

Carraro Group: turnover reached €302 million in the first half, down 8.1% since 30 June 2018, mainly due to market dynamics in India and North America.

Margins steady: EBITDA at 30 June 2019 was €27 million (9% of turnover), EBIT was €17 million (5.6% of turnover) and profit was €5.6 million (1.9% of turnover).

Consolidated net financial position at 30 June 2019 showed net debt of €155.1 million, in line with the €156.6 million at 31.12.2018.

The joint venture Agriming was closed and new development prospects for the Group were opened in China.

It is predicted that markets will contract in the second half of the year, with a resulting slowdown in volumes and slightly lower margins than expected.

Campodarsego (Padua), 30 July 2019 – The meeting of the Board of Directors of Carraro S.p.A., a global leader in power transmission systems for off-road vehicles and specialised tractors, chaired by Enrico Carraro, today approved the Group's results for the first half of 2019.

“During the period we saw a widespread slowdown in our markets, especially the agricultural market,” says Enrico Carraro, Group Chairman. “Our volumes fell against this background, but margins remained good and the net financial position remained stable. Despite the unfavourable economic situation, the Group has been gaining support for important new projects that will be launched in the next three years. In July, an important contract was signed with the Wacker Neuson Group, one of the key world players in construction equipment, to provide cutting-edge transmission systems for telehandlers. This confirms the validity and effectiveness of the investment in research and development, which is increasing in this half compared to the same period last year. This is only the ninth new and exciting commercial agreement we have signed this year.”

Consolidated results as at 30 June 2019

The first half of 2019 saw turnover of €301.7 million (down by 8.1% compared to the €328.4 million as at 30 June 2018), **pulled down by a decrease in volumes largely connected** to de-stocking by some key customers, in particular in North America and India, and especially in the agricultural sector.

In line with 2018, the first six months confirmed the new distribution of the sales mix among the various geographical areas of the world, with **Asian markets gaining compared to traditional markets (Europe and North America), which helped to support turnover.**

Despite shrinking markets, especially towards the end of this half of the year, **margins remained positive thanks to initiatives to improve the supply chain and to make production activities more efficient.**

Investment in research and development has grown since last year, to support activities that are crucial to the Group's future, while fixed costs remain stable.

EBITDA and EBIT

EBITDA as at 30 June 2019 came to €27 million (9% of turnover), up slightly in percentage terms but down in absolute terms compared to 30 June 2018 (€29.1 million, 8.9% of turnover). EBIT as at 30 June 2019 reached €17 million (5.6% of turnover), down compared to 30 June 2018 (€19.7 million, 6% of turnover).

Net operating result

The consolidated net operating result was €5.6 million (1.9% of turnover), slightly down compared to the €6.7 million (2% of turnover) in 2018.

The net profit was negatively affected by write-downs on shares in the Chinese joint venture and the associate Enertronice, for a total of €2.2 million, as well as by accounting for hyperinflation for the Argentine subsidiary, for around €668,000.

Net profit before these items would have been €8.5 million (2.8% of turnover). It should be noted that the first half of 2018 was subject to an exchange-rate effect on South American assets and liabilities of €0.5 million and a one-off financial expense of €1.4 million following the termination of the Bank Agreement (all amounts are net of taxes).

Excluding these effects, net profit for the first half of 2019 was essentially in line with the first half of 2018 (€8.6 million, 2.6% of turnover).

Investments

Investments of 10 million Euros were made in the first half of 2019, in line with the Business Plan 2017–2021, an increase on the 8.6 million Euros in 2018. These investments were focused on maintaining and modernising plant and equipment and developing R&D projects.

Net financial position

The net financial position showed a debt of 155.1 million Euros, in line with the figure as at 31 December 2018 (debt of 156.6 million Euros) thanks to the careful management of net working capital

Performance by business area

- **Carraro Drive Tech** (transmission systems and components) recorded **total turnover of 243.4 million Euros in the first half of 2019, down 9.7% on the 269.6 million Euros in the first half of 2018**. The decline was due to cooling demand caused in part by de-stocking by a number of clients.

Despite the drop in volumes, **margins as a percentage of turnover improved slightly** compared with the same period of the previous year. Specifically, **EBITDA was 26.7 million Euros (11% of turnover)**, down by 4.9% **compared to 28.1 million Euros (10.4% of turnover)** as at 30.06.2018.

