

**CARRARO GROUP: results for the third quarter of 2018 examined by the BoD**

Turnover is up thanks to the positive performance of Asian and North American markets, in particular in the *Construction Equipment industry* area, with a slowdown in Central Europe.

Profits for the quarter were affected by a lack of efficiency due to adjustments made to the *supply chain* and the start up of the new logistics *hub* in Poggiofiorito, which recovered towards the end of the year.

Strong acceleration in the R&D programmes: increased investments to develop new ranges of specialised tractors. The first hybrid tractor in the world for vineyards and fruit-farms will be presented at the EIMA trade fair.

- **Cumulative consolidated turnover as at 30 September amounted to €467.9 million, up 3.8% on the figure as at 30 September 2017 (€450.8 million).**
- **Cumulative adjusted EBITDA as at 30 September amounted to €36.9 million (7.9% of turnover), down by 14.2% compared to €43 million in the same period of 2017.**
- **Net financial position of operations as at 30 September 2018 was a negative €180.7 million, growing compared to the figure of €155 million as at 30 September 2017.**

**Campodarsego (Padua), 26 October 2018** – The Board of Directors of Carraro SpA, a leader in power transmission systems for off-highway vehicles and specialised tractors, met today under the chairmanship of Enrico Carraro to examine the Group's results for the third quarter of 2018.

*“Even though there was a good performance in the main markets, especially Asia and North America, as at 30 September, profits were down, mainly due to the lack of efficiency in the supply chain and to the start-up of a new logistics hub that meant that some orders for spare parts were not filled,”* said **Enrico Carraro, Group Chairman**. *“On the basis of the good prospects for the upcoming year, we have accelerated investments in R&D while simultaneously expanding production capacity in our factories to make them more efficient in handling the new volumes we expect.”*

## Target markets

### Agriculture

**The third quarter of 2018 confirmed the slowdown in volume growth in Western Europe**, with a reversal of trend compared to the same period of the previous year. After the record results posted in 2017 in Turkey, the figures for 2018 were sharply down. This was due to the serious instability in the country and the increase in vehicle prices due to the loss in value of the local currency. **Growth on the North American market was positive: net demand for agricultural equipment was up compared to the same period of 2017 for all vehicle sizes.** The downward trend continued in China, with some preference for machines over 100 HP. **The highly positive trends in India continued, both for the internal and export markets. The expansion was also supported because of the decision by the Federal Government to increase the Minimum Support Price** in view of elections scheduled for May 2019. Finally, the economic situation in South America deteriorated sharply in 2018, with no change expected in the short term.

### Construction and mining equipment

**The third quarter of 2018 also confirmed the strengthening of demand, in particular in the European market**, mainly favouring smaller specialised equipment rather than larger units. In Turkey, demand for construction equipment is worsening, and there do not appear to be any prospects for a turnaround in the recession. **North America is enjoying a period of robust growth in the demand for utility equipment**, with a sharp improvement over the same period of the previous year. We expect the trend to continue due to the good performance of the economy and on the basis of the investment plans in infrastructure planned by the government. **In China, good progress is being made on sales volumes, and we expect this to continue in the medium term** thanks to the “One Belt One Road” long term investment plan. The expansion phase of the Indian market was reinforced, driven by the planned investments in infrastructure. In South America, the demand for construction equipment is still weak due to political and institutional instability, with no prospects for a change in this trend in the medium term.

### Consolidated results as at 30 September 2018

**The first nine months of 2018 ended with a turnover of €467.9 million, up 3.8%** compared to the same period of 2017 (€450.8 million). Sales volumes exceeded expectations, but with a different mix tending towards products with lower profit margins.

**Target markets confirmed prospects for an increase in volumes, especially for Construction Equipment**, driven by the excellent results in Asia and North America. The Turkish market has suffered a sharp decline for the reasons set out above.

Even though turnover increased, **profits for the quarter did not reflect this as they were negatively influenced by a number of other factors. The failure of the supply chain** to achieve the pre-established goals had both a negative impact on production efficiency and forced the Group to obtain supplies from non-traditional channels, incurring higher costs.

At the end of the quarter, **the new exchange logistics hub in Poggiofiorito (CH) went into operation, immediately leading to an initial slowdown** due to a number of strikes at the Monselice warehouse that limited operations and the transfer from one site to another. The Group’s profits were negatively affected by orders that were not filled; they will have to be filled in the fourth quarter.

