

Carraro Group: in the first six months turnover amounted to € 328.4 million, up by 5.7% compared to the first half of last year.

EBITDA at 30.06.2018 amounted to € 29.1 million (8.9% of turnover), Profit to € 6.7 million (2.03% of turnover).

Consolidated net financial position of operations at 30 June 2018 showing liabilities of € 156 million.

Target markets generally positive and with further growth prospects, particularly in the *Construction Equipment* sector.

Strong acceleration in the first six months of R&D programmes, with particular reference to the new specialised tractor ranges.

Positive expectations for volumes and turnover in the second part of the year. Inefficiencies linked to the *supply chain*, which partially influenced the margins of the first half, under recovery.

Campodarsego (Padua), 26 July 2018 – The Board of Directors of Carraro SpA, a world-leading group in power transmission systems, chaired by Enrico Carraro, today approved the Group's results for the first half of 2018.

"We are in the presence of more than positive results and with respect to the provisions of the Strategic Plan we are improving in both turnover as well as margins. – says Enrico Carraro, Group Chairman – The first six months of the year could have been even better if we had not had certain supply inefficiencies and the significant increase in the cost of raw materials, both phenomena that characterised the automotive sector during the period and which will be absorbed in the coming months. The good market prospects have also led us to accelerate R&D expenses, with the aim of improving the Group's competitive positioning, with a natural impact on margins".

Consolidated results up to 30 June 2018

The first half of 2018 closed with higher than expected sales volumes and a turnover of 328.4 million euros, an increase of 5.7% compared to the same period of 2017 (310.7 million euros). The target markets confirmed the volume growth prospects, in particular as regards *Construction Equipment*, and were driven by the excellent result of the Asian area.

At the level of foreign geographical areas, the Indian market (thanks to sales intended for the local market) **ranked first followed by North America.** Turkey moved from fourth place in 2017 to the ninth due to a dramatic drop in demand.

EBITDA and EBIT

EBITDA as at 30.06.2018 amounted to 29.1 million Euros (8.9% of turnover), a decrease of 14.4% compared to the previous year (34 million Euros, 11.0% of turnover). **EBIT as at 30.06.2018 amounted 19.7 million Euros (6% of turnover)**, a decrease compared to 23.8 million Euros (7.7% of turnover) in 2017.

Consolidated margins (EBITDA and EBIT) for the year were affected by the **increase in raw material prices (steel and cast iron), failure to adapt the supply chain to the increase in sales and the effect of accelerating R&D costs** of approx. 1.2 million.

As at 30 June 2017, margins were positively affected by the capital gain from the sale of the residual portion of the Carraro Argentina building accounted for 3.6 million Euros.

Net profit/(loss)

The first half of 2018 ended with a profit of 6.7 million Euros (2.03% of turnover); as at 30 June 2017, the Group closed with a profit of 10.4 million Euros (3.3% of turnover).

Profits were affected by the one-time higher financial charges of 1.4 million resulting from the reduction of the fees previously accounted for using the *amortised cost* method relating to the Banking Agreement signed in 2015 and terminated in February 2018 and exchange differences relating to adjustments to balance sheet items of the South American subsidiaries amounting to 0.5 million euros (amounts net of tax effect).

Moreover, net of extraordinary operating items (the effect of the acceleration of R&D costs on 2018) the net profit would have amounted to 9.5 million, 2.9% of turnover.

Investments

In the first half of 2018, **investments amounted to 8.6 million Euros, in line with the 2017-2021 Business Plan, up compared to the 5.2 million Euros of 2017**, mainly to maintain efficiency and modernise plant and equipment and for the development of R&D projects.

Net financial position

The consolidated net financial position as at 30 June 2018 was negative at -156 million Euros, an increase compared to 31 December 2017 (negative at -145.9 million Euros) due to the increase in working capital as a result of the higher volumes and certain supply difficulties.

Performance by business area

- In the first half of 2018, thanks to the strengthening of demand, particularly in the *Construction Equipment* sector, **Carraro Drive Tech** (transmission systems and components) recorded **turnover equal to 269.6 million Euros, up 5.9% compared to 254.5 million Euros** in the first half of 2017.

EBITDA amounted to 28.1 million Euros (10.4% of turnover), down 9.1% compared to 30.9 million Euros (12.1% of turnover) as at 30.06.2017. **Margins were down due to the increase in the cost of raw materials and the difficulty in procuring them** on the market; the recovery in demand in most of the

sectors in which the Business Area operates **resulted in procurement difficulties, penalising the supply chain.**

With reference to the main application sectors, **sales in the agricultural market** (which represent 35.2% of the Business Area's turnover) **decreased by 2.6% compared to 2017**; market shares were consolidated in Italy and, more markedly, in India and the United States. **The Construction Equipment market (41.34% of the Business Area's turnover) increased by 12.8%** compared to 2017. The most significant growths concerned India, Italy, North America and the United Kingdom.

