

**Carraro Group: significant profit growth in the first half of the year, EBITDA up from 6% to 11%, now reaching 34 million.**

**Net profit exceeds 10 million in first six months.**

**Improved net financial position. Thanks also to the Capital Increase, debt falls to 148 million Euros, down from 183 at the end of 2016.**

**Markets more positive than expected at the start of the year. End-of-year outlook positive and in line with the first six months.**

**Campodarsego (Padua), 27 July 2017** – 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 2017.

*"In a not yet brilliant market, which is only seeing clear trend reversal in some areas compared to previous years, the Group ends the first half of the year with a marked increase in profits. – said Enrico Carraro, Chairman of the Group – Despite signs of uncertainty in some sectors, we don't foresee any abrupt changes in direction between now and the end of the year and today, we are confident that we will end the financial year in the same way as we have the first six months. Renewed financial stability along with these important profit results have led the Group, years later, into favourable conditions for planning growth in the near future, with the benefit of a broadened product portfolio and highly efficient factory management".*

#### **Consolidated results up to 30 June 2017**

**The first six months recorded results higher than those forecast** thanks to positive signs in all the major reference markets both compared to the same period of the previous year and the first three months of 2017. Bearing in mind the deconsolidation of Elettronica Santerno, **turnover up to 30 June grew by 4.7%, exceeding 310 million Euros, compared to the proforma turnover of 296.6 million Euros up to 30.06.2016.** In parallel to this, thanks to the activities aimed at optimising the industrial platform, streamlining the organisation, the effectiveness of partnerships with our main suppliers, as well as a suitable cost structure, the Group recorded **excellent results, including those relating to its economic and financial profile.**

#### **Group's brief income statement up to 30 June 2017**

<i>(amounts in Euro/000)</i>	30.06.2017	% of turnover	30.06.2016	% of turnover	Diff. %
TURNOVER	310.695		324.596		-4.3
PROFORMA TURNOVER	310.695		296.615		4.7
EBITDA	34.039	11.0	20.317	6.3	67.5
ADJUSTED EBITDA	30.396	9.8	24.694	7.6	23.1
PROFORMA ADJUSTED EBITDA	30.396	9.8	26.467	8.9	14.8
EBIT	23.821	7.7	9.195	2.8	159.1
ADJUSTED EBIT	20.178	6.5	13.572	4.2	48.7
PROFORMA ADJUSTED EBIT	20.178	6.5	16.118	5.4	25.2
NET RESULT	10.388	3.3	-2.841	-0.9	-465.6
ADJUSTED NET RESULT	8.020	2.6	1.536	0.5	422.1
PROFORMA ADJUSTED NET RESULT	8.020	2.6	3.770	1.3	112.7

*To better understand the figures from the 2017 financial year, we have highlighted **adjusted** figures and **proforma** figures. Specifically, the adjusted figures take into account transactions not connected to ordinary management such as extraordinary restructuring activities as well as some asset*

*transfers, mainly with regard to the Carraro Argentina company. 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.*

### **Consolidated turnover and performance of target markets**

**The Group's turnover up to 30 June 2017 amounted to 310.7 million Euros**, down 4.3% compared to the turnover for the same period in 2016, equal to 324.6 million Euros. On a like-for-like basis, having deconsolidated Elettronica Santerno, turnover improved by 4.7% compared to June 2016 when it recorded 296.6 million Euros.

In terms of geographic areas, there has been **significant growth in sales in North America (+58.7%) and India (+24%)**, the Group's first and second reference markets respectively.

### **EBITDA and EBIT**

**EBITDA up to 30 March 2017 amounted to 34 million Euros (11% of turnover)**, seeing a sharp increase of **67.5%**, compared to **20.3 million Euros (6.3% of turnover)** for the same period in 2016. **EBIT up to 30 June 2017 amounted to 23.8 million Euros (7.7% of turnover)**, a sharp increase **(+159.1%)** on **9.2 million Euros (2.8% of turnover)** in 2016.

