

**CARRARO GROUP INTERIM REPORT
FOR THE PERIOD 1 JANUARY – 30 JUNE 2002**

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CARRARO SpA

Via Olmo, 37

35011 Campodarsego (PD), Italy

Share capital Euro 21,840,000 (L42,288,136,800) fully paid-up

Padua Companies Register no. 4822

Tax register no. 00202040283

CORPORATE BODIES AS AT 30.06.2002

BOARD OF DIRECTORS:

IN OFFICE UP TO APPROVAL OF 2002 REPORT

((Appointees, Meeting of 14.06.2000)

CARRARO MARIO	Chairman and Chief Executive
CARRARO FRANCESCO	Director
CARRARO ENRICO	Director
CARRARO TOMASO	Director
BRUNETTI GIORGIO	Director
CEOLA ANTONIO	Director
EREDE SERGIO	Director
MOCELLINI ANGELO	Director
TONIN ONOFRIO	Director

BOARD OF AUDITORS

IN OFFICE UP TO APPROVAL OF 2002 REPORT

(Appointees, Meeting of 14.06.2000)

CORTELLAZZO ANTONIO	Chairman
SECCHIERI FRANCESCO	Full member
FONTANA ALDO	Full member
PINATO FABRIZIO	Alternate member
PIUBELLI RICCARDO	Alternate member

MANAGING DIRECTOR

VOTTA TIZIANA

INDEPENDENT AUDITORS:

THREE-YEAR PERIOD 2001-2002-2003

PricewaterhouseCoopers S.p.A.

Pursuant to the provisions of Consob directive no. 97001574 of 20 February 1997, it is hereby stated that:

"The Chairman and Chief Executive Mr. Mario Carraro is invested with all the powers of ordinary and extraordinary management as prescribed by law and/or the company by-laws, with the sole exception of the powers listed below, which are reserved for the Board of Directors:

- Acquisition or disposal of equity stakes, including minority interests; I
- Granting of bank guarantees or stipulation of mortgages on company assets; I
- Acquisition or disposal of immovable property; I
- Approval of the economic-financial budget; I
- Major decisions to be taken at the meetings of associated companies." I

**DIRECTORS' REPORT ON THE INTERIM FINANCIAL REPORT OF CARRARO GROUP
FOR THE SIX MONTHS TO 30 JUNE 2002**

Dear Shareholders,

When, in our report on the financial statements as at 31 December 2001 – which closed with a record loss of over EUR 22 million, including the cost of a foreseen restructuring plan – we stated our determination, through the measures taken, to secure a turnaround as early as starting in 2002, we could not hope that tangible evidence in this direction would start to be seen in the first half of the year. Earlier than anticipated, also as a result of the reversal of trend recorded by operations in Argentina, the Group has achieved a performance for the first six months of 2002 that in light of present circumstances we cannot but define flattering. Tangible evidence is net profit reported for EUR 3.437m and EBIT having risen again to over 5% of sales, 5.15% to be precise, after falling to 2.38% at the end of the previous year.

This is all the more remarkable in the presence of demand which remained weak in the first half of the year, bringing about a 5.1% fall in sales to EUR 192.407m, versus EUR 202.823m of the corresponding period of 2001. One factor was a decline of sales in the construction equipment segment that was not entirely compensated for by a modest recovery in the agricultural tractor segment. We must also add that, while the present financial information is duly compared with that of the corresponding six months of 2001, the Group's performance for the period, the fruit of the restructuring plan under way, finds a fairer measure when compared to the state of deep depression into which the latter part of the previous period had sunk and from which we have climbed back meritoriously, through everybody's will and determination, as we noted at the time when commenting on almost dramatic financial data.

Also the financial position, monitored with constantly strong attention, shows a gradual improvement, albeit following a trend related to seasonal production flows with consequent adjustment of working capital. This may be affected in future by the planned expansion programme, in the direction, however, of a desirable strengthening of the Group in the market.

We do not intend, of course, to wallow in a self-congratulatory attitude, being aware that if we have managed to exit from a spiral that could contain elements of danger, and if performance is to be seen also in the light of a far from brilliant general situation, our goals are far different. First of all, we need to complete the restructuring plan that requires further, more radical intervention in Germany (where data for the six-month period reflect the ensuing restructuring costs) and Poland, at the subsidiaries O&KA and F.O.N., respectively. Measures aim to transfer manufacturing operations to areas with low labour costs, such as Poland, which however at present is affected by a domestic economic crisis. The optimisation of operations is to be pursued, in any case, uninterruptedly all over the world. This includes India where, in spite of a still negative performance, tangible signs have finally been recorded of the start of a growth period, which we must ensure is profitable, also because of the strategic role played by our joint venture subsidiary in the Group's globalisation plans. Similarly, we need to keep monitoring the situation in Argentina, which is certainly favourable at present in a fully export-oriented manufacturing process, but where the political climate remains uncertain.

In short, if on the one hand we need to complete a structural reorganisation and rationalisation, summarised by staff cuts from 2,474 at the end of 2000 (currently 2,124) to slightly over two thousand in 2003, on the other we must also embrace the idea of new strategies, grounded, as already mentioned, in the radical changes that the manufacturing field has been going through globally and that will make it necessary to refocus the production missions of the Group and of its individual entities. This needs to be effected with a view to their stronger integration, through the creation of alliances, towards production growth that privileges activities that are highly innovative in terms of products and services, capable of profitably strengthening our competitive potential. Whilst the performance achieved in the six-month period makes our navigation plan safer, the shore where we really aim to berth is far removed – in a business plan that first takes all the Group's sites to complete efficiency, but at the same time becomes aware of a will to innovation that is bound to ensure a period of growth and affluence. Even though our destination is not close, we are confident that the route we have taken is good, while the sea is also getting smoother.

Sales

Consolidated sales for the six months to 30 June 2002 reached EUR 192.407m, versus EUR 202.823m of the corresponding period a year earlier, a decline of 5.1% which affected Carraro S.p.A., O&KA and F.O.N. in particular, and was influenced, in this first part of the year, by falling sales of some of the largest customers in the Construction Equipment segment, still engulfed in a deep recession in all the main reference geographical areas.

EBIT

Consolidated EBIT rose by 39.7% to EUR 9.910m, equal to 5.15% of sales, versus EUR 7.092m (3.5% of sales) for the six months to 30 June 2001. The rise as a percentage of sales is even more marked if compared with the 2001 percentage, 2.38%. Factors of this significant improvement have been the early effects of the restructuring activities started last year at all Group entities and the return to profitability of the Argentine subsidiary after the heavy losses following the Peso depreciation.

Extraordinary items

Also this first six month period has been affected by extraordinary expenses of EUR 1.302m, provided for in the framework of a wide-ranging restructuring plan of the subsidiary O&KA, only partly offset by extraordinary income of EUR 0.717m relating to the gain on disposal of business of the manufacturing facility at Frassinoro (formerly Trenton S.r.l.).

Financial charges

Net financial charges amounted to EUR 3.386m, equal to 1.76% of sales, down 34.3% from the EUR 5.151m, 2.54% of sales, of the first half of 2001.

The interest cover calculated on EBITDA was 6.63, versus 1.16 of December 2001 (4.01 at 30 June 2001).

Result of operations

After current and deferred taxes, the result for the six-month period was net profit of EUR 3.437m (1.79% of sales), versus a net loss of EUR 1.481m as at 30 June 2001.

Depreciation/amortisation and cash flow

Depreciation/amortisation was recorded for EUR 13.068m (vs. EUR 15.064m as at 30 June 2001). Net cash inflow was equal to EUR 15.832m, versus EUR 13.296m for the six months to 30 June 2001, up 19.1%.

Capital expenditure

Gross consolidated capital expenditure, mostly referred to the purchase of assets to improve production efficiency and to launch new products, amounted to EUR 8.194m (EUR 12.430m for the six months to 30 June 2001).

Research and innovation

In the six months to 30 June 2002 research and innovation costs were expensed for an amount of EUR 4.349m, equal to 2.26% of sales, versus EUR 5.539m (2.73% of sales) for the six months to 30 June 2001.

Net financial position

Thanks to the effective measures taken to optimise working capital, in particular in the second quarter of the year, the net financial position as at 30 June 2002 (debt of EUR 121.133m) improved on 31 March 2002 (debt of EUR 136.936m) and on 31 December 2001 (debt of EUR 125.504m).

In light of present projections, we estimate that the net financial position at year-end may show a limited increase in debt, as a consequence of the growth of working capital resulting from the expansion of business volumes forecast for the second half of the year and commented upon elsewhere in this report.

Gearing, the debt to equity ratio, was equal to 215.78%, versus 230% as at 31 March 2002 and 189.44% as at 31 December 2001.

Resources and training

As at 30 June 2002 the Group's personnel numbered 2,124 (2,187 as at 31 December 2001), whereof 1,257 were employed in Italian operations (1,329 at the end of 2001).

In spite of the hiring of 48 temporary workers in June - mostly at the Campodarsego site - to face the projected increase in business volumes, the overall headcount reduction continued in line with our target. The staff cuts made so far will be supplemented by those resulting from the restructuring process now being defined, besides Italy, also in Germany and Poland, at which completion the total headcount will be as projected.

At the same time as the restructuring/staff cuts, especially at Italian manufacturing facilities, we implemented measures aiming to transform and optimise certain key business processes, supporting them with a wide-ranging training efforts and activities.

Events affecting the company

On 10 February 2002 the judgment handed down by the Regional Court of Brno and relating to the definition of the bankruptcy proceedings of Zetor a.s., a historical customer of Carraro's, became final. As a result of the proceedings, Carraro was able to recover an amount of EUR 429,534.21, equal to about 30% of the balance owed by Zetor. This did not have any impact on the income statement of the period under consideration because accruals to the bad debt provision had already been made for the account in the past.

On 28 March 2002 Carraro signed an agreement with Meccanica Fananese S.r.l. for the sale of the business relating to the manufacturing facility at Frassinoro, Modena (formerly Trenton S.r.l.), specialising in the manufacture of components for mechanical transmission systems (differential carriers, axles and axle shafts). The operation was worth a total of EUR 2.51m, comprising tangible assets, contracts and amounts payable to and receivable from employees, with a net effect on the result for the period of the holding company equal to EUR 0.537m. The operation, effective as from 1 May 2002, also involved a supply agreement and a know-how sale agreement with Meccanica Fananese S.r.l..

Operations of entities included in the consolidation

We report herebelow the most significant financial information referred to operations of the entities of Carraro Group. We point out that comparatives as at 30 June 2001 for Carraro S.p.A., into which Carraro PNH S.p.A. and Trenton S.r.l. were merged, and for SIAP S.p.A., into which DPF S.p.A. and TQT S.r.l. were merged, are pro forma amounts that include the effects of the mergers for the purposes of uniform comparison with amounts as at 30 June 2002.

Carraro S.p.A.

The holding company had sales revenue of EUR 137.423m, down 5.7% from EUR 145.711m for the six months to 30 June 2001. This fall is almost entirely attributable to shrinking order volumes in the construction equipment segment, only partly offset by larger volumes in the agriculture segment.

Exports accounted for 77.4% of sales, versus 77.6% as at 30 June 2001. The major sales areas are: the U.S.A. with 22.5% (27.6% in June 2001) and the European Union (excluding Italy) with 41.5% (39.5% in June 2001).

EBIT, equal to EUR 7.155m (5.21% of sales), declined by 15.6% from EUR 8.478m (5.82% of sales) of 30 June 2001, mainly as a result of the fall in sales volumes referred to above. Net financial charges amounted to EUR 1.998m (1.45% of sales), up on the EUR 1.780m as at 30 June 2001 (1.22% of sales) and in line with December 2001 (1.41% of sales), as a result of higher indebtedness. Net profit for the period was equal to EUR 3.467m (2.52% of sales), versus EUR 0.042m a year earlier. It should be noted that the 30 June 2001 figure included extraordinary items relating to the write-down of the subsidiary Carraro Argentina S.A. for a gross amount of EUR 3.172m, whereas the 30 June 2002 figure, as mentioned above, includes a

loss on disposal of the Trenton S.r.l. business equal to a gross amount of EUR 0.731m (EUR 0.537m after the tax effect). If extraordinary items were excluded, net profit would have risen by EUR 858m.

Depreciation/amortisation was recorded for EUR 5.876m, versus EUR 6.689m of June 2001, and net cash inflow was equal to EUR 9.343m, versus EUR 6.731m for the six months to June 2001.

Gross capital expenditure in the six months to 30 June 2002 amounted to EUR 4.320m, in line with the EUR 4.480m of the corresponding period of 2001, and related mostly to the purchase of assets to improve production efficiency and for the launching of new products. The net financial position saw debt increase to EUR 83.360m, versus EUR 78.680m of December 2001 (EUR 41.659m of June 2001).

The headcount as at 30 June 2002 was 863, versus 996 as at 30 June 2001 and 959 as at 31 December 2001.

SIAP S.p.A.

In comparison with the first half of the previous year, sales grew by 3% to EUR 28.221m, versus EUR 27.392 of June 2001, thanks to the positive trend of demand both from Group companies and from unrelated third parties.

EBIT amounted to EUR 1.442m (5.11% of sales), down from the EUR 1.712m (6.25% of sales) of June 2001, due to the delayed reaction of the production system to rising demand. As is the case of the holding company, it is important to note the improvement of EBIT as a percentage of sales on December 2001, when it was equal to 3.17%: this is the first positive effect of the cost savings achieved through the restructuring measures.

Net profit for the period was equal to EUR 0.303m, down from EUR 0.548m of June 2001.

Depreciation/amortisation, equal to EUR 2.821m, declined slightly from the EUR 3.027m of June 2001, with net cash inflow equal to EUR 3.124m (EUR 3.575m for the six months to 30 June 2001).

The entity made capital expenditure equal to EUR 2.442m (EUR 2.686m in the six months to 30 June 2001) to consolidate its production capacity.

The net financial position, debt of EUR 17.024m, shows a good improvement on 31 December 2001 (EUR 20.931m) and 30 June 2001 (EUR 22.210m) mainly as a result of a decrease in working capital.

The headcount as at 30 June 2002 was 394, slightly lower than as at 30 June 2001 (405) but higher than as at 31 December 2001 (370) due to increased production volumes.

Carraro India Ltd.

Thanks to the start of production on new contracts, among which the most important is that with Mahindra & Mahindra Group, Indian market leader in the manufacture of tractors, and to additional orders from certain customers, sales for the six months to 30 June 2002 reached EUR 7.101m, an increase of 93.3% on the EUR 3.674m of June 2001. This large growth of business volumes enabled the entity, for the first time since it was started up, to report an operating profit of EUR 0.198m, equal to 2.79% of sales, an improvement on the operating loss of EUR 0.588m (-16.01% of sales) of June 2001, which we believe is the start of more profitable operations.

After net exchange losses of EUR 0.900m (vs. net exchange gains of EUR 0.542m of June 2001) and net financial charges of EUR 0.611m (vs. EUR 0.587m of June 2001), the loss for the six months to 30 June 2002 was equal to EUR 1.313m (vs. a loss of EUR 0.644m for the six months to 30 June 2001).

Depreciation/amortisation was equal to EUR 0.665m (vs. EUR 573m of June 2001), and net cash outflow amounted to EUR 0.648m (EUR 0.071m for the six months to 30 June 2001).

Capital expenditure, made for the sole purpose of maintaining the manufacturing plant, amounted to EUR 0.233m (EUR 0.700m as at 30 June 2001).

The net financial position, debt of EUR 13.342m, improved on the EUR 14.868m of 31 December 2001 (EUR 13.434m as at 30 June 2001).

The headcount as at 30 June 2002 was 116, versus 92 as at 31 December 2001 and 85 as at 30 June 2001.

Carraro Argentina S.A.

The financial information for the first six months of 2002, besides reflecting the benefits of the substantial recapitalisation aimed at re-establishing an adequate financial and equity balance, also reflects the competitive advantage generated by the large, gradual depreciation of the Argentine Peso and by the industrial restructuring carried out in the previous year. With sales of EUR 14.153m, up 10.9% on the EUR 12.760m of June 2001, EBIT shows profit of EUR 2.610m, equal to an exceptional 18.44% of sales, versus an operating loss of EUR 2.827m for the six months to 30 June 2001.

After net exchange losses of EUR 3.133m and financial charges of EUR 0.143m, down from EUR 1.645m a year earlier, the result of operations shows a limited loss, amounting to EUR 0.709m (versus a loss of EUR 4.586m for the six months to 30 June 2001).

With depreciation/amortisation of EUR 1.285m (EUR 1.852m as at 30 June 2001), net cash inflow was equal to EUR 0.576m (versus EUR 2.734m cash outflow for the six months to 30 June 2001).

Capital expenditure was limited to EUR 0.182m (EUR 2.438m in the six months to 30 June 2001).

The net financial position was assets of EUR 0.923m, in contrast to debt of EUR 34.130m as at 31 December 2001 (EUR 23.638m as at 30 June 2001).

The headcount as at 30 June 2002 was 181, versus 159 as at 31 December 2001 (288 as at 30 June 2001). This increase is related to the growth of production volumes and is based on the hiring of term staff.

FON S.A.

This entity has been going through a phase of in-depth industrial transformation which will reduce its dependence on the local market, currently still characterised by a marked stagnation. The combined effect of those factors has affected the result of operations for the first six months of the year. Sales, equal to EUR 2.666m, fell by 24.9% from EUR 3.55m of June 2001.

EBIT shows an operating loss of EUR 0.153m, -5.74% of sales (vs. EUR 0.047m, 1.32% of sales, of June 2001).

After exchange losses of EUR 0.294m (vs. exchange gains of EUR 0.121m in June 2001) and extraordinary income of EUR 0.251m from amounts paid by the holding company against costs connected with the agreement to acquire F.O.N. S.A. improperly incurred by the latter, the entity reported a net loss for the period of EUR 0.195m (vs. net profit of EUR 0.174m for the six months to 30 June 2001).

Depreciation/amortisation was equal to EUR 0.197m (EUR 0.176m of June 2001).

Net cash inflow was equal to EUR 0.002m, versus EUR 0.350m for the six months to 30 June 2001.

Capital expenditure amounted to EUR 0.469m (EUR 0.594m as at 30 June 2001) and was made to support the industrial transformation referred to above.

The net financial position as at 30 June 2002 was debt of EUR 2.463m, an increase on the EUR 1.744m of 31 December 2001 and EUR 1.627m of 30 June 2001, as a consequence of the above mentioned capital expenditure and of a moderate increase in working capital.

The headcount as at 30 June 2002 was equal to 265, versus 280 as at 31 December 2001 and 301 as at 30 June 2001.

Carraro Deutschland GmbH

This entity is a financial holding company and owns 100% of the capital stock of O&K Antriebstechnik. The income statement for the six-month period closed with profit of EUR 0.331m, versus EUR 0.344m for the six months to 30 June 2001.

O&K Antriebstechnik GmbH

In the first six months of 2002 this entity recorded sales for EUR 21.610m, versus EUR 26.897m of June 2001, a decline of 19.7% due to a strong recession in the construction equipment segment in all the main reference geographical areas. O&KA, furthermore, is at the height of an industrial restructuring and reorganisation started at the end of last year, which is still having a negative impact on profitability; this is evidenced by an operating loss of EUR 0.065m (-0.3% of sales), versus the operating profit of EUR 1.383m (5.14% of sales) reported for the six months to 30 June 2001.

