6,930)		(6,930)
Distribution of dividends: other companies								(8,657)		(279)	(279)
Allocation of 2007 residual profit			8,657								-
Own share purchase					(245)				(245)		(245)
Change in consolidation area			(108)			23	26		(59)	59	-
			8,549		(245)	23	26	(15,587)	(7,234)	(279)	(7,454)
Balance at 30.06.2008	21,840	17,833	42,756	44,384	(245)	(326)	(10,333)	10,680	126,589	23,569	150,158

<i>(amounts in Euro thousands)</i>	Share Capital	Other reserves: equity profit		IAS/IFRS 1st adoption reserve	Own shares purchased	Cash flow hedge reserve	Foreign currency translation reserve	Profit /(loss) for the period	Group Shareholder s' Equity	Minority interests	Total
Balance at 1.1.2009	21,840	17,833	42,313	44,384	(1,526)	(1,594)	(8,101)	11,310	126,459	23,173	149,632
Comprehensive income for the period						(434)	(2,953)	(14,600)	(17,987)	(3,229)	(21,216)
Transactions with shareholders:											
Distribution of dividends: Carraro Spa											-
Distribution of dividends: other companies										(150)	(150)
Allocation of 2008 residual profit			11,310					(11,310)			-
Own share purchase					(712)				(712)		-
Change in consolidation area			11,310		(712)			(11,310)	(712)	9	9
										(141)	(853)
Balance at 30.06.2009	21,840	17,833	53,623	44,384	(2,238)	(2,028)	(11,054)	(14,600)	107,760	19,803	127,563

CASH FLOW STATEMENT

<i>(amounts in Euro thousands)</i>	30/06/2009	30/06/2008
	Euro/000	Euro/000
Group profit/(loss)	-14,600	10,680
Result pertaining to minorities	- 3,068	761
Tax for the year	- 5,197	4,383
Profit/(loss) before tax	- 22,865	15,824
Depreciation of property, plant and equipment	14,073	14,548
Amortisation of intangible assets	1,747	1,817
Provision for risks	2,396	4,304
Provision for employee benefits	2,929	2,824
Net financial income/expense	6,471	7,629
Net foreign exchange gains/losses	- 1,654	1,985
Cash flow before changes in Net Working Capital	3,097	48,931
Change in stocks	37,583	- 30,102
Changes in trade and other receivables	77,144	- 43,070
<i>Changes in trade and other receivables from related parties</i>	- 98	2
Changes in trade and other payables	-108,132	58,086
<i>Changes in trade and other payables to related parties</i>	1,548	145
Changes in receivables/payables for deferred taxation	358	-395
Changes in provision for employee benefits	-4,360	- 4,181
Changes in provision for risks	- 3,297	- 3,185
Interest received	331	9,420
Interest paid	-7,596	- 16,623
Tax consolidation expense and income	-	-20
Tax payments	- 2,278	-2,358
Cash flow from operating activities	-5,700	16,650
Investments in Property, Plant and Equipment and Real Estate	-15,021	-27,894
Disinvestments, forex delta and other PPE movements	3,764	9,498
Investments in Intangible Assets	-2,848	- 4,869
Disinvestments, forex delta and other intangible asset movements	441	-80
Net cash provided by business combinations	-890	-
Equity investments/divestments	-	25
Cash flow from investing activities	-14,554	- 23,320
Changes in current financial assets	-193	- 2,370
Changes in non-current financial assets	-	- 277
Changes in current financial liabilities	19,020	12,656
Changes in non-current financial liabilities	-18,895	16,709
Changes in reserves	-4,096	- 3,302
Dividends paid	-	- 7,209
Changes in minority interests	-302	- 776
Cash flow from financing activities	-4,466	15,431
Total cash flow for the period	-24,720	8,761
Opening cash and cash equivalents	51,674	32,655
Closing cash and cash equivalents	26,954	41,416

EXPLANATORY NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Introduction

Publication of the consolidated interim report of Carraro S.p.A. for the period from 1 January to 30 June 2009 was authorised in a resolution approved by the Board of Directors on 28 August 2009.

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 Finaid S.p.A. does not perform any activity of management and coordination in relation to Carraro, and in particular:

- Finaid's 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; and
- there are no relationships of a commercial or financial nature between Finaid and Carraro.

These condensed consolidated interim financial statements are presented in euro, as this is the currency in which most of the group's operations are conducted. The foreign companies are included in the consolidated report in accordance with the principles described in the notes that follow.

Amounts in these financial statements are given in euro thousands, while amounts in the notes are indicated in euro millions (mln).

The Carraro Group companies are principally engaged in the manufacture and marketing of transmission systems developed for agricultural tractors, construction equipment, material moving machinery, light commercial vehicles and automobiles. Following the acquisition of Elettronica Santerno S.p.A., since 1 July 2006 the Group has also been producing electronic control and power systems.

2. Reporting criteria and accounting standards

The consolidated annual financial statements of the Group are prepared in conformity with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Community under the terms of Regulation N° 1606/2002. These consolidated interim financial statements have been prepared, in a condensed form, in accordance with IAS 34 "Interim Financial Reporting". They therefore do not include all the information required in the annual financial statements and must be read together with the consolidated annual financial statements prepared for the year ended 31 December 2008.

The report was prepared on the basis of the historical cost principle, except for derivative financial instruments which are designated at fair value.

2.1 Format of the consolidated interim financial statements

The financial statements are the same as those presented in the annual report, with the exception of the new statement of consolidated comprehensive income prepared as required by the revised version of IAS 1, as explained in paragraph 3 below.

Adaptation of formats following Consob Resolution 15519

With reference to the reporting of related-party transactions in the financial statements, provided for in Consob Resolution 15519 of July 27 2006, there were no balances of a significant amount such as to require separate indication to facilitate understanding of the assets and liabilities, financial position and results of the group. Complete details of these amounts are, however, provided in a specific table in paragraph 9 below, which deals with related-party transactions.

2.2 Accounting standards and measurement criteria

The accounting standards, consolidation principles and measurement criteria used were applied in a comparative manner in the periods presented. They are also the same as those used to prepare the consolidated financial statements to 31 December 2008, to which the reader is referred, with the exception of the adoption of the following standards in force since 1 January 2009:

IFRS 8 Operating segments

The new accounting standard requires entities to provide segment information on the basis of the elements used by the management to take their operating decisions. IFRS 8 requires identification of operating segments based on internal reports that are regularly reviewed by the management in order to allocate resources to the various segments and assess their performance.. The adoption of this standard involved changes in disclosure by segment and by geographical area. The adoption of this accounting standard had no effect on the Group's financial position or performance.

