

**CARRARO GROUP: Draft Financial Statements for 2017 Approved by the Board of Directors.**

**Turnover at 606 million Euros. Significant growth in margins: EBITDA at 55 million Euros (9.1% of turnover, up by 40.5%).**

**Profit equal to 13.7 million Euros compared to a loss of 9.1 million Euros in 2016.**

**Dividend of 0.17 Euros per share.**

**Net Financial Position of operations negative at -145.9 million Euros, an important improvement compared to -183.2 million Euros in 2016.**

- **2017 consolidated turnover of 606 million Euros, up 8.6% taking into account the deconsolidation of Elettronica Santerno(+2% net of this effect).**
- **Consolidated EBITDA at 55 million Euros (9.1% of turnover), significantly up by 40.5% compared to 39.2 million Euros (6.6% of turnover) in 2016.**
- **Consolidated EBIT at 33.7 million Euros (5.6% of turnover), considerably up compared to 11.7 million Euros (2% of turnover) in 2016.**
- **Net profit of 13.7 million Euros (2.3% of turnover) compared to a loss of 9.1 million Euros (-1.53% of turnover) in 2016.**
- **The Board of Directors proposes to the Shareholders' Meeting to approve the distribution of a dividend of 0.17 Euros per share**
- **Consolidated Net Financial Position of operations at 31.12.2017 negative at -145.9 million Euros, an improvement compared to 31.12.2016 (-183.2 million Euros), and compared to 30.06.2017 (-148.4 million Euros).**

**Campodarsego (Padua), 29 March 2018** – The Board of Directors of Carraro SpA, **global leader in power transmission systems for off-highway vehicles and specialised tractors**, met today under the chairmanship of Enrico Carraro to examine the draft Financial Statements for 2017, which are to be submitted to the Shareholders' Meeting scheduled for 14 May next.

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*“With the closing of the 2017 financial year, we are reaping the fruits of the long and complex repositioning and restructuring process that the Group launched following the deep crisis that affected our markets between 2009 and 2011”, says Enrico Carraro, Group Chairman.*

*“The return to growth of the main sectors of reference, agriculture and construction equipment, together with the important actions aimed at restoring financial equilibrium and capital strengthening of the Group, as well as determination in R&D investments, allow us today to look to the future with renewed optimism. – continues Enrico Carraro – 2018 has also started positively with generalised market buoyancy, with volumes and margins improving so as to mitigate the negative effects linked to the increase in raw materials already visible”.*

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#### **Analysis of consolidated economic and financial data of 2017**

2017 closed with results above expectations, both in terms of turnover as well as all profitability indicators. Thanks to the now tangible and consolidated effects of the reorganisation and re-focus on the core business, Carraro has emerged from the most complex period of its history and can look to the future with ambitious objectives and renewed energy, based on a new strategic dimension and increased competitiveness.

Key factors of this result are attention to technological challenges accompanied by the effort in recent years in optimising the industrial organisation, production factors and rationalising overheads.

In particular, the Group's continuing commitment to Research and Development, always developed over time, for which 140 million have been invested in the last ten years and 90 million are planned in the near future by the 2017-2021 Business Plan, today guarantees a solid positioning for a new technological leadership. This success stems from the finalisation of a renewed product range, created with a strong focus on cost control, as well as standardisation of the manufacturing process.

The virtuous circle, finally initiated, has a real impact on the profitability of all business areas. Margins are improving significantly, both in absolute terms as well as as a percentage of turnover.

The achievement of all these goals is the result of the strenuous ability to meet commitments which was particularly appreciated by the main customers which guaranteed and renewed their trust in recent years.

#### **Markets**

**Agricultural sector:** in 2017, the demand for tractors gradually strengthened during the year, contributing to increase the positive expectations of all industry operators also for 2018. This growth is sustained by the

increase in the price of raw materials: higher income facilitated renewal of the machinery fleet by agricultural entrepreneurs.

In Europe, growth in demand consolidated during the year, extending to all vehicle types and sizes. Also for specialised tractors (Vineyard-Orchard) the good sales results already recorded in the recent past were confirmed.

