

**CARRARO GROUP: the Board of Directors has approved the Group's results as at 30.06.2020**

Turnover as at 30.06.2020 amounted to € 215.9 million, down 28% compared to the same period in 2019.

Despite the significant contraction in volumes, as at 30.06.2020, EBIT amounted to € 0.8 million (0.4% of turnover), compared to € 17 million in the previous year (5,6% of turnover). EBITDA margin, although deteriorating in absolute terms, is positive, thanks to the industrial actions undertaken. As at 30.06.2020, EBITDA amounted to € 11.1 million (5.14% of turnover), compared to € 27 million as at 30.06.2019 (9% of turnover).

The half year closed with a loss of € 3.8 million (-1.8% of turnover) compared to the net profit of the same period of 2019 (€ 5.6 million, 1.9% of turnover).

Consolidated Net Financial Position of operations as at 30.06.2020 was negative at € 149.4 million, improving compared to 30.06.2019 (€ 155.1 million) but worsening, as expected, compared to 31.12.2019 (€ 123.6 million).

The effects of the production lockdown of the Group's plants, resulting from the global spread of Coronavirus, had a major impact on volumes and results which - based on the order backlog - would have been in line with 2019.

The visibility of the order backlog for the second half of 2020 shows a positive trend, recovering compared to the first half of the year.

The possibility of a new issue on the bond market in support of an external growth programme is under consideration. Objectives of possible acquisitions: dimensional growth and technological development in order to achieve a significant acceleration in the improvement of results.

**Campodarsego (Padua), 29 July 2020** – The meeting of the Board of Directors of Carraro SpA, 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 2020.

*“The half-year just ended was significantly affected by the contingency linked to the global spread of the Coronavirus. An unprecedented situation that also had a significant impact on almost all our customers and suppliers. In March, our order book marked a recovery compared to 2019, then everything changed. – said Enrico Carraro, Group Chairman – In this context of significant compression of volumes, however, the results show positive profitability, confirming our ability to optimise the Group's break-even point in recent years. We are now taking all the necessary steps to manage the restart of our markets in the best possible way and for the second part of the year we are ready to respond to the recovery in volumes”.*

*“These months have also been an opportunity for us to look to the future. We are reorganising our activities and defining an action plan that will allow us to expand the Group's perimeter. – added **Enrico Carraro** Precisely for this reason, close to our significant R&D activities for internal growth, a new issue on the bond market is being studied to support a growth program by external means with the aim of some operations fostering on the one hand a dimensional growth and on the other the technological development of our skills to obtain a significant acceleration in the improvement of the results”.*

### **Consolidated results as at 30 June 2020**

**Turnover as at 30 June 2020 amounted to 215.9 million Euros**, down 28% compared to the same period of the previous year (301.7 million Euros). This decrease was the **result of production lockdowns due to the global spread of the Coronavirus**.

**Net of this contingency, which led to the cancellation and postponement of orders worth over 87 million Euros, volumes would have been in line with those of the first half of 2019.**

In line with 2019, the first six months confirmed the shift in sales by geographical area, with Asian markets (India and China) overtaking the most important traditional market, North America.

### **EBITDA and EBIT**

**EBITDA as at 30 June 2020 amounted to 11.1 million Euros, 5.1% of turnover**, compared to 27 million Euros, 9% of turnover, as at 30 June 2019.

Despite the significant contraction in volumes, **EBIT as at 30 June 2020 was positive, thanks to the industrial actions undertaken** – that made it possible to mitigate the inefficiencies resulting from the sudden halt in production activities, as well as the correct dimensioning of the fixed cost structure – and **stood at 0.8 million Euros, 0.4% of turnover**, down compared to the previous year, 17 million Euros, 5,6% of turnover.

