

CARRARO GROUP: results for the third quarter of 2019 examined by the Board of Directors

The Group's main economic and financial indicators remained solid in the quarter despite the reduction in turnover due to the negative economic situation in its target markets.

Margins remained good thanks to the improved supply chain and more efficient global production platform, as well as the containment of overheads.

Investments in Research and Development increased, in support of new projects for more efficient products with a lower environmental impact.

Net financial position of operations improved thanks to reducing the net working capital of operations.

- Quarterly turnover of €123.2 million, down by 11.6% compared to the same period of the previous year (€139.5 million). Cumulative turnover as at 30 September amounted to €424.9 million, down 9.2% on the figure as at 30 September 2018 (equal to €467.9 million).
- Despite the drop in volumes, EBITDA margin improved in the quarter in percentage terms compared to turnover from 5.3% in 2018 (€7.4 million) to 5.9% in 2019 (€7.3 million). Adjusted cumulative EBITDA margin also improved in percentage terms from 7.9% of turnover in 2018 (€36.9 million) to 8.4% in 2019 (€35.6 million).
- Net financial position of operations as at 30 September 2019 was a negative at -€166.6 million, a net improvement on the figure of -€180.7 million as at 30 September 2018.

The Group's solid and flexible structure is aligned with the cyclical nature of the target markets thanks to a reduced break-even point.

Campodarsego (Padua), 24 October 2019 – The Board of Directors of Carraro S.p.A., 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 2019.

*"The figures for the third quarter show a general slow-down in our target sectors, with demand falling for various reasons. On the one hand, for example, the decline in incentives for farmers in India, on the other, a generalised slowdown in investment in infrastructure. – said **Enrico Carraro, Group Chairman** – This is a temporary trend within a cycle that is expected to expand in the coming years. It should be noted today, however, that despite the fall in turnover, the Group's economic fundamentals remain solid".*

Target markets

Agriculture

In the third quarter of 2019, demand for agricultural vehicles in **Western Europe** slowed significantly, confirming the trend already seen in previous months. Specialist (vineyard and orchard) tractors also followed this trend, albeit with less impact than the entire sector, affected by the continuous increase in the price of new vehicles caused by the introduction of increasingly stringent European regulations.

The market continued to deteriorate in **Turkey**, with the result that the country's main OEMs recorded significant quantities of unsold tractors, both at their own warehouses and in the dealer networks.

In **China**, the third quarter of 2019 closed with the confirmation of a substantial recession for the agricultural sector, once again more significantly affecting the sales of tractors below 100 HP.

After 2018 ended with record sales volumes, the **Indian** market recorded a significant slow-down in both domestic demand and exports, leading to the forecasts that 2019 would see significantly lower volumes compared to the previous year.

The quarter in **Brazil** saw a significant drop in sales. In **Argentina** there has been no shift in trend as the contraction continues.

The **North American** market, on the other hand, had a very positive quarter for tractors. Sales increases compared to 2018 involved almost all sizes and types.

Construction and mining equipment

Having closed a record 2018 for global sales volumes of construction equipment, the third quarter of 2019 saw demand dwindle as a result of the slow-down in economic growth in various areas of the world, reversing the trend of the first half of 2019, in which it had been positive overall.

In **Europe**, the third quarter of 2019 closed with clear signs of a slow-down and the trend is also confirmed for the remainder of the year.

In the domestic market, demand in **Turkey** remained stagnant, at the lowest levels in recent years, and the outlook for the remaining months of 2019 remains pessimistic.

In India, the third quarter saw a significant deceleration compared to the same period of the previous year. Nevertheless, industry players remain cautiously optimistic for the medium term, as a result of the necessary major infrastructure investments in the country.

In **North America**, following a 2018 with strong growth in sales volumes, the quarter was characterised by the first signs of a slow-down that are expected to become more pronounced in the latter part of the year.

In contrast, the **Chinese** market recorded a good growth in volumes, albeit less significant than in the same period of last year. The trend is expected to stabilise for the remainder of the year thanks to domestic demand.