Net financial charges amounted to EUR 0.080m, equal to 0.37% of sales (vs. EUR 0.039m, 0.14% of sales, of June 2001).

Following additions to the original restructuring plan and based on the outcome of negotiations with the trade unions, now being completed, additional extraordinary charges of EUR 1.302m were provided for. The result for the period, therefore, was a loss of EUR 1.002m, versus net profit of EUR 1.610m, 6% of sales, for the six months to 30 June 2001.

With depreciation/amortisation recorded for an amount of EUR 0.601m (EUR 0.588m for the six months to 30 June 2001), net cash outflow was equal to EUR 0.401m (vs. EUR 2.198m for the six months to 30 June 2001).

Gross capital expenditure amounted to EUR 0.361m, versus EUR 0.648m for the six months to June 2001.

The net financial position as at 30 June 2002 shows debt of EUR 1.623m, higher, because of an increase in working capital, than as at 31 December 2001 when debt amounted to EUR 0.994m (EUR 1.781m as at 30 June 2001).

The headcount as at 30 June 2002 was equal to 271 (289 as at 31 December 2001, 289 as at 30 June 2001).

Carraro International S.A.

For the first six months of 2002 this financial holding company reported a loss of EUR 0.46m (EUR 0.121m for the six months to 30 June 2001). This was almost entirely due to the effect of accessory charges incurred on a debenture loan and to net financial charges. The net financial position, comprising proceeds from and allocation of the above-mentioned loan, was debt of EUR 1.504m (vs. EUR 0.611m as at 31 December 2001 and EUR 0.108m as at 30 June 2001).

Carraro North America Inc.

Towards the close of last year this entity, following the restructuring process, curtailed its operations to such an extent as to render a comparison between amounts for the six months to 30 June 2002 and for the six months to 30 June 2001 not meaningful; therefore, comparatives are shown solely for information purposes. Sales for the six months to 30 June 2002 amounted to EUR 2.666m (vs. EUR 13.082m for June 2001). EBIT shows an operating loss of EUR 0.036m, or -1.35% of sales (versus profit of EUR 0.553m, 4.2% of sales, in June 2001). After net financial charges of EUR 0.082m, 3.06% of sales (EUR 0.294m, 2.25% of sales, in June 2001), the net loss for the period amounted to EUR 0.118m (versus net profit of EUR 0.026m for the six months to 30 June 2001).

Depreciation/amortisation was recorded for an amount of EUR 0.323m (EUR 0.323m as at 30 June 2001), and net cash inflow was equal to EUR 0.205m (EUR 0.349m as at 30 June 2001).

The net financial position as at 30 June 2002 was debt of EUR 2.239m, an improvement on EUR 8.367m as at 31 December 2001 (EUR 11.537m as at 30 June 2001).

As at 30 June 2002 the headcount was 12 (12 as at 31 December 2001, 41 as at 30 June 2001).

Carraro Korea Co. Ltd.

In the six months to 30 June 2002 the entity recorded sales for EUR 5.305m, down 7.7% from EUR 5.746m a year earlier as a result of persistently weak demand in the market.

EBIT was equal to EUR 0.008m, or 0.15% of sales, down from EUR 0.232m, 4.04% of sales, for the six months to 30 June 2001, as a result of shrinking sales only partly offset by cost reductions. Net financial charges amounted to EUR 0.022m, 0.41% of sales, a significant improvement on the EUR 0.139m, 2.43% of sales, of the six months to 30 June 2001, obtained through a reduction of indebtedness.

The net result for the period shows a small loss, equal to EUR 0.007m (versus profit of EUR 0.053m for the six months to 30 June 2001).

With depreciation/amortisation of EUR 0.106m (EUR 0.138m as at 30 June 2001), net cash inflow was equal to EUR 0.099m (vs. EUR 0.191m as at 30 June 2001). Capital expenditure amounted to EUR 0.017m (EUR 0.090m as at 30 June 2001).

The net financial position shows debt of EUR 0.805m, a worsening on the EUR 0.168m debt as at 31 December 2001 (vs. EUR 3.035m at 30 June 2001) due to an increase in working capital.

The headcount as at 30 June 2002 was 22, slightly lower than 26 as at 31 December 2001 (31 as at 30 June 2001).

Share price trend

During the first six months of 2001, Carraro shares traded at an average official price of EUR 1.401.

In the first few months of 2002 the share price initially reverted the downward trend of last year, reaching a high of EUR 1.816 on 25 March, falling then again until 26 June, when the lowest price of the period was recorded: EUR 1.235.

Final considerations

The information we have been receiving from the economic world is not such as to leave at ease those who operate in it. It is reflected in the turbulence that has affected stockmarkets worldwide for a few months, in an outlook characterised by uncertainty. Nor do international political relations help under the impending threat of war, which cannot but impact on market prospects. It is also true, however, that the area most affected appears to be consumer products. As a matter of fact, in the segments where we operate no particular effects can be noticed other than those related to the cyclical downturn they are going through. From this downturn it appears that the tractor industry, the first to be affected, is starting to come out, whereas the construction equipment segment remains depressed.

What we can confirm, at any rate, is that by virtue also of our expansion into the manufacture of components referred to material handling, and through a deeper penetration of markets, not only does the trend of our portfolio ensure that the budget is met, but it has been recording an improvement, so much so as to lead us to believe that the second half of the year will be even better from the point of view of sales. This makes us more at ease also with regard to the result of operations for the entire financial year, which should be at least in line with the performance already recorded for the first six months.

We also intend, before the year end, to finalise a more detailed and articulated business plan, in line with the strategic guidelines we mentioned in the introduction to this report and in anticipation of further growth which we are confident may start as early as 2003, with the wish that it may be accompanied also by a more satisfactory financial performance.

The Chairman of the Board of Directors

(Mario Carraro)

Transactions of CARRARO S.p.A. Group with related parties for the six months ended 30 June 2002

(as of EUR CONSOB Communication DAC/98015375 dated 27 February 98)

(amounts in thousands of Euro)

FINANCING

TRADING

	Financing receivables	Financing payables	Sales of components, goods and spare parts	Industrial services rendered	Sales of other services and sundry other charges	Commissions and royalties receivable	Interest income	Purchases of plant, machinery and equipment	Purchases of components, goods and spare parts	Purchases of industrial services	Purchases of other services and sundry charges	Commissions and royalties payable	Interest expense
Associated companies													
Agritalia S.p.A.			8,559	23	212	167			796	43	1		
Stm S.r.l.	4,000	153		317	83		100	29	1,552	9	3		3
Tkm S.r.l.	855			23	4		21		225	2			
Elcon S.r.l.	103				58		2						
Other related parties													
Fonderie del Montello S.p.A.	1,033				29		22		10,012	1			
Maus S.p.A.					22			122	9	41	4		
Meccanica del Piave S.p.A.			417	33	22				915				
Diffusione Europea S.p.A.					4						3		
E.P.S. S.r.l.													

Notes:

1. Financing

Financing transactions relate to short- and long-term loans.

2. Trading

The major trading accounts relate to purchases and sales of raw materials, semi-finished goods and components for the manufacture of drive systems for self propelling vehicles; purchases of services are mainly referred to manufacturing processes. Purchases from Maus S.p.A. relate to the supply of specific machine tools with the related spare parts and accessories.

Major sales of services relate to charges for the use of the central information systems and for organisational support provided by the holding company in the various operating areas. Commissions and royalties relate to specific agency agreements and transfer of rights for the use of industrial know-how. Interest income is generated from loans currently in place.

Carraro Group

Interim financial report for the six months ended 30 June 2002

Balance Sheet

ASSETS

30 June 2002

31 December 2001

30 June 2001

A) SHARE CAPITAL ISSUED AND NOT YET PAID

B) FIXED ASSETS:

I – Intangible assets:

1) Start-up and expansion costs	848,027	1,226,431	1,598,910
2) Research, development and advertising expenses	470,047	541,396	1,013,347
3) Industrial and other patent rights	203,881	224,594	229,477
4) Concessions, licenses, trademarks and similar rights and assets	1,479,830	1,697,650	1,451,019
5) Consolidation difference	13,651,752	14,331,716	14,827,881
6) Assets under construction and advances	395,198	241,512	1,698,714
7) Other intangible assets	1,916,678	2,329,898	1,587,460
<i>Total Intangible assets</i>	18,965,413	20,593,197	22,406,808

II – Tangible assets:

1) Land and buildings	32,108,945	39,895,450	46,804,113
2) Plant and machinery	46,372,774	55,538,434	64,115,329
3) Industrial and commercial equipment	11,927,339	14,256,338	17,435,299
4) Other assets	5,450,212	6,783,033	8,314,741
5) Assets under construction and advances	2,630,101	1,178,789	3,281,705
<i>Total Tangible assets</i>	98,489,371	117,652,044	139,951,187

III – Financial assets:

1) Equity interests:			
a) in subsidiaries	-	-	-
b) in associated companies	3,546,004	3,699,831	5,143,946
c) in parent companies	-	-	-
d) in other companies	108,470	106,115	106,175
e) advances on equity interests	1,331,907	-	-
2) Receivables:			
a) from subsidiaries	-	-	-
b) from associated companies	4,000,000	4,000,000	-
- falling due within one year	-	-	-
- falling due after more than one year	4,000,000	4,000,000	-
c) from parent companies	-	-	-
d) from others	7,197,805	8,046,608	8,375,052
- falling due within one year	1,062,297	7,054,124	6,798,425
- falling due after more than one year	6,135,508	992,484	1,576,627
3) Other securities	753	689	726
4) Own shares	-	-	-
<i>Total Financial assets</i>	16,184,939	15,853,243	13,625,899

Total Fixed assets (B)

133,639,723 **154,098,484** **175,983,894**

Carraro Group

Interim financial report for the six months ended 30 June 2002

Balance Sheet

30 June 2002 31 December 2001 30 June 2001

C) CURRENT ASSETS

I – Inventory:

1) Raw materials and consumables	35,823,062	34,815,971	47,335,564
2) Work in progress	19,483,944	18,855,537	22,376,615
3) Contracted work in progress	-	-	-
4) Finished products and goods held for resale	9,702,109	10,537,488	15,922,970
5) Payments on account (advances)	808,585	499,982	309,263

Total Inventory

II – Receivables:

1) Trade debtors	95,635,243	79,028,479	93,116,413
- falling due within one year	95,635,243	79,028,479	93,116,413
- falling due after more than one year	-	-	-
2) Receivables from subsidiaries	-	-	-
- falling due within one year	-	-	-
- falling due after more than one year	-	-	-
3) Receivables from associated companies	4,518,993	4,568,263	4,732,389
- falling due within one year	4,518,993	4,568,263	4,732,389
- falling due after more than one year	-	-	-
4) Receivables from parent companies	-	-	-
- falling due within one year	-	-	-
- falling due after more than one year	-	-	-
5) Other debtors	26,538,635	47,853,868	37,411,982
- falling due within one year	22,593,873	44,837,303	32,395,998
- falling due after more than one year	3,944,762	3,016,565	5,015,984

Total Receivables

III – Short-term investments:

1) Investments in subsidiaries	589,646	-	-
2) Investments in associated companies	-	-	-
3) Investments in parent companies	-	-	-
4) Other investments	-	-	-
5) Own shares	-	-	-
6) Other securities	40,323,019	68,422,724	42,343,776

Total Short-term investments

IV – Cash and bank:

1) Bank and postal deposits	20,430,196	15,765,324	66,645,130
2) Cheques on hand	119,213	193,282	58,995
3) Cash in hand	50,250	38,779	75,068

Total Cash and bank

Total Current assets (C)

D) ACCRUED INCOME AND PREPAYMENTS

- Accrued income	1,860,671	6,167,215	974,537
- Prepayments	1,858,906	1,073,442	2,420,927
- of amounts falling due within one year	1,779,882	954,904	2,324,546
- of amounts falling due after more than one year	79,024	118,538	96,381

TOTAL ASSETS

391,382,195 441,918,838 509,707,523

Balance Sheet**LIABILITIES**

30 June 2002

31 December 2001

30 June 2001

A) SHAREHOLDERS' EQUITY

I – Share capital	21,840,000	21,840,000	21,840,000
II – Share premium reserve	17,833,456	17,833,456	17,833,456
III – Revaluation reserve	-	-	-
IV – Legal reserve	3,120,088	3,120,088	3,120,088
V – Reserve for own shares in portfolio	-	-	-
VI – Statutory reserves	-	-	-
VII – Other reserves	6,124,637	41,488,199	45,822,439
Extraordinary reserve	10,428,283	10,103,918	8,650,392
Reserve from accelerated depreciation	8,896,612	9,139,262	10,944,612
Reserve from extraordinary income as per art. 55	513,741	513,741	513,741
Reserve from translation difference	-8,689,002	4,336,750	8,864,950
Reserve from merger surplus	8,242,425	8,242,425	-
Other reserves	-13,267,422	9,152,103	16,848,744
VIII – a) Profit/(Loss) carried forward	-	-	-
IX – b) Consolidated profit/(loss) for the period	3,437,002	-22,757,899	-1,481,019
<i>Total Net equity of the Group</i>	<i>52,355,183</i>	<i>61,523,844</i>	<i>87,134,964</i>
Minority interests in capital and reserves	4,454,552	5,583,385	5,778,704
Minority interests in profit/(loss) for the period	-673,256	-858,343	-287,180
<i>Total Shareholders' equity</i>	<i>56,136,479</i>	<i>66,248,886</i>	<i>92,626,488</i>
B) PROVISIONS FOR RISKS AND CHARGES			
1) Provision for pensions and similar obligations	3,193,714	3,333,252	4,287,215
2) Provisions for taxes	2,355,412	2,104,604	2,558,700
3) Other provisions	12,099,798	14,713,952	9,773,081
<i>Total Provisions for risks and charges</i>	<i>17,648,924</i>	<i>20,151,808</i>	<i>16,618,996</i>
C) STAFF LEAVING INDEMNITY (T.F.R.)			
	13,670,348	14,583,685	14,115,114
D) PAYABLES			
1) Bonds and debenture loans	100,000,000	100,000,000	100,000,000
2) Convertible bonds and debenture loans			
3) Bank loans and overdrafts	83,827,739	123,081,984	136,381,429
- falling due within one year	67,709,769	103,889,075	85,916,198
- falling due after more than one year	16,117,970	19,192,909	50,465,231
4) Other financing creditors	1,919,786	2,007,485	3,833,251
- falling due within one year	1,199,874	737,390	723,466
- falling due after more than one year	719,912	1,270,095	3,109,785
5) Payments on account (advances)	896,201	333,555	913,493
- falling due within one year	896,201	333,555	913,493
6) Trade creditors	89,237,025	79,374,345	111,819,209
- falling due within one year	89,237,025	79,374,345	111,819,209
- falling due after more than one year	-	-	-
7) Secured payables	448,282	524,749	791,193
- falling due within one year	348,179	424,646	438,103
- falling due after more than one year	100,103	100,103	353,090
8) Payables to subsidiaries	-	-	-
- falling due within one year	-	-	-
9) Payables to associated companies	1,711,084	1,140,416	1,735,569
- falling due within one year	1,711,084	1,140,416	1,735,569
10) Payables to parent companies	27,847	49,138	33,888
- falling due within one year	27,847	49,138	33,888
11) Tax payables	3,518,767	5,730,318	4,743,921
- falling due within one year	3,518,767	5,730,318	4,743,921
- falling due after more than one year	-	-	-
12) Social security payables	1,568,835	2,450,864	2,177,834
- falling due within one year	1,568,835	2,450,864	2,177,834
13) Other creditors	15,483,794	16,154,755	19,087,287
- falling due within one year	10,190,561	9,591,360	12,267,332
- falling due after more than one year	5,293,233	6,563,395	6,819,955
<i>Total payables</i>	<i>298,639,360</i>	<i>330,847,609</i>	<i>381,517,074</i>
E) ACCRUED EXPENSES AND DEFERRED INCOME			
- Accrued expenses	5,287,084	10,086,850	4,829,851
- Deferred income	5,271,169	10,060,849	4,741,891
- falling due within one year	15,915	26,001	87,960
- falling due after more than one year	15,915	26,001	86,608
	-	-	1,352
TOTAL LIABILITIES	391,382,195	441,918,838	509,707,523

Carraro Group

Interim financial report for the six months ended 30 June 2002

Memorandum accounts

	30 June 2002	31 December	30 June 2001
Risks			
- Guarantees given on behalf of third parties	26,553,685	55,169,330	49,814,737
- Securities deposited as guarantee on behalf of third parties	2,159,583	2,159,583	2,159,583
<i>Total risks</i>	28,713,268	57,328,913	51,974,320
Commitments			
- Commitments to repurchase equity interests	1,112,345	2,437,677	2,437,677
- Other commitments	103,291	103,291	103,291
<i>Total commitments</i>	1,215,636	2,540,968	2,540,968
TOTAL RISKS AND COMMITMENTS	29,928,904	59,869,881	54,515,288
Other memorandum accounts which do not reflect risks or commitments			
- Guarantees received from third parties	3.273.514	1.032.913	1.032.913
- Mortgages	6.870.220	6.870.220	64.016.849
- Pledges on securities	-	-	-
- Guarantees given by third parties on behalf of Carraro	36.107.195	35.625.579	35.412.833
- Swaps on accounts payable	-	-	-
- Swaps on accounts receivable	63.555.493	49.368.139	50.449.189
- Interest Rate Swaps	110.329.138	110.329.138	110.329.138
- Foreign currency options	73.550.674	35.874.178	4.716.980

