



## Carraro International S.E.

(a European company (societas europaea) duly organised and validly existing under the laws of the European Union and the Grand Duchy of Luxembourg)

€[●]

[●] per cent. Senior Unsecured Notes due 31 January 2025

guaranteed by

**Carraro S.p.A.**

(incorporated with limited liability under the laws of The Republic of Italy)

Subject to the Minimum Offer Condition (as defined herein), Carraro International S.E. (the “**Issuer**” or “**Carraro International**”) is expected to issue on or about 16 February 2018 (the “**Issue Date**”) between €50,000,000 (the “**Minimum Offer Amount**”) and €180,000,000 (the “**Maximum Offer Amount**”) fixed rate senior unsecured notes due 2025 with a denomination of €1,000 (the “**Notes**”) (the “**Offering**”). The Maximum Offer Amount may be reduced by the Issuer prior to the Launch Date (as defined herein). The Notes will be issued at a price of 100.00 per cent. of their principal amount (the “**Issue Price**”). The Notes will bear interest from and including the Issue Date to, but excluding, 31 January 2025, at a minimum rate of 3.00 per cent. per annum (the “**Minimum Interest Rate**”) payable semi-annually in arrear on 31 January and 31 July each year, commencing on 31 July 2018. Payments on the Notes will be made in Euro without deduction for or on account of taxes imposed or levied by the Republic of Italy or the Grand Duchy of Luxembourg to the extent described under “*Terms and Conditions of the Notes – Taxation*”. Carraro S.p.A. (the “**Guarantor**” or “**Carraro**”) will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes (the “**Guarantee**”).

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 31 January 2025. The Notes are subject to redemption, in whole but not in part, at their principal amount, plus interest, if any, to the date fixed for redemption at the option of the Issuer at any time in the event of certain changes affecting taxation in the Republic of Italy or in the Grand Duchy of Luxembourg. In addition, at any time on or after 31 January 2021, the Issuer may redeem the Notes in whole or in part from time to time at the redemption prices specified herein. See “*Terms and Conditions of the Notes – Redemption and Purchase*”.

The Notes will constitute (subject to “*Terms and Conditions of the Notes – Negative Pledge*”) unsecured obligations of the Issuer which will at all times rank pari passu among themselves and at least pari passu with all other present and future unsecured obligations of the Issuer, save for certain mandatory exceptions of applicable law.

This prospectus (the “**Prospectus**”) constitutes a prospectus within the meaning of Article 5.3 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (as amended) (the “**Prospectus Directive**”). This Prospectus will be published in electronic form together with all documents incorporated by reference herein on the website of the Carraro Group (as defined below) (<https://www.carraro.com/en/>) (the “**Carraro Group’s Website**”) and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) (the “**Luxembourg Stock Exchange Website**”) and will be available free of charge at the registered office of the Issuer and the Guarantor.

Application has been made to the *Commission de Surveillance du Secteur Financier* of the Grand Duchy of Luxembourg (“**Luxembourg**”) (the “**CSSF**”) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*), as amended, (the “**Luxembourg Prospectus Law**”), for the approval of this Prospectus for the purposes of the Prospectus Directive. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to the official list of the Luxembourg Stock Exchange (the “**Official List**”) and to be admitted to trading on the Luxembourg Stock Exchange’s regulated market (the “**Market**”). The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. By approving this Prospectus, the CSSF gives no undertaking as to the economic and financial soundness of the transaction or the solvency of the Issuer in line with the provisions of article 7 (7) of the Luxembourg Law on prospectuses for securities.

The Issuer has requested the CSSF to provide the competent authority in Italy, Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) with a certificate of approval pursuant to Article 18 of the Prospectus Directive attesting that this Prospectus has been drawn up in accordance with the Luxembourg Prospectus Law (the “**Notification**”).

Application has been made to Borsa Italiana S.p.A. (“**Borsa Italiana**”) for the Notes to be admitted to listing and trading on the Borsa Italiana’s regulated *Mercato delle Obbligazioni Telematico* market (the “**MOT**”). The MOT is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, as amended. Borsa Italiana has admitted the Notes to listing on the MOT with order n. LOL-003807 dated 22 January 2018. The start date of official trading of the Notes on the MOT (the “**Trading Start Date**”) will be set by Borsa Italiana in accordance with Rule 2.4.3 of the Borsa Italiana rules and published on the Carraro Group’s Website and the Luxembourg Stock Exchange Website and released through the SDIR-NIS system of Borsa Italiana. The Trading Start Date shall correspond to the Issue Date.

The interest rate of the Notes (which shall not be less than the Minimum Interest Rate) and the yield will be set out in a notice, which will be filed with the CSSF and published on the Carraro Group’s Website, the Luxembourg Stock Exchange Website and released through the SDIR-NIS system of Borsa Italiana prior to the start of the Offering Period (as defined in “*Sale and Offer of the Notes – Offering Period, Early Closure, Extension and Withdrawal*”) (the “**Interest Rate and Yield Notice**”). The aggregate principal amount of the Notes, the number of Notes sold and the proceeds of the Offering will be set out in a notice, which will be filed with the CSSF and published on the Carraro Group’s Website, the Luxembourg Stock Exchange Website and released through the SDIR-NIS system of Borsa Italiana no later than the third business day after the end of the Offering Period (as defined in “*Sale and Offer of the Notes – Offering Period, Early Closure, Extension and Withdrawal*”) (the “**Offering Results Notice**”).

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Placement Agent (as defined in “*Sale and Offer of the Notes*”) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of certain restrictions on transfers of the Notes, see “*Sale and Offer of the Notes*”.

**Investing in the Notes involves risks. See “*Risk Factors*” beginning on page 26 of this Prospectus for a discussion of certain risks prospective investors should consider in connection with any investment in the Notes.**

The Notes will be in bearer form in the denomination of €1,000 each and will initially be in the form of a temporary global note (the “**Temporary Global Note**”), without interest coupons, which will be deposited on or around the Issue Date with a common safekeeper for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the “**Permanent Global Note**”), and together with the Temporary Global Note, each a “**Global Note**”), without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in principal amounts equal to €1,000 with interest coupons attached. No Notes in definitive form will be issued with a denomination above €1,000. See “*Summary of Provisions Relating to the Notes in Global Form*”.

The Notes have been assigned the following securities codes: ISIN: XS1747134564; Common Code: 174713456.

PLACEMENT AGENT  
EQUITA SIM

Prospectus dated 22 January 2018

## IMPORTANT LEGAL INFORMATION

This Prospectus has been prepared on a basis that permits offers of the Notes that are not made within an exemption from the requirement to publish a prospectus under Article 3.2 of the Prospectus Directive (a “**Non-exempt Offer**”) in the Grand Duchy of Luxembourg and the Republic of Italy (each a “**Non-exempt Offer Jurisdiction**” and together, the “**Non-exempt Offer Jurisdictions**”). Any person making or intending to make a Non-exempt Offer of Notes on the basis of this Prospectus must do so only with the Issuer’s consent – see “*Consent given in accordance with Article 3.2 of the Prospectus Directive*” below.

### CONSENT GIVEN IN ACCORDANCE WITH ARTICLE 3.2 OF THE PROSPECTUS DIRECTIVE

#### Consent

In the context of any Non-exempt Offer of Notes, the Issuer and the Guarantor accept responsibility, in each of the Non-exempt Offer Jurisdictions, for the content of this Prospectus in relation to any person (an “**Investor**”) who purchases any Notes in a Non-exempt Offer made by the Placement Agent (as defined below) or an “**Authorised Offeror**” (as defined in “*Sale and Offering of the Notes - Offering Period, Early Closure, Extension and Withdrawal*”), where that offer is made during the Offering Period (as defined in “*Sale and Offer of the Notes*” below).

Except in the circumstances described below, neither the Issuer nor the Guarantor has authorised the making of any offer by any offeror and neither the Issuer nor the Guarantor has consented to the use of this Prospectus by any other person in connection with any offer of the Notes in any jurisdiction. Any offer made without the consent of the Issuer and the Guarantor is unauthorised and neither the Issuer, the Guarantor nor, for the avoidance of doubt, the Placement Agent accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.

If, in the context of a Non-exempt Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with such person whether anyone is responsible for this Prospectus for the purpose of the relevant Non-exempt Offer and, if so, who that person is. If an Investor is in any doubt about whether it can rely on this Prospectus and/or who is responsible for its contents, the Investor should take legal advice.

#### Conditions to Consent

Each of the Issuer and the Guarantor consents to the use of this Prospectus in connection with any Non-exempt Offer of Notes in any of the Non-exempt Offer Jurisdictions during the Offering Period (as defined in “*Sale and Offer of the Notes*” below) by:

- (i) the Placement Agent; and
- (ii) any other financial intermediary appointed after the date of this Prospectus and whose name is published on the Carraro Group’s Website and identified as an Authorised Offeror in respect of the Non-exempt Offer (together with the financial intermediary specified in (i) above, the “**Authorised Offerors**”).

Furthermore, the conditions to the Issuer and the Guarantor’s consent are that such consent:

- (i) is only valid during the Offering Period (as defined in “*Sale and Offering of the Notes - Offering Period, Early Closure, Extension and Withdrawal*”); and

- (ii) only extends to the use of this Prospectus to make Non-exempt Offers in the Grand Duchy of Luxembourg and the Republic of Italy.

#### **Arrangements between an Investor and the Authorised Offeror who will distribute the Notes**

Neither the Issuer, the Guarantor nor, for the avoidance of doubt, the Placement Agent has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

**An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to such Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between that Authorised Offeror and such Investor including as to price, allocations and settlement arrangements (the “Terms and Conditions of the Non-exempt Offer”). Neither the Issuer nor the Guarantor will be a party to any such arrangements with such Investor and, accordingly, this Prospectus does not contain such information. The Terms and Conditions of the Non-exempt Offer shall be provided to such Investor by that Authorised Offeror at the time the offer is made. None of the Issuer, the Guarantor or, for the avoidance of doubt, the Placement Agent or other Authorised Offerors has any responsibility or liability for such information.**

**IMPORTANT NOTICE TO EEA RETAIL INVESTORS – The Notes are not intended to qualify as packaged retail and insurance-based investment products (“PRIIPS”) and, as such, no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) has been or will be prepared by the Issuer.**

**MIFID II product governance / Retail investors target market, professional investors and ECPs target market –** Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

### **RESPONSIBILITY STATEMENT**

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus, to the best of its knowledge, is in accordance with the facts and contains no omission likely to affect its import.

Each of the Issuer and the Guarantor has confirmed to Equita SIM S.p.A. the “**Placement Agent**”) that this Prospectus contains or incorporates all information regarding the Issuer, the Guarantor and the Group as of the date of this Prospectus (where “**Group**” or the “**Carraro Group**” means the Guarantor and its consolidated subsidiaries) and the Notes which are (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer, the Guarantor or the Group are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such

context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

To the fullest extent permitted by law, none of the Placement Agent, Lucid Trustee Services Ltd as trustee (the “Trustee”) or The Bank of New York Mellon as principal paying agent (the “Principal Paying Agent”) accepts any responsibility for the contents of this Prospectus or for any other statements made or purported to be made by the Placement Agent or on its behalf or by the Trustee or on its behalf or by the Principal Paying Agent or on its behalf in connection with the Issuer, the Guarantor or issue and offering of any Note. Each of the Placement Agent, the Trustee and the Principal Paying Agent disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

## IMPORTANT INFORMATION

The offer, sale and delivery of the Notes and the distribution of this Prospectus in certain jurisdictions are restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Placement Agent to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Placement Agent or the Trustee represents that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Placement Agent or the Trustee which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Placement Agent has represented that all offers and sales by them will be made on the same terms. In particular, the Notes have not been, and will not be, registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus (or of any part thereof) see “*Sale and Offer of the Notes - Selling Restrictions*”.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Information Incorporated by Reference*”). This Prospectus should be read and construed on the basis that such documents are incorporated in and form part of this Prospectus.

Investors should rely only on the information contained in this Prospectus. Neither the Issuer nor the Guarantor have authorised anyone to provide investors with different information. Neither the initial purchasers, nor the Issuer nor the Guarantor is making any offer of the Notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover of this Prospectus regardless of the time of delivery of this Prospectus or of any sale of the Notes.

Neither the Issuer nor the Guarantor have authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Placement Agent.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that the information contained herein concerning the Issuer, the Guarantor and/or its Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, the Guarantor and/or the Group since the date of this Prospectus.

Neither this Prospectus nor any other information supplied in connection with the offering, sale or delivery of any Note (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor or the Placement Agent that any recipient of this Prospectus or any other information supplied in connection thereto should purchase any Note. Each investor contemplating purchasing any Note should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantor and the Group. Neither this Prospectus nor any other information supplied in connection with the issue of the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor or the Placement Agent to any Person to subscribe for or to purchase any Notes.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor and the Group (as defined below) and of the rights attaching to the Notes.

