Press Release

CARRARO GROUP: Draft Financial Statements for 2019 Approved by the Board of Directors.

Despite a generalized decrease in volumes, there is a good result in terms of margins and net profit thanks to the positive industrial management and the structure of fixed costs.

The BoD approved a reorganisation project aimed at further supporting the Group's international growth.

- **2019 consolidated turnover at 548.8 million Euros, a 12% decrease compared to 624.1 million Euros** as at 31.12.2018

- **Consolidated EBITDA equal to 42.7 million Euros (7.8% of turnover)** compared to 51.9 million Euros (8.3% of turnover) as at 31.12.2018

- **Consolidated EBIT equal to 22.5 million Euros (4.1% of turnover)** compared to 31.3 million Euros (5% of turnover) as at 31.12.2018

- **Consolidated net profit equal to 8.1 million Euros** (1.5% of turnover) compared to 12.2 million Euros (1.9% of turnover) as at 31.12.2018

- **Consolidated net financial position as at 31.12.2019 negative for 123.6 million Euros**, a decrease both compared to the 155.1 million Euros recorded at 30.06.2019 and compared to the 156.6 million Euros at 31.12.2018

At the beginning of March, the forecast for the entire year 2020 show a slight increase in volumes compared to last year.

Looking at the contingent situation, estimates in India and China remain unchanged while programming difficulties for Europe and the United States are recorded.

Campodarsego (Padua), 17 March 2020 – The Board of Directors of Carraro SpA, **world leader in transmission systems for off-highway vehicles and specialised tractors**, met today under the chairmanship of Enrico Carraro to examine the draft Financial Statements for 2019, which will be submitted to the Shareholders' Meeting convened for 22 April.

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"Despite the drop in sales in 2019, a good result is consolidated in terms of margins and net profit. The structure of fixed costs allows us to absorb significant drops in volumes, ensuring an adequate profitability profile", comments **Enrico Carraro**, **Chairman of the Group**.

"The order book at the beginning of the year is potentially growing compared to expectations, above all thanks to the recovery of volumes in the Asian area, India and China in particular. – adds **Enrico Carraro** – At now*, our factories are operating regularly and some delays recorded at the the beginning of this situation has been reabsorbed allowing the activities to continue efficiently. However, the uncertainty of the impact that could cause the spread of the Covid-19 virus globally remains strong".*

"During today's Board of Directors, an important reorganization of the Group was also aimed at further supporting our growth internationally. On the one hand Carraro Drivetech Italia SpA, will be the head of Italian companies and businesses, and on the other Carraro International SE, a company governed by European law, will head the International ones. This is a structure that will allow us to have greater efficiency in terms of organization and management ", closes **Enrico Carraro**.

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Analysis of consolidated economic and financial data of 2019

2019 closed with a drop in volumes mainly attributable to the slowdown in the global economy, which impacted on both the important new Indian market, and to a lesser extent historical ones such as North America and Europe.

In addition, the year was one of significant uncertainties caused by continuous frictions on tariffs between the United States and China, as well as by the unknowns and tensions generated by Brexit.

These factors led to significant de-stocking initiatives (lowering of the stock level with an impact on component purchases) by some customers, in particular in the Drivelines Business Area.

At the market level, there was a compression of volumes both in the field of agricultural machinery, in every world region, and in construction and mining machinery, with only United States against the trend.

Despite the drop in sales, the Group showed a good result in terms of margins, thanks to improvement actions on the industrial structure and supply chain. This was impacted by the extraordinary restructuring costs incurred by the Carraro Argentina subsidiary.

Markets

Agricultural sector

2019 saw a slowdown in sales of agricultural machinery globally, albeit with different trends in the various areas of the world. During the last quarter there were some signs of a change in the trend.

In **Europe**, the market seems to have entered a recessionary phase. During 2019, sales of specialised tractors (vineyard-orchard) also followed this trend, albeit performing better than the other segments. The reduction in demand in Europe is also a consequence of the progressive increase in the price of new models caused by the introduction of increasingly stringent European Regulations (such as those relating to "Functional Safety" and the introduction of the "Emission Stage V" for engines).

In the **Turkish market**, both political and economic instability led to a sharp drop in sales. In the latter part of the year, the first signs of a reversal of the trend saw a drop in the stock of unsold tractors with manufacturers and on the sales network.

