

CARRARO GROUP: The General Assembly of Shareholders has approved the 2016 Financial Statements.

- **2016 consolidated turnover** of 593.7 million Euros, down by 11.9% compared to 2015 (674 million Euros). **Net of disposals, the decrease in turnover was only 8.6%.**
- **Consolidated EBITDA amounted to 39.2 million Euros (6.6% of turnover)**, down 16.5% compared to 46.9 million Euros (7% of turnover) in 2015; **net of non-recurring costs and with constant perimeter, EBITDA amounted to 48.2 million Euros (8.6% of turnover)**, down 4.9%.
- **Consolidated EBIT amounted to 11.8 million Euros (2% of turnover)**, up compared to 0.3 million Euros (0% of turnover) in 2015. **Net of non-recurring costs and with constant perimeter, EBIT grew by 4.3% to 27.7 million Euros.**
- **Net Loss** of 9.1 million Euros (-1.5% of turnover) compared to a loss of 8.9 million Euros (-1.3% of turnover) in 2015. **Net of non-recurring operations and with constant perimeter, net profit was 4.8 million Euros (0.9% of turnover)**, an increase compared to the loss of 3.5 million Euros (-0.6% of turnover) in 2015.
- **Consolidated net financial position of operations** showed liabilities of 183.2 million Euros at 31.12.2016, compared to 194.6 million Euros at 30 June 2016 and **with a significant improvement compared to 227.8 million Euros at 31.12.2015.**

Campodarsego (Padua), 31 March 2017 – Today, the General Assembly of Shareholders of Carraro SpA, **world leader in power transmission systems for off-highway vehicles and specialised tractors**, approved, under the chairmanship of Enrico Carraro, the 2016 Financial Statements.

“With the closure of 2016, we therefore definitively leave a very complex period behind us and look ahead, bearing in mind a very clear keyword: growth. – writes **Enrico Carraro, Group Chairman** in his Letter to the Shareholders – Today our Group has all it takes to achieve significant levels of competitiveness, to return to produce profits and to further invest in its development”.

“Thanks to what has been sown, with 2017 we are on the eve of a new era of growth, encouraged in this by the positive signals that we are receiving from our target markets. Faced with these scenarios, it is always nevertheless necessary to keep our guard up, aware of the risk of volatility and possible sudden changes of direction. Precisely for this reason, it is crucial to be able to interpret trends in advance and, above all, be prepared to change direction quickly if necessary. – **Enrico Carraro** concludes – In this context, we can say with certainty that the Group now has all the levers to compete effectively and start on the road towards full recovery and growth”.

Analysis of consolidated economic and financial data of 2016

With the sale of the controlling interest in Elettronica Santerno and the restructuring of Carraro Argentina, the process of restructuring and refocusing on the core business started following the crisis in 2009 due to the changed and radical transformations of the main target markets, can be considered completed.

A long and complicated journey that involved optimisation of the industrial footprint, rationalisation of the supply chain, also through partnerships with suppliers, reduction and streamlining of the structure (lean management) and a series of not strictly necessary asset disposals to achieve the defined objectives.

2016 closed with a consolidated turnover of 593.7 million Euros, down by 11.9% compared to 2015 (was 674 million Euros). **The 2016 proforma turnover amounted to 557.8 million Euros, compared to a proforma turnover of 610.6 million Euros in 2015, down 8.6%.**

EBITDA at 31 December 2016 amounted 39.2 million Euros (6.6% of turnover), down by 16.5% compared to the 46.9 million Euros (7% of turnover) of 2015, while EBIT amounted to 11.8 thousand Euros (2% of turnover), an increase compared to 331 thousand Euros (0% of turnover) in 2015. **Net of non-recurring operations and with constant perimeter, adjusted and proforma EBITDA and EBIT would have been the following:**

<i>GROUP (Values in Euro thousands)</i>	31.12.2016	<i>% of turnover</i>	31.12.2015	<i>% of turnover</i>
EBITDA	39,182	6.6%	46,938	7.0%
ADJUSTED EBITDA	44,669	7.5%	42,627	6.3%
ADJUSTED PROFORMA EBITDA	48,151	8.6%	50,642	8.3%
EBIT	11,759	2.0%	331	0.0%
ADJUSTED EBIT	22,459	3.8%	14,406	2.1%
ADJUSTED PROFORMA EBIT	27,662	5.0%	26,534	4.3%

2016 closed with a loss of 9.1 million Euros (-1.5% of turnover), compared to the loss of 8.9 million Euros (-1.3% of turnover) in 2015. **Net of non-recurring operations and with constant perimeter, net profit would have been 5.2 million Euros (0.9% of turnover, an increase compared to the loss of 3.5 million Euros (-0.6% of turnover) in 2015.**

Taxes as at 31 December 2016 amounted to 7.3 million Euros (1.2% of turnover) against 11.4 million Euros (1.7% of turnover) as at 31 December 2015.

In 2016, investments amounted to 16.7 million Euros compared to 25.4 million Euros in 2015, focussed on supporting the project for *re-insourcing* activities previously carried out externally and on systems efficiency and modernisation.

The consolidated net financial position of operations as at 31 December 2016 was negative, amounting to -183.2 million Euros, improving constantly as from 31 December 2015 (when it was negative at -227.8 million Euros) during 2016. This improvement was due to a slight decrease in net working capital of operations (from 12.8 million Euros at 31 December 2015 to 12.2 million Euros at 31 December 2016), payment of the capital increase by the majority shareholders amounting to 34 million Euros, and the deconsolidation of Elettronica Santerno SpA and its subsidiaries (amounting to 9.5 million Euros).