IAS 1 Presentation of financial statements (revised in 2007)

The revision of this standard in 2007, as well as introducing a number of new titles for financial statements, introduced an obligation to present in a single statement (entitled statement of comprehensive income) or in two separate statements (a separate income statement and a statement of comprehensive income) the components that make up the profit/(loss) for the period and expenses and income recognized directly in shareholders' equity for operations other than those carried out with shareholders. Transactions performed with shareholders, together with total net comprehensive income, are instead presented in the statement of changes in shareholders' equity. As regards the statement of comprehensive income, the Group opted for the presentation of two separate statements.

Improvements to IFRSs (2008)

In May 2008, the IASB issued its first amendments to the standards, fundamentally in order to remove inconsistencies and clarify terminology. There are specific transition clauses for each standard. The adoption of the following changes translates into changes in the accounting procedures which however have had no effect on the Group's financial position or performance.

2.3 Content of the Condensed Consolidated Interim Financial Statements

Consolidation area

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

The definition of a subsidiary is in keeping with that given in the Group's annual financial statements at 31/12/2008.

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

Name	Based in	Currency	Par value Share capital	Group stake
Parent company:				
Carraro S.p.A.	Campodarsego (PD)	Euro	21,840,000	
Italian subsidiaries:				
Carraro Drive Tech S.p.A.	Campodarsego (PD)	Euro	50,758,291	100.00%
SIAP S.p.A.	Maniago (PN)	Euro	10,122,616	73.82%
STM S.r.l.	Maniago (PN)	Euro	1,549,080	36.91% (*)
A.E. S.r.l.	Castello d'Argile (BO)	Euro	40,000	100.00%
Elettronica Santerno S.p.A.	Campodarsego (PD)	Euro	2,500,000	67.00%
Gear World S.p.A.	Padua	Euro	35,084,397	73.82%
MG Mini Gears S.p.A.	Padua	Euro	5,000,000	73.82%
Foreign subsidiaries:				
Zao Santerno	Moscow (Russia)	RUB	100,000	67.00%
Elettronica Santerno Industria and Comercio LTDA	Sao Paulo (Brazil)	RS	831,551	67.00%
Elettronica Santerno España SL	Valencia (Spain)	Euro	1,003,006	67.00%
Carraro Drive Tech Do Brasil de Sistemas Automotivos Ltda	Sao Paulo (Brazil)	RS	25,569	99.90%
Carraro Argentina S.A.	Haedo – Buenos Aires (Argentina)	Pesos	77,327,617	99.95%
South America Gears S.A.	Haedo – Buenos Aires (Argentina)	Pesos	27,768,888	73.79%
Carraro India Pvt Ltd.	Rajangaon – Pune (India)	Rupees	750,000,000	100.00%
Turbo Gears India Pvt Ltd.	Rajangaon – Pune (India)	Rupees	550,000,000	73.82%
Carraro Technologies India Pvt. Ltd.	Bombay (India)	Rupees	18,000,000	100.00%
F.O.N. S.A.	Radomsko (Poland)	Zloty	14,418,220	95.43%
Carraro International S.A.	Luxembourg	Euro	39,318,000	100.00%
Carraro Finance Ltd	Dublin (Ireland)	Euro	100,000	100.00%
Carraro North America Inc.	Virginia Beach – Virginia (USA)	USD	1,000	100.00%
Carraro Deutschland GmbH	Hattingen (Germany)	Euro	10,507,048	100.00%
O&K Antriebsstechnik GmbH &Co. KG	Hattingen (Germany)	Euro	2,045,168	100.00%
Carraro Qingdao Trading Co. Ltd.	Shandong (China)	Euro	170,000	100.00%
Carraro China Drive System Co. Ltd.	Shandong (China)	USD	14,763,456	100.00%
MG Mini Gears Inc.	Virginia Beach – Virginia (USA)	USD	8,910,000	73.82%
Gear World North America LLC.	Virginia Beach – Virginia (USA)	USD	20,000	73.82%
MG Mini Gears Property LLC.	Virginia Beach – Virginia (USA)	USD	20,000	73.82%
MG Mini Gears (Shanghai) Trading Co.	Shanghai (China)	USD	200,000	73.82%
MG Mini Gears (Suzhou) Co Ltd.	Jiangsu (China)	USD	4,300,000	73.82%

(*) indirect percentage deriving from the stake of the parent company in Siap S.p.A. (73.82%) and of Siap S.p.A. in STM S.r.l. (50.0001%).

Changes in the consolidation area

The following companies have been included in the consolidation area beginning in the current financial year:

Elettronica Santerno España SL

The company was incorporated on 27 February 2009. On 1 April, following the purchase of a business unit, the company began its operations.

A.E. Srl

On 1 April 2009 the subsidiary Carraro Drive Tech S.p.A. acquired the remaining 10% stake in A.E. Srl. This acquisition is part of the agreement for the disposal of the A.E. Srl business unit whose work involves the assembly of axles and components in general. For more information see section 5 below.

During the period, the company MG Mini Gears North America LLC changed its corporate name to Gear World North America LLC..

The exchange rates applied for the translation of accounts presented in foreign currencies were as follows:

Currency	2009 1st half average exchange rate	Exchange rate at 30.06.2008	Exchange rate at 31.12.2008
Indian Rupee	65.5900816	67.51800	67.63600
Polish Zloty	4.4757488	4.45200	4.15350
US Dollar	1.3327832	1.41340	1.39170
Chinese Renminbi	9.1070336	9.65450	9.49560
Argentine Peso	4.8491067	5.35858	4.80444
Russian Ruble	44.0966736	43.88100	41.28300
Brazilian Real	2.9213984	2.74690	3.24360

3. Segment reporting

Information on Operating Segments is given on the basis of the internal reporting provided to the highest operating decision-making level. This level was identified as the Strategic Committee made up of the Managing Director, the members of the Board of Directors with operating functions and the managers responsible for Business Units and central departments.

For operational purposes, the group manages and controls its business on the basis of the type of products supplied.

Four operating segments were identified, corresponding to the following Business Units:

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

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

The Committee examine separately the results achieved by the operating segments in order to take decisions on the allocation of resources and on assessment of the results. The results of the segments are assessed on the basis of the operating profit or loss which may differ in some respects from the operating profit or loss shown in the consolidated financial statements. Financial income and expenses and income taxes are managed at the group level and are not allocated to the operating segments.