During 2017, there was a gradual increase in sales volumes also in North America. Higher-powered tractors were again penalised compared to the compact models, albeit with some signs of recovery in demand. Sales of harvesting machines showed a positive reversal in trend, with an increase in volumes compared to the previous year. The outlook for 2018 remains positive with market development expectations in line with those of the year just ended.

2017 closed against the trend for the Chinese market, which recorded a significant decline in agricultural machinery sales volumes compared to 2016, especially those above 100 hp. This slowdown is due both to the decline in state subsidies as well as to the increase in the price of tractors following the technological upgrade necessary to meet the new emission standards..

The positive trend begun last year was reinforced in India. The good climatic conditions facilitated growth in demand.

The South American market improved in the first half of the year compared to the same period of 2016, while this trend gradually changed to a clear slowdown in the last quarter. Overall, however, volumes were up compared to 2016, thus confirming, also in this area of the world, a reversal in the negative cycle of the last three years.

**Construction equipment** : 2017 closed with much better results than last year.

In Europe, the market saw a gradual acceleration in the demand for construction machines of all types and sizes, with greater dynamism for compact and specialist machines (loaders and excavators).

North America recorded a significant increase in the demand for larger and mining machines, both in substantial stagnation in recent years, and the good level of demand was also confirmed for Utility machines.

In 2017, China reversed its trend in construction machinery sales. After 4 years of deep recession, significant increases in volumes were finally recorded for the two most popular vehicles, loaders and crawler excavators. The phase of de-stocking of surplus production and unsold quantities up to 2013 is therefore over and the market is now moving based on the current demand for new vehicles.

In India, the expanding phase of the construction machinery market was consolidated in 2017; the country remains the largest market in the world for backhoe loaders with an expected volume of 30-35 thousand machines.

In South America, the demand for construction machinery remained weak, despite some modest signs of improvement. In Brazil, the main market of the area, the considerable political-institutional instability significantly limits investment in the construction sector and consequently the need for new machinery. There were positive signs from exports, thanks to the weakness of the currency.

## Revenues

**2017 closed with a consolidated turnover of 606 million Euros, up 2%** compared to 593.7 million Euros in 2016.

**In terms of geographical areas, North America was the first target market** (14% of turnover, +49.2% compared to 2016) **followed by India** (12.8% of turnover, +18.7% compared to 2016) **and by Germany** (9% of turnover, down 8.9% compared to 2016).

## EBITDA and EBIT

**EBITDA as at 31 December 2017 came to 55 million Euros (9.1% of sales), significantly up by 40.5%** compared to 39.2 million Euros (6.6% of turnover) in 2016; **2017 EBIT amounted to 33.7 million Euros (5.6% of turnover), significantly up compared to 11.8 million Euros (2% of turnover)** in 2016.

**Net of the non-recurring operations and with constant perimeter, adjusted and proforma EBITDA and EBIT would be the following:**

<i>GROUP (Values in Euro thousands)</i>	<b>31.12.2017</b>	<i>% of turnover</i>	<b>31.12.2016</b>	<i>% of turnover</i>
EBITDA	55,035	9.1%	39,182	6.6%
ADJUSTED EBITDA	54,809	9.0%	44,669	7.5%
ADJUSTED PROFORMA EBITDA	54,809	9.0%	48,151	8.6%
EBIT	33,708	5.6%	11,759	2.0%
ADJUSTED EBIT	33,482	5.5%	22,459	3.8%
ADJUSTED PROFORMA EBIT	33,482	5.5%	27,662	5.0%

## Net profit/(loss)

**2017 closed with a significant profit of 13.7 million Euros (2.3% of turnover) compared to a loss of 9.1 million Euros (-1.5% of turnover) in 2016.**

The adjusted net profit, equal to 13.7 million Euros, takes into account the restructuring costs related to the downsizing of the Argentine subsidiary (for a total of 1.2 million Euros), the sale of the building still in Argentina (which involved a capital gain of 3.3 million and some impairment losses due to the non-recoverability of certain intangible fixed assets amounting to 1.9 million Euros in Carraro SpA, in addition to the related tax effect of 215 thousand Euros). As regards 2016, Elettronica Santerno, fully deconsolidated as from the end of November 2016, had recorded a loss of 12.3 million Euros.