The legally binding language of this Prospectus, according to Article 19 of the Prospectus Directive, is English, however certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. For the purposes of the offer of the Notes to the public in Italy a courtesy translation in Italian of the section entitled “*Summary*” will be made available separately with this Prospectus.

In this Prospectus, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area and references to “**€**”, “**EUR**” or “**Euro**” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended. References to “**US Dollar**” are to the lawful currency of the United States of America, references to “**Indian Rupee**” are to the lawful currency of the Republic of India, and references to “**Chinese Renminbi**” are to the lawful currency of the People’s Republic of China. References to “**billions**” are to thousands of millions.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

This Prospectus may only be used for the purpose for which it has been published.

**This Prospectus does not constitute, and may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.**

#### **Forward-looking statements**

This Prospectus may contain forward-looking statements, including (without limitation) statements identified by the use of terminology such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “will”, “would” or similar words. These statements are based on the Issuer’s and the Guarantor’s

current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained herein regarding the Issuer's and the Guarantor's strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. Future events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. Neither the Issuer nor the Guarantor undertake any obligation to publicly update or revise any forward-looking statements.

### **Market share information and statistics**

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Group's business contained in this Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources, and on the Issuer's and the Guarantor's knowledge of its reference markets. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Issuer and the Guarantor to rely on internally developed estimates. While the Issuer and the Guarantor have compiled, extracted and accurately reproduced market or other industry data from external sources, including third parties or industry or general publications, neither the Issuer, the Guarantor nor the Placement Agent have independently verified that data. As far as each of the Issuer and the Guarantor are aware, no facts have been omitted which would render the reproduced information inaccurate or misleading. Neither the Issuer nor the Guarantor can assure investors of the accuracy and completeness of, or take any responsibility for, such data other than the responsibility for the correct and accurate reproduction thereof.

## TABLE OF CONTENTS

	<b>Page</b>
SUMMARY .....	1
RISK FACTORS .....	26
PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION .....	54
INFORMATION INCORPORATED BY REFERENCE .....	57
OVERVIEW OF FINANCIAL INFORMATION .....	60
TERMS AND CONDITIONS OF THE NOTES .....	69
SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM.....	89
USE OF PROCEEDS.....	91
INFORMATION ABOUT THE GROUP.....	92
TAXATION.....	122
SALE AND OFFER OF THE NOTES.....	134
GENERAL INFORMATION.....	140
ANNEX 1 SEPTEMBER 2017 INTERIM UNAUDITED CONSOLIDATED FINANCIAL REPORT OF THE GROUP .....	144
ANNEX 2 ISSUER AUDITED STATEMENT OF CASH FLOWS .....	177
ANNEX 3 SEPTEMBER 2017 INTERIM UNAUDITED ISSUER FINANCIAL REPORT .....	205

## SUMMARY

*Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A – E (A.1 – E.7).*

*This summary contains all the Elements required to be included in a summary for this type of security and Issuer and Guarantor. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of security and Issuer and Guarantor, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.*

### Section A – Introduction and warnings

Element	Description of Element	Disclosure requirement
A.1	<b>Warnings</b>	<p>This summary should be read as an introduction to this prospectus (the “<b>Prospectus</b>”).</p> <p>Any decision to invest in the fixed rate senior unsecured notes due 31 January 2025 (the “<b>Notes</b>”) offered hereby by Carraro International S.E. (the “<b>Issuer</b>” and the offering of the Notes, the “<b>Offering</b>”) should be based on consideration of this Prospectus as a whole by the Investor.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff Investor (as defined in E.3) might, under the national legislation of its member state of the European Union (“<b>Member State</b>”) to the Agreement on the European Economic Area, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid Investors (as defined in E.3) when considering whether to invest in the Notes.</p>
A.2	<b>Consent to the use of this Prospectus</b>	<p>The Issuer consents to the use of this Prospectus in connection with the Offering in any Member State of the European Economic Area which has implemented Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (as amended) (the “<b>Prospectus Directive</b>”) during the Offering Period (as defined in E.3) by:</p> <ul style="list-style-type: none"> <li>(i) the Placement Agent (as defined in E.3); and</li> <li>(ii) any other financial intermediary appointed after the date of this Prospectus and whose name is published on the website of the Guarantor (as defined in B.5) (<a href="https://www.carraro.com/en/">https://www.carraro.com/en/</a>) and identified as an authorised offeror in respect of the offer of the Notes that are not made within an exemption from the requirement to publish a prospectus under Article 3.2 of the Prospectus Directive (the “<b>Non-exempt Offer</b>”) (together with the financial intermediaries specified in (i) above, the “<b>Authorised Offerors</b>” and each an “<b>Authorised Offeror</b>”).</li> </ul> <p><b>An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to such Investor by an</b></p>

		<p>Authorised Offeror will be made, in accordance with any terms and other arrangements in place between that Authorised Offeror and such Investor including as to price, allocations and settlement arrangements (the “Terms and Conditions of the Non-exempt Offer”). The Issuer will not be a party to any such arrangements with such Investor and, accordingly, this Prospectus does not contain such information. The Terms and Conditions of the Non-exempt Offer shall be provided to such Investor by that Authorised Offeror at the time the offer is made. None of the Issuer or, for the avoidance of doubt, the Placement Agent as defined in E.3) or other Authorised Offerors has any responsibility or liability for such information.</p>
--	--	--

#### Section B – The Issuer and Guarantor

Element	Description of Element	Disclosure requirement
<b>B.1</b>	<b>Legal and commercial name</b>	Carraro International S.E. is the legal name and commercial name of the Issuer.
<b>B.2</b>	<b>Domicile, legal form, legislation, country of incorporation</b>	Carraro International S.E. is a European company ( <i>societas europaea</i> ) duly organised and validly existing under the laws of the European Union and the Grand Duchy of Luxembourg (“ <b>Luxembourg</b> ”), with its registered office at 15, Rue des Bains, L-1212 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register ( <i>Registre de Commerce et des Sociétés, Luxembourg</i> ) under number B 68721. It was incorporated under the laws of Luxembourg and it is registered under number B 68721 with the Luxembourg Trade and Companies Register ( <i>Registre de Commerce et des Sociétés, Luxembourg</i> ).
<b>B.4b</b>	<b>Known trends affecting the Issuer and the industries in which it operates</b>	The Issuer is affected by the same trends that affect the Guarantor (as defined in B.5). See B.19.B4b for an explanation of these trends.
<b>B.5</b>	<b>Description of the Group and the Issuer’s position within the Group</b>	The Issuer is a wholly owned subsidiary of Carraro S.p.A. (the “ <b>Guarantor</b> ”).  <i>See B.15 for a description of the activities of the Guarantor and its consolidated subsidiaries (the “Group”).</i>
<b>B.9</b>	<b>Profit forecast or estimate</b>	Not applicable. No profit forecasts or estimates are made.
<b>B.10</b>	<b>Nature of</b>	Not applicable. The auditor has issued unqualified audit opinions on the non-

	<b>any qualification s in the audit report on historical financial information</b>	consolidated financial statements of the Issuer for the years ended 31 December 2015 and 2016 which were prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand Duchy of Luxembourg and more specifically the law of December 19, 2002, as amended (“Lux GAAP”).																																																																
<b>B.12</b>	<b>Selected historical key financial information</b>	<p>The following tables set out selected financial information relating to the Issuer. The information below has been extracted from the audited non-consolidated financial statements of the Issuer as of and for the years ended 31 December 2015 and 2016, incorporated by reference in this Prospectus as well as from the unaudited interim non-consolidated financial report as of and for the nine-month period ended 30 September 2017, which are contained in the section entitled “<i>Annex 3 – September 2017 Interim Unaudited Issuer Financial Report</i>” of this Prospectus.</p> <table border="1"> <thead> <tr> <th data-bbox="603 752 815 815" rowspan="2"><b>Summary Issuer Income Statement</b></th> <th colspan="2" data-bbox="916 752 1075 779"><b>30 September</b></th> <th colspan="2" data-bbox="1251 752 1406 779"><b>31 December</b></th> </tr> <tr> <th data-bbox="890 846 948 873"><b>2017</b></th> <th data-bbox="1050 846 1107 873"><b>2016</b></th> <th data-bbox="1209 846 1267 873"><b>2016</b></th> <th data-bbox="1385 846 1442 873"><b>2015</b></th> </tr> <tr> <td></td> <td colspan="2" data-bbox="932 904 1059 931"><i>(unaudited)</i></td> <td colspan="2" data-bbox="1273 904 1378 931"><i>(audited)</i></td> </tr> <tr> <td></td> <td colspan="4" data-bbox="1072 963 1260 990"><i>(amount in Euro)</i></td> </tr> </thead> <tbody> <tr> <td data-bbox="603 1021 815 1048">Net turnover .....</td> <td data-bbox="874 1021 963 1048">167,531</td> <td data-bbox="1066 1021 1155 1048">198,252</td> <td data-bbox="1241 1021 1331 1048">284,615</td> <td data-bbox="1410 1021 1500 1048">402,989</td> </tr> <tr> <td data-bbox="603 1093 815 1196">Variation in stock of finished goods in work in progress</td> <td data-bbox="979 1173 995 1196">—</td> <td data-bbox="1123 1173 1139 1196">—</td> <td data-bbox="1299 1173 1315 1196">—</td> <td data-bbox="1474 1173 1490 1196">—</td> </tr> <tr> <td data-bbox="603 1249 815 1429">Work performed by the undertaking for its own purposes and capitalised.....</td> <td data-bbox="979 1406 995 1429">—</td> <td data-bbox="1123 1406 1139 1429">—</td> <td data-bbox="1299 1406 1315 1429">—</td> <td data-bbox="1474 1406 1490 1429">—</td> </tr> <tr> <td data-bbox="603 1456 815 1518">Other operating income .....</td> <td data-bbox="884 1487 963 1514">12,101</td> <td data-bbox="1075 1487 1155 1514">10,457</td> <td data-bbox="1251 1487 1331 1514">14,179</td> <td data-bbox="1410 1487 1490 1514">258,880</td> </tr> <tr> <td data-bbox="603 1576 815 1720">Raw materials and consumables and other external expenses .....</td> <td data-bbox="868 1688 963 1715">(728,557)</td> <td data-bbox="1027 1688 1155 1715">(2,716,752)</td> <td data-bbox="1203 1688 1331 1715">(3,445,011)</td> <td data-bbox="1378 1688 1490 1715">(2,807,340)</td> </tr> <tr> <td data-bbox="603 1733 815 1760">Staff costs .....</td> <td data-bbox="868 1733 963 1760">(189,011)</td> <td data-bbox="1043 1733 1139 1760">(161,586)</td> <td data-bbox="1219 1733 1315 1760">(226,636)</td> <td data-bbox="1394 1733 1490 1760">(248,795)</td> </tr> <tr> <td data-bbox="603 1783 815 1809">Value adjustments..</td> <td data-bbox="884 1783 963 1809">(9,363)</td> <td data-bbox="1059 1783 1139 1809">(9,268)</td> <td data-bbox="1235 1783 1331 1809">(12,552)</td> <td data-bbox="1410 1783 1490 1809">(12,518)</td> </tr> <tr> <td data-bbox="603 1836 815 1908">Other operating expenses .....</td> <td data-bbox="868 1868 963 1895">(60,575)</td> <td data-bbox="1043 1868 1155 1895">(123,088)</td> <td data-bbox="1219 1868 1331 1895">(291,053)</td> <td data-bbox="1394 1868 1490 1895">(262,412)</td> </tr> <tr> <td data-bbox="603 1935 815 2033">Income from participating interests .....</td> <td data-bbox="852 2002 979 2029">11,329,758</td> <td data-bbox="1043 2002 1171 2029">4,941,562</td> <td data-bbox="1219 2002 1347 2029">4,941,562</td> <td data-bbox="1394 2002 1506 2029">1,515,850</td> </tr> </tbody> </table>	<b>Summary Issuer Income Statement</b>	<b>30 September</b>		<b>31 December</b>		<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>		<i>(unaudited)</i>		<i>(audited)</i>			<i>(amount in Euro)</i>				Net turnover .....	167,531	198,252	284,615	402,989	Variation in stock of finished goods in work in progress	—	—	—	—	Work performed by the undertaking for its own purposes and capitalised.....	—	—	—	—	Other operating income .....	12,101	10,457	14,179	258,880	Raw materials and consumables and other external expenses .....	(728,557)	(2,716,752)	(3,445,011)	(2,807,340)	Staff costs .....	(189,011)	(161,586)	(226,636)	(248,795)	Value adjustments..	(9,363)	(9,268)	(12,552)	(12,518)	Other operating expenses .....	(60,575)	(123,088)	(291,053)	(262,412)	Income from participating interests .....	11,329,758	4,941,562	4,941,562	1,515,850
<b>Summary Issuer Income Statement</b>	<b>30 September</b>			<b>31 December</b>																																																														
	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>																																																														
	<i>(unaudited)</i>		<i>(audited)</i>																																																															
	<i>(amount in Euro)</i>																																																																	
Net turnover .....	167,531	198,252	284,615	402,989																																																														
Variation in stock of finished goods in work in progress	—	—	—	—																																																														
Work performed by the undertaking for its own purposes and capitalised.....	—	—	—	—																																																														
Other operating income .....	12,101	10,457	14,179	258,880																																																														
Raw materials and consumables and other external expenses .....	(728,557)	(2,716,752)	(3,445,011)	(2,807,340)																																																														
Staff costs .....	(189,011)	(161,586)	(226,636)	(248,795)																																																														
Value adjustments..	(9,363)	(9,268)	(12,552)	(12,518)																																																														
Other operating expenses .....	(60,575)	(123,088)	(291,053)	(262,412)																																																														
Income from participating interests .....	11,329,758	4,941,562	4,941,562	1,515,850																																																														

