

CARRARO GROUP: Draft Financial Statements for 2020 Approved by the Board of Directors.

Margins stable, despite the drop in volumes due to the lockdowns.

In view of the prospect of an improvement in the pandemic emergency, the Board of Directors will propose to the Shareholders' Meeting to approve the distribution of a dividend of 0.15 Euros per share.

- **2020 consolidated turnover at 478.7 million Euros, a 13% decrease compared to 548.8 million Euros as at 31.12.2019**
- **Consolidated EBITDA equal to 32.6 million Euros (6.8% of turnover) compared to 42.7 million Euros (7.8% of turnover) as at 31.12.2019; adjusted EBITDA, net of non-recurring effects, equal to 37 million Euros (7.7% of turnover) compared with 43.9 million Euros (8% of turnover)**
- **Consolidated EBIT equal to 12.2 million Euros (2.5% of turnover) compared to 22.5 million Euros (4,1% of turnover) as at 31.12.2019; adjusted EBIT, net of non-recurring costs, equal to 16.7 million Euros (3.5% of turnover) compared with 23.8 million Euros (4,3% of turnover)**
- **Net consolidated loss of 3,3 million Euros (-0.7% of turnover) compared to a profit of 8.1 million Euros (1.6% of turnover) as at 31.12.2019; net of the effects of non-recurring operations, and after the corresponding tax effect, adjusted net profit/(loss) at break-even**
- **Consolidated net financial position as at 31.12.2020 negative at -143.8 million Euros, an improvement compared to the -149.6 million Euros as at 30.06.2020 but a deterioration compared to the -123.6 million Euros as at 31.12.2019**

The first half of 2021 shows a growing order backlog thanks to the positive performance of all target markets.

The strong recovery in all target markets, and overall in the entire industrial world, is significantly affecting supply flows, causing inefficiencies to the entire production system. A situation that the Group is carefully monitoring, working alongside its strategic partners.

Campodarsego (Padua), 26 March 2021 – 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 2020, which will be submitted to the Shareholders' Meeting convened for 29 June.

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*"We leave behind a year characterised by positive and negative aspects. The potential of a significantly higher order backlog compared to 2019 was frustrated by the impact resulting from production lockdowns related to the Covid-19 pandemic. – said **Enrico Carraro, Group Chairman** – As early as the middle of the year we recorded a considerable recovery in volumes and, in particular, since the last quarter of 2020, the trend reversal was consolidated with a robust growth in volumes. Margins, although significantly impacted by extraordinary costs linked to the contingency, remain solid and net of these effects are aligned with those of the previous year".*

*"In the first few months of 2021, we are experiencing a further acceleration in demand, and the new challenge now lies in the Group's ability to provide appropriate responses to its customers. – added **Enrico Carraro** – We are working alongside the Group's key suppliers to ensure the appropriate material flows needed to meet increased demand".*

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Analysis of consolidated economic and financial data of 2020

After a very positive start to the year, with significantly growing volumes, at the end of the first and during the second quarter, the Group suffered a drastic slowdown due to the impact of the lockdowns imposed in the various areas of the world with the aim of containing the spread of the Covid-19 pandemic.

Precisely during the volume recovery phase, in September the Carraro Group suffered an IT attack that caused the production stoppage of a number of plants and certain operational difficulties. The prompt recovery activities allowed a progressive and rapid restart of operations, guaranteeing their quality.

Despite the significant sales contraction, the economic data analysis highlights an encouraging stability in margins, essentially due to the positive effect of the various actions implemented over the past few years on production factors; despite the stoppage of activities and the resulting slowdown, all Group companies were able to optimise the use of internal resources, significantly limiting the use of social security benefits in Italy, holidays and other government incentives.

An analysis of profitability indicators (EBIT and EBITDA), adjusted to take account of certain non-recurring items, shows that margins are substantially in line in percentage terms with the previous year. This is the result of the responsiveness deployed in the first half of the year and targeted actions to contain fixed costs. This result can be considered a significant success, given the scope and duration of the global health crisis.

Markets

Agricultural sector

Despite the pandemic-related contingency, the decline in vehicle sales was more limited than might have been expected, and the reduction in volumes was concentrated in the first half of 2020.

In the first half of the year, which is more important due to seasonality, **Europe** recorded a significant drop in sales compared to 2019, while from the third quarter onwards, there were significant signs of recovery in demand, for all types of agricultural machinery, and this trend consolidated in the latter part of the year.

In **Turkey**, the tractor market regained significant momentum (+50/70% depending on vehicle type and size compared to 2019) thanks to a strong increase in demand following a long phase of unsold inventory destocking across the distribution network of major local manufacturers.