In **North America**, 2019 was overall positive for the agricultural sector, albeit with modest progress compared to the previous year, more so for tractors and less for harvesters. The demand trend was strongly impacted by the so-called "tariff war" with China, which is one of the major export destinations for American agricultural commodities.

China closed 2019 with a noticeable drop in demand caused by the persistence of the recession in the agricultural sector, due to the loss of a significant share of state contributions. This drop affected the various sizes of vehicles with a particular impact on tractors below 100 horsepower.

After 2018's record sales volumes, the **Indian market** showed a significant slowdown in 2019, both in relation to internal demand and exports. A slowdown period was to be expected in the constant growth trend of the market and in 2019, the monsoon and credit crisis, with banks being affected, also had an impact.

Construction equipment

After two years of record growth in sales volumes of construction and mining machinery, demand in 2019 gradually slowed down, especially in the second half of the year, due to the low growth rate of the economy in various areas of the world.

In **Europe**, after a first half with higher sales volumes than in the same period in 2018, the second half of the year was characterised by a reversal of this trend.

There was stagnant and very low demand in **Turkey** throughout 2019. The contraction in investment in new buildings continues to negatively impact domestic vehicle sales and local producers are essentially sustaining themselves with exports.

Good levels of demand characterised 2019 in **North America**, both in the Utility as well as larger machine sector, thanks to the overall growth of the economy, with positive effects on new investments in construction. However, there were some signs of a slowdown in the latter part of the year.

2019 in **China** closed with sales volumes for construction equipment at a good level and substantially in line with those of the previous year thanks to the postponement of the entry into force of the "China IV" emission level regulations.

In 2019, the **Indian market** recorded a substantial deceleration in sales of construction equipment compared to the previous year, due to both the impact of the credit crisis and the slowdown in the ambitious infrastructure plans launched by the central government.

In **Brazil**, the main market in South America, 2019 confirmed a recovery in demand for new vehicles thanks to the unblocking of certain investments in the construction sector, albeit remaining at modest levels in absolute terms.

Revenues

Turnover in 2019 amounted to 548.8 million Euros, down 12% compared to the turnover for the same period of the previous year (624.1 million Euros).

The drop in volumes is mainly attributable to the slowdown in the global economy, which impacted on both the important new Indian market, and to a lesser extent historical ones such as North America and Europe. In addition, 2019 was a year of significant uncertainties caused by continuous frictions on tariffs between the United States and China, as well as by the unknowns and tensions generated by Brexit.

These factors led to significant de-stocking initiatives (lowering of the stock level with an impact on component purchases) by some customers, in particular in the Drivelines Business Area. The Agritalia sector saw a drop in the number of tractors sold due to some delays in the application of EU incentives in markets in the Mediterranean area.

At the geographical area level, the significant contraction in sales in India (-30.7%) **puts the United States in first place as the reference market (13.9% of turnover).** All other geographical areas contracted, with a particular impact in **Turkey (-10.2%) and South America (-12.6%)** in line with the economy slowdown in those countries.

EBITDA and EBIT

Despite the drop in volumes, the Group showed a good result in terms of margins, thanks to improvement actions on the industrial structure and supply chain.

EBITDA as at 31 December 2019 came to 42.6 million Euros (7.77% of turnover), down 17.7% compared to 51.9 million Euros (8.3% of turnover) in 2018. **2019 EBIT amounted to 22.5 million Euros (4.1% of turnover)**, down 27.9% compared to 31.3 million Euros (5% of turnover) in 2018.

Once non-recurring effects were taken out, the adjusted EBITDA and EBIT fell compared to the previous year, both in absolute terms and as a percentage of turnover.

GROUP *(Values in Euro thousands)*	**31.12.2019**	***% of turnover***	**31.12.2018**	***% of turnover***
EBITDA	42,660	7.8%	51,858	8.3%
ADJUSTED EBITDA	43,961	8.0%	54,045	8.7%
EBIT	22,531	4.1%	31,284	5.0%
ADJUSTED EBIT	23,832	4.3%	33,471	5.4%

Net profit/(loss)

2019 closed with a profit of 8.1 million Euros (1.5% of turnover) down compared to 2018 (12.2 million Euros, 1.9 % of turnover).

The 2019 result was affected by non-ordinary items such as the restructuring costs relating to the downsizing of the Carraro Argentina subsidiary for a total of 1.3 million Euros (in 2018, the same restructuring costs amounted to 2.2 million Euros in addition to the related tax effect; -390 thousand Euros in 2019 and -769 thousand Euros in 2018).