The year's consolidated profits (EBITDA and EBIT) are affected by the capital gain from the transfer of the remaining part of Carraro Argentina's property, which accounts for 3.6 million Euros. Up to 30 June 2016, profits were negatively affected by restructuring costs, totalling 4.4 million Euros, in connection with the re-sizing of the Argentinian subsidiary.

**On a like-for-like basis and after adjustments: EBITDA up to 30 June 2017 amounted to 30.4 million Euros, 9.8% of turnover** (+14.8% compared to 26.5 million Euros up to 30.06.2016, 8.9% of turnover) while **EBIT amounted to 20.2 million Euros, 6.5% of turnover** (+25.2% compared to 16.1 million Euros up to 30.06.2016, 5.4% of turnover).

### **Net profit/(loss)**

**The first half of 2017 ended with a profit of 10.4 million Euros (3.3% of turnover); up to 30 June 2016, the Group closed with a loss of -2.8 million Euros (-0.9% of turnover)**. Net of items related to extraordinary management and on a like-for-like basis, resulted in a net profit of 8 million Euros (2.6% of turnover), a significant increase on the profit of 3.8 million Euros (1.3% of turnover) up to June 2016.

### **Investments**

In the first half of 2017, there were **investments of 5.2 million Euros** made, down from 6.6 million Euros in 2016. These **costs are intended to support re-insourcing of activities previously carried out externally and to maintain factory efficiency and modernisation**.

### **Net financial position**

**The company's consolidated net financial position up to 30 June 2017 was negative by 148.4 million Euros and had gradually reduced since 31 December 2016**, when it was negative by 183.2 million Euros. This result is due to the increase in the company's Net Working Capital (from 12.2 million Euros up to 31 December 2016 to 13.7 million Euros up to 30 June 2017), after receiving payment for the market capital

increase of 20 million Euros and following the deconsolidation of Elettronica Santerno and its subsidiaries (for 9.5 million Euros).

### Performance by business area

- In the first half of 2017, **Carraro Drive Tech** (transmission systems and components), thanks to good reference market performance, recorded a **turnover of 254.5 million Euros, up 6.6% compared to 238.7 million Euros** in the first half of 2016.

Significant improvements, also with regards to profit: **EBITDA is recorded at 30.9 million Euros (12.1% of turnover), up 86.7 % compared to 16.5 million Euros (6.9 % of turnover)** in 2016.

Regarding the main applicable sectors, **sales in the agricultural market recorded an increase of 4%** (particularly in China, South America, India, the United States and Italy) and **construction equipment grew by 7%** (with significant increases in China, Turkey and India).

- In the first half of 2017, **Agrialia** (tractors) recorded revenues from sales of **71 million Euros (2,346 tractors), a decrease of 0.4% compared to 71.3 million Euros (2,451 tractors)** in the same period in 2016, due to a slow-down caused by the start of production of new ranges with low-emission engines (stage IIIB).

This also affected profits, with **EBITDA up to 30.06.2017 amounting to 3.5 million Euros (4.9% of turnover) compared to 5.9 million Euros (8.3% of turnover)** in the same period in 2016.

Thanks also to the effect of exports of the new range of John Deere tractors in North America, **significant recovery of volumes is expected for the whole year, with a turnover higher than that of 2016**

### Business outlook

**For the second half of the year, we forecast continued growth of the turnover already seen in the first half of the year and significant changes in profit are not expected.**