In the main South American market, **Brazil**, there was a slight improvement in demand thanks to certain investments in the construction sector being permitted. Expectations remain positive for the remainder of the year.

Results as at 30 September 2019

Quarterly revenues

<i>amounts in €/000</i>	30.09.2019	30.09.2018	Var. %
Quarter turnover	123,234	139,474	-11.6

The quarterly turnover was down 11.6% at €123.2 million compared to €139.5 million for the same period of the previous year.

Consolidated revenues as at 30 September 2019

<i>amounts in €/000</i>	30.09.2019	30.09.2018	Var. %
Consolidated turnover at 30/09	424,941	467,893	-9.2

The cumulative consolidated turnover was down 9.2%, standing at €424.9 million compared to €467.9 million for the same period of the previous year.

The drop in turnover was due to the economic crisis in certain areas of the world (with a counter trend in North America as regards the agricultural sector and in China in the construction sector).

Despite the decline in volumes, margins for the quarter remained good, thanks to the improvement measures implemented, as well as to the containment of overheads.

EBITDA

EBITDA for the quarter

<i>amounts in €/000</i>	30.09.2019	% of turnover	30.09.2018	% of turnover	Var. %
EBITDA for the quarter	7,285	5.9	7,424	5.3	-1.9

Cumulative EBITDA as at 30.09.2019

<i>amounts in €/000</i>	30.09.2019	% of turnover	30.09.2018	% of turnover	Var. %
Consolidated EBITDA at 30/09	34,325	8.1	36,558	7.8	-6.1
Adjusted consolidated EBITDA at 30/09	35,617	8.4	36,858	7.9	-3.4

The adjusted EBITDA as at 30.09.2019 amounted to €35.6 million, 8.4% of turnover, a 3.4% decrease compared to €36.9 million (7.9% of turnover) for the same period of 2018.

It should be noted that at 30 September 2019 the margin was negatively affected by the restructuring costs incurred by the Argentine subsidiary amounting to €1.3 million, while at 30 September 2018 the margin was negatively affected to the tune of €300 thousand by the restructuring allocation of the Argentine subsidiary.

Net financial position of management

amounts in €/000	30.09.2019	30.06.2019	30.09.2018
Net financial position of management	-166,611	-155,125	-180,684

The consolidated net financial position as at 30 September 2019 was a negative at -€166.6 million, an improvement compared to the same period of the previous year (negative at -€180.7 million) thanks to the actions taken to reduce the net working capital of operations.

Merger of Carraro Germania Srl with Carraro SpA

Today's Board of Directors also approved the plan for the merger of Carraro Germania Srl with Carraro SpA.

Considering that Carraro S.p.A. holds the entire share capital of Carraro Germania Srl, the merger is subject to the rules on so-called "simplified" mergers pursuant to Article 2505 of the Italian Civil Code. A press release on the filing of the merger plan will follow.

It should be noted that the figures as at 30 September 2019, 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 uses some "alternative performance indicators" not stipulated in the IFRS accounting standards: EBITDA (understood as the sum of operating profit/(loss), amortisation, depreciation and impairment of fixed assets); EBIT (understood as operating profit/(loss) in the income statement); NET WORKING CAPITAL OF OPERATIONS: difference between trade receivables, net inventories and trade payables shown in the balance sheet; NET FINANCIAL POSITION OF OPERATIONS: 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, and the effects of the application of IFRS 16.

Carraro is an international group, leader in transmission systems for off-highway vehicles and specialised tractors, with consolidated turnover in 2018 of €624 million.

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 30.09.2019, the Group had 3,155 employees – of which 1,460 based in Italy – and manufacturing facilities in Italy (3), India (2), China, Argentina, and Brazil. For additional information visit carraro.com.



Press office contact details:

Massimiliano Franz, Head of Communication - Carraro Group

m. +39 334 6627367 / mfranz@carraro.com

Carlo Prato, True Public Relations

m. +39 335 6506483 / c.prato@true-rp.it