Carraro Group

Interim financial report for the six months ended 30 June 2002

Income statement

	Six months ended 30 June 2002	Year ended 31 December 2001	Six months ended 30 June 2001
A) VALUE OF PRODUCTION			
1) Revenue from sales and services	192,407,044	385,623,156	202,823,480
2) Changes in stocks of work in progress and finished goods	1,206,845	-3,796,967	4,430,007
3) Changes in contracted work in progress	-	-	-
4) Own work capitalised	179,338	419,653	270,186
5) Other income	2,505,213	4,912,194	2,623,400
- Grants	44,729	788,122	193,342
- Other	2,460,484	4,124,072	2,430,058
<i>Total Value of production (A)</i>	196,298,440	387,158,036	210,147,073
B) COST OF PRODUCTION			
6) Cost of raw materials, consumables, spare parts and other goods	105,830,834	197,287,134	111,295,422
7) Cost of services	32,583,080	66,213,242	37,853,043
8) Cost of utilisation of third parties' assets	709,526	1,392,326	697,872
9) Personnel costs:	34,302,428	73,676,816	39,498,765
a) Salaries and wages	24,005,977	52,128,664	27,654,442
b) Social contributions	7,084,634	15,996,736	8,585,698
c) Staff leaving indemnity (T.F.R.)	1,315,766	2,739,994	1,349,310
d) Pensions and similar obligations	212,897	528,324	375,008
e) Other costs	1,683,154	2,283,098	1,534,307
10) Depreciation and write-downs:	13,929,323	28,245,703	15,473,788
a) Amortisation of intangible assets	1,975,345	3,847,838	2,082,776
b) Depreciation of tangible assets	11,092,526	23,788,101	12,981,396
c) Other write-downs of assets	-	-	-
d) Write-downs of receivables included in current assets	861,452	609,764	409,616
11) Changes in stocks of raw materials, consumables, spare parts and other goods	-2,805,902	5,523,907	-3,407,796
12) Accruals for contingencies	304,756	218,472	11,225
13) Other accruals	770,256	4,105,486	866,724
14) Other operating charges	764,358	1,317,834	765,812
<i>Total Cost of production (B)</i>	186,388,659	377,980,920	203,054,855
Difference between value and cost of production (A – B)	9,909,781	9,177,116	7,092,218
C) FINANCIAL INCOME AND CHARGES			
15) Income from participating interests	-	35,888	3,439
16) Other financial income	20,669,484	12,420,156	5,976,386
a) from receivables recorded as fixed assets	81,302	33,646	17,681
other	-	-	-
b) from securities recorded as fixed assets	-	-	-
c) from securities recorded as current assets	139,534	367,704	134,105
d) other financial income	20,448,648	12,018,806	5,824,600
whereof			
from subsidiaries	-	-	-
from associated companies	122,046	92,255	20,596
from parent companies	-	-	-
other	20,326,602	11,926,551	5,804,004
17) Interest and other financial charges	24,135,432	44,041,004	11,505,209
whereof			
from subsidiaries	-	-	-
from associated companies	3,360	14	-
from parent companies	-	-	-
other	24,132,072	44,040,990	11,505,209
<i>Total Financial income and charges (15 + 16 – 17)</i>	-3,465,948	-31,584,960	-5,525,384

Carraro Group

Interim financial report for the six months ended 30 June 2002

Income statement

	Six months ended 30 June 2002	Year ended 31 December 2001	Six months ended 30 June 2001
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
18) Revaluations:	48,459	8,126	17,924
a) of equity interests	48,459	8,126	17,924
b) of short-term investments	-	-	-
c) of securities recorded as current assets	-	-	-
19) Write-downs:	202,287	1,739,828	305,512
a) of equity interests	202,287	1,739,828	305,512
b) of short-term investments	-	-	-
c) of securities recorded as current assets	-	-	-
<i>Total Adjustments (18 – 19)</i>	-153,828	-1,731,702	-287,588
E) EXTRAORDINARY INCOME AND EXPENSES			
20) Income	1,551,821	1,208,330	434,107
- Gains on disposal	721,453	14,420	1,517
- Taxes of prior periods	275,047	191,367	191,368
- Other extraordinary income	555,321	1,002,543	241,222
21) Expenses	1,819,529	6,485,734	815,613
- Losses on disposal	-	1,604	2,824
- Taxes of prior periods	176,442	242,834	2,285
- Other extraordinary expenses	1,643,087	6,241,296	810,504
<i>Total Extraordinary items (20 – 21)</i>	-267,708	-5,277,404	-381,506
PROFIT/(LOSS) BEFORE TAX (A-B+/-C+/-D+/-E)	6,022,297	-29,416,950	897,740
22) TAXES ON INCOME	3,258,551	-5,800,708	2,665,939
23) PROFIT/(LOSS) FOR THE PERIOD	2,763,746	-23,616,242	-1,768,199
Minority interests in profit/(loss) for the period	-673,256	-858,343	-287,180
26) PROFIT/(LOSS) FOR THE PERIOD OF THE GROUP	3,437,002	-22,757,899	-1,481,019

Carraro Group

Interim financial report for the six months ended 30 June 2002

NET FINANCIAL POSITION	30 June 2002	31 December 2001	30 June 2001
Bank loans and overdrafts:			
- falling due within one year	67,710	103,889	85,916
- falling due after more than one year	16,118	19,193	50,465
Other financing creditors:			
- falling due within one year	196	234	230
- falling due after more than one year	0	0	39
- leasing payments falling due within one year	1,004	503	493
- leasing payments falling due after more than one year	720	1,270	3,071
Debenture loans:			
- falling due within one year	0	0	0
- falling due after more than one year	100,000	100,000	100,000
Secured payables:			
- falling due within one year	348	425	438
- falling due after more than one year	100	100	353
Net balance of interest prepayments, accruals and deferrals	1,851	3,281	1,738
less:			
Cash and bank	-20,600	-15,997	-66,779
Securities	-40,323	-68,423	-42,344
Loans given	-5,991	-6,291	-1,911
Factoring receivables	0	-12,680	-12,788
Consolidated net financial position	121,133	125,504	118,921

Carraro Group

Interim financial report for the six months ended 30 June 2002

CASHFLOW STATEMENT	1 Jan. to 30 June 2002		1 Jan. to 31 Dec. 2001		1 Jan. to 30 June 2001	
	Allocation	Sources	Allocation	Sources	Allocation	Sources
Net financial position at beginning of period		-125,504		-119,744		-119,744
Profit/(Loss) for the period		3,437		-22,758		-1,481
Minority interests in profit/(loss) for the period	673		858		287	
Depreciation of tangible assets		11,093		23,788		12,981
Amortisation of intangible assets		1,975		3,848		2,083
Outflow/Inflow of funds		15,832		4,020		13,296
CURRENT BUSINESS ACTIVITY						
Accruals to staff leaving indemnity (T.F.R.)		1,316		2,740		1,349
Utilisation of staff leaving indemnity (T.F.R.)	2,230		2,254		1,332	
Accruals to provision for pensions and similar obligations		213		528		375
Utilisation of provision for pensions and similar obligations	240		1,389		176	
Accruals to provisions for risks and charges		1,075		4,324		878
Utilisation of provisions for risks and charges	6,549		8,142		665	
Accruals to provision for deferred taxes		559		889		415
Utilisation of provision for deferred taxes	48		1,028		203	
Change in inventory	1,109			11,793	9,442	
Change in trade debtors	16,607			18,038		3,950
Change in receivables from subsidiaries, associated companies, parent companies		349		2,316		1,772
Change in other debtors		8,637	1,451			9,099
Change in trade creditors		9,863	19,129			13,316
Change in payables to subsidiaries, associated companies, parent companies		550	1,206		625	
Change in other creditors	3,703		12,787		10,534	
Change in other than interest prepayments, accruals and deferrals		224	561		431	
Outflow/Inflow of funds from current business activity	6,515		7,319		7,746	
Total current business activity		9,317		3,299		21,042
NON-CURRENT BUSINESS ACTIVITY						
Accruals/Extraordinary expenses		1,302		4,675		
Investing activities:						
- Additions to tangible assets	7,636		16,010		11,191	
- Investment in intangible assets	558		2,256		1,239	
- Net change from disposal and consolidation		15,917		12,791	4,586	
Equity interests:						
- Acquisition of equity interests	1,922					
- Accrual for exchange losses from depreciation of Arg. Peso				4,300		
- Net revaluation/write-down of interests carried at equity		154		1,731		288
- Commitments to purchase equity interests						
- Change in 'other equity interests'	3				5	
Advance payment of employees' personal income tax (IRPEF) on staff leaving indemnity (T.F.R.)		151		140		
Change in receivables recorded as fixed assets		698	5,996		6,181	
Outflow/Inflow of funds from non-current business activity		8,103		625		22,914
EQUITY MANAGEMENT						
Net change in consolidation area and minority interests	13,049		1,836			2,695
Dividend payments						
Outflow/Inflow of funds from equity management	13,049		1,836		2,695	
NET FINANCIAL POSITION AT END OF PERIOD		-121,133		-125,504		-118,921

1. Purpose of Group companies

The main corporate purpose of Carraro Group companies is to manufacture and sell drive systems for self propelling vehicles such as agricultural tractors, construction equipment, material handling equipment, light commercial vehicles and cars.

2. Presentation and contents of the consolidated interim financial report

This consolidated interim financial report has been prepared in compliance with the layout and accounting policies laid down in Legislative Decree No. 127/91 and with the guidelines issued by CONSOB, the Italian Stock Exchange Commission.

The consolidated interim financial report as of 30 June 2002 has been drawn up on the basis of the interim financial reports prepared by the Directors of Group companies in compliance with the provisions of the Italian Civil Code and comprises a Balance sheet, an Income statement and these Notes to the Interim financial report which show amounts relating to the consolidated financial statements as at 31 December 2001 and to the interim financial report for the six months to 30 June 2001 as comparatives.

In compliance with CONSOB resolution No. 12475 of 6 April 2000, we present the balance sheet and income statement of the holding company and the consolidated balance sheet and income statement.

We draw your attention to the fact that by a merger deed dated 11 December 2001, the 100% owned subsidiaries Carraro PNH S.p.A. and Trenton S.r.l. were merged into Carraro S.p.A., with effect as from 1 January 2001 for accounting purposes and as from 31 December 2001 for legal purposes.

In order to make amounts for the first half of 2001 relating to Carraro S.p.A. comparable with those of the corresponding period of 2002, a pro forma balance sheet and income statement as of 30 June 2001 have been prepared, where the effects of all transactions during the period between the entities involved in the merger have been eliminated.

The amounts, schedules and comments set out below refer only to the consolidated balance sheet and income statement, which should be considered as exhaustingly reflecting the financial position and result of operations of the Group.

By way of information we point out that the interim financial report of Carraro Argentina S.A. does not reflect the revaluation effect generated by local inflation, which during the six-month period rose to nearly 100%.

This interim financial report is drawn up in Euro (EUR). Euro amounts are shown without decimals, cost accounting system allowed by art. 2423 of the Civil Code as amended, effective 1 January 2002, by art. 16, item 8, letter a) of Legislative Decree No. 213/98.

3. Consolidation area

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

Entities consolidated on a line-by-line basis are the following:

Legal name	Registered office	Currency	Nominal value of capital stock	Percentage held
SIAP S.p.A.	Maniago (PN)	Euro	10,122,616	100%
Carraro Deutschland GmbH	Hattingen (Germany)	Euro	10,507,048	100%
Carraro Argentina S.A.	Haedo - Buenos Aires (Argentina)	Argentine Peso	25,809,288	93.90%
Carraro India Ltd.	Rajangaon - Pune (India)	Indian Rupee	400,000,000	36%
F.O.N. S.A.	Radomsko (Poland)	Polish Zloty	7,058,220	84.788%
Carraro International S.A.	Luxembourg	Euro	9,850,000	99.99%
Carraro North America Inc.	Calhoun - Georgia (USA)	US Dollar	100	100%
Carraro Korea Ltd.	Ulsan (Republic of Korea)	South Korean Won	3,000,000,000	100%
O&K Antriebstechnik GmbH &Co. KG	Hattingen (Germany)	Euro	2,045,168	100%

The main changes in the consolidation area during the period were as follows:

- a) The equity interest in F.O.N., Fabryka Osi Napędowych S.A., acquired by Carraro S.p.A. on 29 October 1999, was raised from 68.079% to 76.52% in the second half of 2000, to 83.755% as at 30 June 2001 and to 84.788% in the first part of 2002, following purchases of additional shares from third parties.
- b) The net equity of Carraro Argentina S.A. was increased by EUR 35,061,840 by conversion, on 26 February 2002, of an existing loan from the parent Carraro S.p.A. to cover the losses accumulated as at 28 February 2002.

On 28 June 2002 shares were subscribed by Carraro S.p.A. and Siap S.p.A., respectively, in Carraro PNH Components India Ltd. and Siap Gears India Ltd.

Parent company	Legal name	Registered office	Currency	Nominal value of capital stock	Percentage held
Carraro S.p.A.	Carraro PNH Components India Ltd.	Mumbai (India)	Indian Rupee	10,000,200	99.998%
Siap S.p.A.	Siap Gears India Ltd.	Mumbai (India)	Indian Rupee	20,000,200	99.999%

The value of the equity interest is equal to EUR 196,550 for Carraro PNH Components Ltd. and to EUR 393,096 for Siap Gears India Ltd.

These non-operating companies, whose only significant assets are industrial land, have been excluded from the consolidation area due to their immateriality and are recorded within current assets as they are intended to be sold.

As compared with the consolidation area as at 30 June 2001, the following changes have occurred:

- By a merger deed dated 11 December 2001, Carraro PNH S.p.A. and Trenton S.r.l. were merged into Carraro S.p.A., with accounting and fiscal effect as from 1 January 2001.
- By a merger deed dated 11 December 2001, TQT S.r.l. and DPF S.p.A. were merged into SIAP S.p.A. with accounting and fiscal effect as from 1 January 2001
- The merged entities were already consolidated on a line-by line basis in the previous financial years.

It should also be noted, with reference to the net equity of the individual consolidated entities, that the following amounts are recorded by way of payment towards future capital increase:

- USD 7,000,000 for Carraro North America Inc.;
- EUR 10,532,613 for Carraro Deutschland GmbH.

As for minority interests, we note that:

- Simest S.p.A. has a 6% equity interest in Carraro Argentina S.A. which Carraro S.p.A. is committed to repurchasing within the agreed term;
- In Carraro India Ltd., 36% owned by Carraro S.p.A., the Headquarters have voting rights for a total of 51% on the basis of an agreement with Simest S.p.A., a holding company for foreign joint ventures. Under the terms of the agreement, Carraro S.p.A. is committed to repurchasing 15% of the entity within a specified term.

4. Basis of consolidation and accounting policies

4.1 Basis of consolidation

Values are consolidated on a line-by-line basis, i.e. all assets, liabilities, costs and revenues of the individual entities are consolidated regardless of the percentage owned.

For the purposes of consolidating foreign-based entities, we have used balance sheet and income statement schedules specially prepared according to the layout of the schedules adopted by the holding company and compiled in application of accounting policies common with those applied by Carraro S.p.A.. Where necessary, to bring the closing dates of foreign entities in line with that of the holding company, the directors prepared interim financial information using the same policies applied for the year end reporting.

The carrying value of consolidated equity interests, owned by Carraro S.p.A. or by other entities included in the consolidation, has been eliminated against the corresponding share of net equity of the subsidiary undertakings.

Net equity and profit for the period attributable to minority interests are shown on separate lines, respectively, on the consolidated balance sheet and on the consolidated income statement.

Any differences between the purchase cost and the value of the corresponding share of net equity of participating interests at the date on which the entities are first included in the consolidation, subject to allocation, where possible, to specific items within assets, are stated on a line called 'Consolidation difference' in the assets section of the balance sheet, or directly charged to the consolidated net equity on the line 'Reserve from consolidation'. Differences originating from the purchase of additional shares or parts ('quote'), after the first year of consolidation, are stated as contra entry to the 'Reserve from consolidation', or charged to the consolidated income statement.

Significant transactions between consolidated entities, and accordingly the relevant receivables, payables, costs and revenue, as well as unrealised gains from operations between Group entities, have been eliminated.

Financial information expressed in a foreign currency has been translated into Euro at the year-end exchange rate in the case of assets and liabilities, at historical exchange rates for equity components and at the average exchange rate of the period for income statement amounts.

Any exchange differences originating from this method are stated on a specific line within net equity called 'Reserve from translation difference'.

The rates applied to translate foreign currency denominated financial information are the following:

Legal name	Currency	Average exchange rate six months to 30 June 2002	Exchange rate of 30 June 2002
Carraro India Ltd.	Indian Rupee	45.09188	50.8776
F.O.N. S.A.	Polish Zloty	3.6674	4.0598
Carraro North America Inc.	US Dollar	0.8977	0.9975
Carraro Korea Ltd.	South Korean Won	1,156.5622	1,188.3200
Carraro Argentina S.A.	Argentine Peso	2.3634	3.7805

4.2 Accounting principles and policies

In the consolidated interim financial report, for consistency of presentation, the same accounting policies and principles were adopted as those applied in the previous period.

The accounting principles used are those applicable to going concerns, which the directors believe to be appropriate in light of what already discussed in the report on operations.

The accounting policies and principles applied to the most significant financial statements items are illustrated below.

Intangible assets

Intangible assets, if purchased from third parties, are stated at purchase cost inclusive of directly attributable accessory charges; if self-developed, at the purchase cost of the assets or services used, besides direct and indirect labour and relevant accessory charges.

Amounts are shown after amortisation, computed on a straight-line basis with reference to the estimated useful life of the assets.

Tangible assets

Tangible assets are stated at purchase, transfer or own work cost, increased by monetary revaluations accounted for in compliance with the law. Cost includes any specific financial charges incurred up to the time the asset goes into service.

The costs of improvements, revamping, transformations and extraordinary maintenance are capitalised as increases in the value of the relevant assets. The corresponding ordinary costs are expensed as incurred. Fully depreciated assets remain on the balance sheet until scrapped or disposed of.

Depreciation is accounted for at rates suitable to represent the actual depreciation of the asset, on the basis of its estimated economic life. Assets under construction are not depreciated.

Finance leases are accounted for by recording the present value of lease payments, including redemption value, within tangible assets. The principal portion of liabilities for lease payments and the redemption amount are stated within liabilities on the line 'other financing creditors' falling due within or after one year, depending on the term of the lease. In the income statement, depreciation is accounted for as if the asset had been purchased and the principal portion of lease payments charged in the statutory financial statements of consolidated entities is eliminated.

Financial assets

Equity interests of 20% or more in entities in which the Group does not exercise control, if significant, are carried at equity.

Receivables recorded within financial assets are carried at estimated realisable value.

Inventories

Inventories are valued at the lower of average purchase or production cost of the year and market. Production cost includes materials, labour, and direct and indirect manufacturing costs. Obsolete or slow-moving inventories are suitably written down.

Receivables and payables

Receivables are stated at estimated realisable value. This corresponds to nominal value adjusted by a specific bad debt provision that covers both accounts that are already known to be uncollectible and doubtful accounts included in the overall balance.

Payables are stated at nominal value.

Accounts denominated in currencies not belonging to the Euro area are adjusted to the official exchange rate at the period end and the resulting gains or losses are taken to the income statement; receivables and payables in foreign currency falling due in the medium term are adjusted to period-end exchange rates only if the translation gives rise to a loss.

Short-term investments

Securities held for trading purposes are carried at the lower of cost, including any premium, and market, determined as the average trading price of the last month.

Other short-term investments are valued at the lower of cost and market.

Cash and bank

Cash and bank are stated at nominal value.

Prepayments, accruals and deferrals

Costs and revenues are accounted for on an accrual basis, with reference to the period to which they relate.

Provisions for risks and charges

Accruals for risks and charges are made to cover losses or liabilities that are certain or probable, the amounts and dates of occurrence of which cannot be determined exactly at the year end.

Provisions for taxes include the liability for probable taxes, the amounts and dates of occurrence of which cannot be determined exactly, such as liabilities for probable tax assessments or litigation pending, valued on the basis of their foreseeable outcome.

l) Staff leaving indemnity (T.F.R.)

Provision is made for the liability towards personnel in compliance with existing legislation and labour contracts.

Derivative contracts

Forward exchange agreements are valued as follows:

- a) if entered into to hedge for accounts payable and receivable, consistently with the accounting policies applied to the underlying assets and liabilities;
- b) if entered into to hedge for projected exports, any exchange differences realised during the period on those transactions are recorded as adjustments to the value of the relevant revenue in that they are considered to be of a commercial nature; the premium or discount accruing on contracts still outstanding at the period end is taken to the income statement and recorded within financial income or charges;
- c) if entered into for trading purposes, consistently with the accounting policies applied to the receivables and payables denominated in foreign currency.