On July 1, 2008, the Carraro Group put in place a process of corporate reorganization, with which it introduced a new model of management and governance which involved the separation of the four Business Units into *Drivelines* (under the control of Carraro Drive Tech S.p.A.), *Gears & Components* (under the control of Gear World S.p.A.), *Vehicles* (Agritalia Division) and *Power Controls* (under the control of Elettronica Santerno S.p.A.), each of which controlled directly or indirectly by Carraro S.p.A., in its capacity as Parent Company. This decision was taken in order to better distinguish between the strategic control activities, for which Carraro S.p.A. is responsible, and the work of managing the individual Business Units, with consequent greater focusing and efficiency for each area.

Revenues and net income of each segment:

30.06.2009 <i>(amounts in Euro thousands)</i>	Drivelines	Gears & Components	Vehicles	Power Controls	Other segments	Group Total
Sales	166,015	55,418	36,979	15,040	9,777	283,229
Intra-group sales	-5,740	-10,850	-1,202	-199	-9,644	-27,635
Sales to third parties	160,275	44,568	35,777	14,841	133	255,594
Operating result	-5,004	-11,078	-148	-583	-1,235	-18,048

30.06.2008 <i>(amounts in Euro thousands)</i>	Drivelines	Gears & Components	Vehicles	Power Controls	Other segments	Group Total
Sales	355,496	125,188	52,772	31,510	6,664	571,575
Intra-group sales	-12,561	-39,867	-1,139	-	-6,587	-60,164
Sales to third parties	342,935	85,321	51,633	31,510	77	511,421
Operating profit/(loss)	8,268	6,283	2,961	6,863	898	25,438

A reconciliation between the Total Operating Profit/(Loss) and the Operating Profit/(Loss) before tax is provided below:

<i>(amounts in Euro thousands)</i>	30 June 2009	30 June 2008
Total operating profit/(loss)	-18,048	25,438
Other financial income	671	942
Financial costs and expenses	-7,142	-8,571
Gains/losses on foreign exchange	1,654	-1,985
Profit/(loss) before tax	-22,865	15,824

The segment assets exclude deferred taxes and available-for-sale financial assets because these are assets managed at the central level.

<i>(amounts in Euro thousands)</i>	Drivelines	Gears & Components	Vehicles	Power Controls	Other segments and cancellations	Group Total
30 June 2009	303,661	233,117	36,454	42,499	39,378	655,109
31 December 2008	390,119	271,476	50,029	44,643	37,270	793,537
30 June 2008	489,228	270,080	49,424	47,360	-61,947	794,145

A reconciliation between total segment assets and total assets in the consolidated balance sheet is presented below:

<i>(amounts in Euro thousands)</i>	30 June 2009	31 December 2008	30 June 2008
Total segment assets	655,109	793,537	794,145
Deferred tax assets	26,170	22,144	14,648
Financial assets available for sale	166	167	181
Total Balance Sheet assets	681,445	815,848	808,974

4. Business combinations and acquisitions of minority interests

4.1 Acquisition of Elettronica Santerno España

On 1.4.2009 the subsidiary Elettronica Santerno España acquired from Servicios De Cogeneracion S.L. the business unit relating to the distribution in Spain of electronic control and power systems.

The fair value of the identifiable assets and liabilities of the business unit at the acquisition date was as follows:

<i>(amounts in Euro thousands)</i>	Fair value recognised on acquisition	Book Value
Property, plant and equipment	27	27
Intangible fixed assets	2	2
Goodwill	664	664
Stocks	197	196
Net book value	890	890
Goodwill paid on acquisition	664	664
Goodwill from consolidation accounts	43	
- of which for capitalized costs	43	
- of which for minority purchase option	-	
	707	664
Cash used for the acquisition		
Payments	890	
Net cash acquired	-	
Net cash acquired	890	

In the business combination it was decided not to recognise any fair value for intangible assets acquired and not accounted for owing to a lack of objective elements in support of reliable determination.

4.2 Acquisition of minority interests in A.E. Srl

On 1 April 2009 the remaining 10% of A.E. Srl was acquired.

The price paid was Euro 8 thousand, against a share of negative equity of Euro 9 thousand. The difference was booked to the income statement because the transaction was part of an operation for the sale of the AE business unit described in section 5, below.

5. Sale of Disposal Groups

On 1 March 2009 a new company was incorporated by A.E. Srl, and given the name Assemblaggi Emiliani Srl. A.E. Srl conferred to it the business unit involved in the work of assembling axles and mechanical components in general. As part of this operation, the company CPS Italia Scarl, which held a 10% stake in A.E. Srl sold its holding to the company Carraro Drive Tech S.p.A., while A.E. Srl sold to CPS Italia Scarl its entire equity interest, representing 100% of the share capital of Assemblaggi Emiliani Srl.

The assets and liabilities of A.E. Srl are part of the Drivelines operating segment. The sale of the business unit represents a Disposal Group as defined by IFRS 5. The disposal is not considered a discontinued operation because it does not involve a significant independent business unit or geographical area of business.

The net carrying amount of the assets and liabilities disposed of amounted to Euro 309 thousand and the net revenue was Euro 53 thousand.

6. Notes and comments

Seasonal effects on the business

The business is not subject to particular conditions of a seasonal or cyclical nature.

Revenues and costs

A) Revenues from sales (note 1)

Consolidated turnover in the period was 255.59 mln euro, down by 50% compared with the same period of the previous year. As indicated in the interim report on operations, the Group's main reference markets showed a contraction which significantly affected the Group's performance.

Analysis by business segment

See the information provided in section 3 above.

B) Operating costs (note 2)

Operating costs for the period fell in absolute terms from Euro 485.98 mln to Euro 273.25 mln.

This change, -43.69%, was less than the change in turnover. A further analysis of the single components reveals that purchase costs, inclusive of changes in stocks, and costs for services reflect adequately the downward trend in turnover. The only item which did not decline significantly was personal costs, for which recourse was made at the beginning of the year to flexibility instruments.

In the second half of the year we intend to implement a restructuring plan with the aim of making the Group's structure more flexible and in keeping with the new dimensions of demand.

