

CARRARO GROUP: results for the third quarter of 2017 examined by the BoD

The Group has consolidated its positive results with an improvement in revenues and margins as at 30 September, thanks to the good performance of the main target markets and optimisation of the global industrial structure.

- **Cumulative consolidated turnover as at 30 September amounted to 450.8 million euros, an increase of 3.4%** compared to 30 September 2016 of 435.9 million euros with constant perimeter.
- **Cumulative adjusted pro forma EBITDA as at 30 September amounted to 43 million euros (9,5% of turnover), significantly up by 6.6%** compared to 40.3 million euros (9.2% of turnover) in the same period of 2016.
- **Net financial position of operations as at 30 September 2017 was negative at 155 million euros, a significant improvement compared to 190.6 million euros as at 30 September 2016.**

Campodarsego (Padua), 27 October 2017 – 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 2017.

"In line with the previous quarters, the figures as at 30 September show good growth both in turnover and margins. – said Enrico Carraro, Group Chairman – These results are the consequence, on the one hand, of the improvement trend recorded in all our target markets and, on the other, of the process of optimisation of Carraro's industrial activities at the global level, with ever-increasing efficiency".

Target markets**Agriculture**

The third quarter of 2017 globally confirmed growth in sales volumes driven, with a reversal of trend compared to the first half of the year, by the increase in the price of agricultural commodities. In Europe, the positive trend was consolidated for all types of machine powers and, in particular, for vineyard and orchard tractors. The Turkish market remained stable. In North America, the decline in the market of higher-powered tractors was confirmed. In China, the downward trend with gradual polarisation towards machines over 100 HP was consolidated. The positive trend in India and South America was confirmed.

Construction and mining equipment

Also the third quarter of 2017 confirmed the strengthening of demand, in particular in the European market for all types and sizes. Demand remained weak in Turkey. North America confirmed a certain briskness in demand for utility machines; recovery is also expected in the mining market due to the change of policy decided by the new President.

China consolidated the reversal of trend in demand for construction machinery which is expected to continue in the medium term, thanks to the "One Belt One Road" long-term investment plan. In India, the indicators confirmed the continued positive trend of expansion of the construction machinery market, driven by the planned infrastructure investments. In South America, construction machinery demand remained weak, despite some modest export-driven recovery.

Consolidated results as at 30 September 2017

The third quarter of 2017 saw a positive consolidation of the Group's results. In particular, for the main business (Drive Tech), the trends in volumes and demand in the target markets were positive, with a consequent improvement in consolidated cumulative turnover and margins. The slowdown in the first half of the spare parts division was re-absorbed even if not yet completely. Good performance in turnover of the Vehicles division; a certain slowdown in margins was confirmed, due to supply difficulties caused by the start-up of the new tractor range and to a number of effects related to the penetration of certain emerging markets.

Overall, cumulative margins were positive, which is also the result of the Group's efforts to optimise the industrial structure and production factors.

Revenues

| <i>amounts in €/000</i> | 30.09.2017 | 30/09/2016 | Var. % |
|---|------------|------------|--------|
| Consolidated pro forma turnover at 30/09 | 450,808 | 435,905 | 3.4 |
| Consolidated turnover at 30/09 | 450,808 | 468,354 | -3.7 |

Cumulative consolidated turnover as at 30 September with constant perimeter (taking into account the absence of the contribution of Elettronica Santerno) **increased by 3.4% and amounted to 450.8 million euros, compared with 435.9 million euros** in the same period of last year. With the contribution of Elettronica Santerno it was down by 3.7% compared to 468.4 million euros as at 30 September 2016.

EBITDA

| <i>amounts in €/000</i> | 30.09.2017 | % of turnover | 30/09/2016 | % of turnover | Var. % |
|--|------------|---------------|------------|---------------|--------|
| Consolidated pro forma/adjusted EBITDA at 30/09 | 42,960 | 9.5 | 40,285 | 9.2 | 6.6 |
| Consolidated EBITDA at 30/09 | 45,280 | 10.0 | 33,556 | 7.2 | 34.9 |

Volume growth, optimisation of the industrial organisation and production efficiencies contributed to an improvement in margins more than proportional to the improvement in turnover.