Taxes as at 31 December 2017 amounted to 7.6 million Euros (1.3% of turnover) against 7.3 million Euros (1.2% of turnover) as at 31 December 2016.

## Investments

**In 2017, investments amounted to 15.6 million Euros**, in line with the 2017-2021 Business Plan, (compared to 16 million Euros in 2016), allocated to maintain the efficiency of and modernise plant and equipment and to R&D projects.

## Research and innovation

**The financial commitment for Research and Innovation amounted to 21.7 million Euros in 2017 (3.6% of turnover).**

### Net financial position

The company's consolidated net financial position up to 31 December 2017 was negative at - 145.9 million Euros, an improvement compared to 31 December 2016, when it stood at -183.2 million Euros. The significant improvement was positively impacted by the payment of capital increases (in Carraro SpA by the market for 20 million Euros and in SIAP spa by Friulia for 8 million), collection of the price for the sale of the property in Argentina and the good performance of operating free cash flow.

The improvement was partially used in favour of the Joint Venture signed with Shandong Juming Group for the establishment of the NewCo Agriming Agriculture Equipment Co. Ltd (4.9 million Euros).

At 31 December 2017, the covenants envisaged by the agreement signed with the banks on 24 December 2015, an agreement terminated by the Group in February 2018, were complied with.

### Performance by Business Area

- **Carraro Drive Tech** (transmission systems and components) recorded **total turnover of 492.8 million Euros** in 2017, up 6.7% from 461.8 million Euros in 2016.

The target markets of this Business Area, from the very outset of 2017, showed important signs of recovery compared to the same period of the previous year; the analysis by quarter shows a good increase in turnover in the first two quarters, stability in the third quarter, while during the last part of the year the market started to grow again, in contrast with the last quarter of 2016.

The data on margins confirm a constant improvement thanks to both the consolidation of the results obtained in cost optimisation by virtue of the actions taken on the manufacturing process, as well as the positive volume effect that allows a better absorption of fixed costs.

EBITDA stood at 49.6 million Euros (10.1% of turnover), up 32.2 % compared to 37.5 million Euros (8.1 % of turnover) in 2016. Net of non-recurring operating items, adjusted EBITDA would have amounted to 47.4 million Euros, up 13.6% compared to 41.7 million Euros in 2016.

- **Agritalia** (tractors) closed 2017 with a turnover of 141.3 million Euros, a value never achieved in the past, with an increase of 18% compared to the 119.8 million Euros of the previous year. 4,673 tractors were sold to third-party customers (compared to 4,052 in 2016). The turnover of development projects in 2017 amounted to 6.2 million Euros compared to 8.5 million Euros in 2016, in line with the objectives.

2017 EBITDA amounted to 9.7 million Euros (6.9% of turnover), compared to 7.8 million Euros (6.5% of turnover) in 2016, both records for Agritalia. Margins improved both in absolute terms and as a percentage thanks to higher volumes and the containment of processing and structural costs, which offset the inflationary pressures on purchased materials.

The start of exports of the new John Deere tractor range to the North American market, the end-of-production peak of the stage IIIA emissions specialised tractor range and the start-up of the production of the stage IIIB emissions range, with a much better level of technology and price than previous models, contributed to the turnover growth.

In 2017, Agritalia was also involved in a significant effort to successfully implement the extension of the Carraro Tractors product range and the new options and models to offer to its OEM customers..

### **Business outlook**

For 2018, improved sales volumes compared to 2017 are expected. A generalised increase in the prices of raw materials (steel, cast iron) could partially influence the margins in transmission systems in the first quarter. This effect is expected to be reabsorbed within the first half of the year.

As regards Agritalia, 2018 will see the start of production of some renewed ranges of IIIB engine tractors compliant with the new European safety directives (Mother Regulations), with the typical difficulties of launching new ranges.

