

**Carraro Group: new 2017-2021 Business Plan presented to the financial community**

The Group confirms its uniqueness as a player capable of supplying the entire range of technology solutions for off-highway machines, from the single component to the complete agricultural tractor.

### **Objectives of the Plan**

- Thanks to € 140 million of R&D investment over the past few years, more than 30 new products being launched on the market. A further € 90 million of R&D investment over the next 5 years to support new technologies
- Balancing of presence in emerging geographic areas: India, China, South America, Turkey, Russia
- Consolidation of the *World Manufacturing Excellence Program: local for local* and “4.0”
- New technological scenarios: efficiency includes hybrid and electric solutions

### **Financial targets in 2021**

- Turnover at € 670 million, +3.7% compared to € 558 million in 2016
- EBITDA at € 75 million, 11.2% of turnover, CAGR +9.3% compared to € 48 million in 2016 (was 8.6%)
- Net Financial Position at € -91 million, compared to € -183 million in 2016

### **Forecasts for end of 2017**

- Group turnover of € 583 million
- EBITDA equal to € 48 million
- Net Financial Position negative at € -131 million, significant improvement compared to € -183 million in 2016

**Campodarsego (Padua), 26 September 2017** – Carraro SpA, leader in transmission systems for off-highway vehicles and specialised tractors, today presented the Carraro 2017-2021 Business Plan to the financial community, in the presence of the Group's top management.

*"Thanks to a general recovery in the target markets and to the over 140 million euros invested in recent years in new products, today our Group has strengthened its competitive position globally. Confirming the focus on innovation, the 2017-2021 Business Plan envisages a further 90 million euros dedicated to R&D. All this leads us to estimate further important growth beyond the Plan's horizon. – says **Enrico Carraro, Group Chairman** – The newly-found financial strength, evident both in the increase in margins and in the marked decrease in NFP, allows the Group to present itself on the market stronger than ever".*

## 2017-2021 Business Plan strategic objectives

With the 2017-2021 Business Plan, the **Carraro Group confirms its uniqueness as a player capable of supplying the entire range of technology solutions for off-highway machines, from the single component to the complete agricultural tractor.**

The specific objectives of this Plan are:

- **Thanks to € 140 million of R&D investment over the past few years, more than 30 new products being launched on the market. A further € 90 million of R&D investment over the next 5 years to support new technologies.**

In particular, the Group is focusing on the development of **products with greater added value such as innovative transmissions** for both the agricultural sector (e.g. Carraro Twin Shift™, with double clutch) as well as construction machinery (e.g. the new solutions for telescopic trucks designed to improve vehicle ergonomics). In parallel, **new projects are under development for specialised tractors for vineyards and orchards**, both in contract manufacturing as well as Carraro Tractors brand.

- **Balancing of presence in emerging geographic areas: India, China, South America, Turkey, Russia.**

Global Secular Trends suggest a significant increase in the population, especially in emerging geographic areas; this will determine, on the one hand, the need to modernise agriculture to meet food needs and, on the other, to create new infrastructures to respond to the acceleration of the urbanisation process. In line with this, Carraro has put in place **a growth plan for its presence with products and solutions targeted to emerging markets (India, China, South America, Turkey and Russia first and foremost)**. This process will be supported by the existing global industrial platform but also by **agreements with local partners aimed at overcoming the barriers to entry in certain areas.**

- **Consolidation of the *World Manufacturing Excellence Program: local for local* and “4.0”.**

To ensure an increasingly better customer response, the Group has **accelerated the excellence program at the industrial level**, optimising its production platform and dimensioning plants in a manner consistent with the needs of the various markets with a full **local for local approach**. In this context, **the technological evolution of manufacturing processes will be decisive**, which will see, on the one hand, **full integration between CAD design and production systems** according to the from design to manufacturing approach, while on the other, **extension of 4.0 interconnectivity between the various sectors** with the aim of monitoring and managing activities in place in real time.

- **New technological scenarios: efficiency includes hybrid and electric solutions.**

In an increasingly demanding market attentive to reducing emissions and optimising vehicle efficiency, be they cars or tractors, the Group has embarked on a **new program for the electrification of its product solutions**. On the one hand, in the field of transmission systems, capitalising on its consolidated expertise in electric powertrains for forklift trucks, **the design of innovative Electrical Continuous Variable Transmissions has been launched**; on the other, leveraging the know-how relating to the design and production of specialised agricultural tractors, **Carraro has established a new operational division dedicated to the design and engineering of hybrid and electric tractors.**

### Financial targets in 2021

From a financial point of view, in the period 2017-2021, **the Carraro Group expects to grow in turnover and above all to significantly improve its profitability.**

#### Turnover

**For 2021, it is expected that consolidated turnover will amount to 670 million euros, with a 2016-2021 CAGR of 3.7%**, compared to 558 million euros in 2016.

This growth will be mainly driven by the launch of new product ranges on the market, as well as by strengthening the commercial relations currently in place and expanding the customer base.

#### EBITDA

**In the period of the Plan, profitability is expected to grow sharply, recording a 2016-2021 CAGR of 9.3%, bringing EBITDA to 75 million euros, with an incidence of 11.2% on turnover** (in 2016 it was 48 million euros, 8.6% of turnover).

This result will be the consequence of certain key factors, i.e.:

- optimisation of the global production platform
- consolidation of the Partnerships with major suppliers, resulting in significant savings
- standardisation of certain product ranges, with a *design for manufacturing* approach
- significant control on overheads, while maintaining investments in R&D

#### Net Financial Position

**The Net Financial Position in 2021 is expected to be negative at -91 million euros, a significant decrease compared to -183 million euros as at 31.12.2016.**

The continuous decrease in the NFP is due to the generation of a good operating cash flow, as a result of a marked improvement in margins, limited growth in working capital and an investment plan in line with depreciation.

#### Forecasts for end of 2017

During the presentation of the Carraro 2017-2021 Business Plan to the financial community, some details relating to the closure of the current financial year were provided.

More in detail, **it is expected that the turnover at 31.12.2017 will amount to 583 million euros, that adjusted EBITDA (net of restructuring costs and non-recurring gains) will be equal to 48 million euros and that the Net Financial Position is negative at -131 million euros, bringing the financial ratio of NFP/EBITDA below three.**

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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**

Through the subsidiaries Carraro Drive Tech and SIAP, the Group designs, manufactures and sells transmission systems (axles, transmissions and drives) 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 the subsidiary Carraro Agritalia, the Group designs and manufactures special 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 specialist own-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). Up to 30.06.2017, the Group has 3,101 employees – of which 1,390 are based in Italy – and manufacturing facilities in Italy (4), India (2), China, Argentina and Brazil. For additional information visit **carraro.com**.

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