	30 September		31 December	
	2017	2016	2016	2015
	<i>(unaudited)</i>		<i>(audited)</i>	
	<i>(amount in Euro)</i>			
Income from other investments and loans forming part of the fixed assets..	4,298,280	5,796,472	7,673,080	8,496,001
Other interest receivable and similar income .....	28,411	1,316,098	1,173,516	5,070
Share of profit or loss of undertakings accounted for under the equity method.....	—	—	—	—
Value adjustments in respect of financial assets and of investments held as current assets .....	(865,220)	—	(10,897,892)	(25,684,270)
Interest payable and similar expenses .....	(3,600,299)	(4,499,763)	(5,620,546)	(6,421,237)
Tax on profit or loss .....	(200,000)	—	(18,250)	(1,705,817)
Profit or loss after taxation.....	—	—	—	—
<b>Profit or loss for the financial year .</b>	<b>10,183,058</b>	<b>4,752,384</b>	<b>(6,424,986)</b>	<b>(26,463,600)</b>

Summary Issuer Balance Sheet	30 September		31 December	
	2017	2016	2016	2015
	<i>(unaudited)</i>		<i>(audited)</i>	
	<i>(amount in Euro)</i>			
Subscribed capital unpaid	—	—	—	—
Formation expenses	—	—	—	—
Fixed assets	43,765,593	47,658,352	39,740,175	41,167,620
Current assets	119,467,579	144,124,519	121,664,536	152,037,665
Prepayments	1,037,436	1,799,796	1,499,564	3,066,535
<b>Total assets</b>	<b>164,270,608</b>	<b>193,582,667</b>	<b>162,904,275</b>	<b>196,271,819</b>
Provision	465,693	835,361	645,433	2,350,053
Creditors	144,829,558	172,713,814	153,235,462	179,049,547
Deferred income	345,066	408,889	576,148	-
Capital and reserves	18,630,291	19,624,603	8,447,233	14,872,219
<b>Total (Capital, Reserves and liabilities)</b>	<b>164,270,608</b>	<b>193,582,667</b>	<b>162,904,275</b>	<b>196,271,819</b>

		<p>The following table sets out the summary Issuer audited statement of cash flows of the Issuer for the years ended 31 December 2015 and 2016, which are contained in the section entitled “<i>Annex 2 – Issuer Statement of Cash Flows</i>” of this Prospectus.</p> <table border="1"> <thead> <tr> <th rowspan="2"><b>Summary Issuer Audited Statement of Cash Flows</b></th> <th colspan="2"><b>31 December</b></th> </tr> <tr> <th><b>2016</b></th> <th><b>2015</b></th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="2"><i>(audited)</i></td> </tr> <tr> <td></td> <td colspan="2"><i>(amounts in Euro)</i></td> </tr> <tr> <td>Cash flows from operating activities</td> <td>3,722,485</td> <td>209,145</td> </tr> <tr> <td>Cash flows from Investing activities</td> <td>-</td> <td>(8,985,070)</td> </tr> <tr> <td>Cash flows from financing activities</td> <td>(17,114,748)</td> <td>16,371,700</td> </tr> <tr> <td><b>Total cash flows for the year</b></td> <td><b>(13,392,264)</b></td> <td><b>7,595,774</b></td> </tr> <tr> <td>Opening cash and cash equivalents</td> <td>27,711,459</td> <td>20,115,685</td> </tr> <tr> <td>Exchange changes in cash and cash equivalents</td> <td>-</td> <td>-</td> </tr> <tr> <td><b>Closing cash and cash equivalents</b></td> <td><b>14,319,196</b></td> <td><b>27,711,459</b></td> </tr> </tbody> </table>	<b>Summary Issuer Audited Statement of Cash Flows</b>	<b>31 December</b>		<b>2016</b>	<b>2015</b>		<i>(audited)</i>			<i>(amounts in Euro)</i>		Cash flows from operating activities	3,722,485	209,145	Cash flows from Investing activities	-	(8,985,070)	Cash flows from financing activities	(17,114,748)	16,371,700	<b>Total cash flows for the year</b>	<b>(13,392,264)</b>	<b>7,595,774</b>	Opening cash and cash equivalents	27,711,459	20,115,685	Exchange changes in cash and cash equivalents	-	-	<b>Closing cash and cash equivalents</b>	<b>14,319,196</b>	<b>27,711,459</b>
<b>Summary Issuer Audited Statement of Cash Flows</b>	<b>31 December</b>																																	
	<b>2016</b>	<b>2015</b>																																
	<i>(audited)</i>																																	
	<i>(amounts in Euro)</i>																																	
Cash flows from operating activities	3,722,485	209,145																																
Cash flows from Investing activities	-	(8,985,070)																																
Cash flows from financing activities	(17,114,748)	16,371,700																																
<b>Total cash flows for the year</b>	<b>(13,392,264)</b>	<b>7,595,774</b>																																
Opening cash and cash equivalents	27,711,459	20,115,685																																
Exchange changes in cash and cash equivalents	-	-																																
<b>Closing cash and cash equivalents</b>	<b>14,319,196</b>	<b>27,711,459</b>																																
	<b>Material adverse change in the prospects of the Issuer</b>	Not applicable. There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2016.																																
	<b>Significant change in the financial or trading position</b>	Save as set out under B.13 below, there have been no significant changes in the financial or trading position of the Issuer since 30 September 2017.																																

<b>B.13</b>	<b>Recent Events</b>	<p>On 7 November 2017 the shareholders' meeting of Carraro International resolved to reduce its share capital from €39,318,000 to €13,500,000, represented by 13,500 ordinary shares with nominal value of €1,000 each.</p> <p>On 21 December 2017, the transformation of the Issuer from a corporate entity in "<i>société anonyme</i>" form to a European company ("<b>SE</b>"), governed by European Regulation no. 2157/2001 (the "<b>Regulation 2157/2001</b>"), was formally approved and ratified before the competent Notary in Luxembourg.</p> <p>On 3 January 2018, the board of directors of the Issuer approved the project for the transfer of the registered office (the "<b>Transfer Project</b>") from the territory of the Grand Duchy of Luxembourg to the Republic of Italy according to Regulation 2157/2001 and to the relevant provisions of the Luxembourg Law of 10 August 1915, On commercial companies, as amended ("<b>L.S.C.</b>")</p>
<b>B.14</b>	<b>Statement on dependency upon other entities within the Group</b>	<p>The Issuer performs the financial management and treasury functions of the Group, and provides financial support to the Group. This support is provided by way of, for example, intercompany loans, financial services, financial arranger deals for local credit lines or guaranteeing local credit lines. It is also a financial vehicle through which the Guarantor controls some of the Guarantor's foreign commercial subsidiaries. The Issuer has limited revenue-generating operations of its own and, therefore, depends receiving payments from other Group members in the form of dividends, fees for financial services and the making, or repayment, of principal and interest of intercompany loans and advances.</p>
<b>B.15</b>	<b>Principal activities</b>	<p>See B.14 for principal activities of the Issuer.</p> <p>The Guarantor is the parent company of the Group which principally designs, manufactures and markets drivetrain components and systems for original equipment manufacturers for use mainly in connection with agricultural, construction and industrial applications. The Group also produces agricultural equipment and construction machinery for sale for third-party brands (including John Deere, Massey Ferguson and Claas) in addition to the Group's specialist own-brand range.</p>
<b>B.16</b>	<b>Controlling Persons</b>	<p>The Issuer is a wholly owned subsidiary of and is controlled by the Guarantor.</p>
<b>B.17</b>	<b>Credit ratings of the Issuer or its debt securities</b>	<p>Neither the Notes (as defined in A.1) nor the Issuer (as defined in A.1) nor the Guarantor (as defined in B.5) is rated.</p>

<b>B.18</b>	<b>Description of the nature and scope of the Guarantee</b>	<p>The Notes will have the benefit of a guarantee (the “<b>Guarantee</b>”) given by the Guarantor. The Notes will be unconditionally and irrevocably guaranteed by the Guarantor.</p> <p>The Guarantee is limited to 140 per cent. of the aggregate principal amount of Notes as of the date on which the Notes are issued. The obligations of the Guarantor under its guarantee will be unconditional, irrevocable and (subject to the provisions set out in “<i>Terms and Conditions of the Notes – Negative Pledge</i>”) unsecured and unsubordinated and will rank at least equally with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, other than obligations, if any, that are mandatorily preferred by statute or by operation of law.</p>
<b>B.19.B.1</b>	<b>Legal and commercial name</b>	Carraro S.p.A. is the legal name of the Guarantor, and Carraro is the commercial name of the Guarantor.
<b>B.19.B.2</b>	<b>Domicile, legal form, legislation, country of incorporation</b>	Carraro S.p.A. is a joint stock company ( <i>società per azioni</i> ) governed by the laws of the Republic of Italy, with its registered office and operational headquarters at Via Olmo, 37, 35011, Campodarsego, Italy and registered in the Companies Register of Padua ( <i>Registro delle Imprese di Padova</i> ) under registration number and fiscal code 00202040283.
<b>B.19.B.4</b>	<b>Known trends affecting the Guarantor and the industries in which it operates</b>	<p><i>Agricultural machinery</i></p> <p>Countries across the world provide direct or indirect subsidies to the agriculture sector in different forms, such as minimum prices for agricultural raw materials, tax incentives for purchase of equipment, direct financing for new technologies. Both the prices for agricultural raw materials and local incentive policies affect the demand for new agricultural machinery.</p> <p>Up until 2016, the economic situation had seen persisting low prices for agricultural products, generating limited profits for producers, combined with a progressive reduction in subsidies to the agriculture sector by many governments. These factors together negatively impacted the demand for new machinery. However, 2017 has seen an increase in demand for agricultural vehicles, in part facilitated by increases in prices for agricultural products. The situation varies from one country/area to another. Management believes that mature markets such as Europe and North America allow for more limited growth while emerging markets show growth opportunities, although China’s introduction of new regulations relating to emissions and reduction of subsidies seem to have contributed to a slowdown in its region.</p> <p><i>Construction</i></p> <p>Following two years of decreasing in demand for new vehicles that started in 2015, there has been an increase in demand over 2017. The segment was better for compact machinery, although still largely positive for larger machinery, Sales of products (other than spare parts) which in this segment made up approximately 31 per cent. per cent. of the Group’s revenues in 2016.</p> <p>Specialised machinery has shown more positive growth within the range of compact machinery, particularly in mature markets such as Europe and North America, for reasons of efficiency. Mature markets are also characterised by the ever-increasing importance of hire companies as purchasers of machinery.</p> <p>Prior to 2017, overall sales were impacted by continued slowdown in economic</p>

		<p>growth rates across all regions. This, together with complex situations in emerging markets, has delayed investments and reduced demand for new machinery. The increase in demand in 2017 has been registered across most geographies, including Europe, North America, China and India, although the complexities in Turkey and parts of South America have limited growth due to limited investment in infrastructure and construction.</p> <p><i>Material handling machinery</i></p> <p>The material handling machinery segment growth generally follows global GDP and historically has been a relatively stable and predictable market. Sales of products (other than spare parts) in this segment made up approximately four per cent. of the Group's revenues in 2016. The Group is developing new products aimed at increasing its share in this market, with a focus on electric powertrains.</p>
<b>B.19.B.5</b>	<b>Description of the Group and the Guarantor's position within the Group</b>	<p>The Guarantor is the parent company of the Group, with 16 subsidiaries, affiliated companies and joint ventures incorporated in (among others) Italy, India, China, and South America.</p> <p>See B.15 for a description of the Guarantor's activities.</p>
<b>B.19.B.9</b>	<b>Profit forecast or estimate</b>	Not applicable. No profit forecasts or estimates are made.
<b>B.19.B.10</b>	<b>Nature of any qualifications in the audit report on historical financial information</b>	Not applicable. The auditors have issued unqualified audit opinions on the IFRS consolidated financial statements of the Guarantor for the years ended 31 December 2015 and 31 December 2016.