At 31 December 2016, the covenants provided for in the new agreement, signed with the banks on 24 December 2015, were complied with.

In view of the results achieved the Shareholders' Meeting resolved not to distribute any dividend.

Business outlook

For 2017, at constant perimeter, sales volumes slightly down compared to 2016 are 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 as at 31 December 2016	CARRARO SPA	CONSOLIDATED
Non-current loans payable	-77,381	-159,666
Current loans payable	-41,600	-87,896
Other non-current financial liabilities	-	-117
Other current financial liabilities	-32	-271
Financial liabilities:	-119,013	-247,950
Current loans and receivables	392	5,871
Other current financial assets	531	606
Financial assets:	923	6,477
Cash	47	96
Bank current accounts and deposits	245	47,657
Cash and cash equivalents:	292	47,753
Net financial position*	-117,798	-193,720
Non-current loans and receivables	6,251	10,508
Other non-current financial assets	12	12
Net financial position of operations	-111,535	-183,200
of which payables / (receivables):		
- non-current	-71,118	-149,263
- current	-40,417	-33,937

* : Net financial debt prepared according to the scheme prescribed by the ESMA/2013/319 Recommendation

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						
Not yet due	PAST DUE				TOTAL	
	1 - 30 days	31 - 60 days	61 - 90 days	> 91 days		
Trade payables	37,699	110	453	16	229	38,477
Other payables	7,577	-	-	-	-	7,577
TOTAL	45,246	110	453	16	229	46,054

CONSOLIDATED						
Not yet due	PAST DUE				TOTAL	
	1 - 30 days	31 - 60 days	61 - 90 days	> 91 days		
Trade payables	118,503	6,169	1,795	264	2,356	129,087
Other payables	23,001	-	-	-	-	23,001
TOTAL	141,504	6,169	1,795	264	2,356	152,088

The payables of Carraro SpA to third parties and Group companies as at 31 December 2016 totalled 46.055 million Euros of which 7.577 million Euros referred to other Payables (taxes, welfare contributions, to employees,...) due after the reporting period. Overdue trade payables amounted to 0.808 million Euros.

The payables of the Carraro Group as at 31 December 2016 amounted to 152.088 million Euros of which 23 million Euros referred to other Payables (taxes, welfare contributions, to employees,...) due after the reporting period. Outstanding trade payables amounted to 10.584 million Euros, of which 6.169 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.

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 SpA.

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.	-	-	11,094	5,174	20,312	14,667	-6,568	-
Carraro Argentina S.A.	6,251	-	2,533	260	539	261	-	-
Carraro Drive Tech do Brasil	-	-	195	-	108	-	-28	-
Carraro Deutschland GmbH	-	10,099	-	-	-	-	499	-
Carraro India Ltd.	-	-	1,560	1,070	3,793	59	-4	-
Carraro North America Vb	-	-	392	-	14	-	-	-
Carraro International	903	82,594	-	19	6	60	5,729	-
F.O.N. S.A.	-	-	1	-	-	-	-	-
Carraro Technologies India Pvt. Ltd.	-	-	54	244	54	1,367	-	-
Carraro China Drive System Co. Ltd.	-	-	752	583	1,161	91	-	-
SIAP S.p.A.	-	-	1,019	1,407	1,202	1,732	-5	6
Elettronica Santerno S.p.A.	-	-	940	2	225	3	-32	-
Elettronica Santerno Ind. e Com. Ltd.	-	-	111	-	8	-	-	-
Santerno USA	-	-	377	-	-	-	-8	-
Santerno South Africa Pty Ltd	-	-	115	-	42	-	-40	-
O&K Antriebstechnik GmbH	-	-	103	-	258	-	-	-
Finaid S.r.l.	-	-	832	-	6	-	-	-
TOTAL	7,154	92,693	20,078	8,759	27,728	18,240	-457	6

Related-party transactions of the Group refer mainly to consolidated tax transactions with the parent company Finaid and transactions 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	Purchases of goods and materials	Purchases of services	Other income and expenses	Purchases of assets
Finaid S.r.l.	-	842	90	6	-	-	-	-
O&K Antriebstechnik GmbH	-	1,346	2,064	2,817	4,700	3	-117	178
Elettronica Santerno S.p.A.	8,163	1,017	79	-	-	-	-	-
Elettronica Santerno Ind. e Com. Ltd.	-	118	-	-	-	-	-	-
Santerno South Africa Pty Ltd	-	115	-	-	-	-	-	-
Santerno USA	-	541	-	-	-	-	-	-
TOTAL	8,163	3,979	2,233	2,823	4,700	3	-117	178

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 31 December 2016, 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) based on the results of the new 2015-19 Business Plan.

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

In 2016, the Group continued implementation of the new 2016-19 Business Plan approved by the Board of Directors during 2015 and the only significant deviations of the results compared to the forecasts were due to the restructuring activities at the plant in Argentina and the deconsolidation of Elettronica Santerno.

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 assets and other non-recurring income and expenses. The proforma data take into account the effects of the deconsolidation of O&KA (for constant perimeter) due to the sale of a 55% stake which took place in 2015 and the effects of the deconsolidation resulting from the sale of 51% of Elettronica Santerno S.p.A. and its subsidiaries (for constant perimeter) 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.

Carraro is an international group, leader in transmission systems for off-highway vehicles and specialised tractors, with a 2016 consolidated turnover 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). As at 31.12.2016, it has 2,979 employees – of which 1,289 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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