OPERATING COSTS <i>(amounts in Euro thousands)</i>	30.06.2009	30.06.2008	Changes
1) Purchases of goods and materials	118,820	334,992	-64.53%
2) Services	43,437	91,760	-52.66%
3) Leases, rents and third-party services	2,925	2,700	8.33%
4) Personnel costs	55,512	68,818	-19.34%
5) Amortisation and depreciation of assets	15,991	16,525	-3.23%
6) Changes in stocks	35,330	-31,132	-213.48%
7) Provision for risks and other liabilities	2,396	4,304	-44.33%
8) Other expenses and income	-304	-1,463	-79.22%
9) Internal construction	-465	-521	-10.75%
TOTAL OPERATING COSTS	273,642	485,983	-43.69%

Further analysis is provided in the Directors' Report.

C) Net income from financial assets (note 3)

Although the net financial position showed growing debts, the amount of net financial expenses fell from Euro 7.63 mln to Euro 6.47 mln as a result of the lower cost of money.

Net gains and losses on exchange rates were positive by Euro 2.14 mln compared with losses of Euro 1.98 mln at 30.06.2008.

Income taxes (note 4)

The main income tax components in the income statement are:

<i>(amounts in Euro thousands)</i>	30.06.2009	30.06.2008
TAXES FROM PREVIOUS YEARS	430	-726
CURRENT TAXES	1,666	7,691
INCOME AND CHARGES FROM TAX CONSOLIDATION	-	20
DEFERRED TAX LIABILITIES	-7,293	-2,602
TAXATION FOR THE YEAR	-5,627	5,109
15) CURRENT AND DEFERRED TAXATION	-5,197	4,383

The total balance of current and deferred taxes shows a change mainly related to the recognition of prepaid taxes on tax losses recorded by certain Group companies.

See Note 11 below for further comments and assessments of their recoverability.

Group earnings per share (note 5)

	30.06.2009	31.12.2008	30.06.2008
Earnings	<i>(amounts in Euro thousands)</i>		
Income for the purposes of calculation of basic earnings per share	-14,600	11,310	10,680
Diluting effect deriving from potential ordinary shares	-	-	-
Income for the purposes of calculation of the diluted earnings per share	-14,600	11,310	10,680
Number of shares	N°/000	N°/000	N°/000
Weighted average number of ordinary shares for the calculation of basic earnings per share (*):	41,407	41,873	41,998
Diluting effect deriving from potential ordinary shares	-	-	-
Weighted average number of ordinary shares for the calculation of diluted earnings per share:	41,407	41,873	41,998
Earnings per share	Euro	Euro	Euro
Basic earnings per share:	-0.35	0.27	0.25
Diluted earnings per share:	-0.35	0.27	0.25

(*) on 11 June 2008 a treasury share buy-back plan began; more information is provided in note 14.

Dividends paid

During the first six months of the year Carraro S.p.A. paid no dividends.

In the previous year the dividends paid (in relation to distribution of the 2007 profit) amounted to a total of Euro 6,390 thousand, or Euro 0.165 per ordinary share.

The Company has not issued shares other than ordinary shares.

Property, plant and equipment (note 6)

These items present a net balance of 237.46 mln euro compared with 240.25 mln euro in the previous period. The breakdown is as follows:

Items <i>(amounts in Euro thousands)</i>	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress and deposits	Total
Historical cost	70,473	189,326	90,222	15,272	10,068	375,361
Provisions for depreciation and write-downs	-13,336	-74,191	-39,779	-7,807	-	-135,113
Net at 31.12.2008	57,137	115,135	50,443	7,465	10,068	240,248
Movements in 2009:						
Increases	450	4,853	4,872	362	4,511	15,048
Decreases	-33	-613	-231	-54	-1,678	-2,609
Capitalisation	57	1,010	296	12	-1,375	-
Changes in consolidation area	-	-	7	20	-	27
Depreciation and amortization	-926	-7,210	-5,068	-869	-	-14,073
Reclassification	-1	1,345	-	14	-1,361	-3
Impairment	-	-	-	-	-	-
Forex translation diff.	-834	-395	185	-47	-87	-1,178
Net at 30.06.2009	55,850	114,125	50,504	6,903	10,078	237,460
Made up of:						
Historical cost	69,734	195,182	95,373	15,429	10,078	385,796
Provisions for depreciation, amortisation and impairment	-13,884	-81,057	-44,869	-8,526	-	-148,336

At 30.06.2009 there are leased assets of 5.90 mln euro recognised as Plant and Machinery and of 3.98 mln euro recognised as Land and Buildings.

Land and buildings

The increases relate mainly to the industrial buildings of Carraro China.

Plant and machinery

The increases are mainly due to investments by Siap S.p.A., Carraro India Ltd, Turbo Gears India Ltd and Carraro Drive Tech S.p.A..

Industrial equipment

The increases are mainly due to purchases of casting moulds and tools by Carraro China Drive Systems Ltd, Siap S.p.A. and Mini Gears S.p.A..

Investments in progress and deposits

The increases in Investments in Progress and Deposits are mainly due to investments being made in Carraro China Drive Systems Ltd, Carraro Drive Tech S.p.A., Siap S.p.A. and Carraro India Ltd.

On the property, plant and equipment of Carraro India there are mortgages guaranteeing the loans granted by Medio Credito Centrale and BNP for a total of Euro 4.17 mln.

Intangible assets (note 7)

These items present a net balance of 80.12 mln euro compared with 78.78 mln euro in the previous period. The breakdown is as follows:

Items <i>(amounts in Euro thousands)</i>	Goodwill	Developme nt costs	Royalties and patents	Licences and Trademarks	Invest. in prog. and deposits	Other investmen ts	Total
Historical cost	61,474	7,158	804	16,928	3,782	449	90,595
Provisions for depreciation, amortisation and impairment	-1,000	-4,932	-466	-5,722	-	324	-11,796
Net at 31.12.2008	60,474	2,226	338	11,206	3,782	773	78,799
Movements in 2009:							
Increases	1,033	-	30	604	1,148	35	2,850
Decreases	-	-475	-	-	-14	-	-489
Capitalisation of int. costs	-	-	-	-	-	-	-
Changes in consolidation area	664	-	-	2	-	-	666
Depreciation and amortization	-	-329	-49	-1,174	-	-195	-1,747
Reclassification	-	-	-	3	-426	426	3
Impairment	-	-	-	-	-	-	-
Forex translation diff.	-	-41	-	-4	84	4	43
Net at 30.06.2009	62,171	1,381	319	10,637	4,574	1,043	80,125
Made up of:							
Historical cost	63,171	6,505	835	17,530	4,574	908	93,523
Provisions for depreciation, amortisation and impairment	-1,000	-5,124	-516	-6,893	-	135	-13,398