Derivative contracts hedging for interest rate risks are valued under the same accounting policies as the liabilities hedged.

Costs and revenue

Costs and revenue are stated in accordance with the principle of prudence, on a accrual basis, and the relevant prepayments, accruals and deferrals are accounted for.

Revenue from sales is recognised on transfer of ownership, which generally corresponds to shipment. Revenue from services is recognised at the time the service is rendered.

Infra-group transactions

In compliance with CONSOB's Recommendations dated 20 February 1997 (DAC/97001574) and 27 February 1998 (DAC/98015375), we state that:

- a) transactions with Group companies and related parties during the period gave rise to trading, financing or consulting receivables/payables and were carried out, on an arm's length basis, in the economic interests of the individual entities involved; and
- b) there were no unusual transactions beyond the scope of the ordinary course of business and the interest rates (receivable and payable) and terms applied in financing transactions between the various entities were at arm's length.

Current income taxes

Current income taxes are provided for on the basis of an estimate of taxable income of consolidated entities in compliance with existing legislation and in consideration of applicable exemptions.

Deferred taxes

The individual entities provide for deferred taxes on temporary differences between the result of operations as per the statutory accounts and taxable income. The contingent fiscal benefit connected with both temporary differences and losses available for carryforward is accounted for when reasonable certainty exists that sufficient taxable income will be available in future to allow their recovery.

Additional deferred taxes originate from the tax effect of consolidation adjustments, mainly due to the capitalisation of assets under lease, to intercompany stock and to the amortisation of goodwill, with reference to local tax legislation.

Deferred tax liabilities are provided for on a specific line under heading B) of the liability section of the balance sheet, deferred tax assets are recorded within other debtors on line C.II.5 of the assets section.

5. Analysis of financial statements items and changes from previous periods

BALANCE SHEET - ASSETS

B.I. – Intangible assets

As at 30 June 2002 intangible assets totalled EUR 18.96m, versus EUR 22.41m a year earlier. The balance may be analysed as follows:

(amounts in thousands of Euro)

Description	Start-up and expansion costs	Research and development expenses	Industrial and other patent rights	Concessions licences, trademarks and similar rights	Difference from consolidation	Assets under construction and advances	Other intangible assets	Total
Historical cost	2,516	2,044	666	3,606	17,630	1,699	4,296	32,457
Accumul. amortisation	-917	-1,031	-437	-2,155	-2,802	0	-2,708	-10,050
NBV as at 30 June 2001	1,599	1,013	229	1,451	14,828	1,699	1,588	22,407
Movements 2 nd half of 2001:								
Increases	-6		37	644		198	144	1,017
Capitalisation						-728	728	0
Amortisation	-249	-57	-42	-377	-496		-544	-1,765
Reclassifications	-1	-415					416	0
Decreases						-926		926
Translation difference	-117			-20		-1	-2	-140
Historical cost	2,392	1,629	703	4,230	17,630	242	5,582	32,408
Accumul. amortisation	-1,166	-1,088	-479	-2,532	-3,298	0	-3,252	-11,815
NBV as at 31 Dec. 2001	1,226	541	224	1,698	14,332	242	2,330	20,593
Movements 1 st half of 2002:								
Increases		5	37	262		153	101	558
Capitalisation								
Amortisation	-224	-76	-57	-461	-680		-477	-1,975
Reclassifications				-6			-33	-39
Translation difference	-154			-13			-5	-172
NBV as at 30 June 2002	848	470	204	1,480	13,652	395	1,916	18,965
Comprising:								
- Historical cost	2,238	1,634	740	4,473	17,630	395	5,645	32,755
- Accumul. amortisation	-1,390	-1,164	-536	-2,993	-3,978	0	-3,729	-13,790

Increases during the period relate mostly to the purchase of software licences, for an amount of EUR 0.241m, and to the development of software applications for the management of purchases, for an amount of EUR 0.128m, both by Carraro S.p.A..

The line 'start-up and expansion costs' may be analysed as follows:

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Cost of start-up and amendments to company by-laws	71	89	109
Start-up cost of new manufacturing units	777	1,137	1,490
Total	848	1,226	1,599

'Cost of start-up and amendments to company by-laws' relates mainly to costs incurred in 1999 by Carraro International S.A., Carraro Korea Ltd. and Carraro Argentina S.A..

'Start-up cost of new manufacturing units' relates essentially to the costs incurred to start up the manufacturing operations of Carraro India Ltd. and bring them to operate at capacity.

Research and development expenses relate to the capitalisation of costs relating to the designing of new product lines developed in connection with similar projects started by customers. Other studies concerning products are still at the design stage and are recorded within assets under construction.

The item 'difference from consolidation' shows the value originating from the consolidation entries of F.O.N. S.A. and O&K Antriebstechnik GmbH & Co. KG.

With reference to F.O.N. S.A., the difference has been capitalised, in consideration of the period within which it is expected that the operational reorganisation in progress will start to generate profits. The value booked was determined with reference to 31 December 1999 and is amortised over five years starting from financial year 2000; the net book value as at 30 June 2002 was EUR 0.199m. The amortisation charge for the period amounted to EUR 0.142m.

With reference to O&K Antriebstechnik GmbH & Co. KG, the value originally capitalised corresponds to the goodwill paid on acquisition of the entity. The relevant amortisation is calculated over a period of fifteen years, also on account of the fiscal effect of the goodwill under present German tax legislation; the net book value as at 30 June 2002 was EUR 13.453m. The amortisation charge for the period amounted to EUR 0.538m.

B.II. - Tangible assets

As at 30 June 2002 tangible assets totalled EUR 98.49m, versus EUR 139,95m a year earlier.

The balance may be analysed as follows:

(amounts in thousands of Euro)

Description	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Assets under construction and advances	Total
Historical cost	56,512	153,108	70,172	22,360	3,282	305,434
Accumulated depreciation	-9,708	-88,993	-52,737	-14,045	-	-165,483
NBV as at 30 June 2001	46,804	64,115	17,435	8,315	3,282	139,951
Movements 2 nd half of 2001:						
Increases	92	2,964	1,931	340	-421	4,906
Decreases		-110	-276	6	-1,409	-1,789
Capitalisation	222	-237	-289	-2	306	0
Leasing					-87	-87
Depreciation	-746	-5,899	-3,044	-1,118	0	-10,807
Reclassifications		483	112	6	-377	224
Translation difference	-6,477	-5,778	-1,613	-764	-115	-14,747
Historical cost	50,218	147,888	70,908	22,085	1,179	292,278
Accumulated depreciation	-10,323	-92,350	-56,652	-15,302	0	-174,627
NBV as at 31 Dec. 2001	39,895	55,538	14,256	6,783	1,179	117,652
Movements 1 st half of 2002:						
Increases	93	3,217	2,786	511	1,029	7,636
Decreases	-801	-834	-139	-94	-17	-1,885
Capitalisation		187	115		-302	0
Leasing						
Depreciation	-732	-6,351	-2,906	-1,104		-11,093
Change in advances					781	781
Translation difference	-6,346	-5,384	-2,185	-646	-40	-14,601
NBV as at 30 June 2002	32,109	46,373	11,927	5,450	2,630	98,489
Comprising:						
- Historical cost	42,890	140,612	69,183	21,475	2,630	276,790
- Accumulated depreciation	-10,781	-94,239	-57,256	-16,025	0	-178,301

Tangible assets include assets leased for a value of EUR 15.02m already depreciated for an amount of EUR 12,78m.

The item 'Assets under construction' includes EUR 0.501m relating to a parcel of land redeemed after a project to build a new structure for the headquarters of Carraro S.p.A. was abandoned.

Increases during the period in 'Plant and machinery' relate mostly to the purchase of automated and generic machinery by Carraro S.p.A. and Siap S.p.A.; as for 'Industrial equipment', the most significant additions were cast moulds and tooling purchased by Carraro S.p.A. and Siap S.p.A..

The significant balance of foreign exchange translation relates to large fluctuations in the course of the six months in exchange rates, in particular of the Argentine Peso and, to a lesser extent, of the Indian Rupee and Polish Zloty.

The item 'Other assets' may be analysed as follows:

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Furniture and fixtures	2,960	3,798	5,094
Office machines	2,132	2,494	2,559
Cars and forklift trucks	358	491	662
Total	5,450	6,783	8,315

Tangible assets are encumbered by mortgages and liens in favour of banks and other financing creditors for facilitated loans received.

B.III. – Financial assets

B.III.1 Equity interests

Changes in equity interests during the second half of 2001 are detailed as follows:

(amounts in thousands of Euro)

Description	Balance as at 30 June 2001 within net equity	Increases/ Acquisitions 2 nd half of 2001	Decreases	Write-downs 2 nd half of 2001	Change in consolidation area	NBV as at 31 Dec. 2001
In associated companies:						
STM S.r.l.	2,528			-35		2,493
Agritalia S.p.A.	2,448			-1,400		1,048
TKM S.r.l.	155			-9		146
Elcon S.r.l.	13					13
In other companies	106	5		-5		106
Total equity interests	5,250	5		-1,449		3,806

Changes in equity interests during the first half of 2002 are detailed as follows:

(amounts in thousands of Euro)

Description	Balance as at 31 December 2001 within net equity	Increases/ Acquisitions 2002	Decreases	Write-downs 2002	Change in consolidation area	NBV as at 30 June 2002
In associated companies:						
STM S.r.l.	2,493			35		2,528
Agritalia S.p.A.	1,048			-202		846
TKM S.r.l.	146			13		159
Elcon S.r.l.	13					13
In other companies	106	2				108
Advances on equity interests	0	1,332				1,332
Total equity interests	3,806	1,334		-154		4,986

B.III.1.b. – Equity interests in associated companies

- STM S.r.l., with registered office in Maniago (PN), 50% owned by SIAP S.p.A., has been valued at equity, which brings the carrying value to EUR 2.53m.
- Agritalia S.p.A., with registered office in Rovigo, 33.33% owned by Carraro S.p.A., has been valued at equity, which brings the carrying value to EUR 0.85m.
- TKM S.r.l., with registered office in Maniago (PN), in which SIAP S.p.A. owns 20% directly and another 17.5% indirectly, through STM S.r.l., has been valued at equity, giving a carrying value of EUR 0.16m.
- Elcon Elettronica S.r.l., with registered office in Trieste, owned at 24.9% by Carraro S.p.A., has been valued at purchase price, equal to EUR 0.01m, because not significant.

B.III.1.d. – Equity interests in other companies

This line relates to minority equity interests held for an amount of EUR 0.05m by Carraro S.p.A., for an amount of EUR 0.01m by SIAP S.p.A., and for an amount of EUR 0.05m by O&K Antriebstechnik GmbH & Co. KG.

B.III.1.e. – Advances on the purchase of equity interests

The amount of EUR 1.332m relates to an advance paid to Simest S.p.A. in anticipation of the purchase of the interest held by the latter in Carraro India Ltd. according to the terms of the agreement between Carraro S.p.A. and Simest S.p.A..

B.III.2.b. – Receivables from associated companies

(amounts in thousands of Euro)

Description	Balance 30 June 2001	Incr.	Reval.	Reclass. long-/ short- term	Repay- ments	Foreign exchang e adjust- ments	Balance 31 Dec. 2001	Reclass.	Repay- ments	Foreign exchang e adjust- ments	Balance 30 June 2002
Loan to STM S.r.l.:											
- falling due within one year	0						0				
- falling due after more than one year	0	4,000					4,000				4,000
Total Receivables from associated companies	0	4,000	0	0	0	0	4,000	0	0	0	4,000

The amount of receivables from associated companies relates entirely to a loan of EUR 4.00m disbursed in the course of 2001 to STM S.r.l. by SIAP S.p.A..

B.III.2.d. – Receivables from others

(amounts in thousands of Euro)

Description	Balance 30 June 2001	Incr.	Reval.	Reclass. long-/ short-term	Repay- ments	Foreign exchange adjust-ments	Balance 31 Dec. 2001	Reclass	Repay- ments	Foreign exchange adjust-ments	Balance 30 June 2002
Loan to Fonderie del Montello:											
- falling due within one year	516			517			1,033				1,033
- falling due after more than one year	517			-517			0				0
Total loans	1,033			0			1,033				1,033
Advance on employees' personal income tax (IRPEF) on staff leaving indemnity (T.F.R.)	1,060			17	-84		993	15	-166		842
Sundry receivables	6,282	1		-259		-3	6,021			-698	5,323
Total Receivables from others	8,375	1		-242	-84	-3	8,047	15	-166	-698	7,198

Repayment of the loan originally amounting to EUR 3.62m given by Carraro S.p.A. to the former subsidiary Fonderie del Montello S.p.A., started in 1996, is effected in annual instalments of EUR 0.52m. The balance receivable as at 30 June 2002 was EUR 1.03m.

The advance on employees' personal income tax (IRPEF) on the staff leaving indemnity (T.F.R.), equal to EUR 0.84m, was computed and utilised in accordance with the law.

The balance of EUR 5.32m in sundry receivables relates, for an amount of EUR 5.29m, to an account receivable booked by Carraro North America Inc. and originating from a finance lease on proprietary real estate; the decrease due to foreign exchange adjustment originates from the fluctuation of the exchange rate of the Euro to the US Dollar during the period.

C.I. – Inventories

(amounts in thousands of Euro)

Description	Balance 30 June 2001	Balance 31 Dec. 2001	Balance 30 June 2002	Obsolescence provision 30 June 2001	Obsolescence provision 31 Dec. 2001	Obsolescence provision 30 June 2002	NBV 30 June 2001	NBV 31 Dec. 2001	NBV 30 June 2002
Raw materials	48,983	36,925	38,111	-1,648	-2,109	-2,288	47,335	34,816	35,823
Work in progress	23,716	20,025	20,676	-1,339	-1,169	-1,192	22,377	18,856	19,484
Finished products	16,923	11,577	10,773	-1,000	-1,040	-1,071	15,923	10,537	9,702
Total	40,639	31,602	31,449	-2,339	-2,209	-2,263	38,300	29,393	29,186
Goods in transit	309	500	809	0	0	0	309	500	809
Total inventories	89,931	69,027	70,369	-3,987	-4,318	-4,551	85,944	64,709	65,818

The balance of inventories as at 30 June 2002 was EUR 65.82m, versus EUR 85.94m as at 30 June 2001 (EUR 64.71m as at 31 Dec. 2001).

The most significant decrease is that recorded in the second half of 2001 (EUR 21.2m) and reflects the liquidation of the U.S. inventory following the downsizing of Carraro North America Inc. in the same period. It also reflects the benefits of the rationalisation of stock management achieved through a shortening of purchasing times and the redistribution of some stock within the Group to sites with shorter stockturn.

The provision for obsolescence, totalling EUR 4.55m, is detailed as follows: EUR 2.29m for raw materials and consumables, EUR 1.19m for work in progress and EUR 1.07m for finished products. The amounts booked do not differ substantially from a valuation at current costs at the period end.

C.II. – Receivables

Changes in receivables are analysed as follows:

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Trade debtors	95,635	79,029	93,117
Receivables from associated companies	4,519	4,568	4,732
Other debtors	26,539	47,854	37,412
Total Receivables	126,693	131,451	135,261

The balance of receivables as at 30 June 2002 is influenced by the fact that the portfolio of accounts receivable factored was temporarily reduced to nil.

Receivables from associated companies relate to Agritalia S.p.A. for an amount of EUR 3.22m, to STM S.r.l. for an amount of EUR 0.24m, to TKM S.r.l. for an amount of EUR 0.88m and to Elcon S.r.l. for an amount of EUR 0.18m.

Other debtors include:

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Treasury for VAT	10,301	16,012	17,750
Treasury for corporation and trade income tax, IRPEG and IRAP (advances)	2,822	5,083	2,703
Treasury for tax withholdings	57	74	16
Export incentives	2,148	1,969	1,370
Credits for tax paid abroad	0	179	6
Deferred tax assets	7,742	9,231	537
Treasury for other credits	213	340	242
Social security institutions	129	155	142
State and regional grants	0	0	142
Receivables from factors	0	12,680	12,788
Guarantee deposits	114	130	224
Other	2,913	1,901	1,392
Refund of registration tax applied for	100	100	100
Total other debtors	26,539	47,854	37,412

Receivables from the Treasury include VAT which the Italian entities have already applied for refund of, for an amount of EUR 3.41m, and VAT credits of foreign companies for an amount of EUR 3.14m.

Export incentives receivable relate mostly to Carraro Argentina, for an amount of EUR 1.322m, and Carraro S.p.A., for an amount of EUR 0.552m.

Changes in the most significant balances are explained as follows:

- VAT credits decreased mainly as a result of refunds received in the first half of 2002;
- Credits for IRPEG and IRAP advances were utilised against corporation and trade income tax payable in respect of 2001, and new accruals were reduced in relation to lower taxable income;
- Deferred tax assets decreased due to the utilisation by Carraro S.p.A.;
- As at 30 June 2002 there were no factoring operations in progress;
- Other debtors show a net increase of EUR 1.012m due to the combined effect, on the one hand, of the recording by Carraro S.p.A. of the receivable from the sale of the former Trenton business, for an amount of EUR 2.283m; on the other, of reclassifications within short-term investments for an amount of EUR 0.413 in Siap S.p.A. and for an amount of EUR 0.227m in Carraro S.p.A., besides minor decreases.

Deferred tax assets, equal to EUR 7.74m, relate to the balances booked by Carraro S.p.A., Carraro Deutschland, O&K Antriebstechnik and Carraro North America, for tax paid in advance. The deferred tax assets have been recorded on the assumption that they will be recovered through the reporting of sufficient future taxable income, which is considered probable on the basis of the present business plans.

C.III. – Short-term investments

1) in subsidiaries

The balance, equal to EUR 0.590m, is detailed as follows:

(amounts in thousands of Euro)

Parent company	Subsidiary	Registered office	Percentage held	Carrying value
Carraro S.p.A.	Carraro PNH Components India Ltd.	Mumbai (India)	99.998%	197
Siap S.p.A.	Siap Gears India Ltd.	Mumbai (India)	99.999%	393

These investments were booked in the first half of 2002 following the subscription of share capital effected by conversion of previously existing receivables from the entities in question.

The investments are valued at subscription cost.

6) Other securities

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Commercial paper	4,986	23,081	0
Certificates of Credit of the Treasury (CCT)	1,309	1,312	1,314
Treasury bonds (BTP)	1,028	1,030	1,030
Other	33,000	43,000	40,000
Total	40,323	68,423	42,344

The balance of EUR 4.99m relates to a short-term investment by Carraro S.p.A. in commercial paper, secured by a bank guarantee.

Most government securities are deposited as guarantee in favour of banks which gave guarantees against facilitated loans from special credit institutions to Carraro S.p.A. and its subsidiaries.

The line 'Other' relates to short-term investments by Carraro International of the type 'link bond' on debentures with hedges for price and counterparty risks.

Government securities are valued at the lower of cost, including any premium, and market, determined on the basis of the average price for the month of June 2002.

Other investments recorded within current assets are valued at the lower of cost and market.

