

CARRARO GROUP: the BoD has approved the Group's results as at 30.06.2021

- **Turnover of €310 million, up 43.6% compared to the same period in 2020 (€215.9 million).**
- **EBITDA amounted to €24.2 million (7.8% of turnover), a significant increase compared to the previous year (when it was €11.1 million, 5.1% of turnover).**
- **EBIT amounted to €14.1 million (4.6% of turnover), a significant increase compared to the previous year (when it was €0.8 million, 0.4% of turnover).**
- **Net profit of €2.2 million (0.7% of turnover), a marked improvement on the same period in 2020 (-€3.8 million, -1.7% of turnover).**
- **Consolidated Net Financial Position of operations showed a debt position of €138.3 million at 30 June 2021, an improvement compared to both 30 June 2020 (€149.6 million) and 31 December 2020 (€143.8 million).**

For the second half of 2021, a growing portfolio is expected and the continuation of the critical issues related to procurement and the rising cost of raw materials.

Campodarsego (Padua), 28 July 2021 – The Board of Directors meeting of Carraro SpA, global leader in power transmission systems for off-highway vehicles and specialised tractors, chaired by Enrico Carraro, today approved the Group's results for the first half of 2021.

“The figures of the first half of 2021 show significant growth in both turnover and profitability. –commented Enrico Carraro, Chairman of the Group – It is clear that this is compared to a 2020 financial year strongly impacted by lockdowns related to the pandemic, but the solid recovery we are recording in our target markets goes beyond this effect and we expect this trend to continue in the second half of the year”.

“During this period, however, a number of critical issues emerged related to the increase in the cost of raw materials and of the supply chain. This had an impact on the ability to record even better margins. – added Enrico Carraro – We have already taken actions to negotiate appropriate recovery plans with our customers that will allow us to mitigate such effects”.

Consolidated results as at 30 June 2021

Turnover as at 30 June 2021 amounted to €310 million, an increase of 43.6% compared with the same period of the previous year (€215.9 million) which was strongly impacted by the consequences of the spread of the Coronavirus and the restrictive measures implemented by the various countries to contain it, which resulted, for the Carraro Group, in two months of total closure of all plants.

The increase in sales in the first half of 2021 was driven by the **good performance of the portfolio, partially offset by the pandemic effect in particular at the Indian plant**, negatively affecting both sales in the area and the supply of transmissions to the group's plants, particularly Agritalia. As at 30 June 2021, India was again the number one destination market (with a 16% share), followed by Germany (10.5%) and North America (9%).

EBITDA and EBIT

EBITDA at 30 June 2021 stood at €24.2 million (7.8% of turnover), more than double the figure of €11.1 million in the previous year (5.1% of turnover).

EBIT as at June 2021 stood at €14.1 million (4.6% of turnover) an increase compared to the figure of €0.8 million (0.4% of turnover) in 2020.

	30.06.21	% of turnover	30.06.20	% of turnover	Diff. %
EBITDA	24,159	7.8	11,108	5.1	no.
Restructuring costs	1,073		15		
ADJUSTED EBITDA	25,232	8.1	11,123	5.2	no.

(amounts in € thousands)

	30.06.21	% of turnover	30.06.20	% of turnover	Diff. %
EBIT	14,106	4.6	826	0.4	no.
Restructuring costs	1,073		15		
ADJUSTED EBIT	15,179	4.9	841	0.4	no.

Consolidated profitability compared to the previous year has increased significantly, despite some critical issues related to the procurement of raw materials, the increase in their purchase cost, as well as the increase in costs related to the supply chain, phenomena that together have prevented the Group from fully expressing its potential in terms of results.

Net profit/(loss)

The first half of 2021 ended with a profit of €2.2 million (0.7% of turnover); as at 30 June 2020, the Group closed with a loss of €3.7 million (-1.7% of turnover), because of the drop in volumes due to the pandemic.

(amounts in € thousands)

	30.06.21	% of turnover	30.06.20	% of turnover	Diff. %
EARNINGS BEFORE TAX	6,192	2.0	-4,603	-2.13%	no.
Current and deferred income taxes	-3,439	-1.11	926	0.43%	
Profit/(loss) pertaining to minorities	-510	-0.16	-78	-0.04%	
NET GROUP PROFIT/(LOSS)	2,243	0.72	-3,755	-1.74%	no.

Investments

In the first half of 2021, there was a **significant acceleration in investments to help increase the production capacity** needed to support portfolio targets.

Investments at 30 June 2021 amounted to €11.2 million, a significant increase compared to €4.6 million in the same period last year.

Net financial position of operations

The consolidated net financial position of operations at 30 June 2021 is negative for €138.3 million, improving both compared to 31 December 2020, negative for €143.8 million and compared to 30 June 2020, negative for €149.6 million, thanks to good cash generation and despite some actions to support some strategic suppliers, mainly Indian, and the increase in inventories.

Performance by business area

- The **Drivelines Business Area** (transmission systems and components) reported **turnover of €254.6 million at 30 June 2021, up 48.4%** from €171.6 million in the same period of 2020.