**Request for information pursuant to Article 114 of Italian Legislative Decree. 58/98**

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 up to 30 June 2017	CARRARO SPA	CONSOLIDATED
Non-current loans payable	-61,525	-145,996
Current loans payable	-25,196	-93,465
Other non-current financial liabilities	-	-110
Other current financial liabilities	-16	-234
<b>Financial liabilities:</b>	<b>-86,737</b>	<b>-239,805</b>
Current loans and receivables	-2	6,476
Other current financial assets	529	493
<b>Financial assets:</b>	<b>527</b>	<b>6,969</b>
Cash	38	87
Bank current accounts and deposits	3,477	73,115
<b>Cash and cash equivalents:</b>	<b>3,515</b>	<b>73,202</b>
<b>Net financial position*</b>	<b>-82,695</b>	<b>-159,634</b>
Non-current loans and receivables	6,877	11,117
Other non-current financial assets	4	87
<b>Company net financial position</b>	<b>-75,814</b>	<b>-148,430</b>
of which payables / (receivables):		
- non-current	-54,644	-134,902
- current	-21,170	-13,528

\*: 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				
		PAST DUE				
	Not yet due	1 - 30 days	31 - 60 days	61 - 90 days	> 91 days	TOTAL
Trade payables	57,888	521	6	86	231	58,732
Other payables	8,300	-	-	-	-	8,300
<b>TOTAL</b>	<b>66,188</b>	<b>521</b>	<b>6</b>	<b>86</b>	<b>231</b>	<b>67,032</b>

	Not yet due	CONSOLIDATED PAST DUE				TOTAL
		1 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
Trade payables	166,828	8,029	746	613	2,246	178,462
Other payables	26,545	-	-	-	-	26,545
<b>TOTAL</b>	<b>193,373</b>	<b>8,029</b>	<b>746</b>	<b>613</b>	<b>2,246</b>	<b>205,007</b>

The payables of Carraro SpA to third parties and Group companies up to 30 June 2017 totalled 67.032 million euros of which 8.3 million related to Other payables (taxes, welfare contributions, employees,...) due after the reporting period. Overdue trade payables amounted to 0.844 million Euros. The payables of the Carraro Group up to 30 June 2017 amounted to 205.007 million Euros of which 26.545 million Euros referred to Other payables (taxes, welfare contributions, employees,...) due after the reporting period. Outstanding trade payables amounted to 11.634 million Euros, of which 8.029 million Euros are due within 30 days, mainly paid the following month, while those over 90 days mainly refer to non-compliant consignments under negotiation. 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 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.	-	-	11,738	4,508	10,595	9,821	-14,870	3
Carraro Argentina S.A.	6,877	-	890	112	55	112	-	-
Carraro Drive Tech do Brasil	-	-	318	-	124	-	-	-
Carraro Deutschland GmbH	-	10,201	-	-	-	-	202	-
Carraro India Ltd.	-	-	798	300	1,984	59	-	-
Carraro North America Vb	-	-	415	-	8	-	-	-
Carraro International S.A.	8,108	64,365	-	19	3	26	2,346	-
Carraro Technologies India Pvt. Ltd.	-	-	83	286	29	771	-	-
Carraro China Drive System Co. Ltd.	-	-	1,029	380	642	54	-	-
SIAP S.p.A.	-	-	813	1,979	677	1,596	-1	-
Elettronica Santerno S.p.A.	-	-	1,114	-	-	-	-17	-
Elettronica Santerno Ind. e Com. Ltd.	-	-	111	-	-	-	-	-
Santerno USA	-	-	350	-	-	-	-2	-
Santerno South Africa Pty Ltd	-	-	115	-	-	-	-	-
O&K Antriebstechnik GmbH	-	-	155	-	78	-	-	-
FINAID S.r.l.	-	-	840	-	6	-	-	-
<b>TOTAL</b>	<b>14,985</b>	<b>74,566</b>	<b>18,769</b>	<b>7,584</b>	<b>14,201</b>	<b>12,439</b>	<b>-12,342</b>	<b>3</b>

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.	-	850	90	6	-	-
O&K Antriebstechnik GmbH	-	1,087	442	888	417	-
Elettronica Santerno S.p.A.	8,163	1,194	79	7	2	17
Elettronica Santerno Ind. e Com. Ltd.	-	111	-	43	-	-
Santerno South Africa Pty Ltd	-	115	-	-	-	-
Santerno USA	-	539	-	10	-	2
<b>TOTAL</b>	<b>8,163</b>	<b>3,896</b>	<b>611</b>	<b>954</b>	<b>419</b>	<b>19</b>

**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)**

Up to 30 June 2017, there have been no reports of a breach of covenants, negative pledges or other clauses as provided for by the agreement entered into on 24 December 2015 with the financial institutions.