Net of the Coronavirus contingency, and the consequent cancellations and postponements of orders in the period March-June 2020, taking into account the overall quality of the order backlog at the beginning of March and the Group's variable and fixed cost structure, **it is reasonable to believe that if there had not been such a trend in orders, also EBITDA and EBIT might not have deviated significantly from that recorded in the first half of the previous year (EBITDA of 27 million Euros).**

### **Net profit/(loss)**

**The half year closed with a loss of 3.8 million, -1.8% of turnover**, compared to the same period of 2019 (5.6 million Euros, 1.9% of turnover). Net profit/loss **was negatively impacted by the decrease in volumes due to the health crisis**.

Profit as at 30 June 2019 had been negatively affected by write-downs on investments in the Chinese joint venture and the associate Enertronica, for a total of 2.2 million Euros, as well as by accounting for hyperinflation for the Argentinian subsidiary, for approx. 668 thousand Euros.

## Investments

**Investments of 4.6 million Euros were made in the first half of 2020, a significant slowdown compared to 9.9 million Euros in 2019 due to the lockdown of the Group's plants.** These investments were aimed at maintenance and modernisation of plant and equipment and the development of R&D projects.

## Net financial position of operations

**The consolidated net financial position of operations as at 30 June 2020 was negative at 149.6 million Euros,** a deterioration compared to 31 December 2019 (negative at 123.6 million Euros), but an improvement compared to 30 June 2019 (negative at 155,1 million Euros).

It should be remembered that 31 December 2019 had been positively influenced by the advances received from customers of the Agritalia division for bunkering activities. In addition, financial management suffered the effects of the slowdown due to the economic crisis linked to the spread of the Coronavirus.

In the light of the crisis situation, lending institutions decided to suspend application of the financial parameters as at 30 June 2020.

In view of the uncertainties related to the duration of the crisis, **a series of opportunities has been activated to mitigate its potential future negative effects, initiating requests for additional credit lines and considering the possibility of a new issue on the bond market to support an external growth programme.**

Referring to this programme, **the company is evaluating - with the assistance of its advisors - a plurality of possible targets on the national and international market with two main objectives - dimensional growth and technological development - in order to obtain, also thanks to possible synergies, a significant acceleration in the improvement of results.**

## Performance by business area

- **Carraro Drive Tech** (transmission systems and components), due to the economic situation related to the spread of the Coronavirus at every latitude, experienced a significant contraction in volumes and in the first half of 2020 recorded **turnover of 171.6 million Euros**, compared to 243.4 million Euros in the same period of 2019, with a decrease of 29.5%.

Despite the significant decrease in volumes, margins - in their variable components - improved slightly in percentage terms compared to the same period of the previous year, confirming the validity of the actions undertaken in the product transformation phases which made it possible to mitigate the inefficiencies resulting from the sudden stoppage of production activities. Specifically, **EBITDA amounted to 14.5 million Euros (8.5% of turnover)**, down by 45.5% compared to 26.7 million Euros (11% of turnover) in 2019.

The main target markets of the Drivetech Business Area, all of which contracted in the first half of the year, show different trends: construction equipment (the main market in which the Business Area operates with 39.7% of turnover), recorded a 39.3% decrease in volumes, the agricultural machinery sector (34.5% of total turnover) suffered a contraction of 18.6%, material handling (4.9% of total turnover) recorded a 46.1% decrease and, finally, the automotive market stood at 3.8% of total turnover recording a 16.1% decrease.

- **Agritalia** (tractors) closed the first half of 2020 with a **total turnover of 54.3 million Euros**, down by 25% compared to 72.7 million Euros as at 30 June 2019. The significant compression in volumes is due to the production stoppage that became necessary from February 2020 due to the Coronavirus contingency and certain delays related to the extended closure of other key suppliers.

In the presence of this significant decrease in volumes (1,595 tractors in 2020 compared to 2,134 tractors in 2019), margins, although deteriorated compared to the same period of the previous year in absolute terms, remained positive thanks to the careful management of fixed costs and the use of social security benefits.