<b>B.19.B.1</b> <b>2</b>	<b>Selected historical key financial information</b>	<p>The following tables set out selected financial information relating to the Group. The information has been extracted from the audited consolidated IFRS financial statements for the years ended 31 December 2015 and 31 December 2016 as well as from the unaudited interim consolidated financial report as of and for the nine-month period ended 30 September 2017.</p> <p><b>Summary Consolidated</b></p> <table border="1"> <thead> <tr> <th data-bbox="580 443 804 472"><b>Income Statement</b></th> <th colspan="2" data-bbox="986 443 1145 472"><b>30 September</b></th> <th colspan="2" data-bbox="1283 443 1433 472"><b>31 December</b></th> </tr> <tr> <td></td> <th data-bbox="999 524 1070 553"><b>2017</b></th> <th data-bbox="1114 524 1185 553"><b>2016</b></th> <th data-bbox="1283 524 1355 553"><b>2016</b></th> <th data-bbox="1433 524 1505 553"><b>2015</b></th> </tr> <tr> <td></td> <td colspan="2" data-bbox="1027 566 1157 595"><i>(unaudited)</i></td> <td colspan="2" data-bbox="1311 566 1415 595"><i>(audited)</i></td> </tr> <tr> <td></td> <td colspan="2" data-bbox="948 609 1259 638"><i>(amounts in Euro thousands)</i></td> <td colspan="2" data-bbox="1273 609 1469 638"><i>(amounts in Euro thousands)</i></td> </tr> </thead> <tbody> <tr> <td data-bbox="580 689 911 719">Products.....</td> <td data-bbox="963 689 1054 719">433,399</td> <td data-bbox="1106 689 1197 719">450,923</td> <td data-bbox="1248 689 1339 719">571,332</td> <td data-bbox="1406 689 1497 719">652,031</td> </tr> <tr> <td data-bbox="580 734 911 763">Services .....</td> <td data-bbox="986 734 1043 763">6,280</td> <td data-bbox="1128 734 1185 763">11,364</td> <td data-bbox="1270 734 1327 763">14,638</td> <td data-bbox="1412 734 1469 763">12,429</td> </tr> <tr> <td data-bbox="580 779 911 808">Other revenues .....</td> <td data-bbox="986 779 1059 808">11,129</td> <td data-bbox="1128 779 1185 808">6,067</td> <td data-bbox="1270 779 1327 808">7,777</td> <td data-bbox="1412 779 1469 808">9,550</td> </tr> <tr> <td data-bbox="580 824 911 853"><b>Total Revenues from Sales</b></td> <td data-bbox="963 824 1054 853">450,808</td> <td data-bbox="1106 824 1197 853">468,354</td> <td data-bbox="1248 824 1339 853">593,747</td> <td data-bbox="1406 824 1497 853">674,010</td> </tr> <tr> <td colspan="5" data-bbox="580 875 804 904"><b>Operating Costs</b></td> </tr> <tr> <td data-bbox="580 927 911 987">Purchases of goods and materials .....</td> <td data-bbox="963 965 1054 994">304,404</td> <td data-bbox="1106 965 1197 994">268,665</td> <td data-bbox="1248 965 1339 994">339,617</td> <td data-bbox="1406 965 1497 994">389,819</td> </tr> <tr> <td data-bbox="580 1010 911 1039">Services .....</td> <td data-bbox="986 1010 1043 1039">67,768</td> <td data-bbox="1128 1010 1185 1039">72,644</td> <td data-bbox="1270 1010 1327 1039">94,542</td> <td data-bbox="1412 1010 1469 1039">105,091</td> </tr> <tr> <td data-bbox="580 1061 911 1122">Use of third-party goods and services .....</td> <td data-bbox="1008 1099 1043 1128">956</td> <td data-bbox="1150 1099 1208 1128">1,548</td> <td data-bbox="1292 1099 1350 1128">1,908</td> <td data-bbox="1434 1099 1492 1128">4,599</td> </tr> <tr> <td data-bbox="580 1144 911 1173">Personnel costs .....</td> <td data-bbox="986 1144 1059 1173">71,028</td> <td data-bbox="1128 1144 1185 1173">73,951</td> <td data-bbox="1270 1144 1327 1173">97,871</td> <td data-bbox="1412 1144 1469 1173">125,063</td> </tr> <tr> <td data-bbox="580 1196 911 1256">Amortisation, depreciation and impairment of assets .....</td> <td data-bbox="986 1234 1059 1263">15,648</td> <td data-bbox="1128 1234 1185 1263">17,248</td> <td data-bbox="1270 1234 1327 1263">27,918</td> <td data-bbox="1412 1234 1469 1263">48,908</td> </tr> <tr> <td data-bbox="580 1279 911 1361">depreciation of property, plant and equipment .....</td> <td data-bbox="986 1317 1059 1346">12,535</td> <td data-bbox="1128 1317 1185 1346">13,599</td> <td data-bbox="1270 1317 1327 1346">17,700</td> <td data-bbox="1412 1317 1469 1346">21,117</td> </tr> <tr> <td data-bbox="580 1384 911 1444">amortisation of intangible fixed assets .....</td> <td data-bbox="999 1422 1056 1451">2,507</td> <td data-bbox="1141 1422 1198 1451">2,947</td> <td data-bbox="1283 1422 1340 1451">3,854</td> <td data-bbox="1425 1422 1482 1451">4,952</td> </tr> <tr> <td data-bbox="580 1467 911 1496">impairment of fixed assets...</td> <td data-bbox="1008 1467 1043 1496">362</td> <td data-bbox="1150 1467 1185 1496">450</td> <td data-bbox="1292 1467 1350 1496">5,869</td> <td data-bbox="1434 1467 1492 1496">20,538</td> </tr> <tr> <td data-bbox="580 1518 911 1547">impairment of receivables ...</td> <td data-bbox="1008 1518 1043 1547">244</td> <td data-bbox="1150 1518 1185 1547">252</td> <td data-bbox="1292 1518 1327 1547">495</td> <td data-bbox="1434 1518 1469 1547">2,301</td> </tr> <tr> <td data-bbox="580 1570 911 1599">Changes in inventories .....</td> <td data-bbox="963 1570 1054 1599">(35,984)</td> <td data-bbox="1106 1570 1197 1599">16,423</td> <td data-bbox="1248 1570 1339 1599">17,449</td> <td data-bbox="1406 1570 1497 1599">11,356</td> </tr> <tr> <td data-bbox="580 1621 911 1682">Provision for risks and other liabilities.....</td> <td data-bbox="999 1659 1056 1688">5,116</td> <td data-bbox="1141 1659 1198 1688">8,761</td> <td data-bbox="1283 1659 1340 1688">10,306</td> <td data-bbox="1425 1659 1482 1688">11,586</td> </tr> <tr> <td data-bbox="580 1704 911 1733">Other income and expenses.</td> <td data-bbox="986 1704 1059 1733">(6,718)</td> <td data-bbox="1128 1704 1185 1733">(3,549)</td> <td data-bbox="1270 1704 1327 1733">(3,439)</td> <td data-bbox="1412 1704 1469 1733">(17,758)</td> </tr> <tr> <td data-bbox="580 1756 911 1785">Internal construction .....</td> <td data-bbox="986 1756 1059 1785">(1,286)</td> <td data-bbox="1128 1756 1185 1785">(3,897)</td> <td data-bbox="1270 1756 1327 1785">(4,184)</td> <td data-bbox="1412 1756 1469 1785">(4,985)</td> </tr> <tr> <td data-bbox="580 1839 911 1868"><b>Total Operating Costs .....</b></td> <td data-bbox="963 1839 1054 1868">420,932</td> <td data-bbox="1106 1839 1197 1868">451,794</td> <td data-bbox="1248 1839 1339 1868">581,988</td> <td data-bbox="1406 1839 1497 1868">673,679</td> </tr> <tr> <td data-bbox="580 1890 911 1919"><b>Operating Profit/(Loss).....</b></td> <td data-bbox="986 1890 1059 1919">29,876</td> <td data-bbox="1128 1890 1185 1919">16,560</td> <td data-bbox="1270 1890 1327 1919">11,759</td> <td data-bbox="1412 1890 1469 1919">331</td> </tr> <tr> <td colspan="5" data-bbox="580 1942 804 2002"><b>Gains/(Losses) on Financial Assets</b></td> </tr> </tbody> </table>	<b>Income Statement</b>	<b>30 September</b>		<b>31 December</b>			<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>		<i>(unaudited)</i>		<i>(audited)</i>			<i>(amounts in Euro thousands)</i>		<i>(amounts in Euro thousands)</i>		Products.....	433,399	450,923	571,332	652,031	Services .....	6,280	11,364	14,638	12,429	Other revenues .....	11,129	6,067	7,777	9,550	<b>Total Revenues from Sales</b>	450,808	468,354	593,747	674,010	<b>Operating Costs</b>					Purchases of goods and materials .....	304,404	268,665	339,617	389,819	Services .....	67,768	72,644	94,542	105,091	Use of third-party goods and services .....	956	1,548	1,908	4,599	Personnel costs .....	71,028	73,951	97,871	125,063	Amortisation, depreciation and impairment of assets .....	15,648	17,248	27,918	48,908	depreciation of property, plant and equipment .....	12,535	13,599	17,700	21,117	amortisation of intangible fixed assets .....	2,507	2,947	3,854	4,952	impairment of fixed assets...	362	450	5,869	20,538	impairment of receivables ...	244	252	495	2,301	Changes in inventories .....	(35,984)	16,423	17,449	11,356	Provision for risks and other liabilities.....	5,116	8,761	10,306	11,586	Other income and expenses.	(6,718)	(3,549)	(3,439)	(17,758)	Internal construction .....	(1,286)	(3,897)	(4,184)	(4,985)	<b>Total Operating Costs .....</b>	420,932	451,794	581,988	673,679	<b>Operating Profit/(Loss).....</b>	29,876	16,560	11,759	331	<b>Gains/(Losses) on Financial Assets</b>				
<b>Income Statement</b>	<b>30 September</b>		<b>31 December</b>																																																																																																																												
	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>																																																																																																																											
	<i>(unaudited)</i>		<i>(audited)</i>																																																																																																																												
	<i>(amounts in Euro thousands)</i>		<i>(amounts in Euro thousands)</i>																																																																																																																												
Products.....	433,399	450,923	571,332	652,031																																																																																																																											
Services .....	6,280	11,364	14,638	12,429																																																																																																																											
Other revenues .....	11,129	6,067	7,777	9,550																																																																																																																											
<b>Total Revenues from Sales</b>	450,808	468,354	593,747	674,010																																																																																																																											
<b>Operating Costs</b>																																																																																																																															
Purchases of goods and materials .....	304,404	268,665	339,617	389,819																																																																																																																											
Services .....	67,768	72,644	94,542	105,091																																																																																																																											
Use of third-party goods and services .....	956	1,548	1,908	4,599																																																																																																																											
Personnel costs .....	71,028	73,951	97,871	125,063																																																																																																																											
Amortisation, depreciation and impairment of assets .....	15,648	17,248	27,918	48,908																																																																																																																											
depreciation of property, plant and equipment .....	12,535	13,599	17,700	21,117																																																																																																																											
amortisation of intangible fixed assets .....	2,507	2,947	3,854	4,952																																																																																																																											
impairment of fixed assets...	362	450	5,869	20,538																																																																																																																											
impairment of receivables ...	244	252	495	2,301																																																																																																																											
Changes in inventories .....	(35,984)	16,423	17,449	11,356																																																																																																																											
Provision for risks and other liabilities.....	5,116	8,761	10,306	11,586																																																																																																																											
Other income and expenses.	(6,718)	(3,549)	(3,439)	(17,758)																																																																																																																											
Internal construction .....	(1,286)	(3,897)	(4,184)	(4,985)																																																																																																																											
<b>Total Operating Costs .....</b>	420,932	451,794	581,988	673,679																																																																																																																											
<b>Operating Profit/(Loss).....</b>	29,876	16,560	11,759	331																																																																																																																											
<b>Gains/(Losses) on Financial Assets</b>																																																																																																																															

	<b>30 September</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<i>(unaudited)</i>		<i>(audited)</i>	
	<i>(amounts in Euro thousands)</i>		<i>(amounts in Euro thousands)</i>	
Income and expenses from equity investments.....	—	(206)	(14)	22,825
Other financial income .....	2,196	1,465	2,200	3,764
Financial costs and expenses .....	(9,128)	(10,544)	(13,644)	(20,182)
Net gains/(losses) on foreign exchange .....	(1,194)	(1,568)	(1,836)	(4,471)
Value adjustments of financial assets .....	(1,838)	—	(213)	—
<b>Net Gains/(Losses) on Financial Assets .....</b>	<b>(9,964)</b>	<b>(10,853)</b>	<b>(13,507)</b>	<b>1,936</b>
<b>Profit/(Loss) before Taxes .</b>	<b>19,912</b>	<b>5,707</b>	<b>(1,748)</b>	<b>2,267</b>
Current and deferred income taxes.....	7,199	6,478	7,340	11,373
Net Profit/(Loss).....	12,713	(771)	(9,088)	(9,106)
Minority interests .....	1	1	1	191
<b>Group Consolidated Profit/(Loss) .....</b>	<b>12,714</b>	<b>(770)</b>	<b>(9,087)</b>	<b>(8,915)</b>