Goodwill

With reference to the amounts of goodwill indicated:

- 3.00 mln euro generated by the first consolidation accounts of the unit corresponding to the company O&K Antriebstechnik GmbH & Co. KG., as the difference between the value of the equity interest and the current values of the assets and liabilities of the investee company;
- 18.08 mln euro generated by the consolidation accounts of the unit corresponding to the company Carraro India Ltd., as the difference between the value of the remaining equity interest purchased in 2006 and the corresponding proportion of the book values of the assets and liabilities of the company;
- Euro 20.88 mln relating to the unit corresponding to the company Elettronica Santerno S.p.A., made up of Euro 2.89 mln of goodwill paid to Casalfiumanese Spa on purchase of the company division and Euro 18.30 mln as the difference between the value of the equity interest and the amount agreed for the purchase of the investee company. Carraro S.p.A. has a purchase option on the remaining 33% of Elettronica Santerno. The exercise price of the buy option granted to the Carraro Group was set at 18.00 mln euro, exercisable from 30 January 2010 until 31 May 2011 and the minority shareholder has a sell option on the same interest exercisable in the 30 business days after 30 March 2010 and in the 30 business days after 31 May 2011. During the period there was an increase of 0.71 mln euro in relation to the purchase completed in April of the business unit acquired by Elettronica Santerno España;
- Euro 20.21 mln generated by the consolidation accounts of the unit corresponding to the Mini Gears Group, as the difference between the value of the equity interest purchased and the current values of the assets and liabilities of the investee companies;

The impairment test at 31 December 2008 had confirmed the amounts recognized in the accounts. Considering the current economic situation and conditions in the market in which the Group operates, it was deemed opportune to repeat the impairment test at 30 June 2009 in order to check the maintenance of the assumptions and the amounts recognised. The results of this test were positive and confirmed the congruity of the book values.

Each of the elements of Goodwill mentioned above refers to a cash generating unit and was subject to a specific impairment test. As these elements were industrial manufacturing units, the following common application criteria were used for the tests:

- economic and financial projections were based on the available forecasts for the next year plus additional internal estimates for subsequent periods;
- assumptions were supported by the consistency of the current order book, information on key customers' production programmes, as well as the forecasts of procurement market trends and knowledge of the dynamics of the underlying industrial processes;
- the time horizon for the estimate of future cash flows is a period of five years, subsequently using the criteria of a perpetual return in line with the flows of the last year of the projection;
- the assumed growth rate for subsequent periods along the projected time horizon is 1.5%;
- the pre-tax discounting rates applied in the cash flow projections reflect the weighted average cost of capital of the individual cash generating unit, as well as the individual country.

The key parameters adopted by the Group are summarised below:

<i>(amounts in Euro thousands)</i>	2008	Changes	2009	Explicit forecast period (years)	Growth rate after the explicit forecast period	Pre-tax discount rate
O&K Antriebstechnik GmbH & Co. KG.	3,000	-	3,000	5	1.5%	7.50%
Carraro India Ltd	18,079	-	18,079	5	1.5%	10.71%
Elettronica Santerno SpA	19,180	1,697	20,877	5	1.5%	9.00%
Mini Gears Group	20,215	-	20,215	5	1.5%	6.80%
Total	60,474	1,697	62,171			

Real estate investments (note 8)

Real estate investments refer to non-industrial property owned by Carraro S.p.A., Siap S.p.A. and Carraro Argentina S.A.

The fair value of these investments does not differ greatly from the recognised cost, taking account of the fact that at the time of initial application of the IFRSs, they were recognised at fair value as "deemed cost".

These investments are not subject to depreciation.

They present a net balance unchanged with respect to the previous period.

Equity investments (note 9)

Change in equity investments in the first half of 2009:

Items <i>(amounts in Euro thousands)</i>	Balance at 31.12.2008	Increases/ Decreases	Change in consolidation area	Exchange rate adjustments	Balance at 30.06.2008
Carraro PNH Components India Ltd	148	-	-	-	148
Subsidiary companies	148	-	-	-	148
Total equity investments	148	-	-	-	148

Financial assets (note 10)

Other non-current financial assets

Available for sale (0.17 mln euro): these consist of minority equity interests and therefore do not have a fixed redemption date.

Other current financial assets

Foreign currency cash flow hedging derivatives (Euro 1.74 mln): these relate to the fair value of contracts in existence on 30.06.2009.

Deferred tax assets and liabilities (note 11)

The amount of deferred tax assets (26.17 mln euro) relates to the expected benefits on temporary deductible differences, measured within the limits of their reasonable realisation.

The increase in the item compared with 31 December 2008 is essentially due to prepaid taxes relating to the tax losses of the interim period of certain group companies. These assets were recognised as there are conditions which would tend to confirm the reasonable certainty of their use. For the assessment of their recoverability the future taxable amounts were estimated on the basis of the most up-to-date economic and financial projections prepared by the management. These projections are based on the assumptions used for preparation of the restructuring plan mentioned in the interim report on operations, including the actions in part already implemented to improve the cost structure and recover profitability. The current and planned tax planning policies of the Group were also considered.

Deferred tax liabilities (6.65 mln euro) relate to taxes expected on taxable temporary differences.

Trade and other receivables (note 12)

The decrease in the balance of net receivables with respect to 31.12.2008 (from Euro 203.60 mln to Euro 166.22 mln) is mostly due to the decline in turnover in the first half of 2009.

In the period provisions for impairment losses remained substantially in line with the figure at 31.12.2008.

Other non-current receivables (1.49 mln euro) consist mainly of guarantee deposits and prepayments of costs accruing in subsequent periods.

Trade receivables bear no interest and mature on average at 60 days.

Closing inventory (note 13)

<i>(amounts in Euro thousands)</i>	30.06.2009	31.12.2008
Raw materials	96,439	114,705
Work in progress and semi-finished products	39,783	51,277
Finished products	48,804	54,984
Goods in transit	380	251
Total inventory	185,406	221,217
Provisions for depreciation	-19,190	-17,615
Net value	166,216	203,602

Leftover stock presents a balance of 166.22 mln euro against 203.60 mln euro at 31.12.2008. The reduction is linked to production trends and to actions for the reduction of inventories implemented by the Group's manufacturing companies.

Provisions for inventory depreciation were increased to align the value of slow-moving obsolete stocks to the estimated realisation value.