In **North America**, 2020 closed with a clear progression in sales volumes of all categories of agricultural machinery compared to the previous year. The demand trend was again influenced by trade tensions with China, one of the major export destinations for American agricultural products, whilst the spreading effects of the lockdowns caused by the pandemic did not seem to have had any effect on machinery sales.

In **China**, the first country to resume operations after the lockdown, 2020 saw a strengthening of demand for new agricultural machinery compared to the previous year, although it still remained at an absolute level that was not high compared to the potential of this market. After a long period of recession, the sector saw a change in trend, with tractors ranging from 60 to 100 horsepower being the most popular.

In **India**, after a first half of the year with very low sales figures due to the combined effect of the spread of the COVID 19 pandemic and the locust invasion, the tractor market saw a sharp increase in demand from the end of the second quarter. Moreover, the agricultural machinery segment is undergoing a phase of technological transformation that sees an increasing preference for 4-wheel drive vehicles, for which the Group is world leader.

Construction equipment

As for the agricultural sector, the construction equipment sector also experienced a non-linear trend in demand due to the pandemic situation: compared to a significantly lower first half of the year compared to 2019, this was followed by a significant rebound in sales volumes, starting in the third quarter of the year, which then consolidated in the fourth quarter.

In **Europe** in 2020, following a moderately optimistic start in the demand for construction vehicles, the situation deteriorated rapidly during the second quarter as a result of the spread of the pandemic with the associated halt in construction activities and the consequent low propensity to purchase new machinery. The third quarter, however, showed clear signs of recovery, which continued until the end of the year.

Turkey confirmed signs of a new-found vitality in demand after a long period of recession and the impact of Covid-19 does not appear to have been significant in the area.

In **North America**, 2020 started at a slower pace than in the same period of the previous year. This area was also affected by the end of a growth cycle that has lasted several years, almost without interruption. The negative trend remained substantially unchanged until the third quarter and signs of a recovery in demand were only seen in the latter part of the year.

In **China**, despite the negative impacts of the lockdown, 2020 remained on the rise, thanks to continued large infrastructure investments by the central government and the various provinces and strong demand

for crawler excavators. In 2020, the Chinese market absorbed more than 30% of the global construction machinery volume.

In **India**, following a first quarter with growing sales and a sharply declining second quarter, the second half of the year saw a significant rebound in demand. Nevertheless, overall sales for 2020 were significantly lower than the previous year.

In **Brazil**, demand for new vehicles in 2020 was better overall than the previous year, due to the release of certain new investments in the construction sector, although, in absolute terms, it remained at a level far from pre-2014 levels.

Revenues

Turnover in 2020 amounted to 478.7 million Euros, down 13% compared to the turnover for the same period of the previous year (548.8 million Euros).

This decrease was mainly due to the consequences of the production lockdowns imposed globally with the aim of containing the spread of the Covid-19 pandemic.

At the geographic area level, albeit recording a limited decline in absolute terms (-7.1%), **India** went against the trend compared to 2019, in first place overall, ahead of the group's historic market, **North America** (down by -26.3%). All other geographic areas decreased, except for **Turkey** which regained significant momentum in 2020 (+125.2%).

EBITDA and EBIT

Despite the reduction in volumes, margins decreased to a limited extent, thanks to the ability to react after the slowdown resulting from the various lockdowns and the actions taken to improve the industrial structure and the supply chain.

These were negatively affected, as non-recurring operating items, by the costs incurred to adapt workplaces to the health situation (costs for sanitisation and purchase of masks, sanitisers and safety equipment), the costs incurred due to the cyber attack, the impairment costs of an engineering contract, as well as the costs for the restructuring of the Argentine subsidiary.

EBITDA as at 31 December 2020 came to 32.6 million Euros (6.8% of turnover), down 23.7% compared to 42.7 million Euros (7.8% of turnover) in 2019. **2020 EBIT amounted to 12.163 million Euros** (2.5% of turnover), down 46% compared to 22.5 million Euros (4.1% of turnover) in 2019.

Having eliminated non-recurring effects, adjusted EBITDA and EBIT were down compared to 2019 in absolute terms; as a percentage of turnover, on the other hand, they were in line with the previous year.

<i>GROUP (amounts in Euros/000)</i>	31.12.2020	<i>% of turnover</i>	31.12.2019	<i>% of turnover</i>
EBITDA	32.567	6.8%	42,660	7.8%
ADJUSTED EBITDA	37.067	7,7%	43,961	8.0%
EBIT	12,163	2.5%	22,531	4.1%
ADJUSTED EBIT	16.663	3.5%	23,832	4.3%

Net profit/(loss)

2020 closed with a loss of 3.3 million Euros (-0.7% of turnover), a deterioration compared to the profit of 2019 (8.1 million Euros (1.5 % of turnover)).