	<b>Summary Consolidated</b>			
	<b>Balance Sheet</b>			
	<b>30 September</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2015</b>	
	<i>(unaudited)</i>	<i>(audited)</i>		
	<i>(amounts in Euro thousands)</i>			
Total non-current assets....	257,811	267,170	293,525	
Total current assets .....	296,352	219,045	286,499	
<b>Total assets .....</b>	<b>554,163</b>	<b>486,215</b>	<b>580,024</b>	
Total non-current liabilities	162,601	177,954	199,208	
Total current liabilities	318,784	261,532	349,793	
<b>Total liabilities</b>	<b>481,385</b>	<b>439,486</b>	<b>549,001</b>	
Equity attributable to owners of the parent	72,778	46,729	28,365	
Equity attributable to non-controlling interests	-	-	2,658	
<b>Total equity</b>	<b>72,778</b>	<b>46,729</b>	<b>31,023</b>	
<b>Total equity and liabilities</b>	<b>554,163</b>	<b>486,215</b>	<b>580,024</b>	
<b>Summary Consolidated</b>				
<b>Cash Flow Statements</b>				
<b>30 September</b>		<b>31 December</b>		
<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	
	<i>(unaudited)</i>	<i>(audited)</i>		
	<i>(amounts in Euro thousands)</i>			
Cash flows from operating activities .....	18,219	17,491	(9,414)	
Cash flows from Investing activities .....	(12,299)	(9,521)	(581)	
Cash flows from financing activities .....	3,823	623	17,572	
<b>Total cash flows for the period.....</b>	<b>9,743</b>	<b>8,593</b>	<b>7,577</b>	
Opening cash and cash equivalents	47,753	70,758	62,822	
Exchange changes in cash and cash equivalents.....	(1,714)	(822)	359	
<b>Closing cash and cash equivalents .....</b>	<b>55,782</b>	<b>47,753</b>	<b>70,758</b>	

		<p>The following table sets out a summary of other consolidated financial information of the Group.</p> <p><b>Summary of Other Consolidated Financial Information:</b></p> <table border="1"> <thead> <tr> <th></th> <th colspan="2">30 September</th> <th colspan="2">31 December</th> </tr> <tr> <th></th> <th>2017</th> <th>2016</th> <th>2016</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="4" style="text-align: center;"><i>(unaudited)</i></td> </tr> <tr> <td></td> <td colspan="4" style="text-align: center;"><i>(amounts in Euro thousands)</i></td> </tr> <tr> <td>Consolidated EBITDA</td> <td>45,280</td> <td>33,556</td> <td>39,182</td> <td>46,938</td> </tr> <tr> <td>Consolidated Adjusted EBITDA</td> <td>42,960</td> <td>37,907</td> <td>44,669</td> <td>42,627</td> </tr> <tr> <td>Net Consolidated Financial Position</td> <td>(166,026)</td> <td>(195,756)</td> <td>(193,720)</td> <td>(236,582)</td> </tr> <tr> <td>Net Consolidated Financial Position of Operations</td> <td>(155,019)</td> <td>(190,578)</td> <td>(183,200)</td> <td>(227,783)</td> </tr> </tbody> </table>		30 September		31 December			2017	2016	2016	2015		<i>(unaudited)</i>					<i>(amounts in Euro thousands)</i>				Consolidated EBITDA	45,280	33,556	39,182	46,938	Consolidated Adjusted EBITDA	42,960	37,907	44,669	42,627	Net Consolidated Financial Position	(166,026)	(195,756)	(193,720)	(236,582)	Net Consolidated Financial Position of Operations	(155,019)	(190,578)	(183,200)	(227,783)
	30 September		31 December																																							
	2017	2016	2016	2015																																						
	<i>(unaudited)</i>																																									
	<i>(amounts in Euro thousands)</i>																																									
Consolidated EBITDA	45,280	33,556	39,182	46,938																																						
Consolidated Adjusted EBITDA	42,960	37,907	44,669	42,627																																						
Net Consolidated Financial Position	(166,026)	(195,756)	(193,720)	(236,582)																																						
Net Consolidated Financial Position of Operations	(155,019)	(190,578)	(183,200)	(227,783)																																						
	<b>Material adverse change in the prospects of the Guarantor</b>	Not applicable. There has been no material adverse change in the prospects of the Guarantor since 31 December 2016.																																								
	<b>Significant change in the financial or trading position of the Guarantor</b>	Save as set out under B.19.B.13 below, there have been no significant changes in the financial or trading positions of the Guarantor or the Group since 30 September 2017.																																								
<b>B.19.B.13</b>	<b>Recent Events</b>	On November 28 2017, Friulia, the Regional Finance Institution of Friuli Venezia Giulia, subscribed a share capital increase in SIAP S.p.A. for an amount of eight million (including share premium), corresponding to 23.24 per cent. of the share capital of SIAP S.p.A. The investment agreement entered on the same date between Friulia and Carraro Drive Tech SpA provides a call option in favour of Carraro Drive Tech SpA to repurchase the entire participation held by Friulia at a later stage. The transaction is aimed at supporting the development of a centre of excellence at the Maniago (Pordenone) plant with investments in capital goods to increase production capacity in order to consolidate SIAP S.p.A.'s international leadership.																																								

<b>B.19.B.1 5</b>	<b>Principal activities</b>	The Guarantor is the parent company of the Group which principally designs, manufactures and markets drivetrain components and systems for original equipment manufacturers for use mainly in connection with agricultural, construction and industrial applications. The Group also produces agricultural equipment and construction machinery for sale for third-party brands (including John Deere, Massey Ferguson and Claas) in addition to the Group’s specialist own-brand range.														
<b>B.19.B.1 6</b>	<b>Controlling Persons</b>	<p>The Guarantor is a small medium enterprise (“SME”) pursuant to Article 1, paragraph 1, letter w-quater 1) of the <i>Testo Unico Finanziario</i>. As an SME, the minimum shareholding reporting threshold is a 5 per cent. holding of the share capital (with voting rights). The following table sets out the persons who have significant shareholdings in the Guarantor as at the date of this Prospectus, pursuant to such reporting threshold:</p> <table border="1" data-bbox="592 786 1513 1088"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="2">Share Ownership</th> </tr> <tr> <th>(No. of shares)</th> <th>(% of total)</th> </tr> </thead> <tbody> <tr> <td>Mario Carraro<sup>(1)</sup></td> <td>32,590,159</td> <td>40.88</td> </tr> <tr> <td>Julia Dora Koranyi Arduini</td> <td>21,629,779</td> <td>27.13</td> </tr> <tr> <td>Carraro S.p.A. (treasury shares)</td> <td>2,626,988</td> <td>3.30</td> </tr> </tbody> </table> <p>(1) of which 28,215,519 shares are held via Finaid S.p.A., a company controlled by Mario Carraro in which he holds 55 per cent. of the share capital. Furthermore, 16,741,543 shares held in the Guarantor by Finaid S.p.A. are subject to a share pledge in favour of financial institutions, in relation to which Mario Carraro retains the voting rights.</p> <p>As of the date of this Prospectus, Mario Carraro exercises de facto control over the Guarantor.</p>	Shareholder	Share Ownership		(No. of shares)	(% of total)	Mario Carraro <sup>(1)</sup>	32,590,159	40.88	Julia Dora Koranyi Arduini	21,629,779	27.13	Carraro S.p.A. (treasury shares)	2,626,988	3.30
Shareholder	Share Ownership															
	(No. of shares)	(% of total)														
Mario Carraro <sup>(1)</sup>	32,590,159	40.88														
Julia Dora Koranyi Arduini	21,629,779	27.13														
Carraro S.p.A. (treasury shares)	2,626,988	3.30														
<b>B.19.B.1 7</b>	<b>Credit ratings of the Guarantor or its debt securities</b>	Neither the Notes (as defined in A.1) nor the Issuer (as defined in A.1) nor the Guarantor (as defined in B.5) is rated.														

### Section C – Securities

<b>Element</b>	<b>Description of Element</b>	<b>Disclosure requirement</b>
<b>C.1</b>	<b>Type and class of securities being offered including any security</b>	Subject to the condition that the Offering will be withdrawn if, at the expiration of the Offering Period, offers to purchase the Notes (“ <b>Purchase Offers</b> ”) have not been placed sufficient for the sale of at least €50 million aggregate principal amount of the Notes (the “ <b>Minimum Offer Condition</b> ”), the Issuer is expected to issue on or about 16 February 2018, between a minimum of €50,000,000 and a maximum of

	<b>identification number</b>	<p>€180,000,000 (the “<b>Maximum Offer Amount</b>”) at a minimum of 3.00 per cent. (the “<b>Minimum Interest Rate</b>”) per annum senior unsecured notes due 31 January 2025 (the “<b>Notes</b>”). The Maximum Offer Amount may be reduced by the Issuer prior to 16 February 2018 at 09:00 (CET). The Notes will constitute direct, unconditional and unsecured obligations of the Issuer bearing fixed interest.</p> <p>The securities codes for the Notes are: ISIN: XS1747134564 and Common Code: 174713456.</p>
<b>C.2</b>	<b>Currency of the securities issue</b>	Euro
<b>C.5</b>	<b>Restrictions on free transferability of the Notes.</b>	Not applicable. The Notes are freely transferable. However, the offer and the sale of the Notes and the distribution of this Prospectus is subject to specific restrictions that vary depending on the jurisdiction where the Notes are offered or sold or this Prospectus is distributed.
<b>C.8</b>	<b>Rights attached to the Notes, ranking of the Notes, limitations of the rights attached to the Notes</b>	<p><i>Negative Pledge:</i> The Terms and Conditions of the Notes (the “<b>Terms and Conditions</b>”) contain a negative pledge.</p> <p><i>Limitation on Indebtedness:</i> The Terms and Conditions contain limitations on indebtedness.</p> <p><i>Taxation:</i> All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“<b>Taxes</b>”) imposed or levied by or on behalf of any of Luxembourg or Italy, unless the withholding or deduction of the Taxes (the “<b>Tax Deduction</b>”) is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Notes (the “<b>Noteholders</b>”) and the holders of the interest coupons appertaining to the Notes (the “<b>Couponholders</b>” and the “<b>Coupons</b>” respectively) after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction. All the above is nevertheless subject to customary market exceptions.</p> <p>The Issuer will not be required to make an increased payment for a Tax Deduction imposed by Luxembourg on the basis of the Luxembourg law of 23 December 2005 introducing a final withholding tax on certain savings income, as amended.</p> <p>Subject to and as set forth in “Terms and Conditions of the Notes—Taxation”, the Issuer will not be liable to pay any additional amounts for a Tax Deduction if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of 1 April 1996 (as, or as may subsequently be, amended or supplemented) and related regulations of implementation which have been, or may subsequently be, enacted (“<b>Decree 239</b>”) or pursuant to Italian Legislative Decree No. 461 of 21 November 1997 (“<b>Decree 461</b>”), except, in the case of Decree 239, where the procedures required under Decree 239 in order to benefit from an exemption have not been complied with due to the actions or omissions of the Issuer or the Guarantor.</p> <p>Holders of the Notes will bear the risk of any change in Decree 239 after the date hereof, including any change in the white list countries.</p> <p><i>Events of Default:</i> Upon the occurrence of an Event of Default, the Trustee at its discretion may, and if so directed by an extraordinary resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to</p>