### **Documentation**

By 17 April, the Annual Report, the Report of the Board of Statutory Auditors and the Report of the Independent Auditors and attached documents, as well as the Annual Report on Corporate Governance and Ownership Structures and the Consolidated statement of a non-financial nature pursuant to Legislative Decree 254/2016 at 31.12.2017 (so-called Sustainability Report) will be made available to the public at the registered office of the Company and at Borsa Italiana SpA, as well as on the Company's Internet site [www.carraro.com](http://www.carraro.com), in the Corporate Governance section.

### **General Members' Meeting**

The Financial Statements will be submitted for the approval of the General Members' Meeting which will be held on 14 May 2018.

The Board will propose to the Shareholders' Meeting to deliberate the distribution of a dividend of 0.17 Euros per share, with coupon date 21 May 2018 and payment date 23 May 2018.

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.

*In this press release, for a correct comparison and better understanding of the actual results of the period, adjustments of actual data have been highlighted. In particular, the adjusted data take account of transactions not related to ordinary operations, such as restructuring activities, which mainly concerned Carraro Argentina, the impairment of certain intangible fixed assets and other non-recurring income and expenses. The proforma figures account for the effects of deconsolidation as a result of the transfer of 51% of the company Elettronica Santerno S.p.A. and its subsidiaries (on a like-for-like basis) that took place in November 2016. The following alternative performance indicators are also used: 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, deducted, where applicable, non-current receivables and financial assets.*

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

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**Attachments: extract of the Statement of Financial Position and Income Statement of the Statutory and Consolidated Financial Statements as at 31.12.2017**

**Carraro S.p.A. 31.12.2017**

Dati non verificati dal Collegio Sindacale e dalla società di revisione

**Stato Patrimoniale (valori in migliaia di Euro)**

<b>IAS/IFRS</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Attività non correnti</b>	<b>185.842</b>	<b>187.480</b>
Immobilizzazioni materiali	40.540	40.736
Immobilizzazioni immateriali	15.297	17.993
Investimenti immobiliari	540	540
Partecipazioni	108.472	108.472
Attività finanziarie	7.360	6.349
Imposte differite attive	13.558	13.352
Crediti commerciali e altri crediti	75	38
<b>Attività correnti</b>	<b>84.199</b>	<b>41.670</b>
Rimanenze finali	36.563	10.723
Crediti commerciali e altri crediti	45.773	29.666
Attività finanziarie	107	989
Disponibilità liquide	1.756	292
<b>Totale attività</b>	<b>270.041</b>	<b>229.150</b>
<b>Patrimonio netto</b>	<b>87.389</b>	<b>52.659</b>
<b>Passività non correnti</b>	<b>55.485</b>	<b>80.278</b>
Passività finanziarie	51.790	77.382
Debiti commerciali e altri debiti	-	-
Imposte differite passive	-	-
Fondi TFR, pensioni e simili	2.569	2.695
Accantonamenti per rischi e oneri	1.126	201
<b>Passività correnti</b>	<b>127.167</b>	<b>96.213</b>
Passività finanziarie	30.196	41.632
Debiti commerciali e altri debiti	84.904	46.054
Debiti per imposte correnti	4.391	2.204
Accantonamenti per rischi e oneri	7.676	6.323
<b>Totale passività e patrimonio netto</b>	<b>270.041</b>	<b>229.150</b>
<b>Posizione finanziaria netta della gestione</b>	<b>72.901</b>	<b>111.535</b>