Investments

In 2019, investments of 23.9 million Euros were made for the purchase of machinery and the maintenance of efficiency and modernisation of the plant and equipment in the various plants. The drop compared to the previous year was due to the fact that 2018 had been a year that saw significant investment (relating to industrial expansion in SIAP, Carraro India and Carraro Spa in Campodarsego).

Research and innovation

Research and innovation expenses in 2019 amounted to 22.6 million Euros, 4.1% of turnover (compared to 22.4 million Euros in 2018, 3.59 % of turnover).

Net financial position of operations

The consolidated net financial position at 31 December 2019 was negative for 123.6 million Euros, an improvement compared to 31 December 2018 (negative for 156.6 million Euros), **and compared to 30 June 2019 (155.1 million Euros).** The improvement compared to last year was especially seen in the final quarter, due to advances received from Agritalia customers, for the purchase and storage of engines for which payment for related goods was not made.

As at 31 December 2019, all the financial parameters envisaged by the banking contracts and by the bond issue regulations were complied with. Please note that the parameters of the bond issue are of the Incurrence Covenants type.

Performance by Business Area

- In 2019, **Carraro Drive Tech** (transmission systems and components) recorded **a total turnover of 454.5 million Euros**, compared to the 518.4 million Euros of 2018.

  The orders trend saw a significant contraction compared to the previous year and the uncertainties and turbulence mentioned in the introduction increased de-stocking initiatives implemented by the main customers during the year; only in recent months have there been slight signs of order recovery, especially in India, which will benefit the coming year.

  Despite the significant sales contraction, economic data analysis shows an encouraging hold in margins, essentially due to the positive effect of actions implemented over the past few years on production factors; this is clearly demonstrated by the ability to scale the use of external processes according to production needs and the consequent use optimisation of internal resources and, last but not least, the constant monitoring to contain fixed costs is highlighted, which allowed the effect of their lower absorption capacity, due to the drop in volumes, to be minimised.

  EBITDA is recorded at 41.5 million Euros (9.1% of turnover), down compared to 49.9 million Euros (9.6 % of turnover) in 2018. The 2019 results were affected by restructuring costs incurred by the Argentina subsidiary amounting to 1.3 million Euros (compared to restructuring costs in 2018 of 2.2 million Euros).

- **Agritalia** (tractors) **closed 2019 with a turnover of 118.1 million Euros (3,446 tractors),** down from 132.9 million Euros in 2018 (3,985 tractors) mainly due to the de-stocking phase involving some important customers, as well as delays in applying Community incentives in some Mediterranean area markets.

Margins were strengthened despite the drop in volumes, thanks to expected efficiency improvement activities in the supply chain. **2019 EBITDA amounted to 3.1 million Euros (2.6% of turnover), improved compared to the 2.9 million Euros (2.2% of turnover) in 2018.**

Business outlook

The first quarter of 2020 highlights a backlog of orders that is potentially growing compared to expectations, above all thanks to the recovery of volumes expected in the Asian area (India and China).

However, the uncertainty of the impact that could cause the spread of the virus called Covid-19 on a global level remains strong.

At the time of drafting this press release, our factories are operating at full speed and some delays recorded as a consequence of this contingency have been reabsorbed allowing the activities to continue efficiently.

Documentation

By 1 April 2020, the Annual Report, the Report of the Board of Statutory Auditors and the Report of the Independent Auditors and attached documents, as well as the Annual Report on Corporate Governance and Ownership Structures and the Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016 as at 31.12.2019 (so-called Sustainability Report) will be made available to the public at the registered office of the Company and at Borsa Italiana SpA, as well as on the Company's website www.carraro.com, in the Corporate Governance section.

General Members' Meeting

The Financial Statements will be approved by the General Members' Meeting that will be held on 22 April 2020.

The Board will propose to the Shareholders' Meeting to resolve on the distribution of a dividend of 0.10 Euro per share, with ex-date on 27 April 2020 and payment date on 29 April 2020. In this case, those who are Carraro SpA shareholders at the end of the record date of 28 April 2020 will be entitled to the dividend.