		<p>its satisfaction), give notice to the Issuer that the Notes are immediately due and repayable.</p> <p><i>Cross Default:</i> The Terms and Conditions include a cross default provision.</p> <p><i>Status of the Notes:</i> The Notes and the Coupons will constitute (subject to the negative pledge) unsecured obligations of the Issuer ranking pari passu without any preference among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for certain mandatory exceptions of applicable law.</p> <p>For more information regarding the rights attached to the Notes, please see C.9.</p>										
<p><b>C.9</b></p>	<p><b>Additional Information on the Rights Attached to the Notes</b></p>	<p><i>Interest:</i> Interest on the Notes will accrue at a fixed rate not less than the Minimum Interest Rate (as defined in C.1) per annum starting from the Issue Date, payable semi-annually in arrear on 31 January and 31 July of each year commencing on 31 July 2018. The final interest rate will be set out in a notice, which will be filed with the CSSF (as defined in C.11 below) and published on <a href="https://www.carraro.com/bonds/">https://www.carraro.com/bonds/</a>, <a href="http://www.bourse.lu">www.bourse.lu</a> and released through the SDIR-NIS system of Borsa Italiana prior to the start of the Offering Period (as defined in E.3 below).</p> <p><i>Issue Price:</i> The Notes will be issued at a price of 100.00 per cent. of their principal amount (the “<b>Issue Price</b>”).</p> <p><i>Maturity Date:</i> Unless previously redeemed or cancelled, the Notes will mature on 31 January 2025.</p> <p><i>Indication of yield:</i> The yield of the Notes will be a minimum of 3.00 per cent. per annum. The yield of the Notes has been calculated on the basis of the Issue Price (100 per cent.) divided by the Minimum Interest Rate (3.00 per cent. per annum). Therefore, the minimum interest payable per annum on the minimum denomination of Notes would be €30.00 (i.e. 3.00 per cent. of €1,000), making the yield of the Notes <math>\frac{€30.00}{€1,000} = 3.00</math> per cent. The final yield will be set out in a notice, which will be filed with the CSSF (as defined in C.11 below) and published on <a href="https://www.carraro.com/bonds/">https://www.carraro.com/bonds/</a>, <a href="http://www.bourse.lu">www.bourse.lu</a> and released through the SDIR-NIS system of Borsa Italiana prior to the start of the Offering Period (as defined in E.3 below). The yield indicated in this paragraph is calculated, and in the Interest Rate and Yield Notice will be calculated as the yield to maturity as at 16 February 2018 and will not be an indication of future yield.</p> <p><i>Early Redemption at the Option of the Issuer:</i> At any time on or after 31 January 2021, the Issuer may redeem the Notes, in whole or in part and from time to time, at the following redemption prices (expressed as a percentage of the principal amount on the redemption date), plus accrued and unpaid interest and additional amounts, if any, to the relevant redemption date:</p> <table border="1" data-bbox="603 1675 1385 1906"> <thead> <tr> <th><b>Redemption Period</b></th> <th><b>Price</b></th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>101.500%</td> </tr> <tr> <td>2022</td> <td>100.750%</td> </tr> <tr> <td>2023</td> <td>100.375%</td> </tr> <tr> <td>2024 and thereafter</td> <td>100.000%</td> </tr> </tbody> </table> <p><i>Early Redemption for Taxation Reasons:</i> Early redemption of the Notes for reasons of taxation will be permitted, if as a result of any change in, or amendment to, the laws or regulations or any change in the application or interpretation of such laws or</p>	<b>Redemption Period</b>	<b>Price</b>	2021	101.500%	2022	100.750%	2023	100.375%	2024 and thereafter	100.000%
<b>Redemption Period</b>	<b>Price</b>											
2021	101.500%											
2022	100.750%											
2023	100.375%											
2024 and thereafter	100.000%											

		<p>regulations of Luxembourg (in the case of a payment by the Issuer) or Italy or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, the Issuer (or the Guarantor, as the case may be) would be required to pay additional amounts on the Notes.</p> <p><i>Redemption at the option of the Noteholders upon the occurrence of a Change of Control:</i> if one or more Person or Persons (other than the Guarantor) acquire the power to (i) appoint or remove a majority of the directors of the Issuer or (ii) exercise more than 50 per cent. of the voting rights normally exercisable at the Issuer’s ordinary and extraordinary shareholders’ meetings, the Noteholders will have the option of redeeming the Notes at 101 per cent. of their principal amount together with accrued interest (if any).</p> <p><b>“Person”</b> means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.</p> <p><i>Trustee:</i> Lucid Trustee Services Ltd (the <b>“Trustee”</b>)</p> <p>For more information regarding the rights attached to the Notes, please see <i>C.8</i>.</p>
<b>C.10</b>	<b>Derivative component in interest payment</b>	Not applicable. The Notes have no derivative component when paying interest, which could influence the value of the Notes by having an impact on the value of the underlying instrument or several underlying instruments. See <i>C.9</i> for information on the interest rate of the Notes.
<b>C.11</b>	<b>Admission to trading of securities on a regulated market</b>	<p>Application has been made for the Notes to be admitted to trading on the regulated <i>Mercato delle Obligazioni Telematico</i> market (the <b>“MOT”</b>) of Borsa Italiana S.p.A. (<b>“Borsa Italiana”</b>). Borsa Italiana has admitted the Notes to listing on the MOT with order n. LOL-003807 dated 22 January 2018.</p> <p>Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange’s regulated market (the <b>“Market”</b>).</p>

#### Section D – Risks

<b>Element</b>	<b>Description of Element</b>	<b>Disclosure requirement</b>
<b>D.2</b>	<b>Key information on the key risks specific to the Issuer and the Group</b>	<p>The following are risk factors relating to the Issuer and the Group that may affect the Issuer’s ability to fulfil their obligations under the Notes. Since the Issuer and its subsidiaries conduct the same business activities, we do not believe they are exposed to separate risks, except as otherwise noted:</p> <ul style="list-style-type: none"> <li>• The Issuer is a financing vehicle for the Group and has no material assets or sources of sales except for claims against certain Group companies resulting from intercompany loans and relies on distributions from such subsidiaries to service and repay the Notes;</li> <li>• The applicability of Luxembourg law to the Issuer and its corporate actions and risks regarding substance;</li> <li>• The transfer of the Issuer’s registered office in another Member State of the European Union;</li> <li>• The insolvency laws of Luxembourg and Italy may not be as favourable to Noteholders as laws of another jurisdiction with which holders are familiar;</li> </ul>

		<ul style="list-style-type: none"> <li>• Interest rate risk;</li> <li>• The Issuer may engage in hedging transactions in an attempt to mitigate exposure to interest rate fluctuations and other portfolio positions which may be unsuccessful or expose it to contingent liabilities;</li> <li>• As the Guarantor operates in part through its subsidiaries and participations, its ability to meet its payment obligations under the Guarantee also depends – to a certain extent – on the receipt of funds from its subsidiaries and participations;</li> <li>• The Group’s revenues and profits declined for the two financial years ended 31 December 2015 and 31 December 2016. If the Group fails to reverse this trend in future years this could have a material adverse effect on the Group and the ability to meet its payment obligations under the Notes;</li> <li>• The Group’s consolidated statement of financial position includes significant intangible assets, which could become impaired;</li> <li>• The Group’s ability to successfully execute its 2017-2021 business plan and implement its strategy is not assured;</li> <li>• The Group may be unable to successfully integrate or achieve the expected benefits from current or future acquisitions or joint ventures. In addition, it faces the risk of potential guarantee or liability claims resulting from the disposal of a majority stakes in Elettronica Santerno S.p.A. and O&amp;K Antriebstechnik GmbH;</li> <li>• The Group does not control certain of its joint ventures;</li> <li>• The Group engages in significant transactions with related parties;</li> <li>• Exchange rate fluctuations may negatively affect the Group’s business;</li> <li>• The Group has significant outstanding indebtedness, which may limit its ability to obtain additional funding and may limit its financial and operating flexibility;</li> <li>• A meaningful percentage of the Group’s revenues is concentrated among a small number of clients;</li> <li>• The Group relies on a limited number of suppliers of materials and could suffer shortages if these suppliers were to interrupt the supply or increase their prices;</li> <li>• The Group relies on strategic partners and other third-party contractors, and its business could be harmed if they fail to perform as expected or relationships with them were to be terminated;</li> <li>• The Group depends on the experience and expertise of its senior management team and certain key employees;</li> <li>• The Group faces risks associated with its employment relationships;</li> <li>• The Group faces risks related to its manufacturing facilities;</li> <li>• Products that do not meet client specifications or that contain, or are perceived to contain, defects or errors or that are otherwise incompatible with their intended end use could impose significant costs on the Group, including from warranty and product liability claims. In addition, quality risks could also damage the Group’s reputation;</li> <li>• The Group may be adversely affected by rising raw material and energy prices;</li> <li>• Reduced demand for equipment would reduce the Group’s sales and profitability;</li> <li>• The Group operates on a global basis, which exposes it to numerous risks</li> <li>• The Group’s business could suffer if it is unable to develop new technologies or</li> </ul>
--	--	---

		<p>if it cannot keep pace with the technology development of competitors;</p> <ul style="list-style-type: none"> <li>• The Group's business results depend largely on its ability to understand its customers' specific preferences and requirements, and to develop, manufacture and market products that meet customer demand;</li> <li>• The Group is exposed to the risk that clients may change their strategy with respect to outsourcing;</li> <li>• Competitive activity, or failure by the Group to respond to actions by its competitors, could adversely affect its results of operations</li> <li>• The agricultural equipment industry is highly seasonal, which causes the Group's results of operations and levels of working capital to fluctuate significantly;</li> <li>• The Group's business may be affected by unfavourable weather conditions, climate change or natural disasters;</li> <li>• Changes in demand for food and alternate energy sources could impact the Group's revenues;</li> <li>• The demand for the Group's products is subject to fluctuations. If the Group's production capacities do not meet the actual demand for its products, this could affect its results of operations;</li> <li>• The Group faces risks related to possible changes to national and international laws and regulations;</li> <li>• International trade policies may impact demand for the Group's products and its competitive position;</li> <li>• Increasingly stringent engine emission standards could impact the Group's ability to manufacture and distribute certain engines or equipment which could negatively affect business results;</li> <li>• The Group may incur increased costs due to new or more stringent greenhouse gas emission standards designed to address climate change and could be further impacted by physical effects attributed to climate change on its facilities, suppliers and customers;</li> <li>• The Group is subject to extensive anti-corruption and antitrust laws and regulations and faces certain risks related to enterprise liability pursuant to Italian Legislative Decree No. 231/2001;</li> <li>• The Group is subject to risks from legal, administrative and arbitration proceedings;</li> <li>• Increased information technology security threats, more sophisticated computer crime, and changes in privacy laws could disrupt the Group's business;</li> <li>• The Group may be unable to appropriately protect its intellectual property;</li> <li>• There is a risk that the Group may infringe intellectual property rights of third parties;</li> <li>• The Group may not have validly acquired employee inventions or could fail to validly acquire them in the future;</li> <li>• The Group is exposed to the risk of product-related crime and industrial espionage;</li> </ul> <p>If any of the risks described above were to materialise, this may affect the Issuer's ability to fulfil its payment obligations under the Notes and/or lead to a decline in the market price of the Notes.</p>
--	--	--

D.3	<p><b>Key information on the key risks specific to the securities</b></p>	<p>An investment in the Notes involves certain risks associated with the respective characteristics of the Notes which could lead to substantial losses that Noteholders would have to bear in the case of selling their Notes or with regard to receiving interest payments and repayment of principal. Those risks include that:</p> <ul style="list-style-type: none"> <li>• The Notes are fixed rate securities and their market price may be affected by fluctuations in market interest rates – if market interest rates rise, the market price of a fixed rate security typically falls, and if market interest rates fall, the market price of a fixed rate security typically rises;</li> <li>• The Notes may not be a suitable investment for all investors – potential investors should consider the suitability of an investment in the Notes in light of their own circumstances, in particular whether they have: sufficient knowledge and experience to evaluate the merits and risks of investing in the Notes, access to, and knowledge of, appropriate analytical tools to evaluate the impact that an investment in the Notes will have on their investment portfolio, sufficient resources and liquidity to bear all the risks of investing in the Notes;</li> <li>• The Notes are unsecured – in the event of the insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer’s other unsecured senior indebtedness, and, where security has been granted over assets of the Issuer to secure indebtedness, below such secured indebtedness in respect of such assets;</li> <li>• The Guarantee may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability - as such, Noteholders may have no, or a reduced, claim against the Guarantor in respect of the Issuer’s obligations under the Notes;</li> <li>• The Offering Period may be extended or amended, and the Offering may be terminated, postponed or withdrawn for a number of reasons, including a failure to satisfy the Minimum Offer Condition or any extraordinary change in the political, financial, economic, regulatory or currency situation of the markets in which the Group operates that could have a materially adverse effect on the conditions of the Group and their business activities;</li> <li>• The Notes may be redeemed prior to maturity, in the event of a change to tax law in Italy or Luxembourg which has the effect of increasing the amounts payable by the Issuer under the Notes, or in the event that the Issuer elects to redeem the Notes at any time on or after 31 January 2021, on giving not more than 60 nor less than 30 days’ irrevocable notice to the Noteholders;</li> <li>• Because the global Notes are held by or on behalf of Euroclear Bank SA/NV (“<b>Euroclear</b>”) and Clearstream Banking, S.A. (“<b>Clearstream, Luxembourg</b>”), Noteholders will have to rely on their procedures for transfer, payment and communication with the Issuer;</li> <li>• Payments made to non-resident entities without an Italian permanent establishment to which the Notes are effectively connected by the Guarantor may be subject to Italian withholding taxes or deduction of taxes;</li> <li>• Future changes to law or administrative practice may affect the application of the Terms and Conditions of the Notes;</li> <li>• The Terms and Conditions of the Notes may be modified by a decision of the Noteholders - Noteholders may be bound by a majority decision for which they did not vote, and may lose rights against the Issuer or the Guarantor under the Notes or the Guarantee;</li> <li>• Upon the occurrence of an event of default, the Notes will become due and</li> </ul>
-----	---	--