Changes in balances as compared with 31 December 2001 reflect the effect of the Group's treasury management policies in relation to the overall financial position.

C.VI. – Cash and bank

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Bank deposits	20,430	15,765	66,645
Cash on hand	50	39	75
Cheques	120	193	59
Total	20,600	15,997	66,779

The increase in the balance of cash and bank is related to the change in the holdings of other securities illustrated above, as well as to changes in other components of working capital.

D – Accrued income and prepayments

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Short-term accrued interest income	1,777	6,067	971
Medium-/long-term accrued interest income	84	80	0
Other accrued income	0	20	3
Total Accrued income	1,861	6,167	974
Short-term interest prepayments	35	61	80
Medium-/long-term interest prepayments	14	17	31
Short-term insurance prepayments	642	47	407
Medium-/long-term insurance prepayments	12	15	9
Other short-term prepayments	1,103	847	1,838
Other medium-/long-term prepayments	53	87	56
Total Prepayments	1,859	1,074	2,421
Total Accrued income and prepayments	3,720	7,241	3,395

Accrued interest income relates mostly to interest accruing on financing investments made by Carraro International S.A. ("link bond" operations), for an amount of EUR 0.834m, and by Carraro S.p.A. (commercial paper and government securities) for an amount of EUR 0.212m, besides the effect of the Interest Rate Swap entered into to hedge interest flows generated by the above-mentioned Eurobond (EUR 0.61m) between Carraro International S.A. and Mediobanca.

Other prepayments relate mainly to technical service fees owed in respect of future periods and insurance premiums paid in advance.

BALANCE SHEET - LIABILITIES

A – Net equity

Movements in net equity in the second half of 2001 are analysed as follows:

(amounts in thousands of Euro)

Description	Balance as at 30 June 2001	Profit for FY 2000 appropriated to reserves	Profit for FY 2000 appropriated to dividends	Translation difference	Change in consolidation area	Other movements	Profit/(Loss) for the second half of 2001	Balance as at 31 Dec. 2001
I Share capital	21,840							21,840
II Share premium reserve	17,833							17,833
III Revaluation reserve								
IV Legal reserve	3,120							3,120
V Reserve for own shares in portfolio								
VI Statutory reserves								
VII Other reserves	45,823			-4,335				41,488
VIII Profit/(Loss) carried forward								
IX Consolidated profit/(loss) for the period	-1,481						-21,277	-22,758
Net equity of the Group	87,135	0	0	-4,335	0	0	-21,277	61,524
Minority interests in capital and reserves	5,778			-195				5,583
Minority interests in profit/(loss) for the period	-287						-571	-858
Total net equity	92,626	0	0	-4,530	0	0	-21,848	66,249

Movements in net equity in the first half of 2002 may be analysed as follows:

(amounts in thousands of Euro)

Description	Balance as at 31 Dec. 2001	Profit for FY 2001 appropriated to reserves	Profit for FY 2001 appropriated to dividends	Translation difference	Change in consolidation area	Other movements	Profit/(Loss) for the first half of 2002	Balance as at 30 June 2002
I Share capital	21,840							21,840
II Share premium reserve	17,833							17,833
III Revaluation reserve								
IV Legal reserve	3,120							3,120
V Reserve for own shares in portfolio								
VI Statutory reserves								
VII Other reserves	41,488	-22,758		-12,778	22	151		6,125
VIII Profit/(Loss) carried forward								
IX Consolidated profit/(loss) for the period	-22,758	22,758					3,437	3,437
Net equity of the Group	61,524	0		-12,778	22	151	3,437	52,355
Minority interests in capital and reserves	5,583	-858		-249	-22			4,454
Minority interests in profit/(loss) for the period	-858	858					-673	-673
Total net equity	66,249	0		-13,027	0	151	2,764	56,136

Share capital

Share capital of Carraro S.p.A., fully subscribed and paid in, stands at EUR 21,840,000 and is subdivided into 42,000,000 ordinary shares of EUR 0.52 each.

Share premium reserve

The amount EUR 17.83m was generated upon the flotation of Carraro S.p.A. on the Italian Stock Exchange.

Legal reserve

There were no movements in the legal reserve of Carraro S.p.A. in the course of the first half of 2002.

Other reserves

Heading VII includes, with reference to Carraro S.p.A., the extraordinary reserve of EUR 10.428m, the reserve from extraordinary income as per art. 55 of EUR 0.514m, the reserve from accelerated depreciation of EUR 8.897m, and the reserve from merger surplus of EUR 8.242m.

Moreover, this heading also includes the reserve from translation differences for an amount of EUR -8.689 due to the effect of the translation into Euro of the financial statements of foreign group entities; The value of the reserve reflects mainly the effect of the depreciation of the Argentine Peso in the first half of the current year.

The balance EUR -13.267m relates to the consolidation reserve and to other minor reserves; this value is heavily affected by the carryforward of the loss for the year ended 31 December 2001 (EUR 22.758m).

No taxes have been provided for on the tied equity reserves because, as they are not planned to be distributed, at present the requirement for recording the corresponding tax charge is not met.

Minority interests in capital and reserves

The period-end balance of EUR 3.781m, including the portion for the period equal to EUR 0.673m, represents the interest of the minority shareholder Simest S.p.A. computed with reference to the commitments to repurchase the latter's interests in the subsidiaries Carraro Argentina S.A. and Carraro India Ltd., as well as minority interests in Carraro India Ltd. and F.O.N. S.A..

Effects from hyperinflationary economies not reflected in the balance sheet

We point out that the value of the net equity of Carraro Argentina S.A., translated into Euro under the method illustrated at point 4.1 above, does not reflect the revaluation effect generated by local inflation, which during the period under consideration rose to nearly 100%.

As at 30 June 2002 the effect may be estimated equal to some EUR 8.5m, based on a simulated application of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

B – Provisions for risks and charges

Movements in provisions for risks and charges in the second half of 2001 are detailed as follows:

(amounts in thousands of Euro)

Description	Balance as at 30 June 2001	Change in consolidation area 2 nd half of 2001	Exchange rate adjustments 2 nd half of 2001	Reclassifications 2 nd half of 2001	Increases 2 nd half of 2001	Decreases 2 nd half of 2001	Balance as at 31 Dec. 2001
B1 – Provision for pensions and similar obligations	4,287		-100		153	-1,007	3,333
B2 – Provisions:							
- for deferred taxes	2,198				474	-825	1,847
- for tax risks	361					-103	258
B3 – Other provisions:							
- product warranty	5,618		-54	-154	2,958	-3,548	4,820
- other	4,155		-379	76	8,896	-2,854	9,894
Total	16,619	0	-533	-78	12,481	-8,337	20,152

Movements in provisions for risks and charges in the first half of 2002 are detailed as follows:

(amounts in thousands of Euro)

Description	Balance as at 31 Dec. 2001	Change in consolidation area 1 st half of 2002	Exchange rate adjustments 1 st half of 2002	Reclassifications 1 st half of 2002	Increases 1 st half of 2002	Decreases 1 st half of 2002	Balance as at 30 June 2002
B1 – Provision for pensions and similar obligations	3,333		-112		213	-240	3,194
B2 – Provisions:							
- for deferred taxes	1,847				40	-48	1,839
- for tax risks	258				258		516
B3 – Other provisions:							
- product warranty	4,820		-70	2	598	-279	5,071
- other	9,894		-216	-248	2,988	-5,389	7,029
Total	20,152		-398	-246	4,097	-5,956	17,649

The Provision for pensions and similar obligations of EUR 3.19m relates to similar provisions booked by Carraro Argentina S.A. (EUR 0.01m), F.O.N. S.A. (EUR 0.57m) and O&K Antriebstechnik GmbH & Co. KG (EUR 2.61m). Increases relate to accruals recorded by F.O.N. S.A. (EUR 0.09m) and O&K Antriebstechnik GmbH & Co. KG (EUR 0.12m).

Decreases relate to utilisations by F.O.N. S.A. (EUR 0.23m) and O&K Antriebstechnik GmbH & Co. KG (EUR 0.01).

The provision for deferred taxes originates from accruals made by SIAP S.p.A. (EUR 0.34m), O&K Antriebstechnik GmbH & Co. KG (EUR 0.03m) and from consolidation adjustments mainly due to the recording within tangible assets of assets under lease, to intercompany stock and to the amortisation of goodwill (for a total amount of EUR 1.47m).

The litigation brought following the tax audit performed at Carraro S.p.A. in 1998 by the tax inspectors was closed in December 2001 with reference to the fiscal years 1996 and 1997 by means of a procedure known as *accertamento con adesione*, i.e. an agreement to the tax authorities' settlement proposal. As for matters raised with reference to the fiscal year 1995, against the assessment issued by the tax authorities the company filed a substantiated appeal. In order to provide for possible liabilities, the provision for risks previously recorded was prudently increased by EUR 0.258m, to EUR 0.516m.

With reference to Carraro S.p.A., we draw your attention to the following aspects of the litigation:

- Following a ruling in favour of the company handed down in the course of 1998 by the Appeals court of the Court of Milan against a leading auditing firm, the counter party filed an appeal with the Court of Cassation (the supreme court of appeal in Italy). Since the factual and legal grounds on which the ruling was based are unchanged, at present, on the basis of our legal counsels, we do not believe the appeal can be granted.
- The litigation with I.N.P.S., the national social security, started in the course of 1996 for alleged omission to pay social charges was closed on 5 October 1999 by the Court of First Instance of Padua in favour of Carraro. The proceeding is currently before the Court of Cassation for a final judgement. On the basis of the information currently available, the evaluation of the groundlessness of the claims by the national social security is unchanged and we do not believe, based on our consultants' opinion, that the risk profile of the litigation has changed.

The product warranty provision was partly utilised, for an amount of EUR 0.279m, for payments to customers and increased, for an amount of EUR 0.598m, with reference to the estimated warranty costs to be incurred in relation to sales made.

The period-end balance of 'Other provisions' includes the following:

- EUR 4.58m for the estimated future charges to be incurred for the implementation of the restructuring plans initiated at Carraro S.p.A. (EUR 0.94m), SIAP S.p.A. (EUR 0.06m) and O&K Antriebstechnik GmbH & Co. KG (EUR 3.58m).
- The remaining amount includes accruals made by the individual entities for future charges and liabilities, including a provision for exchange losses set up during the period by Carraro Argentina S.A. and sundry other liabilities for charges accruing to O&K Antriebstechnik GmbH & Co. KG.

Utilisations, for an amount of EUR 5.389m, relate mostly to the implementation of the corporate reorganisation plan at Carraro S.p.A. (EUR 0.381m), SIAP S.p.A. (EUR 0.048m) and O&K Antriebstechnik GmbH & Co. KG (EUR 0.546m), as well as to the utilisation of the provision for unrealised exchange losses for an amount of EUR 4.3m, accounted for as at 31 Dec. 2001 to reflect the impact of the exchange losses booked by Carraro Argentina S.A..

C – Staff leaving indemnity, (T.F.R., *Trattamento di fine rapporto di lavoro subordinato*)

Movements in the staff leaving indemnity were as follows:

(amounts in thousands of Euro)

Description	Balance as at 30 June 2001	Increases 2 nd half of 2001	Increases 1 st half of 2002	Decreases /Transfers 2 nd half of 2001	Decreases /Transfers 1 st half of 2002	Exchange rate adjustment 2 nd half of 2001	Exchange rate adjustment 1 st half of 2002	Balance as at 30 June 2002
Workers	9,404	874	814	-575	-1,218	-3	-1	-9,295
Clerks and executives	4,711	517	501	-342	-1,009	-2	-1	-4,375
Total	14,115	1,391	1,315	-917	-2,227	-5	-2	-13,670

Movements in the staff leaving indemnity (T.F.R.) are recorded in compliance with the law and cover the indemnities earned as at 30 June 2002 by 1,528 workers, 505 clerks and 31 executives. The column 'decreases' relates to advances and indemnities paid out and comprises also amounts earned by employees transferred between Group companies and changes in qualification.

D – Payables

Changes in the balance are analysed as follows:

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Bonds and debenture loans	100,000	100,000	100,000
Bank loans and overdrafts (see analysis)			
- falling due within one year	67,710	103,889	85,916
- falling due after more than one year	16,118	19,193	50,465
Other financing creditors (see analysis)			
- falling due within one year	196	234	230
- falling due after more than one year	0	0	39
- leases falling due within one year	1,004	503	493
- leases falling due after more than one year	720	1,270	3,071
Advances	896	334	914
Trade creditors	89,237	79,374	111,819
Secured payables:			
- falling due within one year	348	425	438
- falling due after more than one year	100	100	353
Payables to subsidiaries	0	0	0
Payables to associated companies	1,711	1,141	1,736
Payables to parent companies	28	49	34
Tax payables	3,519	5,730	4,744
Social security payables	1,568	2,451	2,178
Other creditors (see analysis)	15,484	16,155	19,087
Total	298,639	330,848	381,517

The amount of 'Bonds and debenture loans', equal to EUR 100m, relates to a non-convertible debenture loan, denominated in Euro, issued by Carraro International S.A. on 29 May 2001 and expiring in 2006.

The change in the balance of trade creditors as compared with 30 June 2001 and 31 December 2001 is in line with the trend of purchase volumes of goods and services in the relevant periods: a decline in the second half of 2001 on the first half of the year was followed by a recovery in the first six months of the current year.

Payables to associated companies include EUR 1.28m owed to STM S.r.l., EUR 0.31m owed to Agritalia S.p.A. and EUR 0.12m owed to TKM S.r.l..

Bank loans and overdrafts may be analysed as follows:

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Current accounts and export advance accounts	59,827	85,050	34,728
Exchange rate adjustments to export advances	-2,950	1,075	1,058
Short-term loans in other currencies	6,998	13,458	32,171
F.R.I.E.	327	644	626
Banca di Roma	0	0	10,329
Interbanca	163	326	163
Banca Pop. Verona	0	0	125
Medio Credito Centrale as per Law No. 100/90	2,988	2,988	2,988
IMI	357	348	339
EIB – IMI Interbanca	0	0	3,389
Total short-term	67,710	103,889	85,916
Long-term loans in other currencies	6,246	7,646	8,286
Medio Credito Centrale as per Law No. 100/90	8,077	9,571	11,065
Exchange rate adjustments to loans	0	0	2,643
F.R.I.E.	0	0	327
Interbanca	1,795	1,795	2,121
Banca Pop. Di Verona	0	0	1,940
IMI	0	181	357
EIB – IMI Interbanca	0	0	23,726
Total medium-/long-term	16,118	19,193	50,465
Total bank loans and overdrafts	83,828	123,082	136,381

Bank loans and overdrafts totalled EUR 83.83m (EUR 22.9m after credit balances and short-term investments), versus EUR 123.08m as at 31 Dec. 2001 (EUR 38.7m after credit balances and short-term investments), which is evidence of the effects of the debt reduction measures taken starting from the previous period.

Other financing creditors may be analysed as follows:

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Loan from Ministry of Industry as per Law No. 46/82 – Short-term portion	0	39	35
Other lenders	0	0	0
ECIP loan (project India)	196	195	195
Leases falling due within one year	1,004	503	493
Total short-term	1,200	737	723
Loan from Ministry of Industry as per Law No. 46/82 – Medium-/Long.term portion	0	0	39
Leases falling due after more than one year	720	1,270	3,071
Total medium-/long-term	720	1,270	3,110
Total Other financing creditors	1,920	2,007	3,833

The decrease in the balance relates mostly to the gradual repayment of payables from leasing operations.

Tax payables include:

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
VAT owed for settlement	67	195	0
Income taxes	1,883	3,484	3,367
Employees' personal income tax (IRPEF)	1,227	1,784	1,113
Other IRPEF withholdings	236	102	172
Other tax withholdings	106	165	92
Total	3,519	5,730	4,744

Other creditors include:

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Employees' remuneration	3,315	1,990	3,341
Other amounts payable to employees	4,023	4,787	5,460
Amounts owed to employees' trade unions	13	18	15
Amounts payable to corporate boards	133	39	473
Dividends payable to shareholders	0	0	0
Other	8,000	9,321	9,798
Total	15,484	16,155	19,087

The balance as at 30 June 2002 includes a balance payable by Carraro North America Inc. of EUR 5.29m relating to the purchase of an industrial building at Calhoun (Georgia).

Accrued expenses and deferred income

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Accrued interest expense – short-term	2,912	8,684	2,788
Accrued interest expense – medium-/long-term	834	799	0
Accrued personnel expenses – short-term	1,434	558	1,849
Other short-term accrued expenses	91	20	105
Total accrued expenses	5,271	10,061	4,742
Deferred interest income – short-term	15	23	32
Deferred interest income – medium-/long-term	0	0	0
Deferred income from grants – short-term	0	3	40
Deferred income from grants – medium-/long-term	0	0	1
Other short-term deferred income	1	0	15
Total deferred income	16	26	88
Total Accrued expenses and deferred income	5,287	10,087	4,830

Accrued interest expense includes interest accruing on the debenture loan issued by Carraro International S.A. for an amount of EUR 0.61m and on a hedge for interest rate risk relating to the same loan for an amount of EUR 1.80m. The remaining amount relates to interest accruing on advances, overdrafts and loans from banks and financial institutions.

Medium-/long-term accrued interest expense relates to interest accruing on the debenture loan issued by Carraro International S.A..

Accrued personnel expenses relate to the additional months' salaries owed to workers and clerks.

MEMORANDUM ACCOUNTS

(amounts in thousands of Euro)

Description	Carraro S.p.A.	SIAP S.p.A.	Carraro International S.A.	Total
A) Guarantees given on behalf of third parties	26,527	27		26,554
B) Securities deposited as guarantee on behalf of third parties	2,067	93		2,160
<i>Total Risks</i>	28,594	120		28,714
C) Commitments				
- Commitments to repurchase equity interests	1,112			1,112
- Other commitments	103			103
<i>Total Commitments</i>	1,215			1,215
Other:				
D) Guarantees received from third parties	3,274			3,274
E) Mortgages	673	6,197		6,870
F) Guarantees given by third parties on our behalf	35,050	1,057		36,107
G) Swaps on accounts receivable	63,555			63,555
H) Interest Rate Swaps	10,329		100,000	110,329
I) Foreign currency options	73,551			73,551

RISKS

- A) 'Guarantees given on behalf of third parties' are given to banks on behalf of subsidiaries against loans given to the latter.
- B) 'Securities deposited as guarantee on behalf of third parties' are pledges on government securities in favour of banks against loans given by them to Carraro subsidiaries or against bank sureties given for facilitated loans obtained by Carraro subsidiaries.

COMMITMENTS

- C) 'Commitments to repurchase equity interests' as at 30 June 2002 relate to the interest in Carraro Argentina S.A. owned by Simest S.p.A., in accordance with the terms of contractual agreements.

OTHER MEMORANDUM ACCOUNTS WHICH DO NOT REFLECT RISKS OR COMMITMENTS

Guarantees received from third parties

- D) This item relates, for an amount of EUR 1.03m, to the remaining amount of the guarantee received from FINAID S.r.l. to secure a loan originally of EUR 3.62m granted to Fonderie del Montello S.p.A. and, for an amount of EUR 2.24m, to a guarantee received from Banca Popolare dell'Emilia Romagna to secure the payment of the amount owed for the sale of the former Trenton business by Meccanica Fananese S.r.l. originally amounting to EUR 2.30m.