- **Agritalia** (tractors) closed the first half of 2018 with **turnover of 72.9 million Euros, up 2.75% compared to the 70.9 million as at 30.06.2017**. Despite the slight decrease in volumes (2,235 tractors in 2018 compared to 2,346 tractors in 2017), sales grew **thanks to the positive effect of the new range with stage IIIB emissions, with a level of technology and price that is considerably higher** than the previous models.

EBITDA in the first half of 2018 amounted to 1.3 million Euros (1.8 % of turnover) compared to 3.5 million Euros (4.9% of turnover) in the same period of 2017. **Margins were negatively affected by higher costs due to the acceleration of R&D activities, by the difficulty in procuring materials and by the generalised increase of their cost.** Furthermore, the start of the new series led to a delay in the production learning curve. These inefficiencies are already being remedied thanks to the significant improvement actions adopted.

Business outlook

Expectations for volumes and turnover remain positive for the second part of the year. Significant **improvement actions** are already underway to **remedy the inefficiencies linked to the supply chain** with a simultaneous **adjustment in sales prices to balance the higher costs of raw materials.**

The desire to accelerate R&D investments is also confirmed. Part of the margins deriving from the higher volumes envisaged will therefore be absorbed by such acceleration.

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 the operating profit/(loss) of the income statement, amortisation and depreciation and impairment of fixed assets; EBIT: earnings before tax, interest and financial expenses, with no adjustments; Company net financial position: ESMA net financial debt established in compliance with that set forth in paragraph 127 of the recommendations contained within the document drawn up by ESMA, no. 319 of 2013, that implement the 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 2017 of 606 million Euros.

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 31.12.2017, the Group had 3,156 employees – of which 1,408 based in Italy – and has manufacturing facilities in Italy (4), India, China, Argentina and Brazil. For additional information visit carraro.com.

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Annexes: abstract from the Consolidated Balance Sheet and Income Statement as at 30.06.2018

Carraro Group June, 30 2018

(Figures not audited by independent auditors)

Balance Sheet (Euro thousands)

IAS/IFRS	Jun 30, 2018	Dec 31, 2017
Fixed assets	253.310	258.889
Tangible	139.293	140.717
Intangible	55.895	57.603
Capital assets	695	695
Investments	23.810	24.252
Financial assets	8.265	8.849
Deferred taxes assets	20.344	21.135
Trade and other current receivables	5.008	5.638
Current assets	293.188	284.685
Inventory	126.568	122.892
Trade and other current receivables	121.487	107.909
Financial assets	4.483	5.016
Liquid assets	40.650	48.868
<i>Assets held for sale</i>	-	-
Total assets	546.498	543.574
Total group shareholders' equity	72.034	82.059
Non current liabilities	204.080	153.499
Financial liabilities	187.004	134.594
Trade and other non current payables	281	421
Deferred taxes liabilities	2.450	2.532
Provision for indemnity, pension and similar	10.004	10.229
Provision for risks and contingencies	4.341	5.723
Current liabilities	270.384	308.016
Financial liabilities	22.820	73.240
Trade and other current payables	223.033	210.860
Current taxes	9.685	7.193
Provision for contingencies and obligations	14.846	16.723
<i>Liabilities held for sale</i>	-	-
Total liabilities & shareholders' equity	546.498	543.574
Management Net financial position	156.022	145.896

Income Statement (Euro thousands)

	Jun 30, 2018		Jun 30, 2017	
Revenues	328.419		310.695	
Cost of material	- 207.712		- 202.130	
Services	- 50.582		- 46.100	
Leases	- 669		- 642	
Cost of personnel	- 47.405		- 48.679	
Depreciations and writedown of Assets	- 9.444		- 10.218	
Writedown Of Receivables	- 57		- 223	
Changes in inventories stock	7.071		16.358	
Provison for risks and contingencies	- 2.775		- 2.638	
Other incomes / expenses	2.844		7.398	
EBIT	19.690	6,0%	23.821	7,7%
EBITDA	29.134	8,9%	34.039	11,0%
Incomes from investments	-		-	
Financial incomes / expenses	- 5.978		- 5.343	
Incomes / losses in exchange rates	- 1.769		- 943	
Adjustments of the value of financial essets	- 442		- 1.509	
Net result before taxes	11.501		16.026	
Income and deferred taxes	- 4.271		- 5.639	
Minority interest	- 561		1	
Net consolidated result	6.669	2,0%	10.388	3,3%