		<p>payable if the Trustee, of its own accord or as directed by an Extraordinary Resolution of the Noteholders, delivers a notice declaring such Notes due and payable – Noteholders may not be able to accelerate their Notes if the notice is not delivered;</p> <ul style="list-style-type: none"> <li>• The covenants in the Notes and the instruments governing the Group’s other debt may limit the Group’s ability to operate its business and take advantage of potential business opportunities as they arise. If the Group does not comply with these covenants, it could be in default under the relevant agreements, and any default under the Notes could lead to an acceleration of debt under other debt instruments that contain cross acceleration or cross default provisions. If the debt under the Notes or other debt instruments is accelerated, the Group may not have sufficient assets to repay amounts due thereunder;</li> <li>• The market price of the Notes could decrease if the creditworthiness of the Issuer worsens or is perceived to worsen. In addition, changes in accounting standards may lead to adjustments in the relevant accounting positions of the Group which could have an adverse effect on the Group’s financial condition, which could in turn affect the market price of the Notes;</li> <li>• An active and liquid trading market for the Notes may not develop or be maintained, which may limit Noteholders’ ability to sell their Notes when desired, or at all, or at prices they find acceptable;</li> <li>• The Notes are subject to inflation risks – the higher the rate of inflation, the lower the real yield of a Note;</li> <li>• The Notes are subject to transaction costs and charges, which may significantly reduce or eliminate any profit from holding the Notes;</li> <li>• The trading market for debt securities may be volatile and may be adversely affected by many events, and this in turn may adversely affect the market price of the Notes;</li> <li>• The Notes are not rated and credit ratings may not reflect all risks;</li> <li>• Enforcing rights as a Noteholder or under the Guarantee (once they are granted) across multiple jurisdictions may be difficult;</li> <li>• Transfers of the Notes may be restricted, which may adversely affect the secondary market liquidity and/or trading prices of the Notes. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws;</li> <li>• The Notes may have no established trading market when issued and one may never develop; even if one does develop, it may not be very liquid and Noteholders may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The market price of the Notes may also be significantly affected by factors such as variations in the Group’s annual and interim results, news announcements or changes in general market conditions. In addition, broad market fluctuations and general economic and political conditions may adversely affect the market value of the Notes, regardless of the actual performance of the Group;</li> <li>• Legal investment considerations may restrict certain investments;</li> <li>• If a Noteholder’s financial activities are denominated principally in a currency other than euro, changes to exchange rates and exchange controls may affect a Noteholder’s currency-equivalent yield, currency-equivalent value of the</li> </ul>
--	--	---

		principal payable on the Notes, and currency-equivalent market value of the Notes.
--	--	--

### Section E – Offer

Element	Description of Element	Disclosure requirement
E.2b	Reasons for the offer and use of proceeds	The net proceeds of the issue of the Notes will be used by the Issuer in order to refinance all or part of its outstanding indebtedness.
E.3	Terms and conditions of the offer	<p><i>Offering of the Notes:</i> The Offering is addressed to the general public in Luxembourg and Italy and to qualified investors (as defined in Article 2.1(e) of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (as amended) (the “<b>Prospectus Directive</b>”)) in Luxembourg and Italy (the “<b>Investors</b>”) following the approval of this Prospectus by the <i>Commission de Surveillance du Secteur Financier</i> of the Grand Duchy of Luxembourg (the “<b>CSSF</b>”) according to Article 7 of the Luxembourg law relating to prospectuses for securities (<i>Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières</i>), as amended (the “<b>Luxembourg Prospectus Law</b>”), and the effectiveness of the notification of this Prospectus by the CSSF to the competent authority in Italy, the <i>Commissione Nazionale per le Società e la Borsa</i> (“<b>CONSOB</b>”) according to Article 18 of the Prospectus Directive and Article 19 of the Luxembourg Prospectus Law.</p> <p><i>Offering Period:</i> The Offering will open on 31 January 2018 at 09:00 (CET) and will expire on 9 February 2018 at 17:30 (CET), subject to amendment, extension or postponement by the Issuer and Equita S.I.M. S.p.A. (the “<b>Placement Agent</b>”) (the “<b>Offering Period</b>”). Any such extension or postponement shall be carried out by way of the publication of a supplement to this Prospectus (a “<b>Supplement</b>”) (as such postponement or extension will be a significant new factor, as defined in Article 13 of the Luxembourg Prospectus Law).</p> <p><i>Pricing Details:</i> The Notes will be issued at a price of 100.00 per cent. of their principal amount. The Minimum Interest Rate (as defined in C.9) of the Notes is 3.00 per cent. per annum.</p> <p><i>Disclosure of the Interest Rate, Yield and Results of the Offering:</i></p> <p>The interest rate (which shall not be less than the Minimum Interest Rate) will be determined on the basis of the tenor of the Notes, the yield and the demand by investors in the course of the determination of the conditions (the bookbuilding procedure) prior to the start of the Offering Period. In the course of the bookbuilding procedure, the Placement Agent will accept within a limited period of time indications of interest in subscribing for the Notes from investors, including credit spreads usually within a predetermined spread range. Subsequently, the Placement Agent will determine, in consultation with the Issuer and the Guarantor, the interest rate (coupon) and the final yield. The interest rate of the Notes (which shall not be less than the Minimum Interest Rate (as defined in C.9)) and the yield will be set out in a notice, which will be filed with the CSSF and published on the website of the Guarantor (as defined in B.5) (<a href="https://www.carraro.com/bonds/">https://www.carraro.com/bonds/</a>), the website of the Luxembourg Stock Exchange (<a href="http://www.bourse.lu">www.bourse.lu</a>) and released through the SDIR-NIS system of Borsa Italiana prior to the start of the Offering Period. The aggregate principal amount of the Notes, the number of Notes sold and the proceeds of the Offering will be set out in a</p>

	<p>notice, which will be filed with the CSSF and published on the website of the Guarantor (as defined in B.5) (<a href="https://www.carraro.com/bonds/">https://www.carraro.com/bonds/</a>), the website of the Luxembourg Stock Exchange (<a href="http://www.bourse.lu">www.bourse.lu</a>) and released through the SDIR-NIS system of Borsa Italiana no later than the third business day after the end of the Offering Period.</p> <p><i>Conditions of the Offering:</i> Except for the Minimum Offer Condition (as defined in C.1), the Offering is not subject to any conditions.</p> <p>Subscription rights for the Notes will not be issued. Therefore, there are no procedures in place for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.</p> <p><i>Technical Details of the Offering:</i> The Offering will occur through Purchase Offers made by Investors on the MOT through Intermediaries and coordinated by the Placement Agent, who has been appointed by the Issuer to offer and display the Notes for sale on the MOT according to the trading rules of Borsa Italiana. Purchase Offers may only be made with the MOT through an investment company, bank, wealth management firm, registered financial intermediary, securities house and any other intermediary authorised to make Purchase Offers directly on the MOT or - if such institution is not qualified to perform transactions on the MOT - through an intermediary or agent authorised to do so (each an “<b>Intermediary</b>”). Purchase Offers must be made during the operating hours of the MOT for a minimum quantity of aggregate par value of €1,000 of the Notes, and may be made for any multiple thereof. During the Offering Period, Intermediaries may make irrevocable Purchase Offers directly or through any agent authorised to operate on the MOT, either on their own behalf or on behalf of third parties, in compliance with the operational rules of the MOT.</p> <p>The Notes shall be assigned, up to their maximum availability, based on the chronological order in which Purchase Offers are made on the MOT. The acceptance of a Purchase Offer on the MOT does not alone constitute the completion of a contract with respect to the Notes requested thereby. The perfection and effectiveness of contracts with respect to the Notes are subject to confirmation of the correct execution of the Purchase Offer and issuance of the Notes. Each Intermediary through whom a Purchase Offer is made will notify Investors of the number of Notes they have been assigned within the Issue Date, which is also the date on which Investors will be required to remit payment in exchange for the issuance of Notes that have been accepted by the Issuer.</p> <p>After the end of the Offering Period, Borsa Italiana, in conjunction with the Issuer, shall set and give notice of the start date of official trading of the Notes on the MOT (the “<b>Trading Start Date</b>”). The Trading Start Date shall correspond to the Issue Date.</p> <p>Investors wishing to make Purchase Offers who do not have a relationship with any Intermediary may be requested to open an account or make a temporary deposit for an amount equivalent to that of the Purchase Offer. In case of partial sale of the Notes or a cancellation or withdrawal of the Offering, all amounts paid as temporary deposits, or any difference between the amount deposited with the Intermediary and the aggregate value of the Notes actually sold to the Investor, will be repaid to the Investor who initiated the Purchase Offer by the Issue Date.</p> <p>Any Purchase Offer received outside the Offering Period, or within the Offering Period but outside the operating hours of the MOT, will not be accepted.</p> <p>Investors may place multiple Purchase Offers.</p>
--	---

		<p>Purchase Offers placed by Italian Investors through telecommunication means are not subject to the existing withdrawal provisions applicable to distance marketing of consumer financial services, services in accordance with articles 67-bis and 67-duodecies of legislative Decree no. 206 of 6 September 2005 as regards the public offer in Italy.</p> <p><i>Revocation of Purchase Offers:</i> If the Issuer publishes any Supplement, any Investor who has placed a Purchase Offer prior to the issuance of the Supplement shall be entitled to revoke such Purchase Offer by no later than the second business day following the publishing of the Supplement. Revocation of a Purchase Offer may be accomplished by delivering written notice to the Intermediary through whom the Investor made the Purchase Offer, who shall in turn notify the Placement Agent of such revocation.</p> <p>Other than as described above, Purchase Offers, once placed, may not be revoked.</p> <p><i>Payment and Delivery of the Notes:</i> Investors will pay the Issue Price on the Issue Date.</p> <p>In case of early closure of the Offering or extension of the Offering Period, a press release will be made to announce the action and inform Investors and potential Investors of the revised Issue Date.</p> <p>The Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (“<b>TEFRA D</b>”). The Notes will initially be represented a temporary global note, and will be exchangeable for interests in a permanent global note without interest coupons attached against certification of non-U.S. beneficial ownership in compliance with TEFRA D. Ownership of interests in Notes will be limited to persons that have accounts with Euroclear and/or Clearstream, Luxembourg or persons that hold interests in the Notes through participants in Euroclear and/or Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will hold interests in the Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Payments and transfers of the Notes will be settled through Euroclear and Clearstream, Luxembourg.</p> <p>None of the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon as principal paying agent or any other paying agent appointed from time to time or any of their respective agents will have any responsibility, or be liable, for any aspect of the records relating to the ownership of interests in the Notes.</p>
E.4	<p><b>A description of any interest that is material to the issue/ offer including conflicting interests</b></p>	<p>The Placement Agent and its affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and its affiliates, for which the Placement Agent and its affiliates have received or will receive customary fees and commissions.</p> <p>There are no interests of natural and legal persons other than the Issuer and the Placement Agent involved in the issue, including conflicting ones that are material to the issue.</p>

<b>E.7</b>	<b>Estimated expenses charged to the Investor by the Issuer or the offeror</b>	Not applicable. The Issuer will not charge any costs, expenses or taxes directly to any Investor. Investors must, however, inform themselves about any costs, expenses or taxes in connection with the Notes which are generally applicable in their respective country of residence related to the opening of a bank account or a temporary deposit account with an Intermediary, if necessary, and/or any costs related to the execution, acceptance and transmission of Purchase Offers imposed by such Intermediaries.
------------	--	--

## **RISK FACTORS**

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer, the Guarantor and the Group and the industry in which they and the Group operate, together with all other information contained in this Prospectus, including, in particular, the risk factors described below. Each of the risks discussed below could have a material adverse effect on the Group's business, financial condition, results of operations or prospects which, in turn, could have a material adverse effect on the principal amount and interest which Investors will receive in respect of the Notes. In addition, each of the risks discussed below could adversely affect the trading or the trading price of the Notes or the rights of Investors under the Notes and, as a result, Investors could lose some or all of their investment. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.*

*Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them and which they may not currently be able to anticipate.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S AND THE GUARANTOR'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES**

*The following are risk factors relating to the Issuer and the Group (including the Guarantor) that may affect the Issuer's and the Guarantor's ability to fulfil their obligations under the Notes and the Guarantee, respectively. Since the Issuer, the Guarantor and their respective subsidiaries conduct the same business activities, we do not believe they are exposed to separate risks, except as otherwise noted.*

### **RISK FACTORS RELATING TO THE ISSUER**

***The Issuer is a financing vehicle for the Group and has no material assets or sources of sales except for claims against certain Group companies resulting from intercompany loans and relies on distributions from such subsidiaries to service and repay the Notes***

The Issuer is a subsidiary directly wholly owned by the Guarantor with limited assets which concentrates on financing activities for the Group. The Issuer intends to service and repay the Notes out of the payments it receives under certain intercompany loans. Other than the receivables under these intercompany loans and any other proceeds that may be made in connection with potential other financing transactions by the Issuer, the Issuer has no material assets or sources of sales. The Issuer's ability to service and repay the Notes therefore depends on the ability of members of the Group to service in full any intercompany loans extended to them by the Issuer. In the event that any members of the Group were to fail to make payments under intercompany loans extended to them by the Issuer, the Issuer may not be able to meet its obligations under the Notes when due. In meeting its payment obligations under the Notes, the Issuer is therefore wholly dependent on the profitability and cash flow of the other Group companies.