**EBITDA in the first half of 2020 amounted to 291 thousand Euros (0,5% of turnover)** compared to 2.2 million Euros (3% of turnover) in the same period of 2019.

### **Business outlook**

Constant monitoring of the evolution of the order backlog is in progress, with particular attention to cash flow and the modulation of procurement. At the same time, constant monitoring of expenses and investments continues in order to efficiently implement production and cost containment plans, particularly in Italy, with the activation of social security benefits (such as Cassa Integrazione - Wage Support) in order to mitigate the negative economic effects of the current economic situation.

Despite the increase in the net financial position of operations due to the slowdown in economic activity, the Group's financial profile is well balanced and negotiations have begun to obtain new credit lines to deal with any shocks that may arise in the near future.

At the moment, the visibility of the order backlog for the second half of 2020 shows a positive trend, recovering compared to the first half of the year.

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.*

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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 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: abstract from the Consolidated Balance Sheet and Income Statement as at 30.06.2020**

## Carraro Group June, 30 2020

### Balance Sheet (Euro thousands)

IAS/IFRS	Jun 30, 2020	Dec 31, 2019
<b>Fixed assets</b>	<b>239.781</b>	<b>245.874</b>
Tangible	152.339	158.785
Intangible	51.159	52.544
Capital assets	695	695
Investments	1.619	1.506
Financial assets	9.046	7.774
Deferred taxes assets	20.284	20.389
Trade and other current receivables	4.639	4.181
<b>Current assets</b>	<b>348.374</b>	<b>295.623</b>
Inventory	125.022	123.212
Trade and other current receivables	80.177	94.243
Financial assets	2.372	2.048
Liquid assets	140.803	76.120
<b>Assets held for sale</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>588.155</b>	<b>541.497</b>
<b>Total group shareholders' equity</b>	<b>65.698</b>	<b>73.304</b>
<b>Non current liabilities</b>	<b>264.214</b>	<b>209.625</b>
Financial liabilities	249.329	194.096
Trade and other non current payables	88	115
Deferred taxes liabilities	1.211	1.899
Provision for indemnity, pension and similar	9.746	9.769
Provision for risks and contingencies	3.840	3.746
<b>Current liabilities</b>	<b>258.243</b>	<b>258.568</b>
Financial liabilities	54.924	17.861
Trade and other current payables	183.382	219.247
Current taxes	3.542	5.331
Provision for contingencies and obligations	16.395	16.129
<b>Liabilities held for sale</b>	<b>-</b>	<b>-</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>588.155</b>	<b>541.497</b>
<b>Management Net financial position</b>	<b>149.609</b>	<b>123.617</b>

### Income Statement (Euro thousands)

	Jun 30, 2020	Jun 30, 2019
Revenues	215.913	301.707
Cost of material	- 133.451	- 186.209
Services	- 33.614	- 42.889
Leases	- 48	- 92
Cost of personnel	- 44.101	- 48.209
Depreciations and writedown of Assets	- 10.282	- 10.038
Writedown Of Receivables	- 36	- 16
Changes in inventories stock	3.900	1.456
Provision for risks and contingencies	- 1.415	- 2.703
Other incomes / expenses	3.960	3.995
<b>EBIT</b>	<b>826</b>	<b>17.002</b>
<b>EBITDA</b>	<b>11.108</b>	<b>27.040</b>
Incomes from investments	-	-
Financial incomes / expenses	- 5.648	- 5.096
Incomes / losses in exchange rates	- 99	- 188
Adjustments of the value of financial assets	113	- 2.211
Income (charges) from hyperinflation	205	- 229
<b>Net result before taxes</b>	<b>- 4.603</b>	<b>9.507</b>
Income and deferred taxes	926	- 3.358
Minority interest	- 78	- 528
<b>Net consolidated result</b>	<b>- 3.755</b>	<b>5.621</b>
	<b>-1,7%</b>	<b>1,9%</b>