The main markets of the Drive Tech Business Area performed highly variably in the various segments. The turnover of the *Construction Equipment* segment (46% of the total) was in line with 2018, while the *Material Handling* market (6.5% of the total) has shown some timid signs of recovery. In stark contrast,

the agricultural market saw falling sales in the Indian, South American and Turkish markets, resulting in a significant decline in its contribution to turnover, from 35.2% in the first half of the previous year to 29.3%.

- **Agrialia** (tractors) ended the first half of 2019 with a **total turnover of 72.7 million Euros, broadly in line with the previous year (72.9 million Euros)**. Despite the negative impact of the drop in volumes (2,134 tractors in 2019 compared to 2,235 tractors in 2018), mainly due to de-stocking by some important customers ahead of the replacement of current production models, sales were stable thanks to the spare parts segment. Volumes are expected to fall further in the second half due to the aforementioned economic factors and delays in the application of EU incentives in some Mediterranean markets.

Margins showed signs of recovery compared to the same period of the previous year, when difficulties in materials procurement led to a general increase in their cost and the start of new series caused major inefficiencies. **EBITDA in the first half of 2019 amounted to 2.2 million Euros (3% of turnover) compared to 1.3 million Euros (1.8% of turnover) in the same period of 2018.**

Agriming joint venture

In order to speed up the development of the Group's activities in China, it has been decided to end the joint venture Agriming Agriculture Equipment Co. Ltd., begun in June 2017, by selling the 49% of its share capital held by Carraro International SE to Shandong Juming Machinery Co. Ltd. It is expected that this operation will be complete by the third quarter.

Business outlook

The slowdown in volumes, as already seen in June, is expected to become more pronounced in the second half of the year. The group has taken a series of initiatives to reduce the impact of this and strong profitability will be maintained, albeit below forecasts.

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 document contains references to 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 financial position: ESMA Net 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 consolidated turnover in 2018 of 624 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 S.p.A., has been listed on the Italian Stock Exchange since 1995 (CARR.MI) and has its headquarters in Campodarsego (Padua). As at 30 June 2019, the Group has 3,196 employees – of which 1,479 based in Italy – and manufacturing facilities in Italy (3), India (2), China, Argentina, and Brazil. For additional information visit **carraro.com**.

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Annexes: abstract from the Consolidated Balance Sheet and Income Statement as at 30.06.2019

Carraro Group June, 30 2019
Balance Sheet (Euro thousands)

IAS/IFRS	Jun 30, 2019	Dec 31, 2018
Fixed assets	248.355	247.686
Tangible	154.792	150.721
Intangible	53.495	54.701
Capital assets	695	695
Investments	5.037	7.248
Financial assets	7.845	8.656
Deferred taxes assets	21.058	20.714
Trade and other current receivables	5.433	4.951
Current assets	272.019	274.161
Inventory	119.875	118.409
Trade and other current receivables	103.488	116.816
Financial assets	3.027	3.319
Liquid assets	45.629	35.617
Assets held for sale	-	-
Total assets	520.374	521.847
Total group shareholders' equity	72.716	77.074
Non current liabilities	210.542	202.919
Financial liabilities	193.970	186.379
Trade and other non current payables	166	270
Deferred taxes liabilities	2.732	2.411
Provision for indemnity, pension and similar	10.013	9.656
Provision for risks and contingencies	3.661	4.203
Current liabilities	237.116	241.854
Financial liabilities	20.213	18.037
Trade and other current payables	195.130	198.230
Current taxes	5.438	7.864
Provision for contingencies and obligations	16.335	17.723
Liabilities held for sale	-	-
Total liabilities & shareholders' equity	520.374	521.847
Management Net financial position	155.125	156.581

Income Statement (Euro thousands)

	Jun 30, 2019	Jun 30, 2018
Revenues	301.707	328.419
Cost of material	- 186.209	- 207.712
Services	- 42.889	- 50.582
Leases	- 92	- 669
Cost of personnel	- 48.209	- 47.405
Depreciations and writedown of Assets	- 10.038	- 9.444
Writedown Of Receivables	- 16	- 57
Changes in inventories stock	1.456	7.071
Provision for risks and contingencies	- 2.703	- 2.775
Other incomes / expenses	3.995	2.844
EBIT	17.002	19.690
EBITDA	27.040	29.134
Incomes from investments	-	-
Financial incomes / expenses	- 4.868	- 5.978
Incomes / losses in exchange rates	- 187	- 1.769
Adjustments of the value of financial assets	- 2.211	- 442
Income (charges) from hyperinflation	- 229	-
Net result before taxes	9.507	11.501
Income and deferred taxes	- 3.358	- 4.271
Minority interest	- 528	- 561
Net consolidated result	5.621	6.669
	1,9%	2,0%