Guarantees given on our own behalf

- E) This item relates to a mortgage taken out on an industrial building in Gorizia against a loan granted by F.R.I.E.; the amount relating to SIAP S.p.A. refers to a mortgage on an industrial building in Poggiofiorito (formerly DPF S.p.A.) against a loan.

Guarantees given by third parties on behalf of Carraro

- F) This item relates to guarantees given by banks, insurance companies and the parent company FINAID S.r.l. to various institutions, mostly relating to VAT refunds, building permits, loans or credit facilities and delayed payments.

Exchange rate and interest rate hedges

G) *Exchange rate hedges:*

This item relates to swaps and forward agreements relating to sales denominated in foreign currency and forecast for the subsequent months on the basis of the purchasing plans submitted by customers. Contracts are entered into with banks and financial institutions.

H) *Interest rate hedges:*

This item relates to contracts entered into with banks to hedge for the risk of exchange rate fluctuations on the loans or other debt instruments in place. The most significant amounts is the I.R.S. entered into the hedge for the exchange rate risks originating from the debenture loan issued by Carraro International S.A..

I) *Currency options:*

For hedging purposes, Carraro S.p.A. has entered into currency options worth EUR 73.55m as at 30 June 2002.

INCOME STATEMENT

The main changes in consolidated income statement amounts are illustrated below.

A) – Value of production

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
1) Revenue from sales and services			
Traditional axles	103,841	205,472	108,686
Light vehicle axles	4,060	8,429	4,420
Bogie axles	12,672	24,972	12,386
'Power shuttle' transmissions	9,176	21,943	13,622
Tractor transmissions	6,831	8,153	4,825
Phase transformers	2,898	5,665	2,886
Friction clutches	818	2,118	1,475
Gears	12,642	19,946	10,483
Spare parts	11,940	24,870	11,179
Escalator systems	3,071	7,103	3,579
Final & Swing drivers	9,779	23,967	12,645
Other components	9,528	17,883	11,016
Sundry revenue	5,151	15,102	5,621
Total 1)	192,407	385,623	202,823
2) Change in stocks of work in progress and finished products			
- Opening stocks (excluding goods in transit)	-31,602	-35,978	-35,978
- Changes in consolidation area, translation differences and reclassifications	1,414	533	-147
- Adjustment to provision for obsolescence	-54	46	-84
- Closing stocks (excluding goods in transit)	31,449	31,602	40,639
Total 2)	1,207	-3,797	4,430
3) Change in contracted work in progress	0	0	0
4) Own work capitalised	179	420	270
5) Other income			
- grants	45	788	193
- export incentives	828	1,465	705
- ordinary gains	494	196	53
- other	1,138	2,463	1,672
Total 5)	2,505	4,912	2,623
Total Value of production	196,298	387,158	210,147

Sales for the first half of 2002 show a 5.14% decrease on a year earlier, attributable to Carraro S.p.A., O&K Antriebstechnik GmbH & Co. KG and F.O.N. S.A., in line with the decline in the Construction Equipment segment. The value of sales has been adjusted for the reclassification of exchange gains for an amount of EUR 0.30m.

Additional comments on the trend of sales are set out in the directors' report on operations.

Revenue may be broken down by territory as follows:

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Italy	38,928	68,218	38,865
EU	82,183	172,235	87,972
North America	42,072	94,071	50,263
Other foreign sales	29,224	51,099	25,723
Total	192,407	385,623	202,823

Foreign sales as a percentage of the total declined to 79.77%, versus 80.84% for the corresponding period a year earlier. Sales within the EU amounted to EUR 121.11m, those outside the EU to EUR 71.30m.

B) – Cost of production

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
6) Raw materials, consumables and goods for resale			
- Raw material purchases	103,583	192,284	108,546
- Raw material returns	-668	-1,524	-966
Total	102,915	190,760	107,580
Other cost of production:			
- Miscellaneous consumables	544	1,365	834
- Consumable tooling	1,692	3,611	1,991
- Maintenance material	743	1,791	891
- Materials and services for resale	237	519	119
- Volume rebates and discounts	-300	-759	-120
Total	2,916	6,527	3,715
Total 6)	105,831	197,287	111,295
7) Cost of services			
Outsourced production services:			
- Processing	11,384	24,224	13,512
- Maintenance	1,772	4,073	2,049
- Other industrial services	2,206	4,772	2,559
- Freight, transportation and customs	2,235	4,887	3,015
- Temporary workshop workers	343	670	395
Total	17,940	38,626	21,530
Sundry supplies (utilities)	2,456	5,429	2,811
General expenses:			
- Refund of travel expenses	940	2,243	1,222
- Stationery	202	410	230
- Postage and telephone	395	935	475
- Miscellaneous external services	1,636	3,045	1,941
- Long-term car rentals	147	286	125
- Temporary office workers	11	12	2
- Consulting	2,210	3,703	1,426
- Directors' emoluments	674	1,131	636
- Statutory auditors' emoluments	103	273	118
- Company policies	646	1,081	629
- Technical service fees	1,052	1,542	991
- Sundry company expenses	342	859	431
Total	8,358	15,520	8,226
Marketing costs:			
- Advertising	61	131	80
- Trade fairs	49	275	127
- Other	163	225	117
Total	273	631	324
Selling expenses:			
- Payments under warranty	942	2,934	1,191
- Freight, transportation and customs	2,333	5,169	2,929
- Utilisation of product warranty provision	0	-2,773	0
- Commissions and royalties	88	211	559

- Packaging and other selling expenses	193	466	283
Total	3,556	6,007	4,962
Total 7)	32,583	66,213	37,853
8) Cost of utilisation of third parties' assets			
- Rent	626	1,210	608
- Royalties payable	84	182	20
- Other	0	-	70
Total 8)	710	1,392	698
9) Personnel costs			
- Wages	14,280	31,481	16,953
- Salaries	9,726	20,648	10,701
- Social contributions on wages	4,463	10,351	5,568
- Social contributions on salaries	2,621	5,645	3,018
- Staff leaving indemnity (T.F.R.) - workers	814	1,731	857
- Staff leaving indemnity (T.F.R.) – clerks and executives	501	1,009	492
- Accruals for pensions and similar obligations	213	528	375
- Company canteen	285	787	428
- Other personnel costs	1,399	1,497	1,107
Total 9)	34,302	73,677	39,499
10) Depreciation and write-downs			
- intangible assets	1,975	3,848	2,083
- tangible assets	11,093	23,788	12,981
- write-downs (losses on bad debts)	861	610	410
Total 10)	13,929	28,246	15,474
11) Changes in stocks of raw materials			
- Opening stocks (excluding goods in transit)	36,925	44,169	44,169
- Changes in consolidation area, translation differences and reclassifications.	-1,799	-2,240	1,348
- Adjustment to provision for obsolescence	179	520	58
- Closing stocks (excluding goods in transit)	-38,111	-36,925	-48,983
Total 11)	-2,806	5,524	-3,408
12) Accruals for contingencies	305	218	11
13) Other accruals			
- Product warranty	598	3,502	534
- Scheduled maintenance	172		278
- Other risks	0	604	55
Total 13)	770	4,106	867
14) Other operating charges			
- Association dues	98	160	108
- Cost of institutional reporting of listed companies	100	178	112
- Taxes and other duties	434	787	399
- Ordinary losses	17	31	13
- Other operating charges	115	162	134
Total 14)	764	1,318	766
Total Cost of production	186,389	377,981	203,055

Cost of production during the period, with reference to the most significant variances, may be summarised as follows:

- The cost of purchases of goods and services increased on the second half of 2001 while remaining lower than in the first half of 2001, in line with the volume of business which decreased in the second half of the year and is currently showing signs of a recovery.
- Personnel costs decreased by EUR 5.2m (-13%) on a year earlier as a result of the programme of headcount reduction started in 2001.
- Depreciation decreased as a result of lower capital expenditure in recent financial years.

C) – Financial income and charges

C15) – Income from participating interests

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Other income from participating interests	0	36	3
Total	0	36	3

C16) - Other financial income

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
a) from receivables recorded as fixed assets	81	34	18
c) from securities recorded as current assets	139	368	134
d) other financial income:			
- from subsidiaries	0	0	0
- from associated companies	122	92	21
- from parent companies	0	0	0
Other:			
- interest income on loans	22	55	29
- interest income on bank and postal deposits	205	1,163	377
- interest income from the Treasury	26	117	5
- other interest income	4,703	5,602	866
- income from hedging operations	92	37	1
- exchange gains	15,279	4,952	4,525
Total d)	20,449	12,018	5,824
Total	20,669	12,420	5,976

C17) – Interest and other financial charges

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Interest expense on bank deposits	303	3,462	2,682
Interest expense on bank overdrafts	937	2,078	1,085
Interest expense on loans	7,254	11,722	2,373
Interest expense on leases	32	74	43
Financial charges on hedging operations	-26	512	408
Commission and other bank charges	95	177	126
Exchange losses	15,425	24,997	4,495
Other	115	1,019	293
Total	24,135	44,041	11,505

Net financial charges, the balance of lines C16 and C17, amounted to EUR 3.47m, versus EUR 5.53m of 30 June 2001.

If we exclude exchange losses (EUR 0.15m) and net charges from hedging operations (EUR –0.12m), net financial charges amounted to EUR 3.44m, versus EUR 5.13m for the six months to 30 June 2001.

Financial charges less exchange losses as a percentage of sales were equal to 1.76%, versus 2.54% for the six months to 30 June 2001.

D) Adjustments to the value of financial assets

The revaluation of equity interests of EUR 0.05m represents the contra entry in the income statement of the equity valuation of the interests in TKM S.r.l. (EUR 0.04m) and STM S.r.l. (EUR 0.01m). The write-down of EUR 0.20m relates to Agritalia S.p.A..

E) Extraordinary income and expenses

E20) – Extraordinary income

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Gains on disposal	722	14	2
Taxes of prior periods	275	191	191
Extraordinary income	296	250	169
Other extraordinary income	259	753	72
Total	555	1.003	241
Total E20)	1,552	1,208	434

'Gains on disposal' includes the gain of EUR 0.717m realised on the sale of the former Trenton business.

'Extraordinary income' relates to the Italian entities of the Group; among the most significant items was a refund from INAIL, the national industrial accident insurance, for an amount of EUR 0.164m to Carraro S.p.A..

'Other extraordinary income' relates to the foreign entities of the Group.

E21) – Extraordinary expenses

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Losses on disposal	0	2	3
Taxes of prior periods	176	243	2
Extraordinary expenses	175	1,885	142
Other extraordinary expenses	1,469	4,356	669
Total	1,644	6,241	811
Total E21)	1,820	6,486	816

'Other extraordinary expenses' includes extraordinary costs to be incurred for the integration and completion of the personnel reorganisation programme at O&K Antriebstechnik GmbH & Co. KG, for an amount of EUR 1.30m.

Income tax for the period

The tax charge for the period comprises the following:

(amounts in thousands of Euro)

Description	30 June 2002	31 December 2001	30 June 2001
Current taxes	1,962	3,406	2,826
Deferred taxes	1,297	-9,207	-160
Total	3,259	-5,801	2,666

The value of current taxes includes IRPEG, corporate income tax, of SIAP S.p.A., for an amount of EUR 0.219m; IRAP, trade income tax, of Carraro S.p.A., for an amount of EUR 1.149m, and of SIAP S.p.A., for an amount of EUR 0.306m; the substitute tax on the sale of the business of Carraro S.p.A., equal to EUR 0.194m; and withholding tax of Carraro International S.A., equal to EUR 0.094m.

Deferred taxes are the balance of deferred tax assets of EUR 0.978m and deferred tax liabilities of EUR 2.235m booked by the individual entities, plus deferred tax liabilities of EUR 0.040m originating from consolidation entries.

Headcount

The number of employees shown below relates solely to the entities consolidated on a line-by-line basis and is broken down by category:

Employee category	As at 30 June 2001	Change in consolidation area	Movements during 2 nd half of 2001	As at 31 December 2001	Movements during 1 st half of 2002	As at 30 June 2002
Executives	37		-3	34	-3	31
Clerks	562		-13	549	-44	505
Workers	1,788		-196	1,592	-64	1,528
Temporary workers	49		-37	12	48	60
Total	2,436		-249	2,187	-63	2,124

The decrease in headcount reflects the implementation at Group companies of the restructuring plan foreseen for 2002.

Reconciliation with annual financial statements

A reconciliation between the profit for the period and net equity of the Group resulting from the consolidated interim financial report and the profit for the period and shareholders' equity of Carraro S.p.A. is as follows:

(amounts in thousands of Euro)

Description	Profit/(Loss) for the current six-month period	Net equity as at 30 June 2002	Profit/(Loss) for the preceding six-month period	Net equity as at 31 December 2001
Profit for the period and shareholders' equity of Carraro S.p.A.	3,467	55,505	(17,147)	52,037
Profit for the period and net equity of participating interests	(3,690)	84,617	(25,275)	66,275
Aggregate	(223)	140,122	(42,422)	118,312
Elimination of carrying value of participating interests	-	(97,538)	22,954	(66,925)
Consolidation adjustments	2,987	13,552	(4,148)	14,862
Minority interests	673	(3,781)	858	(4,725)
Profit for the period and net equity of the Group	3,437	52,355	(22,758)	61,524

Consolidation adjustments relate mostly to finance leases, to the determination of the 'intercompany stock profit', and to the equity valuation of associated companies and subsidiaries not included in the consolidation, as well as to deferred taxes on those entries.

This consolidated interim financial report, comprising a balance sheet, an income statement and notes presents fairly the consolidated financial position and result of operations for the first six months of 2002.

The Chairman
(Mario Carraro)

Balance sheet

30 June 2002 31 December 30 June 2001
2001

ASSETS**A) SHARE CAPITAL ISSUED AND NOT YET PAID****B) FIXED ASSETS:****I – Intangible assets:**

1) Start-up and expansion costs			
2) Research, development and advertising expenses	249,248	320,597	994,524
3) Industrial and other patent rights	203,881	224,176	188,463
4) Concessions, licenses, trademarks and similar rights and assets	1,428,567	1,603,825	1,316,838
5) Goodwill	-	-	-
6) Assets under construction and advances	395,198	241,511	1,484,019
7) Other intangible assets	1,745,920	2,152,748	1,152,071
Total Intangible assets	4,022,814	4,542,857	5,135,915

II – Tangible assets:

1) Land and buildings	10,198,291	11,254,498	7,066,093
2) Plant and machinery	13,021,990	14,283,817	10,369,837
3) Industrial and commercial equipment	6,655,100	6,930,665	5,510,284
4) Other assets	2,344,784	2,725,414	2,317,669
5) Assets under construction and advances	1,482,540	621,829	689,561
Total Tangible assets	33,702,705	35,816,223	25,953,444

III – Financial assets:

1) Equity interests:			
a) in subsidiaries	66,822,327	47,749,453	61,065,907
b) in associated companies	1,877,269	1,877,269	1,864,409
c) in parent companies	-	-	-
d) in other companies	51,397	48,814	48,012
e) advances on equity interests	1,331,907	-	-
2) Receivables:			
a) from subsidiaries	-	-	-
b) from associated companies	-	-	-
c) from parent companies	-	-	-
d) from others	1,738,686	1,870,390	1,741,519
- falling due within one year	1,032,914	1,032,913	516,457
- falling due after more than one year	705,772	837,477	1,225,062
3) Other securities	-	-	-
4) Own shares	-	-	-
Total Financial assets	71,821,586	51,545,926	64,719,847
Total Fixed assets (B)	109,547,105	91,905,006	95,809,206

Interim financial report for the six months ended 30 June 2002 of Carraro S.p.A.

Balance sheet

30 June 2002 31 December 30 June 2001
2001

C) CURRENT ASSETS

I – Inventory:

1) Raw materials and consumables	17,027,035	16,747,725	15,241,928
2) Work in progress	7,834,217	7,048,069	4,849,440
3) Contracted work in progress	-	-	-
4) Finished products and goods held for resale	8,961,522	9,163,672	12,804,599
5) Payments on account (advances)	-	-	-
6) Goods in transit	369,902	62,562	202,333
Total Inventory	34,192,676	33,022,028	33,098,300

II – Receivables:

1) Trade debtors	67,191,017	53,062,711	49,217,414
- Third parties, falling due within one year	67,177,373	53,051,503	49,188,113
- Related parties, falling due within one year	13,644	11,208	29,301
2) Receivables from subsidiaries	30,599,367	68,109,304	30,230,940
- falling due within one year	30,599,367	68,109,304	30,230,940
- falling due after more than one year	-	-	-
3) Receivables from associated companies	3,046,692	2,988,215	3,299,119
- falling due within one year	3,046,692	2,988,215	3,299,119
- falling due after more than one year	-	-	-
4) Receivables from parent companies	-	-	-
- falling due within one year	-	-	-
- falling due after more than one year	-	-	-
5) Other debtors	14,836,306	30,747,484	17,229,971
- falling due within one year	14,686,866	30,598,761	17,094,967
- falling due after more than one year	149,440	148,723	135,004
Total Receivables	115,673,382	154,907,714	99,977,444

III – Short-term investments:

1) Investments in subsidiaries	196,550	-	-
2) Investments in associated companies	-	-	-
3) Investments in parent companies	-	-	-
4) Other investments	-	-	-
5) Own shares	-	-	-
6) Other securities	7,223,912	25,321,849	2,169,112
Total Short-term investments	7,420,462	25,321,849	2,169,112

IV – Cash and bank:

1) Bank and postal deposits	7,496,126	9,986,377	5,371,726
2) Cheques on hand	670	-	-
3) Cash in hand	27,965	17,169	26,942
Total Cash and bank	7,524,761	10,003,546	5,398,668

Total Current assets (C)

D) ACCRUED INCOME AND PREPAYMENTS

- Accrued income	109,767	131,199	49,798
- Prepayments	928,820	348,370	734,133
- of amounts falling due within one year	882,778	270,191	704,092
- of amounts falling due after more than one year	46,042	78,179	30,041

TOTAL ASSETS

275,396,973	315,639,712	237,236,661
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Interim financial report for the six months ended 30 June 2002 of Carraro S.p.A.

Balance sheet

30 June 2002 31 December 2001 30 June 2001

LIABILITIES

A) SHAREHOLDERS' EQUITY

I – Share capital	21,840,000	21,840,000	21,840,000
II – Share premium reserve	17,833,456	17,833,456	17,833,456
III – Revaluation reserve	-	-	-
IV – Legal reserve	3,120,088	3,120,088	3,120,088
V – Reserve for own shares in portfolio	-	-	-
VI – Statutory reserves	-	-	-
VII – Other reserves	26,390,882	26,390,882	15,802,120
Extraordinary reserve	10,428,283	10,103,918	8,650,392
Reserve from accelerated depreciation	7,206,433	7,530,798	7,151,728
Reserve from extraordinary income as per art. 55	513,741	513,741	-
Reserve from merger surplus	8,242,425	8,242,425	-
VIII – a) Profit/(Loss) carried forward	-17,147,036	-	-
IX – b) Profit/(Loss) for the period	3,467,414	-17,147,036	-952,383
<i>Total Shareholders' equity</i>	55,504,804	52,037,390	57,643,281

B) PROVISIONS FOR RISKS AND CHARGES

1) Provision for pensions and similar obligations	-	-	-
2) Provisions for taxes	516,456	258,228	551,203
3) Other provisions	3,929,069	19,910,000	2,886,587
<i>Total Provisions for risks and charges</i>	4,445,525	20,168,228	3,437,790

C) STAFF LEAVING INDEMNITY (T.F.R.)