Group reorganisation project

At the same time as the approval of the draft financial statements for 2019, the Board of Directors of Carraro SpA met, together with the Boards of Directors of the subsidiaries Carraro International SE, Carraro Drivetech SpA and Carraro Drivetech Italia SpA and resolved **on a Group reorganisation aimed at further supporting the Group's international growth.**

In more detail, the reorganisation will mean the two companies directly controlled by Carraro SpA will be structured as follows: **Carraro Drivetech Italia SpA will take over Italian equity investments and business** and **Carraro International SE international equity investments**, thereby pursuing greater clarity and efficiency from an organisational and managerial point of view.

As a result of this reorganisation, **Carraro International SE will be firmly rooted as a company in the Luxembourg financial market and therefore able to make the most of the significant opportunities**

currently offered by this market, in the interest of the whole Group. The basic objective is to optimise the Group's operations on international financial markets, with more effective management of related costs to the benefit of the income statement and, in the medium term, to take advantage of financial market changes, also through a direct presence in the area where the changes occur.

The reorganisation will be divided into the following interconnected operations:

- the simplified partial demerger of Carraro International SE with the bonds and related financial assets assigned to the parent company Carraro SpA (CINT Demerger);
- the partial, non-proportional (so-called asymmetric) demerger, of Carraro Drive Tech SpA, with the "Drivetech Italia" business unit assigned to the newly established Carraro *Drive Tech Italia* SpA (CDT Demerger);
- on completion of the aforementioned operations, Carraro Drive Tech SpA, as resulting from the CDT Demerger, will be merged by incorporation into Carraro International SE, as resulting from the CINT Demerger (Merger);
- on completion of all the aforementioned operations, and in any event with an effect subsequent to them, the Carraro International SE headquarters will be transferred to Luxembourg.

Despite the fact that its tax advisers have given an overall favourable opinion on the operation structured as proposed, Carraro SpA has deemed it appropriate to obtain some clarifications from the Agenzia delle Entrate (Revenue Agency) in relation to the tax treatment of some controversial aspects naturally inherent in such a complex operation and therefore has filed an appeal.

Only following the outcome of the appeal, it will be possible to definitively determine the tax and financial burden of the operation as a whole and of the transfer in particular. Therefore, without prejudice to the strategic value of the entire reorganisation and in particular of the stages preceding the transfer, it cannot be excluded that it may be appropriate to reconsider the benefit of going ahead with the Transfer in light of the position taken by the financial administration through their response to the appeal.

However, the Boards of Directors of the Companies involved in the operation stressed that, even if it was decided not to go ahead with the Transfer, the benefit of carrying out the Demergers and Merger would remain, as they would bring about a significant improvement in the overall Group organisation.

The plans relating to the operations have been approved today. The related documentation will be filed and made available to the public in accordance with the applicable rules.

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.

For a correct comparison and better understanding of the actual results of the period, adjustments of actual data have been highlighted in this disclosure. 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 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: difference between Trade Receivables, Net Inventories and Trade Payables in the balance sheet; 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, 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 2019 of €548.8 million.

The Group's activities are divided into two Business Areas:

- **Drive systems and components**
  Through the subsidiaries Carraro Drive Tech and SIAP, the Group designs, manufactures and sells transmission systems (axles and transmissions) 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 Divisione Agritalia, the Group designs and manufactures specialised 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 specialised Carraro-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 31.12.2019, the Group had 3,092 employees – of which 1,424 based in Italy – and has manufacturing facilities in Italy (4), India, China, Argentina and Brazil. For additional information visit **carraro.com**.

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Attachments: extract of the Statement of Financial Position and Income Statement of the Statutory and Consolidated Financial Statements as at 31.12.2019

Carraro S.p.A. December, 31 2019

(Figures not audited by independent auditors)

Balance Sheet (values in thousands Euro)

IAS/IFRS	Dec 31, 2019	Dec 31, 2018
Fixed assets	**181.824**	**181.896**
Tangible	47.355	44.625
Intangible	11.903	13.382
Capital assets	540	540
Investments	108.096	108.280
Financial assets	1.383	1.458
Deferred taxes assets	12.518	13.553
Trade and other current receivables	29	58
Current assets	**102.976**	**63.466**
Inventory	51.590	25.938
Trade and other current receivables	37.412	33.798
Financial assets	669	898
Liquid assets	13.305	2.832
Total assets	**284.800**	**245.362**
Shareholders' equity	**86.359**	**82.240**
Non current liabilities	**58.048**	**57.598**
Financial liabilities	54.628	54.048
Trade and other non current payables	-	-
Deferred taxes liabilities	-	-
Provision for indemnity, pension and similar	2.433	2.384
Provision for risks and contingencies	987	1.166
Current liabilities	**140.393**	**105.524**
Financial liabilities	12.323	29.481
Trade and other current payables	120.957	64.230
Current taxes	2.148	3.956
Provision for contingencies and obligations	4.965	7.857
Total liabilities & shareholders' equity	**284.800**	**245.362**
Management Net financial position	**50.714**	**78.430**

