

CARRARO GROUP:**The Board of Directors analyse the results for the first quarter of 2020**

In March, volumes were adversely affected by the situation brought about by the Covid-19 pandemic, which led to almost all the main players in both the agricultural and construction equipment sectors temporarily suspending production work.

- **Consolidated turnover was 127.8 million euros**, down 15% on the 150.3 million euros in the first quarter of 2019.
- **Consolidated EBITDA for the first quarter came in at 9.6 million euros (7.5% of turnover)**, down on the 14.5 million euros (9.7% of turnover) in the same period in 2019 due to the reduction in revenues in the latter part of the period.
- **Net financial position of operations at 31 March 2020 was a negative 138.7 million euros**, an better than in the same period in 2019 (157.2 million euros), but as expected, due to bunkering of engines for Agritalia, an increase on the figure at 31 December 2019 (123.6 million euros).

Campodarsego (Padua), 11 May 2020 – Carraro S.p.A., a global leader in transmission systems for off-road vehicles and specialist tractors, today released the Group's results for the first quarter of 2020.

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“The start of 2020 has been significantly influenced by the Covid-19 pandemic, which has affected every area of the world and every sector. In our case, this situation has thwarted a potentially very positive order portfolio, which would have led to significant results, in terms of both volumes and profitability,” says **Enrico Carraro, Group Chairman**.

“We have addressed this contingency with a great sense of responsibility, following the rules of the governments in whose countries we have our production sites and always putting the protection of our employees' health first,” Carraro adds. *“Straight away we took every possible action to limit negative economic effects on the Group, like for example recourse to the temporary redundancy fund in Italy. At the same time, thanks to smart working, we maintained our with all our business partners and in particular the R&D network. Carraro went on with its development programmes, albeit long-distance, in Italy, India, China and South America, in order to meet the goal of respecting clients' wishes and ensuring new products come out. All this has allowed us to return now with great efficiency to almost every one of our sites.*

“We are now monitoring plans to restart production very carefully, in all the different geographical areas of the world, by both customers and suppliers, in order to better run our supply chain harmoniously with the Group's industrial activities,” concludes **Enrico Carraro**. *“It's not easy at the moment to make precise predictions of the economic effects the Covid-19 emergency could have on our results, but whatever happens our fixed costs structure, in its current dimensions, will let the Group absorb even significant drops in volumes and ensure satisfactory profitability”.*

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Consolidated results as at 31 March 2020

The first quarter of 2020 closed with a decrease in profitability on the first quarter of the previous year.

After a start to the year that was above expectations thanks to a positive volume trend, in March the effects of the spread of the Covid-19 pandemic became apparent, first in Italy and then gradually in the other countries in which we operate. In particular, in India, one of the Group's leading target markets and its second largest production site, the lockdown occurred suddenly, leading the country to a sudden and total shutdown.

The lower volumes had an impact on margins in March, which compromised the entire quarter; thanks to the Group's immediate response with the activation of all the cost containment measures (such as temporary redundancy fund in Italy) the P&L remained at breakeven.

Group condensed income statement / First quarter of 2020

<i>amounts in €/000</i>	31.03.2020	% of turnover	31.03.2019	% of turnover	Var. %
Turnover	127,794		150,268		-15
EBITDA	9,574	7.5%	14,512	9.7%	-34
Net profit/(loss)	22	0.0%	4,287	2.9%	n.r.

Revenues

Group consolidated turnover for the first quarter amounted to 127.8 million euros, a 15% decrease on the 150.3 million euros recorded in the first quarter of 2019, due to a contraction in volumes.

EBITDA

Consolidated EBITDA for the first quarter amounted to 9.6 million euros, down on the 14.5 million euros in the same period of 2019, as a result of lower volumes and includes the effects of actions aimed at reducing costs such as the use of holidays and, in Italy, recourse to the temporary redundancy fund.

Net financial position of operations

<i>amounts in €/000</i>	31.03. 2020	31.12.2019	31.03.2019
Net financial position of operations	-138,676	-123,617	-157,233

The consolidated net financial position of operations at 31 March 2020 was a negative 138.7 million euros, an increase, as expected, on the figure at 31 December 2019 (123.6 million euros) and an improvement on the same period in 2019 (157.2 million euros). It should be noted that the improvement in the net financial position of operations at 31 December 2019 was accentuated, thanks to certain advances received from

customers from the Agritalia division for bunkering (storage of engines that will be used in production in the coming years).

At the moment there are no particular problems with regard to the net financial position, thanks to careful management of working capital and cash and cash equivalents.