Cash and cash equivalents (note 14)

<i>(amounts in Euro thousands)</i>	30.06.2009	31.12.2008
Cash	216	135
Bank current accounts and deposits	26,716	51,539
Other cash or cash equivalents	22	-
Total	26,954	51,674

Short-term bank deposits are remunerated at a floating rate.

Shareholders' equity (note 15)

The shareholders' meeting of 23 April 2009 revoked, for the part not carried out, the resolution authorising the purchase and disposal of treasury shares passed by the shareholders' meeting of 23 April 2008. It therefore authorised a new treasury share purchase plan, which will be implemented on regulated markets in accordance with the following terms:

- the duration of the authorisation is 18 months from the date of the general meeting resolution;
- the authorisation is valid for a maximum number of 2,100,000 ordinary shares, wholly paid up and settled with a par value of 0.52 euro, equivalent to 5% of subscribed and paid-up share capital, taking into account the treasury shares already held by Carraro S.p.A. and by the companies it controls;
- the maximum purchase price may not be more than 20% higher than the reference price recorded in the stock exchange session prior to each individual transaction;
- the minimum purchase price may not be more than 30% lower than the reference price recorded in the stock exchange session prior to each individual transaction;

At 30 June 2008, 740,000 shares had been purchased for a total investment of 2,238,133 euro.

At 30 June 2008, the authorised and fully paid-up share capital amounts to 21,840,000 euro and consists of 42 million ordinary shares with a par value of 0.52 euro each.

Financial liabilities (note 16)

<i>(amounts in Euro thousands)</i>	30.06.2009	31.12.2008
Loans to third parties	142,670	161,565
Financial deferrals	116	
Non-current financial liabilities	142,786	161,565
Loans to third parties	138,873	119,529
Financial accruals and deferrals with third parties	582	1,252
Fair value of interest rate derivatives	1,011	553
Fair value on exchange rates	1,401	2,184
Other financial liabilities	2,412	2,737
Current financial liabilities	141,967	123,518

Other current financial liabilities

The balance relates to the negative fair value recognised at 30.06.2009 on derivative instruments in existence on foreign currencies.

Net indebtedness is shown in the table below (in thousands of euro):

Net financial position <i>(amounts in Euro thousands)</i>	30.06.2009	31.12.2008	30.06.2008
<i>Loans Payable:</i>			
- non-current	142,670	161,565	148,943
- current	138,874	119,529	86,482
<i>Financial accruals and deferrals:</i>			
- non-current	-582	-279	-
- current	123	614	1,017
<i>Cash and cash equivalents:</i>			
- Cash	-216	-135	-165
- Bank current accounts and deposits	-26,738	-51,539	-41,251
<i>Loans and advances receivable:</i>			
- Loans and advances	-13,571	-13,170	-
- <i>Loans and advances with related parties</i>	-18	-40	-84
Net financial position	240,542	216,545	194,942
Of which payables / (receivables):			
- non-current	142,088	161,286	148,943
- current	98,454	55,259	45,999

The performance in the first half of the year and the financial needs in support of the reorganization process could, at the contractually envisaged deadlines, jeopardize observance of certain financial parameters (covenants) which condition the use of a number of credit facilities. After defining the new three-year plan and in accordance with the timing envisaged in the contracts with the credit institutions involved, the Group will begin negotiations with the aim of revising these financial parameters (covenants).

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

COMPANY <i>(amounts in Euro thousands)</i>	LENDER	Balance converted to euro	EXPIRY	RATE	RATE TYPE	CURRENCY
Carraro S.p.A.	San Paolo IMI (F.I.T.)	551	Jun-11	1.010%	fixed	Euro
Carraro S.p.A.	MPS Leasing	1,084	Feb-11	1.794%	variable	Euro
STM S.r.l.	Banca Pop. Verona	1,196	Dec-10	2.358%	variable	Euro
STM S.r.l.	MPS Leasing	261	Nov-11	2.044%	variable	Euro
Elettronica Santerno S.p.A.	Simest	144	Nov-11	1.3951%	fixed	Euro
Fon SA	Capitalia Lux	2,434	Sep-11	5.340%	variable	PLN
Carraro India	MCC	641	Apr-10	2.903%	variable	Euro
Carraro India	MCC	967	Apr-11	2.903%	variable	Euro
Carraro India	Exim	958	Mar-12	13.00%	variable	INR
Carraro India	Idbi Bank	1,389	Jan-13	11.750%	variable	INR
Turbo Gears	BNP	1,555	Nov-11	8.595%	fixed	INR
Turbo Gears	MCC	4,046	Dec-14	4.287%	variable	Euro
Turbo Gears	Idbi Bank	278	Jan-13	12.750%	variable	INR
Carraro Int	Pool of banks	100,000	May-15	2.171%	variable	Euro
Carraro Int	MPS	10,000	Mar-13	2.205%	variable	Euro
Carraro Int	Banca Antonveneta	12,000	Jun-13	3.537%	variable	Euro
Carraro China Drive Syst.	Intesa SanPaolo	4,839	Jun-12	6.804%	variable	CNY
MG Mini Gears S.p.A.	S. Paolo Leas./Intesa/Locat Leas.	1,815	Jun-09/Apr-13	2%	variable	Euro
MG Mini Gears S.p.A.	Interbanca	2,500	Dec-11	3.95%	variable	Euro
MG Mini Gears S.p.A.	Ministry of Research	498	Jan-13	2%	fixed	Euro
MG Mini Gears S.p.A.	Intesa Mediocredito	1,053	Jun-10	2.30%	variable	Euro
MG Mini Gears S.p.A.	Banca Pop. Verona	23,813	Mar-14	5.813%	variable	Euro
MG Mini Gears Sozhou	Banca Intesa	182	Nov-09	2.644%	variable	USD
TOTAL		172,204				

The Group has available short term banking credit facilities for a total of 212.10 mln euro. These credit facilities are revocable and may be used for current-account overdrafts and/or for short-term loans of a maximum term of 12 months. Medium- and long-term loans amount to a total of Euro 292.20 mln.

The expiry dates of Medium- to long-term loans can be broken down as follows:

Year of expiry <i>(amounts in Euro thousands)</i>	
2009 (second half)	9,947
2010	38,455
2011	35,422
2012	31,510
2013	27,439
2014	20,331
2015	9,100
Current financial liabilities	172,204

Trade payables and other payables (note 17)

Trade payables do not produce interest and on average are settled at 120 days.