It should be noted that cumulative consolidated pro forma adjusted EBITDA at 30 September, net of non-recurring costs related to Carraro Argentina's restructuring activities (1.1 million euros in 2017 and 4.4 million euros in 2016), non-recurring revenues (3.4 million euros capital gain on the sale of the remaining industrial area) and the contribution of Elettronica Santerno (no longer in the scope of consolidation following sale of the controlling interest on 30 November 2016), **amounted to 43 million euros (9.5% of turnover), a significant increase of 6.6% compared to 30 September 2016 (40.3 million euros). Counting the contribution of Elettronica Santerno, there was a significant increase of 34.9%** compared to the same period of the previous year (45.3 million euros, 10% of turnover, compared to 33.6 million euros, 7.2% of turnover).

Net financial position of operations

| <i>amounts in €/000</i> | 30.09.2017 | 30.06.2017 | 30/09/2016 |
|--------------------------------|-------------------|-------------------|-------------------|
| Company net financial position | -155,019 | -148,430 | -190,578 |

The consolidated net financial position of operations as at 30 September 2017 was negative at 155 million euros, a slight improvement compared to 30 June 2017 (negative a 148.43 million euros), to be mainly attributed to the growth in working capital, but a significant improvement compared to 30 September 2016 (negative at 190.6 million euros).

It should be noted that the figures as at 30 September 2017, 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, deducted, where applicable, non-current receivables and financial assets.

REPORTING OBLIGATIONS PURSUANT TO ARTICLE 114, PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE NO. 58/1998

The information below is provided in compliance with Consob requirement no. 0075995/15 of 1 October 2015.

1. Net financial position of Carraro S.p.A. and the Group, indicating short-term components separately from medium-/long-term components.
(amounts in Euro thousands)

| Net financial position as at 30 September 2017 | CARRARO SPA | CONSOLIDATED |
|--|----------------|-----------------|
| Non-current loans payable | -56,595 | -140,955 |
| Current loans payable | -26,125 | -86,201 |
| Other non-current financial liabilities | - | -106 |
| Other current financial liabilities | -43 | -534 |
| Financial liabilities: | -82,763 | -227,796 |
| Current loans and receivables | 7 | 5,488 |
| Other current financial assets | 293 | 500 |
| Financial assets: | 300 | 5,988 |
| Cash | 27 | 116 |
| Bank current accounts and deposits | 2,168 | 55,666 |
| Cash and cash equivalents: | 2,195 | 55,782 |
| Net financial position* | -80,268 | -166,026 |
| Non-current loans and receivables | 7,215 | 10,901 |
| Other non-current financial assets | 5 | 106 |
| Net financial position of operations | -73,048 | -155,019 |
| of which payables / (receivables): | | |
| - non-current | -49,375 | -130,054 |
| - current | -23,673 | -24,965 |

*: Net financial debt drawn up in accordance with the framework provided for by Recommendation ESMA/2013/319

2. Position of outstanding payables of Carraro S.p.A. and the Group, broken down by nature (financial, commercial, taxes, welfare contributions and to employees), and relative actions of creditors (prompts for payment, injunctions, suspended supplies, etc.)
(amounts in Euro thousands)

| | CARRARO SPA | | | | | TOTAL |
|----------------|---------------|--------------|--------------|--------------|------------|---------------|
| | Not yet due | PAST DUE | | | | |
| | | 1 - 30 days | 31 - 60 days | 61 - 90 days | > 91 days | |
| Trade payables | 75,296 | 3,000 | -30 | 111 | 483 | 78,860 |
| Other payables | 7,272 | - | - | - | - | 7,272 |
| TOTAL | 82,568 | 3,000 | -30 | 111 | 483 | 86,132 |

| | Not yet due | CONSOLIDATED PAST DUE | | | | TOTAL |
|----------------|----------------|-----------------------|--------------|--------------|--------------|----------------|
| | | 1 - 30 days | 31 - 60 days | 61 - 90 days | > 91 days | |
| Trade payables | 171,360 | 8,870 | 349 | 440 | 2,646 | 183,665 |
| Other payables | 28,698 | - | - | - | - | 28,698 |
| TOTAL | 200,058 | 8,870 | 349 | 440 | 2,646 | 212,363 |

The payables of Carraro SpA to third parties and Group companies up to 30 September 2017 totalled 86.132 million Euros of which 7.3 million related to Other payables (taxes, welfare contributions, employees,...) due after the reporting period. Overdue trade payables amounted to 3.564 million Euros.

The payables of the Carraro Group up to 30 September 2017 amounted to 212.363 million Euros of which 28.698 million Euros referred to Other payables (taxes, welfare contributions, employees,...) due after the reporting period. Outstanding trade payables amounted to 12.305 million Euros, of which 8.870 million Euros due within 30 days, mainly paid the following month, while those exceeding 90 days mainly refer to non-compliant supply consignments under resolution. No significant action from creditors is noted.