The first half of 2021 saw a steady increase in orders, driven on the one hand by rising food prices (agricultural sector) and on the other by massive infrastructure investment plans (construction sector) in every region of the world.

More specifically, *construction equipment*, which is the main market in which the Business Area operates (accounting for 42.7% of turnover) recorded a 68.3% increase compared to the first half of 2020 (it was 37.6% of turnover), while the agricultural machinery sector – the second most important market with a 38.8% share of turnover – grew by 59.8% (36.0% in the first half of 2020).

Despite the significant increase in volumes, profitability – in its variable components – decreased in percentage terms compared to the same period last year, as a result of the increase in purchase components, transport costs and production inefficiencies generated by unreliable supplies. Negotiations with all customers in the Business Area have now begun in order to make up for the delay in price adjustments accumulated in the first half of the year by the end of the second half.

In terms of EBITDA, this deterioration was offset by the volume effect and the resulting improved absorption of fixed costs. **EBITDA at 30 June 2021 therefore stood at €24.7 million (9.7% of sales), an improvement of 69.7%** compared to €14.5 million in the previous year (8.5% of sales).

- The **Vehicles Business Area** (tractors) closed the first half of 2020 with a **total turnover of €68.3 million**, with an increase of 25.9% compared to €54.2 million in the same period last year. In the first six months, 2,089 tractors were sold, up from 1,595 in the same period of 2020.

After a 2020 strongly characterised by production stoppages and interruptions in the supply chain related to the global pandemic, the first half of 2021 was characterised from the outset by a substantial portfolio that was only partially reflected in the growth in turnover in the first six months due to the continuation of the health crisis and supply discontinuities, in particular on supplies from the Carraro India plant.

The profitability of the tractor business, although lower than expected, consolidated the results of the previous year, also thanks to the recovery actions taken with customers to account for the higher costs of raw materials.

EBITDA for the first half of 2021 amounted to €2.3 million (3.3% of turnover) compared to €291,000 (0.5% of turnover) for the same period in 2020.

Business outlook

Prospects for the order portfolio for the second half of 2021 show a positive trend. However, the results will be affected by critical issues relating to procurement and increased transport costs, as well as the time required to recover these increased costs from customers.

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 of operations: ESMA Net Financial Debt determined in accordance with the recommendations contained in the document prepared by ESMA on 4 March 2021, deducted, where applicable, non-current financial receivables and assets and the effects deriving from 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.

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: abstract from the Consolidated Balance Sheet and Income Statement as at 30.06.2021

Carraro Group June, 30 2021

(Figures not audited by independent auditors)

Balance Sheet (Euro thousands)

IAS/IFRS	Jun 30, 2021	Dec 31, 2020
Fixed assets	230.350	231.437
Tangible	156.049	152.871
Intangible	45.939	46.996
Capital assets	755	755
Investments	-	-
Financial assets	5.641	7.223
Deferred taxes assets	18.197	19.318
Trade and other current receivables	3.769	4.274
Current assets	600.179	564.040
Inventory	129.787	118.998
Trade and other current receivables	118.751	94.689
Financial assets	2.052	3.090
Liquid assets	349.589	347.263
<i>Assets held for sale</i>	-	-
Total assets	830.529	795.477
Total group shareholders' equity	66.931	63.215
Non current liabilities	488.933	488.419
Financial liabilities	473.152	474.477
Trade and other non current payables	1.749	62
Deferred taxes liabilities	1.689	1.477
Provision for indemnity, pension and similar	9.165	9.379
Provision for risks and contingencies	3.178	3.024
Current liabilities	274.665	243.843
Financial liabilities	24.520	28.476
Trade and other current payables	232.977	196.774
Current taxes	3.454	2.784
Provision for contingencies and obligations	13.714	15.809
<i>Liabilities held for sale</i>	-	-
Total liabilities & shareholders' equity	830.529	795.477
Management Net financial position	138.259	143.764

Income Statement (Euro thousands)

	Jun 30, 2021	Jun 30, 2020
Revenues	309.988	215.913
Cost of material	- 199.051	- 133.451
Services	- 47.984	- 33.614
Leases	- 79	- 48
Cost of personnel	- 50.750	- 44.101
Depreciations and writedown of Assets	- 10.053	- 10.282
Writedown Of Receivables	- 6	- 36
Changes in inventories stock	11.018	3.900
Provision for risks and contingencies	- 1.933	- 1.415
Other incomes / expenses	2.956	3.960
EBIT	14.106	826
EBITDA	24.159	11.108
Incomes from investments	-	-
Financial incomes / expenses	- 8.458	- 5.444
Incomes / losses in exchange rates	5	- 98
Adjustments of the value of financial assets	-	113
Income (charges) from hyperinflation	539	205
Net result before taxes	6.192	- 4.603
Income and deferred taxes	- 3.439	926
Minority interest	- 510	- 78
Net consolidated result	2.243	- 3.755
	0,7%	-1,7%