Other payables include the position of Carraro S.p.A. and Carraro Drive Tech S.p.A. with Finaid S.p.A. for tax consolidation expenses (Euro 1.75 mln).

Employee severance indemnities and retirement benefits (note 18)

Termination benefits are benefits to employees regulated by the laws in force in Italy and recognised in the financial statements of Italian companies.

On the basis of the changes introduced in Law 296/06, with effect from 30 June 2007, the termination benefits maturing after 1 January 2007 must be paid into a specific treasury reserve established at the pensions agency INPS, or, if the employee so chooses, into a special complementary pension fund. With these contributions there are no more provisions for termination benefits.

The actuarial valuation of termination benefits is carried out according to the actuarial criterion of the "projected unit credit method" with the support of data issued by ISTAT, the INPS and the ANIA.

Pension and similar funds relate to the liabilities recognised in the accounts of the company O&K Antriebstechnik; the actuarial recalculation, except for the structural differences of the relevant plans, follows the same criterion described for the Italian termination benefit provisions.

The parameters used are as follows:

- annual rate of interest: 4% - 5%
- annual rate of effective increase in remuneration: 3% - 3,5%
- annual inflation index: 2%
- pension adjustment index: 1,5%

The accounting treatment of employee benefits recorded in the financial statements complies with IAS 19 for fixed benefit plans; the change in liability noted between the end of the period and the previous one is booked in full to the income statement and classified under payroll and related costs.

Number of employees

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

Employees	30.06.2009	31.12.2008	30.06.2008
Executives	80	78	72
White-collar workers	1,068	1,133	1,087
Blue-collar workers	2,514	2,810	2,892
Temporary workers	28	184	414
Total	3,690	4,205	4,465

Faced with a drastic contraction in business, the Gruppo used the existing flexibility instruments, adjusting the workforce and reducing almost exclusively terminable and temporary staff.

The restructuring plan, which will begin to be implemented in the second half of the year, has the aim of bringing the corporate organization in line with the new turnover scenarios.

Provisions for risks and liabilities (note 19)

The item can be broken down as follows:

<i>(amounts in Euro thousands)</i>	opening balance	increases	decreases	reclassificati on	exchange rate adjustments	closing balance
Non-current portion						
1) Warranty	1,331	126	- 81	- 651	- 11	714
2) Litigation expenses	628	-	-	- 172	- 1	455
3) Restructuring and conv.	-	-	-	-	-	-
4) Other provisions	987	25	- 286	- 662	- 1	63
Total	2,946	151	- 367	- 1,485	-13	1,232
Current portion						
1) Warranty	10,541	2,279	-2,677	651	-62	10,732
2) Litigation expenses	130	-32	-46	172	-9	215
3) Restructuring and conv.	1,400	-	-126	-	1	1,275
4) Other provisions	3,360	-	-	662	-	4,022
Total	15,431	2,247	-2,849	1,485	-70	16,244

2.76 mln euro of the product warranty reserve was used for customer claims accepted and the reserve was increased by 2.41 mln euro on the basis of the expected warranty costs which will be incurred in relation to the sales made.

The item "Other provisions" includes amounts recognised in the individual companies for future expenses and liabilities.

The restructuring reserve relates to provisions for non-recurrent costs associated with the implementation of the restructuring plans undertaken by certain Group companies. The "decreases" relate to expenses incurred for activities carried out in the period by the subsidiary Mini Gears S.p.A..

Commitments and risks

Finance lease liabilities

<i>(amounts in Euro thousands)</i>	30.06.2009	31.12.2008
Finance lease liabilities:		
due within one year	1,234	1,425
due beyond one year	1,923	2,545
	3,157	3,970

Sureties given and commitments

<i>(amounts in Euro thousands)</i>	30.06.2009	31.12.2008
Risks:		
Operating lease commitments	1,066	356

Operating lease instalments

These relate to the rental contract for the company division entered into by Carraro S.p.A. on 24.03.2005 for a three-year term, extended in 2008 and subsequently in 2009 for one year. The lessor is Agritalia S.p.A. (a related party) and the annual fee (1.422 mln euro) was determined on the basis of an independent appraisal. The contract also envisages the possibility of exercising an option to purchase the division at a determinable price. Taking into account the prescriptions of IAS 17 it is not believed that the contract has the nature of a financial lease. The commitments for leasing fees still to be paid at 30.06.2009 are due at less than 12 months.

Transactions with related parties

The Carraro Group is controlled directly by Finaid S.p.A., which as of 30.06.2009 held 54.252% of the shares outstanding.

Transactions between Carraro S.p.A. and its subsidiaries, which are related entities of Carraro S.p.A., were eliminated in the consolidated financial statements and are not shown. Details of transactions between the Carraro Group and other related entities are provided in paragraph 9.

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

- transactions with other group companies and 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 atypical or unusual transactions were performed with respect to normal business operations and the interest rates and terms applied (lending and borrowing) to financial transactions between the various companies are in line with market conditions.

7. DERIVATIVE FINANCIAL INSTRUMENTS

7.1 Derivative financial instruments on currencies

The schedules indicate the amounts of the **notional** and **fair values** with reference to the various types of derivative contracts on foreign currencies in existence at 30.06.2009 involving the various group companies.

The Group uses derivative financial instruments to hedge risks deriving from fluctuation of exchange rates. The derivative instruments used are as follows:

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

a) notional values

(amounts in Euro thousands)

CONTRACT	Carraro Drive Tech	O&K	Carraro Argentina	Carraro International	Fon	Carraro India	Turbo Gears	Siap	TOTAL 30.06.09	TOTAL 30.06.08
Options (1)										
Put Options										1,856
Call Options										1,856
Subtot. Options									-	3,712
Swaps (DCSs)										
(1)		495		12,114		5,325	1,518	387	19,839	57,070
(2)							340		340	456
(3)	708		4,921		896	982			7,507	929
Tot. Notional Values	708	495	4,921	12,114	896	6,307	1,858	387	27,686	62,167

b) reference currencies and expiry dates of contracts*(amounts in Euro thousands)*