	10,507,037	11,490,301	8,740,770
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D) PAYABLES

1) Bonds and debenture loans	55,000,000	55,000,000	-
2) Convertible bonds and debenture loans	-	-	-
3) Bank loans and overdrafts	61,671,159	94,633,376	71,761,186
- falling due within one year	53,593,860	85,062,012	40,622,017
- falling due after more than one year	8,077,299	9,571,364	31,139,169
4) Other financing creditors	195,515	195,515	195,515
- falling due within one year	195,515	195,515	195,515
- falling due after more than one year	-	-	-
5) Payments on account (advances)	890,692	328,045	907,984
- falling due within one year	890,692	328,045	907,984
6) Trade creditors	65,361,104	59,889,273	63,639,985
- Third parties, falling due within one year	65,310,825	59,764,106	63,550,891
- Related parties, falling due within one year	50,279	125,167	89,094
7) Secured payables	-	-	-
- falling due within one year	-	-	-
8) Payables to subsidiaries	9,296,392	7,947,682	20,338,365
- falling due within one year	9,296,392	7,947,682	20,338,365
9) Payables to associated companies	281,468	126,512	105,047
- falling due within one year	281,468	126,512	105,047
10) Payables to parent companies	27,847	46,147	33,467
- falling due within one year	27,847	46,147	33,467
11) Tax payables	2,382,386	4,059,322	2,056,364
- falling due within one year	2,382,386	4,059,322	2,056,364
- falling due after more than one year	-	-	-
12) Social security payables	1,009,445	1,531,866	1,019,262
- falling due within one year	1,009,445	1,531,866	1,019,262
13) Other creditors	6,606,476	5,590,359	5,564,978
- falling due within one year	6,606,476	5,018,113	4,971,436
- falling due after more than one year	-	572,246	593,542
<i>Total payables</i>	202,722,484	229,348,097	165,622,153

Interim financial report for the six months ended 30 June 2002 of Carraro S.p.A.

Balance sheet

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E) ACCRUED EXPENSES AND DEFERRED INCOME

- Accrued expenses
- Deferred income
- falling due within one year
- falling due after more than one year

TOTAL LIABILITIES

2,217,123	2,595,696	1,792,667
2,215,771	2,592,992	1,751,457
1,352	2,704	41,210
1,352	2,704	39,858
-	-	1,352
275,396,973	315,639,712	237,236,661

Memorandum accounts

30 June 2002 31 December 30 June 2001
2001

Risks

- Guarantees given on behalf of third parties
- Securities deposited as guarantee on behalf of third parties

Total risks

Commitments

- Commitments to repurchase equity interests
- Assets leased
- Leases on buildings under construction
- Other commitments

Total commitments

TOTAL RISKS AND COMMITMENTS

Other memorandum accounts which do not reflect risks or commitments

- Guarantees received from third parties
- Mortgages
- Pledges on securities
- Guarantees given by third parties on our behalf
- Swaps on accounts receivable
- Interest Rate Swaps
- Foreign currency options

26,526,737	55,169,330	49,423,293
2,066,620	2,066,620	2,066,620
28,593,357	57,235,950	51,489,913
1,112,345	2,437,677	2,427,677
-	-	-
501,337	301,817	1,861,973
103,291	103,291	103,291
1,716,973	2,842,785	4,392,941
30,310,330	60,078,735	55,882,854
3,273,514	1,032,913	1,032,913
672,738	672,738	56,810,259
-	-	-
35,049,542	33,463,455	25,861,331
63,555,493	49,368,139	46,438,704
10,329,138	10,329,138	10,329,138
73,550,674	35,874,178	4,716,980

Interim financial report for the six months ended 30 June 2002 of Carraro S.p.A.

Income statement

	Six months ended 30 June 2002	Year ended 31 December 2001	Six months ended 30 June 2001
A) VALUE OF PRODUCTION			
1) Revenue from sales and services	137,423,385	265,752,416	126,568,083
2) Changes in stocks of work in progress and finished goods	964,838	-3,130,691	1,365,735
3) Changes in contracted work in progress	-	-	-
4) Own work capitalised	75,029	36,322	113,535
5) Other income	1,243,894	1,582,455	731,395
a) Other	1,242,542	1,494,801	686,931
b) Grant	1,352	87,654	44,464
<i>Total Value of production (A)</i>	139,707,146	264,240,502	128,778,748
B) COST OF PRODUCTION			
6) Cost of raw materials, consumables, spare parts and other goods	85,924,271	159,638,158	83,571,308
7) Cost of services	20,974,542	38,275,764	17,501,455
8) Cost of utilisation of third parties' assets	36,784	79,605	42,856
9) Personnel costs:	19,292,873	35,775,697	15,499,274
a) Salaries and wages	12,810,355	24,635,955	10,700,132
b) Social contributions	4,231,615	8,225,650	3,515,591
c) Staff leaving indemnity (T.F.R.)	1,007,181	2,042,458	794,167
d) Pensions and similar obligations	-	-	-
e) Other costs	1,243,722	871,634	489,384
10) Depreciation and write-downs:	6,063,110	11,838,855	5,224,675
a) Amortisation of intangible assets	969,181	1,952,935	981,091
b) Depreciation of tangible assets	4,907,168	9,842,874	4,093,584
c) Other write-downs of assets	-	-	-
d) Write-downs of receivables included in current assets	186,761	43,046	150,000
11) Changes in stocks of raw materials, consumables, spare parts and other goods	-613,834	2,386,192	-11,725
12) Accruals for contingencies	258,228	-	-
13) Other accruals	240,170	2,750,000	201,011
14) Other operating charges	376,048	678,170	332,810
<i>Total Cost of production (B)</i>	132,552,192	251,422,441	122,361,664
Difference between value and cost of production (A – B)	7,154,954	12,818,061	6,417,084
C) FINANCIAL INCOME AND CHARGES			
15) Income from participating interests	-	-	-
whereof:			
dividend from subsidiaries	-	-	-
dividend from associated companies	-	-	-
16) Other financial income	5,673,366	6,371,422	3,340,715
a) from receivables recorded as fixed assets	15,303	28,786	14,420
b) from securities recorded as fixed assets	-	-	-
c) from securities recorded as current assets	43,973	110,013	55,245
d) other financial income	5,614,090	6,232,623	3,271,050
whereof:			
from subsidiaries	658,530	1,291,905	373,845
from associated companies	1,665	4,653	-
from parent companies	-	-	-
from related parties	-	-	-
other	4,953,895	4,936,065	2,897,205
17) Interest and other financial charges	-7,487,423	-11,199,914	-6,557,180
whereof:			
from subsidiaries	-1,614,766	-1,668,156	-39,794
from associated companies	-	-	-
other	-5,872,657	-9,531,758	-6,517,386
<i>Total Financial income and charges (15 + 16 – 17)</i>	-1,814,057	-4,828,492	-3,216,465

Income statement

	Six months ended 30 June 2002	Year ended 31 December 2001	Six months ended 30 June 2001
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
18) Revaluations:	-	-	-
a) of equity interests	-	-	-
b) of short-term investments	-	-	-
c) of securities recorded as current assets	-	-	-
19) Write-downs:	-	-27,253,781	-3,172,018
a) of equity interests	-	-27,253,781	-3,172,018
b) of short-term investments	-	-	-
c) of securities recorded as current assets	-	-	-
<i>Total Adjustments (18 – 19)</i>	-	-27,253,781	-3,172,018
E) EXTRAORDINARY INCOME AND EXPENSES			
20) Income	1,374,230	282,096	109,236
a) Other extraordinary income	363,473	279,544	107,719
b) Extraordinary gains on disposal	735,710	2,552	1,517
c) Taxes of prior periods	275,047	-	-
21) Expenses	-188,888	-3,474,290	-144,282
a) Other extraordinary expenses	-188,888	-3,246,243	-144,282
b) Extraordinary losses on disposal	-	-	-
c) Taxes of prior periods	-	-228,047	-
<i>Total Extraordinary items (20 – 21)</i>	1,185,342	-3,192,194	-35,046
PROFIT/(LOSS) BEFORE TAX (A-B+/-C+/-D+/-E)	6,526,239	-22,456,406	-6,445
22) TAXES ON INCOME	-3,058,825	5,309,370	-945,938
23) PROFIT/(LOSS) FOR THE PERIOD	3,467,414	-17,147,036	-952,383

Interim financial report for the six months ended 30 June 2002 of Carraro S.p.A.

(pro forma amounts as of 30 June 2001)

Balance sheet

	30 June 2002	31 December 2001	30 June 2001 pro forma
ASSETS			
A) SHARE CAPITAL ISSUED AND NOT YET PAID			
B) FIXED ASSETS:			
<i>I – Intangible assets:</i>			
1) Start-up and expansion costs	-	-	-
2) Research, development and advertising expenses	249,248	320,597	994,524
3) Industrial and other patent rights	203,881	224,176	227,912
4) Concessions, licenses, trademarks and similar rights and assets	1,428,567	1,603,825	1,321,594
5) Goodwill	-	-	-
6) Assets under construction and advances	395,198	241,511	1,484,019
7) Other intangible assets	1,745,920	2,152,748	1,422,916
Total Intangible assets	4,022,814	4,542,857	5,450,965
<i>II – Tangible assets:</i>			
1) Land and buildings	10,198,291	11,254,498	11,308,090
2) Plant and machinery	13,021,990	14,283,817	15,706,696
3) Industrial and commercial equipment	6,655,100	6,930,665	6,644,223
4) Other assets	2,344,784	2,725,414	2,739,889
5) Assets under construction and advances	1,482,540	621,829	702,721
Total Tangible assets	33,702,705	35,816,223	37,101,619
<i>III – Financial assets:</i>			
1) Equity interests:			
a) in subsidiaries	66,822,327	47,749,453	55,991,216
b) in associated companies	1,877,269	1,877,269	1,877,269
c) in parent companies	-	-	-
d) in other companies	51,397	48,814	48,814
e) advances on equity interests	1,331,907	-	-
2) Receivables:			
a) from subsidiaries	-	-	-
b) from associated companies	-	-	-
c) from parent companies	-	-	-
d) from others	1,738,686	1,870,390	1,928,406
- falling due within one year	1,032,914	1,032,913	516,457
- falling due after more than one year	705,772	837,477	1,411,949
3) Other securities	-	-	-
4) Own shares	-	-	-
Total Financial assets	71,821,586	51,545,926	59,845,705
Total Fixed assets (B)	109,547,105	91,905,006	102,398,289

Interim financial report for the six months ended 30 June 2002 of Carraro S.p.A.

(pro forma amounts as of 30 June 2001)

Balance sheet

30 June 2002 31 December 2001 30 June 2001
pro forma

C) CURRENT ASSETS

I – Inventory:

1) Raw materials and consumables	17,027,035	16,747,725	19,623,505
2) Work in progress	7,834,217	7,048,069	7,414,488
3) Contracted work in progress	-	-	-
4) Finished products and goods held for resale	8,961,522	9,163,672	13,671,344
5) Payments on account (advances)	-	-	-
6) Goods in transit	369,902	62,562	233,469
Total Inventory	34,192,676	33,022,028	40,942,806

II – Receivables:

1) Trade debtors	67,191,017	53,062,711	58,590,016
- Third parties, falling due within one year	67,177,373	53,051,503	58,584,189
- Related parties, falling due within one year	13,644	11,208	5,827
2) Receivables from subsidiaries	30,599,367	68,109,304	32,204,548
- falling due within one year	30,599,367	68,109,304	32,204,548
- falling due after more than one year	-	-	-
3) Receivables from associated companies	3,046,692	2,988,215	3,594,808
- falling due within one year	3,046,692	2,988,215	3,594,808
- falling due after more than one year	-	-	-
4) Receivables from parent companies	-	-	-
- falling due within one year	-	-	-
- falling due after more than one year	-	-	-
5) Other debtors	14,836,306	30,747,484	19,006,626
- falling due within one year	14,686,866	30,598,761	18,864,023
- falling due after more than one year	149,440	148,723	142,603
Total Receivables	115,673,382	154,907,714	113,395,998

III – Short-term investments:

1) Investments in subsidiaries	196,550	-	-
2) Investments in associated companies	-	-	-
3) Investments in parent companies	-	-	-
4) Other investments	-	-	-
5) Own shares	-	-	-
6) Other securities	7,223,912	25,321,849	2,242,112
Total Short-term investments	7,420,462	25,321,849	2,242,112

IV – Cash and bank:

1) Bank and postal deposits	7,496,126	9,986,377	6,063,456
2) Cheques on hand	670	-	-
3) Cash in hand	27,965	17,169	28,811
Total Cash and bank	7,524,761	10,003,546	6,092,267

Total Current assets (C)

	164,811,281	223,255,137	162,673,183
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D) ACCRUED INCOME AND PREPAYMENTS

- Accrued income	109,767	131,199	51,768
- Prepayments	928,820	348,370	825,332
- of amounts falling due within one year	882,778	270,191	765,572
- of amounts falling due after more than one year	46,042	78,179	59,760

TOTAL ASSETS

	275,396,973	315,639,712	265,948,572
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Interim financial report for the six months ended 30 June 2002 of Carraro S.p.A.

(pro forma amounts as of 30 June 2001)

Balance sheet

	30 June 2002	31 December 2001	30 June 2001 pro forma
LIABILITIES			
A) SHAREHOLDERS' EQUITY			
I – Share capital	21,840,000	21,840,000	21,840,000
II – Share premium reserve	17,833,456	17,833,456	17,833,456
III – Revaluation reserve	-	-	-
IV – Legal reserve	3,120,088	3,120,088	3,120,088
V – Reserve for own shares in portfolio	-	-	-
VI – Statutory reserves	-	-	-
VII – Other reserves	26,390,882	26,390,882	26,390,882
Extraordinary reserve	10,428,283	10,103,918	8,650,393
Reserve from accelerated depreciation	7,206,433	7,530,798	8,981,835
Reserve from extraordinary income as per art. 55	513,741	513,741	513,741
Reserve from merger surplus	8,242,425	8,242,425	8,244,913
VIII – a) Profit/(Loss) carried forward	-17,147,036	-	-
IX – b) Profit/(Loss) for the period	3,467,414	-17,147,036	41,990
<i>Total Shareholders' equity</i>	55,504,804	52,037,390	69,226,416
B) PROVISIONS FOR RISKS AND CHARGES			
1) Provision for pensions and similar obligations	-	-	-
2) Provisions for taxes	516,456	258,228	961,414
3) Other provisions	3,929,069	19,910,000	2,938,232
<i>Total Provisions for risks and charges</i>	4,445,525	20,168,228	3,899,646
C) STAFF LEAVING INDEMNITY (T.F.R.)			
	10,507,037	11,490,301	11,137,476
D) PAYABLES			
1) Bonds and debenture loans	55,000,000	55,000,000	-
2) Convertible bonds and debenture loans			
3) Bank loans and overdrafts	61,671,159	94,633,376	76,088,922
- falling due within one year	53,593,860	85,062,012	42,682,615
- falling due after more than one year	8,077,299	9,571,364	33,406,307
4) Other financing creditors	195,515	195,515	195,515
- falling due within one year	195,515	195,515	195,515
- falling due after more than one year	-	-	-
5) Payments on account (advances)	890,692	328,045	907,984
- falling due within one year	890,692	328,045	907,984
6) Trade creditors	65,361,104	59,889,273	77,403,413
- Third parties, falling due within one year	65,310,825	59,764,106	77,299,902
- Related parties, falling due within one year	50,279	125,167	103,511
7) Secured payables	-	-	-
- falling due within one year	-	-	-
8) Payables to subsidiaries	9,296,392	7,947,682	13,622,638
- falling due within one year	9,296,392	7,947,682	13,622,638
9) Payables to associated companies	281,468	126,512	105,174
- falling due within one year	281,468	126,512	105,174
10) Payables to parent companies	27,847	46,147	33,467
- falling due within one year	27,847	46,147	33,467
11) Tax payables	2,382,386	4,059,322	3,187,721
- falling due within one year	2,382,386	4,059,322	3,187,721
- falling due after more than one year	-	-	-
12) Social security payables	1,009,445	1,531,866	1,116,016
- falling due within one year	1,009,445	1,531,866	1,116,016
13) Other creditors	6,606,476	5,590,359	6,785,446
- falling due within one year	6,606,476	5,018,113	6,191,904
- falling due after more than one year		572,246	593,542
<i>Total payables</i>	202,722,484	229,348,097	179,446,297

Interim financial report for the six months ended 30 June 2002 of Carraro S.p.A.

(pro forma amounts as of 30 June 2001)

Balance sheet

	30 June 2002	31 December 2001	30 June 2001 pro forma
E) ACCRUED EXPENSES AND DEFERRED INCOME	2,217,123	2,595,696	2,238,738
- Accrued expenses	2,215,771	2,592,992	2,197,528
- Deferred income	1,352	2,704	41,210
- falling due within one year	1,352	2,704	39,858
- falling due after more than one year	-	-	1,352
TOTAL LIABILITIES	275,396,973	315,639,712	265,948,572

Memorandum accounts

	30 June 2002	31 December 2001	30 June 2001 pro forma
Risks			
- Guarantees given on behalf of third parties	26,526,737	55,169,330	50,432,400
- Securities deposited as guarantee on behalf of third parties	2,066,620	2,066,620	2,066,620
<i>Total risks</i>	28,593,357	57,235,950	52,499,020
Commitments			
- Commitments to repurchase equity interests	1,112,345	2,437,677	2,437,677
- Assets leased	-	-	-
- Leases on buildings under construction	501,337	301,817	1,861,673
- Other commitments	103,291	103,291	103,291
<i>Total commitments</i>	1,716,973	2,842,785	4,392,941
TOTAL RISKS AND COMMITMENTS	30,310,330	60,078,735	56,891,961
Other memorandum accounts which do not reflect risks or commitments			
- Guarantees received from third parties	3,273,514	1,032,913	1,032,913
- Mortgages	672,738	672,738	58,810,259
- Pledges on securities	-	-	-
- Guarantees given by third parties on behalf of Carraro	35,049,542	33,463,455	33,129,114
- Swaps on accounts receivable	63,555,493	49,368,139	46,438,704
- Interest Rate Swaps	10,329,138	10,329,138	10,329,138
- Foreign currency options	73,550,674	35,874,178	4,716,980

Interim financial report for the six months ended 30 June 2002 of Carraro S.p.A.