Income statement (values in thousands Euro)

	Dec 31, 2019		Dec 31, 2018	
Revenues	142.639		159.853	
Cost of material	- 118.807		- 92.931	
Services	- 22.352		- 26.028	
Leases	- 5		- 84	
Cost of personnel	- 26.612		- 26.999	
Depreciations and writedown of Assets	- 4.972		- 4.823	
Writedown Of Receivables	-		-	
Changes in inventories stock	25.651		- 10.624	
Provison for risks and contingencies	- 794		- 2.032	
Other incomes / expenses	3.632		1.539	
EBIT	**- 1.620**	**-1,1%**	**- 2.129**	**-1,3%**
EBITDA	**3.351**	**2,3%**	**2.694**	**1,7%**
Incomes from investments	17.195		14.282	
Financial incomes / expenses	- 4.800		- 6.297	
Incomes / losses in exchange rates	- 31		- 81	
Adjustments of the value of financial essets	-		- 713	
Net result before taxes	**10.744**		**5.062**	
Income and deferred taxes	3.488		2.960	
Net result divestment of the activities	-		-	
Minority interest	-		-	
Net Result	**14.232**	**10,0%**	**8.022**	**5,0%**

Carraro Group December, 31 2019

(Figures not audited by independent auditors)

Balance Sheet (Euro thousands)

IAS/IFRS	Dec 31, 2019	Dec 31, 2018
Fixed assets	**245.874**	**247.686**
Tangible	158.785	150.721
Intangible	52.544	54.701
Capital assets	695	695
Investments	1.506	7.248
Financial assets	7.774	8.656
Deferred taxes assets	20.389	20.714
Trade and other current receivables	4.181	4.951
Current assets	**295.623**	**274.161**
Inventory	123.212	118.409
Trade and other current receivables	94.243	116.816
Financial assets	2.048	3.319
Liquid assets	76.120	35.617
Assets held for sale	-	-
Total assets	**541.497**	**521.847**
Total group shareholders' equity	**73.304**	**77.074**
Non current liabilities	**209.625**	**202.919**
Financial liabilities	194.096	186.379
Trade and other non current payables	115	270
Deferred taxes liabilities	1.899	2.411
Provision for indemnity, pension and similar	9.769	9.656
Provision for risks and contingencies	3.746	4.203
Current liabilities	**258.568**	**241.854**
Financial liabilities	17.861	18.037
Trade and other current payables	219.247	198.230
Current taxes	5.331	7.864
Provision for contingencies and obligations	16.129	17.723
Liabilities held for sale	-	-
Total liabilities & shareholders' equity	**541.497**	**521.847**
Management Net financial position	**123.617**	**156.581**

Income Statement (Euro thousands)

	Dec 31, 2019		Dec 31, 2018	
Revenues	548.846		624.115	
Cost of material	- 344.266		- 381.727	
Services	- 77.751		- 96.018	
Leases	- 84		- 1.059	
Cost of personnel	- 91.835		- 92.895	
Depreciations and writedown of Assets	- 20.129		- 20.574	
Writedown Of Receivables	- 106		- 49	
Changes in inventories stock	6.635		- 489	
Provison for risks and contingencies	- 7.359		- 6.188	
Other incomes / expenses	8.580		6.168	
EBIT	**22.531**	**4,1%**	**31.284**	**5,0%**
EBITDA	**42.660**	**7,8%**	**51.858**	**8,3%**
Incomes from investments	280		1.517	
Financial incomes / expenses	- 9.856		- 10.650	
Incomes / losses in exchange rates	74		- 1.377	
Adjustments of the value of financial essets	- 2.234		- 1.205	
Income (charges) from hyperinflation	- 359		- 1.023	
Net result before taxes	**10.436**		**18.546**	
Income and deferred taxes	- 1.640		- 5.374	
Minority interest	- 675		- 985	
Net consolidated result	**8.121**	**1,5%**	**12.187**	**2,0%**