**R&D programmes continue to accelerate compared to what was originally set out in the Plan.** This advance on costs, amounting to €2 million, will mainly go towards the commitment to develop a new range

of tractors. A tangible result of those investments will be the first hybrid tractor in the world for vineyards and fruit-farms that will be presented by Carraro Tractors in November at the EIMA fair in Bologna, where it will receive two prizes from FederUnacoma.

Staying with the desire to grow in the area of innovation, the project to expand the Carraro Campodarsego facility is being finalised in this period: by the end of the year a new prototype and testing area will be opened, amounting to over 2,900 square metres, as well as a new semi-automated warehouse (2,500 square metres, with high density shelving) at the plant's service.

### Revenues

amounts in €/000	30.09.2018	30.09.2017	Var. %
<b>Consolidated turnover at 30/09</b>	467,893	450,808	+3.8

The cumulative consolidated turnover was up 3.8% as at 30 September, standing at €467.9 million compared to €450.8 million for the same period of the previous year.

### EBITDA

amounts in €/000	30.09.2018	% of turnover	30.09.2017	% of turnover	Var. %
<b>Consolidated EBITDA at 30/09</b>	36,558	7.8	45,280	10.0	-19.3
<b>Adjusted consolidated EBITDA at 30/09</b>	36,858	7.9	42,960	9.5	-14.2

The *adjusted EBITDA* as at 30.09.2018 amounted to €36.9 million, 7.9% of turnover, a 14.2% decrease compared to €43 million (9.5% of turnover) for the same period of 2017.

As at 30 September 2017, profits were positively affected mainly by the capital gains from the sale of the remaining part of the Carraro Argentina property, recognised on the accounts for €3.6 million, while they were negatively affected as at 30 September 2018 for €300,000 by the provision set aside to restructure the Argentinian subsidiary.

### Net financial position of operations

amounts in €/000	30.09.2018	30.06.2018	30.09.2017
Net financial position of operations	-180,684	-156,022	-155,019

The consolidated net financial position of operations as at 30 September 2018 was negative at €180.7 million, an increase compared to 30 June 2018 (negative €156 million); the expected increase is due exclusively due to the expansion of the net working capital which is expected to be reduced in the incoming months.

Please note that the Group is mainly indebted with fixed rate.

*It should be noted that the figures as at 30 September 2018, examined by the Board of Directors, are not subject to audit by the independent auditors. The undersigned Enrico Gomiero, the Financial Reporting Officer, declares, pursuant to Paragraph 2 of Article 154 bis of the Consolidated Finance Act, that the accounting information contained in this document is consistent with the accounting records.*

*This press release contains some "alternative performance indicators": EBITDA: the sum of operating profit/(loss) of the income statement, amortisation, depreciation and impairment of fixed assets EBIT: earnings before tax taxes and financial income and expenses, with no adjustments; Net Working Capital of operations: difference between Trade Receivables, Net Inventories and Trade Payables in the balance sheet; Net financial position of operations: ESMA Net Financial Debt determined in accordance with the provisions of paragraph 127 of the recommendations contained in the ESMA document no. 319 of 2013, implementing Regulation (EC) 809/2004, deducting, where applicable, non-current receivables and financial assets.*

---

Carraro is an international group, leader in transmission systems for off-highway vehicles and specialised tractors, with consolidated turnover in 2016 of €593.7 million.

The Group's activities are divided into two Business Areas:

– **Drive systems and components**

Through the subsidiaries Carraro Drive Tech and SIAP, the Group designs, manufactures and sells transmission systems (axles and transmissions) mainly for agricultural and construction equipment, and also markets a wide range of gears for very diverse sectors, from the automotive industry to material handling, agricultural applications and construction equipment.

– **Tractors**

Through Divisione Agritalia, the Group designs and manufactures specialised tractors (for vineyards and orchards from 60 to 100 hp) for third-party brands, namely John Deere, Massey Ferguson and Claas, as well as a specialised Carraro-brand range; Agritalia also provides engineering services for the design of innovative tractor ranges.

The Group's holding company, Carraro SpA, has been listed on the Italian Stock Exchange since 1995 (CARR.MI) and has its headquarters in Campodarsego (Padua). As at 30.09.2017, the Group has 3,107 employees – of which 1,396 are based in Italy – and manufacturing facilities in Italy (4), India, China, Argentina and Brazil. For additional information visit **carraro.com**.

**Press office contacts:**

**Massimiliano Franz / Head of Communications - Carraro Group**

m. +39 334 6627367 / mfranz@carraro.com

**Carlo Prato / True Relazioni Pubbliche**

m. +39 335 6506483 / c.prato@true-rp.it