3. Related-party transactions of Carraro S.p.A. and the Group

The most significant economic transactions of Carraro S.p.A. with related parties concern business transactions for the purchase and sale of raw materials, semi-finished products and components relative to the production of drive systems; purchases of services refer mainly to services for industrial processing.

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

Interest income is generated by outstanding loans; interest expense is generated by the loan received from Carraro International. The income and expenses from tax consolidation refer to the remuneration paid for taxable income and losses transferred in the context of the tax consolidation under Finaid S.p.A. Financial transactions relate to short and long-term loans. The figures for these transactions are shown in the table below:

| Related parties | Financial and commercial transactions | | | | Economic transactions | | | |
|---------------------------------------|---------------------------------------|-----------------------|---|-----------------------------------|-----------------------|-----------------|---------------------------------|---------------------|
| | Financial assets | Financial liabilities | Trade receivables and other receivables | Trade payables and other payables | Sales revenues | Operating costs | Net financial income (expenses) | Purchases of assets |
| Carraro Drive Tech S.p.A. | - | - | 11,485 | 8,019 | 15,774 | 13,965 | -14,886 | 3 |
| Carraro Argentina S.A. | 6,908 | - | 630 | 175 | 85 | 175 | - | - |
| Carraro Drive Tech do Brasil | - | - | 386 | - | 192 | - | - | - |
| Carraro Deutschland GmbH | - | 10,303 | - | - | - | - | 304 | - |
| Carraro India Ltd. | - | - | 1,239 | 570 | 3,125 | 73 | - | - |
| Carraro North America Vb | 307 | - | 115 | - | 12 | - | - | - |
| Carraro International S.A. | 282 | 52,522 | - | - | 4 | 37 | 3,258 | - |
| Carraro Technologies India Pvt. Ltd. | - | - | 44 | 382 | 44 | 1,091 | - | - |
| Carraro China Drive System Co. Ltd. | - | - | 1,102 | 539 | 976 | 94 | - | - |
| SIAP S.p.A. | - | - | 842 | 833 | 992 | 2,216 | -1 | - |
| Elettronica Santerno S.p.A. | - | - | 1,025 | 33 | - | - | -28 | - |
| Elettronica Santerno Ind. e Com. Ltd. | - | - | 111 | - | - | - | - | - |
| Santerno USA | - | - | 340 | - | - | - | -3 | - |
| Santerno South Africa Pty Ltd | - | - | 115 | - | - | - | - | - |
| O&K Antriebstechnik GmbH | - | - | 233 | - | 155 | - | - | - |
| FINAID S.r.l. | - | - | 843 | - | 9 | - | - | - |
| TOTAL | 7,497 | 62,825 | 18,510 | 10,551 | 21,368 | 17,651 | -11,356 | 3 |

Related-party transactions of the Group refer mainly to consolidated tax relations with the parent company Finaid and relations with O&K Antriebstechnik GmbH and Elettronica Santerno.

(amounts in Euro thousands)

| Related parties | Financial and commercial transactions | | | Economic transactions | | |
|---------------------------------------|---------------------------------------|---|-----------------------------------|-----------------------|-----------------|------------------------|
| | Financial assets | Trade receivables and other receivables | Trade payables and other payables | Sales revenues | Operating costs | Other financial income |
| Finaid S.r.l. | - | 853 | 90 | 9 | - | - |
| O&K Antriebstechnik GmbH | - | 916 | 74 | 1,378 | 433 | - |
| Elettronica Santerno S.p.A. | 8,163 | 1,109 | 110 | - | 1 | 28 |
| Elettronica Santerno Ind. e Com. Ltd. | - | 112 | - | 58 | - | - |
| Santerno South Africa Pty Ltd | - | 115 | - | - | - | - |
| Santerno USA | - | 524 | - | 35 | - | 3 |
| TOTAL | 8,163 | 3,629 | 274 | 1,480 | 434 | 31 |

4. Failure to comply with covenants, negative pledges and any other debt clause of the Group entailing limits on the use of financial resources, with indication of the level of compliance with these clauses (updated)

As at 30 September 2017, there was no failure to comply with the covenants, negative pledges or other clauses provided for by the new agreement signed on 24 December 2015 with the banks which updated the reference parameters (net financial debt/EBITDA and net financial debt/net equity).

5. Implementation status of any industrial and financial plans, with indication of deviations of final data from estimated data.

In 2017, the Group is continuing to implement the new 2017-21 Business Plan, approved by the Board of Directors during 2017.

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 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 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.



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