Taxes as at 31 December 2020 amounted to 1.3 million euros (-0.30% of turnover) against 1.6 million euros (-0.30% of turnover) as at 31 December 2019.

Investments

In 2020, investments of 16.2 million Euros were made for the purchase of machinery and the maintenance and modernisation of facilities. The decrease compared to the previous year is due to the slowdown in business caused by the health crisis.

Research and innovation

Research and innovation expenses in 2020 amounted to 26.7 million Euros, 5.6% of turnover (compared to 22.6 million Euros in 2019, 4.12% of turnover).

Net financial position of operations

The consolidated net financial position at 31 December 2020 was negative at 143.8 million Euros, a deterioration compared to 31 December 2019 (negative at 123.6 million Euros), but an improvement compared to 149.6 million Euros as at 30 June 2020.

It should be recalled that 31 December 2019 was affected by advances received from Agritalia's customers for purchasing and storing engines which were not followed by payment of the related goods to the supplier.

Performance by Business Area

- **In 2020, the Drivelines Business Area recorded an overall turnover of 386.7 million Euros**, compared to 454.5 million Euros in the same period of 2019, a decrease of 14.9%.

2020 sales were significantly affected by the restrictive policies implemented by all countries worldwide to limit the spread of Covid-19 and, in particular, the general lockdowns imposed in the second quarter reduced orders for the period to a minimum for both the agricultural and construction equipment segments.

The recovery of all markets starting as early as the third quarter and the explosion of orders in the fourth quarter failed to offset the full-year effect. In addition, they posed a significant strain on the logistics and production chain, highlighting important limits in the production capacity of Carraro's suppliers in the Asian area and of the Group's plants.

EBITDA amounted to 41.6 million Euros (10.8% of turnover), down compared to 41.5 million Euros (9.1 % of turnover) in 2019. 2020 EBITDA was affected by non-recurring costs of 991 thousand Euros, including 60 thousand Euros for restructuring costs, and 931 thousand Euros for other effects.

- **The Tractors Business Area closed 2020 with a turnover of 113 million Euros (3,409 tractors)**, slightly down compared to 118.1 million Euros (3,347 tractors) in the previous year (-4.26%). This reduction was also partially affected by a decrease in the average price per tractor related to a different sales mix.
2020 EBITDA amounted to 1.9 million Euros (1.7% of turnover), a deterioration compared to the 3 million Euros (2.6% of turnover) in 2019.

Business outlook

The first half of 2021 shows a growing order backlog thanks to the positive performance of all target markets, compared to both the previous year as well as expectations.

The ability to meet this backlog will be affected by certain critical issues in the supply chain, caused both by the availability of materials as well as the corresponding price increase, and also by certain problems linked to the logistics chain, all of which the group is pro-actively addressing.

Amendment of the Articles of Association

Today, pursuant to art. 27 of the Articles of Association, the Board of Directors resolved to amend certain clauses of the Articles of Association in order to comply with new corporate legislation, namely: concerning increase in voting rights; shareholder identification; gender balance in the appointment of members of the Board of Directors and the Board of Statutory Auditors; mandatory court of jurisdiction for corporate disputes. The amendments to the Articles of Association in question, since they do not constitute one of the cases of withdrawal envisaged by article 2437 of the Italian Civil Code, do not give shareholders the right to withdraw from the Company.

Please note that the new text of the Articles of Association and the minutes of the Board of Directors' resolution will be made available to the public within the legal deadlines on the eMarket STORAGE authorised storage mechanism (www.emarketstorage.com) and on the Company's website (www.carraro.com – in the Corporate Governance and Investor relations sections, respectively).

Documentation

By April 12 2021, 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 Investor Relations section.

General Members' Meeting

The Financial Statements will be approved by the General Members' Meeting that will be held on 29 June 2021.

In view of the prospect of an improvement in the pandemic emergency, the Board of Directors will propose to the Shareholders' Meeting to approve the distribution of a dividend of 0.15 Euros per share with ex-date on July 5, 2021 and payment date on July 7, 2021. In this case, those who are shareholders of Carraro SpA at the end of the accounting day on July 6, 2021 (record date) will be entitled to the dividend.

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, 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 2020 of 478.7 million euros.