(pro forma amounts as of 30 June 2001)

Income statement

	Six months ended 30 June 2002	Year ended 31 December 2001	Six months ended 30 June 2001 pro forma
A) VALUE OF PRODUCTION			
1) Revenue from sales and services	137,423,385	265,752,416	145,710,861
2) Changes in stocks of work in progress and finished goods	964,838	-3,130,691	1,781,908
3) Changes in contracted work in progress	-	-	-
4) Own work capitalised	75,029	36,322	113,535
5) Other income	1,243,894	1,582,455	774,861
a) Other	1,242,542	1,494,801	730,396
b) Grant	1,352	87,654	44,465
<i>Total Value of production (A)</i>	139,707,146	264,240,502	148,381,165
B) COST OF PRODUCTION			
6) Cost of raw materials, consumables, spare parts and other goods	85,924,271	159,638,158	91,272,759
7) Cost of services	20,974,542	38,275,764	21,996,542
8) Cost of utilisation of third parties' assets	36,784	79,605	43,981
9) Personnel costs:	19,292,873	35,775,697	19,564,950
a) Salaries and wages	12,810,355	24,635,955	13,526,304
b) Social contributions	4,231,615	8,225,650	4,467,956
c) Staff leaving indemnity (T.F.R.)	1,007,181	2,042,458	995,386
d) Pensions and similar obligations	-	-	-
e) Other costs	1,243,722	871,634	575,304
10) Depreciation and write-downs:	6,063,110	11,838,855	6,864,645
a) Amortisation of intangible assets	969,181	1,952,935	1,048,776
b) Depreciation of tangible assets	4,907,168	9,842,874	5,639,918
c) Other write-downs of assets	-	-	-
d) Write-downs of receivables included in current assets	186,761	43,046	175,951
11) Changes in stocks of raw materials, consumables, spare parts and other goods	-613,834	2,386,192	-440,982
12) Accruals for contingencies	258,228	-	-
13) Other accruals	240,170	2,750,000	201,011
14) Other operating charges	376,048	678,170	399,802
<i>Total Cost of production (B)</i>	132,552,192	251,422,441	139,902,708
Difference between value and cost of production (A – B)	7,154,954	12,818,061	8,478,457
C) FINANCIAL INCOME AND CHARGES			
15) Income from participating interests	-	-	-
whereof:			
dividend from subsidiaries	-	-	-
dividend from associated companies	-	-	-
16) Other financial income	5,673,366	6,371,422	3,458,119
a) from receivables recorded as fixed assets	15,303	28,786	17,681
b) from securities recorded as fixed assets	-	-	-
c) from securities recorded as current assets	43,973	110,013	57,216
d) other financial income	5,614,090	6,232,623	3,383,222
whereof:			
from subsidiaries	658,530	1,291,905	371,284
from associated companies	1,665	4,653	2,618
from parent companies	-	-	-
from related parties	-	-	-
other	4,953,895	4,936,065	3,009,320
17) Interest and other financial charges	-7,487,423	-11,199,914	-6,793,387
whereof:			
from subsidiaries	-1,614,766	-1,668,156	-
from associated companies	-	-	-
other	-5,872,657	-9,531,758	-6,793,387
<i>Total Financial income and charges (15 + 16 – 17)</i>	-1,814,057	-4,828,492	-3,335,268

Interim financial report for the six months ended 30 June 2002 of Carraro S.p.A.

(pro forma amounts as of 30 June 2001)

Income statement

	Six months ended 30 June 2002	Year ended 31 December 2001	Six months ended 30 June 2001 pro forma
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
18) Revaluations:	-	-	-
a) of equity interests	-	-	-
b) of short-term investments	-	-	-
c) of securities recorded as current assets	-	-	-
19) Write-downs:	-	-27,253,781	-3,172,018
a) of equity interests	-	-27,253,781	-3,172,018
b) of short-term investments	-	-	-
c) of securities recorded as current assets	-	-	-
<i>Total Adjustments (18 – 19)</i>	-	-27,253,781	-3,172,018
E) EXTRAORDINARY INCOME AND EXPENSES			
20) Income	1,374,230	282,096	118,289
a) Other extraordinary income	363,473	279,544	116,771
b) Extraordinary gains on disposal	735,710	2,552	1,518
c) Taxes of prior periods	275,047	-	-
21) Expenses	-188,888	-3,474,290	-162,418
a) Other extraordinary expenses	-188,888	-3,246,243	-162,418
b) Extraordinary losses on disposal	-	-	-
c) Taxes of prior periods	-	-228,047	-
<i>Total Extraordinary items (20 – 21)</i>	1,185,342	-3,192,194	-44,129
PROFIT/(LOSS) BEFORE TAX (A-B+/-C+/-D+/-E)	6,526,239	-22,456,406	1,927,042
22) TAXES ON INCOME	-3,058,825	5,309,370	-1,885,052
23) PROFIT/(LOSS) FOR THE PERIOD	3,467,414	-17,147,036	41,990

CARRARO S.p.A.

SCHEDULE OF EQUITY INTERESTS EXCEEDING 10% AS AT 30 JUNE 2002 (art.126 of Draghi regulations as per CONSOB deliberation No. 11971/99)

1) DIRECTY HELD INTERESTS

Legal name	Registered office	Capital stock		Total number of shares /parts ('quote')	Number of shares/ parts ('quote') owned	Total voting rights	Voting rights held	Net equity as at 30 June 2002 (EUR equivalent)	Profit/(Loss) for the six months ended 30 June 2002 (EUR equival.)	% held as at 30 June 2002	Carrying value (Euro)
		Currency	Amount								
SIAP SPA	MANIAGO (PN)	EUR	10,122,616	10,122,616	10,122,616	10,122,616	10,122,161	22,658,918	302,545	100.00%	11,747,161
CARRARO DEUTSCHLAND GmbH	HATTINGEN (GERMANY)	EUR	10,507,048	1	1	1	1	22,457,558	330,823	100.00%	21,041,026
CARRARO INDIA Ltd.	PUNE (INDIA)	INR	400,000,000	40,000,000	14,400,000	40,000,000	20,400,000	2,234,587	(1,313,329)	36.00%	3,180,796
CARRARO PNH COMPONENTS INDIA Ltd.	BOMBAY (INDIA)	INR	10,000,200	1,000,020	1,000,000	1,000,020	1,000,000	193,208,52	0	99.99%	196,550
CARRARO ARGENTINA S.A.	HAEDO (ARGENTINA)	ARS	25,809,288	809,288	24,234,922	25,809,288	24,234,922	12,547,195	(709,578)	93.90%	19,221,840
CARRARO INTERNATIONAL S.A.	LUXEMBOURG	EUR	9,850,000	9,850	9,849	9,850	9,849	8,632,073	(459,622)	99.99%	9,850,000
FON S.A.	RADOMSKO (POLAND)	PLN	7,058,220	705,822	598,452	901,214	793,844	1,634,703	(195,408)	84.79%	1,781,504
AGRITALIA SPA	ROVIGO	EUR	5,631,600	10,830,000	3,610,000	10,830,000	3,610,000	6,608,262	(553,788)	33.33%	3,610,000,000
ELCON S.r.l. (*)	TRIESTE	EUR	52,000	100,000	24,900	100,000	24,900	(6,168)	(72,128)	24.90%	12,860

(*) amounts as at 31 December 2001

2) INDIRECTY HELD INTERESTS

Legal name	Registered office	Held through (immediate parent)	Capital stock		Total number of shares /parts ('quote')	Number of shares /parts ('quote') owned	Total voting rights	Voting rights held	Net equity as at 30 June 2002 (EUR equivalent)	Profit/(Loss) for the six months ended 30 June 2002 (EUR equival.)	% held as at 30 June 2002	Carrying value (Euro)
			Currency	Amount								
STM S.r.l.	MANIAGO (PN)	SIAP S.p.A.	EUR	1,549,080	1,549,080	774,540	1,549,080	774,540	5,031,858	42,361	50.00%	769,263
TKM S.r.l.	MANIAGO (PN)	SIAP S.p.A.	EUR	624,000	624,000	124,800	624,000	124,800	696,686	64,807	20.00%	123,950
TKM S.r.l.	MANIAGO (PN)	STM S.r.l.	EUR	624,000	624,000	218,400	624,000	218,400	696,686	64,807	35.00%	314,146
O&K Antriebstechnik & Co. GmbH KG	HATTINGEN (D)	CARRARO DEUTSCHLAND GmbH	EUR	2,045,168	1	1	1	1	5,051,395	(1,002,017)	100.00 %	21,074,23 8
CARRARO KOREA Ltd.	ULSAN (Republic of KOREA)	CARRARO INTERNATIONAL S.A.	KW	3,000,000,000	600,000	600,000	600,000	600,000	2,343,377	(7,191)	100.00 %	2,703,608
CARRARO NORTH AMERICA Inc.	CALHOUN (GA - U.S.A.)	CARRARO INTERNATIONAL S.A.	USD	100	100	100	100	100	7,577,016	(118,211)	100.00 %	6,936,649
SIAP GEARS INDIA Ltd.	BOMBAY (INDIA)	SIAP S.p.A.	INR	20,000,200	2,000,020	2,000,000	2,000,020	2,000,000	388,763	0	99.99%	393,096

NOTE: Net equity and result of operations of foreign companies listed in the preceding scheduled have been converted into EUR with the same criteria as those applied for the preparation of the consolidated financial statements.

CARRARO S.p.A.
Via Olmo, 37
35011 Campodarsego (PD)
Share capital Euro 21,840,000 fully paid-up
Padua Companies Register R.E.A. no. 84.033
Tax no. 00202040283

QUARTERLY REPORT AS OF 31ST MARCH 2002 (CONSOLIDATED DATA)

THE BOARD OF DIRECTORS' REPORT

The first quarterly trend is lined up with the budget estimates. The turnover, down 3.31% on the equivalent period of the previous year, reflects the unfavourable trend of the reference markets, still characterised by an uncertain climate.

Together with a moderate sprightliness in the tractors market, the Construction Equipment and Material Handling market segments have been quite stable.

The Group operating income, if compared to the last period of the previous year, has improved further to the cost reduction activities started in 2001 and to the contribution of the subsidiary company Carraro Argentina S.A. which, after the last painful year end result, thanks to the devaluation and to the restructuring, closed the 1st quarterly with a positive operating result, whereas Germany and Poland suffered a decrease in volumes.

GENERAL INFORMATION

The 1st quarterly 2002 consolidated net turnover totalled €93.424m, down 3.31% compared to the 1st quarterly 2001 (€ 96.631m).

With regards to the breakdown by business area, the off-highway market sales account 71.5% of the Group total turnover, while the on-highway and material handling account 9.5% of the total sales.

In the quarterly the most significant developments of the Group activities concerned, in the off-highway segment, the sales addressed to the agricultural market, increased if compared to the 1st quarterly of the previous year and, in the on-highway area, both the sales addressed to the Construction Equipment and to the Auto & Trucks markets, recorded a considerable increase.

By destination area, the 1st quarterly 2002 turnover accounted 79.5% in the foreign markets. Especially, exports accounted 23.4% in the North American market, 13.7% in the German one, 10.8% in the British market, 10.5% in the French one and 5.2% in the South American area. The production addressed to the European Union countries – Italy included – accounts 63.6%.

The quarterly operating income totalled €4.219m corresponding to 4.5% of turnover, not only a slight increase on the €3.917m (4.1%) accounted in the 1st quarterly of the previous year but, above all, in considerable improvement if compared to the figure at December 31st, 2001 (€9.177m, 2.4% of turnover) thanks to the structure and purchase costs reduction strategies begun during 2001 and to the higher competitiveness of the subsidiary Argentinean company further to the Peso devaluation.

Depreciation totalled €6.441m (€7.341m in the 1st quarterly 2001).

Investments totalled €4.068m (€5.762m at 31.12.2001) related mainly to maintenance activities.

Due to a provisional fluctuation of the receivables vs. Factor, in the quarter the net **financial position** steps up the debit balance moving from €125.504m accounted at December 31st, 2001 to the actual €136,936m (€142m at 31.3.2001).

The gearing, the ratio between borrowed capital and the Group Shareholders' equity, stood at 230% vs. 189.44% at 31.12.2001 (152.39% at March 31st, 2001).

FORESEEABLE DEVELOPMENTS OF THE ACTIVITY FOR THE CURRENT YEAR

Since the month of April, client orders portfolio has been showing a positive trend, due to a considerable increase in volumes in the agricultural segment, opposite to the persistent weakness of the backhoe loaders and construction equipment markets.

The cost reduction and restructuring activities are still in process. The last ones are already in an advanced stage in all the Italian plants and almost completed in Argentina, whilst a trade union agreement is in its settlement course in Germany: we wish that, even in this country which is distinguishing itself for the very strict and formal - but skilled - approach, the reasonableness will prevail, so that we could go ahead in removing the situation of expectation not helpful for the German company, distressed for a considerable decrease of the orders due to the negative trend of the reference market.

We also have to mention the negative performance of the Polish affiliated company FON from which, up till now, we expect results lower than the budget estimates, due to the suddenly stop of the orders from mining sector and to the deferment of an important job order for Russia. According to the plans, we expect from the next months a gradual improvement of the net indebtedness.

For the whole 2002 financial year we expect a result in further improvement compared to the 1st quarter.

FINANCIAL STATEMENTS

(values in Euro/000)

PROFIT & LOSS STATEMENT

ITEM	March 31, 2002 (YTD)	%	March 31, 2001 (YTD)	%
Value of production	94,402		102,338	
Turnover	93,424	100.0	96,631	100.0
Other incomes	978	1.0	5,707	5.9
Cost of production	-90,183	-96.5	-98,421	101.8
Raw, subsidiary and consumables materials and goods	-48,765	-52.2	-57,738	-59.7
Services	-15,461	-16.6	-18,572	-19.2
Leases and rentals	-346	-0.4	-372	-0.4
Payroll and related costs	-17,314	-18.5	-19,422	-20.1
Amortisation/Depreciation	-6,441	-6.9	-7,341	-7.6
Write-downs	-508	-0.5	-97	-0.1
Changes in inventories	-594	-0.6	6,010	6.2
Accruals	-397	-0.4	-503	-0.5
Other operating expenses	-357	-0.4	-386	-0.4
_OPERATING INCOME	4,219	4.5	3,917	4.1

SALES BREAKDOWN

BY BUSINESS SECTORS	March 31, 2002 (YTD)	%	March 31, 2001 (YTD)	%
Off Highway	66,839	71.5	75,447	78.1
On Highway & Material Handling	17,768	19.0	16,057	16.6
Spare parts and other incomes	8,817	9.5	5,127	5.3
<u>Total</u>	93,424	100.0	96,631	100.0

BY GEOGRAPHIC AREA	March 31, 2002 (YTD)	%	March 31, 2001 (YTD)	%
North America	21,850	23.39	21,814	22.57
Germany	12,772	13.67	17,161	17.76
Great Britain	10,104	10.82	9,107	9.42
France	9,794	10.48	13,037	13.49
Korea	2,572	2.75	2,202	2.28
Poland	646	0.69	998	1.03
South America	4,824	5.17	3,647	3.78
Others Extra the E.U.	4,095	4.38	1,864	1.93
Other Areas in the E.U.	7,625	8.16	6,570	6.80
Total foreign countries	74,282	79.51	76,400	79.06
Italy	19,142	20.49	20,231	20.94
Total	93,424	100.00	96,631	100.00

NET DEBT POSITION

Description	March 31, 2002 (YTD)	March 31, 2001 (YTD)
Bank overdraft and loans:		
- within 12 months	72,484	103,889
- beyond 12 months	17,662	19,193
Payables to other financial institutions:		
- within 12 months	189	234
- beyond 12 months	-	-
- leasing within 12 months	516	503
- leasing after 12 months	1,141	1,270
Bond loans:		
- within 12 months	-	-
- beyond 12 months	100,000	100,000
Secured payables:		
- within 12 months	473	425
- beyond 12 months	100	100
Net financial accrued incomes and expenses	5,224	3,281
NET VALUE OF:		
Cash on hand	-9,023	-15,997
Securities	-45,338	-68,423
Financings	-5,991	-6,291
Factoring	-501	-12,680
Consolidated net financial position	136,936	125,504

NOTES ON FINANCIAL STATEMENTS

Valuation criteria

The valuation criteria applied in drawing up this report are consistent with the ones applied in the annual consolidated and six-month reports, for which reference is given by the relative explanatory notes. The conversion to Euro of the balances in foreign currency has been done using the year-end exchange rate for assets and liabilities, the historical exchange rates for Shareholders' equity items and the average exchange rates of the period for the profit and loss statement.

Financial Statements include, besides Carraro S.p.A., the balances of those companies whose the parent company itself holds, either directly or indirectly, the majority of the voting rights at the ordinary Shareholders' general meeting.

The consolidation area includes the holding Carraro S.p.A. and the following companies, consolidated using the global integration method:

Company's Name	Registered Location	Currency	Share Capital Nominal Value	% of interest
SIAP S.p.A.	Maniago (PN)	Euro	10,122,616	100%
Carraro Deutschland GmbH	Hattingen (Germany)	Euro	10,507,048	100%
Carraro Argentina S.A.	Haedo, Buenos Aires (Argentina)	Pesos	25,809,288	93.90%
Carraro India Ltd.	Rajangaon - Pune (India)	Rupee	400,000,000	36%
F.O.N. S.A.	Radomsko (Poland)	Zloty	7,058,220	84.788%
Carraro International S.A.	Luxembourg	Euro	9,850,000	99.99%
Carraro North America Inc.	Calhoun-Georgia (USA)	US\$	100	100%
Carraro Korea Co. Ltd.	Ulsan (Korea)	Kor. Won	3,000,000,000	100%
O&K Antriebstechnik GmbH & Co. KG	Hattingen (Germany)	Euro	2,045,168	100%

FINANCIAL DATA

The above reports disclose three-months period balances as of 31st March 2002 and, for comparative purposes, the 2001 year same period balances; relating comments are in March 31, 2001 quarterly report.

The Chairman
Mario Carraro

AUDITORS' REPORT ON THE LIMITED REVIEW OF SIX MONTH INTERIM FINANCIAL REPORTING

To the Shareholders of
CARRARO SpA

- 1 We have performed a limited review of the consolidated financial schedules and relevant explanatory and illustrative notes included in the interim financial report of CARRARO SpA for the six months ended 30 June 2002. Furthermore, we have reviewed those of the notes to the interim financial report containing comments on operations only for the purpose of verifying their consistency with other information in the interim financial report.
- 2 Our work was conducted in accordance with the procedures for a limited review recommended by CONSOB, the Italian Stock Exchange Commission, in the Resolution No. 10867 of 31 July 1997. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial report and about the consistency of the accounting principles utilised therein with those applied at year end, as well as applying analytical review procedures to the underlying financial data. The limited review excluded certain auditing procedures such as compliance testing and verification or 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 statutory and consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.
- 3 As for the comparative amounts relating to the year-end consolidated financial statements and to the interim financial report for the corresponding period of the previous year, reference is made to our reports dated 19 April 2002 and 18 September 2001, respectively.
- 4 Based on our review, no significant changes or adjustments came to our attention that should be made to the financial schedules and relevant comments identified in paragraph 1 of this report for them to conform to the criteria established in article 81 "*Relazione semestrale*" of CONSOB Regulations approved by the Resolution No. 11971 of 14 May 1999 and subsequent amendments.

Padua, 18 September 2002

PricewaterhouseCoopers SpA

Signed by
Nicola Piovan
(Partner)

This report has been translated into the English language solely for the convenience of international readers.