CONTRACT		Carraro Drive Tech	O&K	Carraro Argentina	Carraro International	Fon	Carraro India	Turbo Gears	Siap
Swaps (DCSs) (1)	Ref. currencies		USD/EUR		PLN/EUR ARS/EUR ARS/USD CNY/EUR CNY/USD		INR/EUR	INR/EUR INR/USD	USD/EUR
	Expiry dates		Jul. - Nov. 2009		Jul. - Dec. 2009		Jul. - Dec. 2009	Jul. - Dec. 2009	Jul. - Nov. 2009
Swaps (DCSs) (2)	Ref. currencies							INR/EUR	
	Expiry dates							Dec. 2009	
Swaps (DCSs) (3)	Ref. currencies	USD/EUR		ARS/EUR ARS/USD		PLN/EUR	INR/EUR		
	Expiry dates	Aug. 2009		Jul. 2009 Jul.-Aug 2009		Jul. 2009	Jul. 2009		

c) fair values*(amounts in Euro thousands)*

CONTRACT	Carraro Drive Tech	O&K	C. Argentina	Carraro International	Fon	Carraro India	Turbo Gears	Siap	TOTAL 30.06.2009	TOTAL 30.06.2008
Options (1)										
Put Options										4
Call Options										-138
Options (2)										
Subtot. Options										
									-	-134
Swaps (DCSs)										
(1)		37		837		-478	-110	33	320	-2,489
(2)							21		21	83
(3)			-14		2	15			3	-74

(1) instruments hedging foreign currency sales budget

(2) instruments hedging cash flows of medium/long-term loans (MCC Carraro India)

(3) instruments hedging imbalances of current receivables and payables in foreign currencies

d) Details of fair values*(amounts in Euro thousands)*

	30.06.2009		30.06.2008	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
CASH FLOW HEDGES				
Exchange rate risk – Domestic Currency Swap	1,763	-1,420	1,727	- 4,340

e) Summary of fair values recognised before tax effect according to their accounting treatment*(amounts in Euro thousands)*

	O&K	Carraro Argentina	Carraro International	Fon	Carraro India	Turbo Gears	Siap	TOTAL 30.06.2009	TOTAL 30.06.2008
F. Value through profit and loss	2	-14	2,586	2	12	17		856	-800
F. Value recognized in equity	35		-1,749		-475	-106	33	-513	-1,812
TOTAL	37	-14	837	2	-463	-89	33	343	-2,612

7.2 Derivative financial instruments on interest rates

The table shows the details of the **notional** and **fair values** and other information regarding the various types of derivative contract on interest rates in existence at 30.06.2009; on this date the ongoing contracts involved Carraro International S.A. and Mini Gears Spa.

CONTRACT	CURRENCY	EXPIRY	NOTIONAL 30.06.2009 <i>(EURO)</i>	NOTIONAL 30.06.2008 <i>(EURO)</i>	FAIR VALUE 30.06.2009 <i>(EURO)</i>	FAIR VALUE 30.06.2008 <i>(EURO)</i>
Interest Rate Swaps	EUR	29.05.2012	3,992,000	8,000,000	-66,653	250,104
Interest Rate Swaps	EUR	29.05.2012	3,992,000	8,000,000	-94,059	205,858
Interest Rate Swaps	EUR	29.05.2012	3,992,000	8,000,000	-65,612	251,784
Interest Rate Swaps	EUR	29.05.2012	3,992,000	8,000,000	-125,281	155,451
Interest Rate Swaps	EUR	29.05.2012	3,992,000	8,000,000	-124,413	156,851
Interest Rate Swaps	EUR	31.03.2013	10,000,000	10,000,000	-472,759	264,983
Interest Rate Swaps	EUR	29.11.2010	5,000,000	5,000,000	-158,398	187,297
Total cash flow hedging derivatives			34,960,000	55,000,000	-1,107,175	1,472,328

8. Events subsequent to the balance sheet date.

With effect from 31 July 2009 the Managing Director Mr Carlo Borsari resigned his position renouncing the mandate received from the Board of Directors.

On 4 August the Board of Directors of Carraro S.p.A. appointed as Managing Director the Director Alexander Josef Bossard granting him all the necessary powers.

9. Related-party transactions

The following tables provide information on transactions with related parties under the terms of IAS 24.

RELATIONSHIPS OF THE CARRARO S.P.A. GROUP WITH RELATED PARTIES AT 30.06.2009

(In thousands of euro)

	Financial and equity transactions				Economic transactions									
	FINANCI AL RECEIVA BLES	FINANCI AL PAYABLE S	TRADE AND OTHER RECEIVA BLES	TRADE AND OTHER PAYABLE S	SALES OF PRODUCTS	SALES OF SERVICE S	OTHER REVEN UES	PURCHASES OF GOODS AND MATERIALS	PURCHASE OF SERVICES	LEASES AND RENTS	PURCHASES OF FIXED ASSETS	TAX CONSOLIDATI ON INCOME	OTHER FINANCIAL INCOME	FINANCI AL COSTS AND EXPENSE S
Other related parties														
FINAID S.p.A.			15	1,858										
Agritalia S.p.A.				237										
Maus S.p.A.	18		62	683	28			1	10		605			
Maus USA Inc.								13						
European Power System S.r.l.			5						28		75			
M.G.T. S.r.l.			7	79	4			1	10					

Notes:

Economic transactions

The most significant economic transactions represent trade transactions for the purchase and sale of raw materials, semi-finished products, transactions of purchase and sale of raw materials, semi-finished products and component technology for the production of drive systems; purchases of services refer mainly to services for industrial processing. Purchases from Maus S.p.A. relate to the supply of specific machine tools and the related spare parts and accessories.

The main sales of services include amounts charged for the utilisation of central information systems and the organizational support provided by the Parent company in the various operating areas. Fees and royalties refer to specific commercial agency agreements and the sale of rights to use industrial know-how.

Interest received is generated by existing loans.

Income from tax consolidation relates to the "return" to the benefit of Carraro S.p.A. on the use of tax losses deriving from the adoption of tax consolidation by Finaid S.p.A..

The Chairman

Mario Carraro

Attestation of the consolidated financial statements under the terms of Art. 154-bis paragraph 5 of Lgs. Dec. 58/1998 (Combined Act on Finance)

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

- a) the adequacy in relation to the characteristics of the enterprise and
- b) the effective application of the administrative and accounting procedures for preparation of the condensed interim financial statements during the first half of 2009.

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

3. We can also certify that:

3.1) the condensed interim financial statements:

a) are prepared in conformity with the international accounting standards endorsed by the European Community under the terms of Regulation (CE) 1606/2002 of the European Parliament and Council, of 19 July 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 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 and information on significant transactions with related parties.

Date: 28 August 2009

Alexander Bossard
Managing Director

Enrico Gomiero
Chief Financial Officer