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

- **Transmission systems (axles and transmissions) and components** 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.
- **Specialised** (vineyard and orchard, from 60 to 100 hp) **Tractors** for third parties, namely John Deere, Massey Ferguson, Valtra and Claas, as well as a specialist range under the Carraro brand; 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 31.12.2020, the Group had 3.455 employees – of which 1,480 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 31.12.2020

Carraro S.p.A. December, 31 2020

(Figures not audited by independent auditors)

Balance Sheet (values in thousands Euro)

IAS/IFRS	Dec 31, 2020	Dec 31, 2019
Fixed assets	175.504	181.824
Tangible	48.751	47.355
Intangible	7.209	11.903
Capital assets	599	540
Investments	105.556	108.096
Financial assets	526	1.383
Deferred taxes assets	12.823	12.518
Trade and other current receivables	40	29
Current assets	70.337	102.976
Inventory	37.119	51.590
Trade and other current receivables	30.817	37.412
Financial assets	670	669
Liquid assets	1.731	13.305
Total assets	245.841	284.800
Shareholders' equity	84.222	86.359
Non current liabilities	81.569	58.048
Financial liabilities	78.430	54.628
Trade and other non current payables	1	-
Deferred taxes liabilities	-	-
Provision for indemnity, pension and similar	2.395	2.433
Provision for risks and contingencies	743	987
Current liabilities	80.050	140.393
Financial liabilities	1.608	12.323
Trade and other current payables	72.060	120.957
Current taxes	-	2.148
Provision for contingencies and obligations	6.382	4.965
Total liabilities & shareholders' equity	245.841	284.800
Management Net financial position	76.433	51.686

Income statement (values in thousands Euro)

	Dec 31, 2020		Dec 31, 2019	
Revenues	138.917		142.639	
Cost of material	- 78.021		- 118.807	
Services	- 24.304		- 22.352	
Leases	-		- 5	
Cost of personnel	- 29.391		- 26.612	
Depreciations and writedown of Assets	- 5.139		- 4.971	
Writedown Of Receivables	-		-	
Changes in inventories stock	- 14.471		25.651	
Provison for risks and contingencies	- 859		- 794	
Other incomes / expenses	2.282		3.631	
EBIT	- 10.986	-7,9%	- 1.620	-1,1%
EBITDA	- 5.848	-4,2%	3.351	2,3%
Incomes from investments	-		17.195	
Financial incomes / expenses	- 4.042		- 4.800	
Incomes / losses in exchange rates	- 10		- 31	
Adjustments of the value of financial assets	- 697		-	
Net result before taxes	- 15.735		10.744	
Income and deferred taxes	4.404		3.488	
Net result divestment of the activities	-		-	
Minority interest	-		-	
Net Result	- 11.331	-8,2%	14.232	10,0%

Carraro Group December, 31 2020

(Figures not audited by independent auditors)

Balance Sheet (Euro thousands)

IAS/IFRS	Dec 31, 2020	Dec 31, 2019
Fixed assets	231.437	245.874
Tangible	152.871	158.785
Intangible	46.996	52.544
Capital assets	755	695
Investments	-	1.506
Financial assets	7.223	7.774
Deferred taxes assets	19.318	20.389
Trade and other current receivables	4.274	4.181
Current assets	564.040	295.623
Inventory	118.998	123.212
Trade and other current receivables	94.689	94.243
Financial assets	3.090	2.048
Liquid assets	347.263	76.120
Assets held for sale	-	-
Total assets	795.477	541.497
Total group shareholders' equity	63.215	73.304
Non current liabilities	488.419	209.625
Financial liabilities	474.477	194.096
Trade and other non current payables	62	115
Deferred taxes liabilities	1.477	1.899
Provision for indemnity, pension and similar	9.379	9.769
Provision for risks and contingencies	3.024	3.746
Current liabilities	243.843	258.568
Financial liabilities	28.476	17.861
Trade and other current payables	196.774	219.247
Current taxes	2.784	5.331
Provision for contingencies and obligations	15.809	16.129
Liabilities held for sale	-	-
Total liabilities & shareholders' equity	795.477	541.497
Management Net financial position	143.764	123.617

Income Statement (Euro thousands)

	Dec 31, 2020	Dec 31, 2019
Revenues	478.678	548.846
Cost of material	- 287.925	- 344.266
Services	- 70.935	- 77.751
Leases	- 118	- 84
Cost of personnel	- 89.209	- 91.835
Depreciations and writedown of Assets	- 20.404	- 20.129
Writedown Of Receivables	- 48	- 106
Changes in inventories stock	- 99	6.635
Provision for risks and contingencies	- 2.413	- 7.359
Other incomes / expenses	4.636	8.580
EBIT	12.163	22.531
EBITDA	32.567	42.660
Incomes from investments	-	280
Financial incomes / expenses	- 13.233	- 9.856
Incomes / losses in exchange rates	356	74
Adjustments of the value of financial assets	- 1.506	- 2.234
Income (charges) from hyperinflation	493	- 359
Net result before taxes	- 1.727	10.436
Income and deferred taxes	- 1.294	- 1.640
Minority interest	- 250	- 675
Net consolidated result	- 3.271	8.121
	-0,7%	1,5%