**Conto economico (valori in migliaia di Euro)**

	<b>31.12.2017</b>		<b>31.12.2016</b>	
Ricavi delle vendite	166.939		142.863	
Acquisti per beni e materiali	- 130.688		- 80.442	
Servizi	- 25.409		- 25.206	
Utilizzo beni e servizi di terzi	- 41		-	
Costo del personale	- 25.936		- 24.535	
Ammortamenti e svalutazioni di immobilizzazioni	- 4.460		- 4.141	
Svalutazione di Crediti	- 305		- 59	
Variazioni delle rimanenze	25.840		- 6.175	
Accantonamenti per rischi	- 3.517		- 3.299	
Altri oneri e proventi	806		3.267	
<b>EBIT</b>	<b>3.229</b>	<b>1,9%</b>	<b>2.273</b>	<b>1,6%</b>
<b>EBITDA</b>	<b>7.688</b>	<b>4,6%</b>	<b>6.414</b>	<b>4,5%</b>
Proventi da partecipazioni	17.776		6.468	
Oneri/proventi finanziari netti	- 5.362		- 7.162	
Utili e perdite su cambi (netto)	- 181		- 211	
Rettifiche di valore di attività finanziarie	-		- 895	
<b>Risultato ante imposte</b>	<b>15.462</b>		<b>473</b>	
Imposte correnti e differite	274		- 1.910	
Risultato Netto delle attività in dismissione	-		-	
Risultato di terzi	-		-	
<b>Risultato Netto</b>	<b>15.736</b>	<b>9,4%</b>	<b>- 1.437</b>	<b>-1,0%</b>



## Carraro Group December, 31 2017

(Figures not audited by independent auditors)

### Balance Sheet (Euro thousands)

IAS/IFRS	Dec 31, 2017	Dec 31, 2016
<b>Fixed assets</b>	<b>258.889</b>	<b>267.170</b>
Tangible	140.717	150.849
Intangible	57.603	61.117
Capital assets	695	695
Investments	24.252	18.561
Financial assets	8.849	10.616
Deferred taxes assets	21.135	21.781
Trade and other current receivables	5.638	3.551
<b>Current assets</b>	<b>284.685</b>	<b>219.045</b>
Inventory	122.892	90.665
Trade and other current receivables	107.909	72.916
Financial assets	5.016	7.711
Liquid assets	48.868	47.753
<i>Assets held for sale</i>	-	-
<b>Total assets</b>	<b>543.574</b>	<b>486.215</b>
<b>Total group shareholders' equity</b>	<b>82.059</b>	<b>46.729</b>
<b>Non current liabilities</b>	<b>153.499</b>	<b>177.954</b>
Financial liabilities	134.594	159.783
Trade and other non current payables	421	646
Deferred taxes liabilities	2.532	2.117
Provision for indemnity, pension and similar	10.229	10.697
Provision for risks and contingencies	5.723	4.711
<b>Current liabilities</b>	<b>308.016</b>	<b>261.532</b>
Financial liabilities	73.240	88.448
Trade and other current payables	210.860	151.442
Current taxes	7.193	6.473
Provision for contingencies and obligations	16.723	15.169
<i>Liabilities held for sale</i>	-	-
<b>Total liabilities &amp; shareholders' equity</b>	<b>543.574</b>	<b>486.215</b>
<b>Management Net financial position</b>	<b>145.896</b>	<b>183.200</b>

### Income Statement (Euro thousands)

	Dec 31, 2017	Dec 31, 2016
Revenues	606.021	593.747
Cost of material	- 397.147	- 339.617
Services	- 92.654	- 94.542
Leases	- 1.305	- 1.908
Cost of personnel	- 94.432	- 97.871
Depreciations and writedown of Assets	- 21.327	- 27.423
Writedown Of Receivables	- 443	- 495
Changes in inventories stock	36.877	- 17.449
Provision for risks and contingencies	- 9.011	- 10.306
Other incomes / expenses	7.129	7.623
<b>EBIT</b>	<b>33.708</b>	<b>11.759</b>
	<b>5,6%</b>	<b>2,0%</b>
<b>EBITDA</b>	<b>55.035</b>	<b>39.182</b>
	<b>9,1%</b>	<b>6,6%</b>
Incomes from investments	- 326	- 14
Financial incomes / expenses	- 8.647	- 11.444
Incomes / losses in exchange rates	- 1.958	- 1.836
Adjustments of the value of financial assets	- 1.504	- 213
<b>Net result before taxes</b>	<b>21.273</b>	<b>- 1.748</b>
Income and deferred taxes	- 7.602	- 7.340
Minority interest	- 3	1
<b>Net consolidated result</b>	<b>13.668</b>	<b>- 9.087</b>
	<b>2,3%</b>	<b>-1,5%</b>