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

In 2017, the Group continues to implement the new Industrial Plan 2017-21, approved by the Board of Directors, and no deviations from the same plan have been reported.

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 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](http://carraro.com).



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**Annexes: extract Statement of Financial Position and Consolidated income statement as at 30.06.2017**

## Carraro Group June, 30 2017

(Figures not audited by independent auditors)

<b>Balance Sheet (Euro thousands)</b>		
<b>IAS/ IFRS</b>	<b>Jun 30, 2017</b>	<b>Dec 31, 2016</b>
<b>Fixed assets</b>	<b>258,351</b>	<b>267,170</b>
Tangible	142,962	150,849
Intangible	60,530	61,117
Capital assets	695	695
Investments	16,931	18,561
Financial assets	11,293	10,616
Deferred taxes assets	21,251	21,781
Trade and other current receivables	4,689	3,551
<b>Current assets</b>	<b>299,694</b>	<b>219,045</b>
Inventory	104,944	90,665
Trade and other current receivables	113,544	72,916
Financial assets	8,004	7,711
Liquid assets	73,202	47,753
<i>Assets held for sale</i>	-	-
<b>Total assets</b>	<b>558,045</b>	<b>486,215</b>
<b>Total group shareholders' equity</b>	<b>72,896</b>	<b>46,729</b>
<b>Non current liabilities</b>	<b>165,382</b>	<b>177,954</b>
Financial liabilities	146,106	159,783
Trade and other non current payables	543	646
Deferred taxes liabilities	3,126	2,117
Provision for indemnity, pension and similar	10,441	10,697
Provision for risks and contingencies	5,166	4,711
<b>Current liabilities</b>	<b>319,767</b>	<b>261,532</b>
Financial liabilities	93,699	88,448
Trade and other current payables	204,464	151,442
Current taxes	9,228	6,473
Provision for contingencies and obligations	12,376	15,169
<i>Liabilities held for sale</i>	-	-
<b>Total liabilities &amp; shareholders' equity</b>	<b>558,045</b>	<b>486,215</b>
<b>Net financial position of operations</b>	<b>148,430</b>	<b>183,200</b>
<b>Cash flow</b>	<b>20,606</b>	<b>18,336</b>

**Income Statement (Euro thousands)**

	Jun 30, 2017		Jun 30, 2016	
Revenues	310,695		324,596	
Cost of material	- 202,130		- 190,235	
Services	- 46,100		- 49,260	
Leases	- 642		- 1,034	
Cost of personnel	- 48,679		- 52,152	
Depreciations and writedown of Assets	- 10,218		- 11,122	
Writedown Of Receivables	- 223		- 169	
Changes in inventories stock	16,358		- 9,016	
Provison for risks and contingencies	- 2,478		- 7,259	
Other incomes / expenses	7,238		4,846	
<b>EBIT</b>	<b>23,821</b>	<b>7.7%</b>	<b>9,195</b>	<b>2.8%</b>
<b>EBITDA</b>	<b>34,039</b>	<b>11.0%</b>	<b>20,317</b>	<b>6.3%</b>
Incomes from investments	-		- 207	
Financial incomes / expenses	- 5,342		- 6,574	
Incomes / losses in exchange rates	- 944		- 1,061	
Adjustments of the value of financial essets	- 1,509		-	
<b>Net result before taxes</b>	<b>16,026</b>		<b>1,353</b>	
Income and deferred taxes	- 5,639		- 4,195	
Minority interest	1		1	
<b>Net consolidated result</b>	<b>10,388</b>	<b>3.3%</b>	<b>- 2,841</b>	<b>-0.9%</b>