Second quarter performance

In the light of the Covid-19 contingency – in line with a general situation that has seen production by all the main global players in our sectors come to a standstill – in April the Group's production activities in Italy (apart from the spare parts site) and India came to a complete halt, accompanied by a partial suspension in Argentina and Brazil. In May, all plants resumed 100% of their capacity, with the exception of the Indian plants, which restarted at 30% of their potential, with a gradual increase in order to reach full capacity as soon as possible.

Carraro China, which had been the first to suffer the impact of the emergency, closing down on the Chinese New Year, has been fully operational since mid-February.

With regard to the outlook for the coming months, a careful assessment of the portfolio is currently in progress, in line with plans to restart in all the geographical areas of the world, so as to allow careful planning of the supply chain and adaptation of industrial activities to the "new normality" in plant management and work organisation.

The fixed costs structure, in its current dimensions, will allow the Group to absorb significant decreases in volumes, ensuring an adequate profitability profile.

R&D activities linked to Carraro's strategic positioning in the long term remain a priority. Even in the lockdown phase, these functions continued their development programmes in Italy, India, China and South America in smart working, with the aim of meeting customer expectations and ensuring the start of new product production.

The return to full capacity of production activities is subject to the utmost safety of Carraro people, and therefore strict protocols have been adopted within the Group to control and contain the spread of the Covid-19 virus. These procedures include, inter alia, the use of specific PPE in factories and offices, distancing of workstations and careful monitoring of the state of health of anyone entering the company.

Target markets

Agriculture

As far as the agricultural machinery sector is concerned, the first quarter of 2020 saw most of the trends already in place in 2019 confirmed. The last part of the period, however, saw a serious deterioration, due to the effects of the Covid-19 pandemic. This trend is expected to continue throughout the second quarter.

In Western Europe in particular, the market, which had already slowed down at the beginning of the year, has seen a complete freeze in sales, including for specialist tractors (for vineyards and orchards). Considering the contingency, with a view to disposing of the stock of tractors with Stage IIIB engines, the European Union has been asked by all OEMs to postpone entry into force of legislation on the new Stage V engines.

In North America, the slight increase in sales at the start of 2020, driven mainly by tractors and to a lesser extent by agricultural machinery, it is reasonable to expect a setback as the health crisis spreads.

In China, although the substantial recession in the agricultural sector continued, the quarter ended with a timid positive sign, especially in the market for the larger machines (200 hp), while the demand for vehicles under 100 hp still remains penalised.

Finally, India, which in the first quarter of 2020 seemed to have entered a phase of robust growth in demand for agricultural machinery, has suffered a setback. Confirmation of the trend will depend on the effectiveness in containing the pandemic and on the duration and extension of the lockdown imposed by the central government.

Construction equipment

The effects of the spread of the Covid-19 virus have also had a significant impact on the construction equipment sector in the first quarter, albeit to a lesser extent than in the agricultural sector, and sales are expected to fall sharply in the second quarter.

The start of 2020 in Europe saw some growth in demand, but this came to a sharp halt as the pandemic spread. The second quarter will be negatively affected by the lockdown imposed on production activities in various countries and the outlook for the medium term will be affected by the ability to maintain the investment plans defined before the health crisis.

For the same reasons, the North American market, which was already experiencing a general slowdown in the first few months of the year compared to the same period in 2019, is forecasting a further decline in demand in the second quarter.

On the contrary, in China, the place in which the health crisis first occurred, volumes were up in the first quarter of 2020 compared to last year, mainly due to strong demand for crawler excavators. The majority of local production was intended for the domestic market, but there was also a good performance in exports.

The first quarter of the year in India was marked by a slight increase in demand for machinery compared to the second half of 2019, but in relation to today's contingency, a sharp decline is expected in the second quarter. The extent of this slowdown for the entire year will depend, as for the agricultural sector, on the effectiveness of the pandemic containment measures, the duration and extent of the lockdown, and the ability to maintain the planned infrastructure investments.

It should be noted that the figures as at 31 March 2020, 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.

Group reorganisation project

Today the demerger and merger operations provided for in the Group's corporate reorganisation project, already communicated on 17 March 2020, were also approved, the details of which will be disclosed to the market in accordance with the applicable legislation.

In more detail, this reorganisation, which aims to further support the Group's international growth, will lead to it owning an asset encompassing two direct Carraro S.p.A. subsidiaries: Carraro Drivetech Italia S.p.A., covering shares and Italian business, and Carraro International SE, covering international shares. This will lead to greater clarity and efficiency in organisation and management.

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, deducting, where applicable, non-current receivables and financial assets, and the effects of the application of IFRS 16.

Carraro is an international group, a leader in transmission systems for off-road vehicles and specialised tractors, with consolidated turnover in 2019 of 548.8 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 31 March 2020, the Group had 3,198 employees – of which 1,461 were based in Italy – and manufacturing facilities in Italy (three), India (two), China, Argentina, and Brazil. For additional information visit carraro.com.

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