***The applicability of Luxembourg law to the Issuer and its corporate actions and risks regarding substance***

On 21 December 2017, the Issuer transformed itself from a Luxembourg *société anonyme* to a European Company (*società europea*) pursuant to EU Regulation 2157/2001 and EU Directive 2001/86/EC. The relevant legal framework of a European Company is based on the location of the Issuer's registered office and its seat of central administration.

The Issuer's board of directors resolved in principle to transfer the Issuer's registered office from Luxembourg to Italy. A transfer proposal has been resolved by the board of directors of the Issuer on 3 January 2018 and published in the *Recueil Electronique des Sociétés et Associations* on 17 January 2018. A shareholder's meeting will be held on or about 19 March 2018. The Guarantor is the sole shareholder of the Issuer and intends to approve the transfer. Following the shareholder meeting, provided that the transfer is approved by its shareholders, the Issuer is required to publish its new registered office in the Italian companies register and remove its Luxembourg office from the Luxembourg companies register. The Issuer expects the transfer of its registered office to Italy (the "Transfer") to be completed and effective during the course of March 2018.

The Luxembourg law on commercial companies dated 10 August 1915, as amended (the "**Luxembourg Companies' Law**") does not define the "head office" (*administration centrale*) for Luxembourg companies but states that the domicile of a commercial company is located at the seat of its central administration (*siège de l'administration centrale*) and further establishes an assumption according to which, until evidence to the contrary is presented, the central administration of a company is deemed to coincide with its registered office (*siège statutaire*). Therefore, the determination thereof is essentially a factual question. Under Luxembourg case law, factors that courts consider in determining the location of a company's head office include the place of meetings of its corporate bodies, the location of its books and records and the place of the company's daily management. From a Luxembourg law perspective, a company incorporated in Luxembourg, having its statutory seat in Luxembourg or its place of effective management will be considered as a resident of the Grand Duchy of Luxembourg for Luxembourg tax purposes.

In a letter from the Luxembourg tax authorities (*Administration des Contributions Directes*) dated 27 February 2015, it is confirmed based on information collected and documents inspected that the Issuer has its central administration or place of effective management located in Luxembourg and that the Issuer is a Luxembourg tax resident. The Issuer has continued to manage operations in the same way as the factual elements on which that confirmation was based.

During April-May 2015, the Italian tax authorities concluded an inspection of the Issuer and its activities, and concluded that they consider the Issuer as being an Italian tax resident.

*Potential impact on applicable laws:* Although the Issuer believes that it is in compliance with the Luxembourg Companies Law in a manner sufficient to preserve its Luxembourg existence and domicile and its power and authority to execute and perform all relevant obligations under the Notes, the Issuer can provide no assurance with respect to the legal effect of a determination that our head office is not in Luxembourg prior to the Transfer. It is difficult notably to predict the legal consequences if Luxembourg law were deemed not to apply to the Issuer (including the effect on our corporate power and authority under Luxembourg law). The Luxembourg Public Prosecutor (*Procureur d'État*) may request the Luxembourg District Court (*Tribunal d'Arrondissement*) to seek remedial measures against companies that violate the Luxembourg Companies' Law and that such measures, in extreme circumstances (and when in the interest of a company's third party creditors), could include dissolution and liquidation.

*Tax implications:* As the Italian tax administration has taken the position that the Issuer is resident for tax purposes in Italy according to Article 73 of Presidential Decree No. 917 of December 22, 1986 with a permanent establishment in Luxembourg, the Issuer is in a situation of double tax residency (in Luxembourg and Italy) and the Issuer is taxed by both the Grand Duchy of Luxembourg and Italy. There is a double tax treaty concluded between Luxembourg and Italy, which provides that double-taxation may be solved via a mutual agreement procedure (MAP).

Following the Transfer, the Issuer expects that its corporate and tax residency will be solely in Italy.

Prior to the Transfer, payments on the Notes will be subject to Italian and Luxembourg taxation. For further details see “*Taxation*”. Following the Transfer the Issuer expects that payments on the Notes will only be subject to Italian taxation. However, no assurance can be given that an authority in the future may further investigate the Issuer’s business operations to ascertain where its central administration is located or what the outcome of any such investigation may be. The terms and conditions of the Notes provide that the Issuer and the Guarantor will pay additional amounts to compensate for any withholding or similar taxes payable in respect of payments under the Notes, subject to certain exceptions (see “*Terms and Conditions of the Notes – Taxation*”). In particular, no additional amounts will be payable by the Issuer and the Guarantor in respect of certain Italian and Luxembourg taxation. Prospective purchasers of the Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Luxembourg and Italy of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes.

For the potential impact on insolvency proceedings, see “*Risk Factors – The insolvency laws of Luxembourg and Italy may not be as favourable to Noteholders as laws of another jurisdiction with which holders are familiar*”.

Although the Issuer believes that it is in compliance with all applicable laws and that following the Transfer it will be subject only to Italian law and tax law, it can provide no assurance that a different determination could be made by a competent authority or what the legal effect of any such determination may be. If the Issuer is found to be subject to other jurisdictions for legal or tax purposes, this may affect its ability to fulfil its obligations under the Notes or cause the market price of the Notes to decline.

#### ***The transfer of the Issuer’s registered office in another Member State of the European Union***

The registered office of the Issuer, being a *société européenne* (SE), may be transferred from the Grand Duchy of Luxembourg to any other Member State of the European Union in accordance with articles 491-1 to 492-7 of the Luxembourg Companies’ Law. Such transfer should not result in the dissolution of the Issuer or the creation of a new legal person. A transfer proposal shall be published for at least two months before the date of the shareholders’ general meeting called upon to decide on the transfer proposal. A report explaining and justifying the legal and economic aspects of the transfer and explaining the implications of the transfer for shareholders, creditors and employees is available (free of charge) at least one month before the shareholders’ general meeting at the registered office of the Issuer. Creditors of the Issuer do not have the power to prevent the transfer of registered office. Creditors, whose claims predate the publication of the transfer proposal, may however, within two months from such publication, apply to the judge presiding the chamber of the *Tribunal d’Arrondissement* (District Court) dealing with commercial matters in the district in which the registered office of the Issuer is located and sitting as in urgency matters, for the constitution of security for matured or unmatured claims, in case the transfer would have as an effect to jeopardise the general lien of such creditors or to impede the enforcement of their claims. The Issuer may cause the application to be turned down by paying the creditor even if his claim has not matured. Almost all of the creditors of the Issuer are Italian banks (with less than €500,000 indebtedness outstanding with other entities). No assurance can be given as to whether creditors may or may not request constitution of security in connection with the transfer of the Issuer’s registered office. The transfer of the registered office of the Issuer would be effective vis-à-vis third parties, excluding shareholders, as from the date of the publication of the new registration of the Issuer. However, as long as the deletion of the registration from the register for its previous registered office has not been publicised, third parties may continue to rely on the previous registered office, unless the Issuer proves that such third parties were aware of the new registered office.

As at the date of the Prospectus the Issuer is in the process of transferring its registered office to Italy, but there are no restrictions on the Issuer preventing it from transferring its registered office to another

jurisdiction. If the Issuer transfers its registered office in the future, this may affect its ability to fulfil its obligations under the Notes or cause the market price of the Notes to decline.

***The insolvency laws of Luxembourg and Italy may not be as favourable to Noteholders as laws of another jurisdiction with which holders are familiar***

The Issuer is incorporated under the laws of Luxembourg but its “centre of main interests” may not be in Luxembourg and may be deemed to be in Italy (and following the Transfer the Issuer expects to be incorporated under Italian law with its centre of main interests in Italy), and the Guarantor is incorporated and is likely to have its centre of main interests in Italy. In accordance with Regulation (EU) 2015/848 of 20 May 2015 on insolvency proceedings (recast) (the “EU Insolvency Regulation”), as amended, the main insolvency proceedings are opened in the jurisdiction in which the debtor has its “centre of main interests” (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its “centre of main interests” is a question of fact on which the courts of the different Member States may have differing and conflicting views. The term “centre of main interests” is not a static concept. In the event that the Issuer experiences financial difficulties, it is not possible to predict if Luxembourg or Italy would be considered as jurisdiction in which such “centre of main interests” is located and if such proceedings would be opened in Luxembourg or Italy. Accordingly, insolvency proceedings with respect to the Issuer may proceed under, and be governed by, Italian or Luxembourg insolvency law, as the case may be. The insolvency laws of these jurisdictions may not be as favourable to Noteholders’ interests as those of another jurisdiction with which they may be familiar. In the event that the Issuer experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. As a consequence, enforcement of rights under the Notes in an insolvency situation may be delayed and be complex and costly for creditors.

***Interest Rate Risk***

A significant proportion of the Issuer’s indebtedness bears floating rate interest. A rise in interest rates will increase the Issuer’s borrowing costs which may have a significant impact on the Group’s financial position and affect the Issuer’s ability to fulfil its obligations under the Notes.

***The Issuer may engage in hedging transactions in an attempt to mitigate exposure to interest rate fluctuations and other portfolio positions which may be unsuccessful or expose it to contingent liabilities.***

The Issuer may utilise derivative instruments, including options and futures, to hedge against fluctuations in interest rates. For a variety of reasons, the Issuer may not elect to correlate its exposure and such hedging activity, leaving it exposed to interest rate variations. Conversely, the Issuer may enter into hedging transactions upon belief that rates are trending in a particular direction only to discover that rates exhibit the opposite behaviour; derivative transactions may be costly to unwind or may prevent the Issuer from realising gains from favourable interest rate environments. The occurrence of any such circumstances could have a material adverse effect on the Issuer’s business, financial condition and results of operations.

**RISK FACTORS RELATING TO THE GUARANTOR**

***As the Guarantor operates in part through its subsidiaries and participations, its ability to meet its payment obligations under the Guarantee also depends – to a certain extent – on the receipt of funds from its subsidiaries and participations***

The Guarantor acts as the main operating and holding company for the Group and performs group-wide functions as a management company. In its holding function, the Guarantor’s ability to serve its payment obligations also depends on the receipt of funds from its subsidiaries and participations. Therefore, the Guarantor’s cash flow and its ability to meet its cash requirements, including its obligations as Guarantor

under each Guarantee, is – to a certain extent – subject to the profitability and cash flow of its subsidiaries and payments by such subsidiaries to it in the form of loans, dividends, fees, or otherwise, as well as upon the Guarantor's own business and credit arrangements. The ability of the Guarantor's subsidiaries to make payments to the Guarantor may be restricted by, among other things, applicable corporate and other laws and regulations and by the terms of covenants and restrictions contained in financing agreements to which such subsidiaries are or will be a party. In addition to any limitations on payment to the Guarantor contained in such agreements, any failure to comply with the covenants and restrictions contained in such agreements could trigger defaults under those agreements which could delay or preclude the distribution of dividend payments or any other similar payments to the Guarantor.

## **RISK FACTORS RELATING TO THE GROUP**

***The Group's revenues and profits declined for the two financial years ended 31 December 2015 and 31 December 2016. If the Group fails to reverse this trend in future years this could have a material adverse effect on the Group and the ability to meet its payment obligations under the Notes***

During the two financial years ended 31 December 2015 and 31 December 2016 the Group's profits and revenues declined, principally as a result of less customer demand as the Group's traditional markets saw a general contraction, and also due to the negative effects of the restructuring activities.

In 2015, the financing banks entered into a standstill agreement with the Group in light of the fact that certain covenants would not be satisfied on the basis of the financial statements as at and for the period ended 30 June 2015. The standstill agreement was entered into to allow the Group to negotiate with its financing banks and reach a new agreement in relation to the indebtedness of the Group, which was entered into in December 2015 (the “**2015 Agreement**”), see “*Information about the Group - Material Financings of the Group*”.

In view of the fact that the auditors of the Group issued a review report in relation to the Group's financial statements as at and for the period ended 30 June 2015 prior to the 2015 Agreement, the review report included an emphasis of matters which stated “We wish to emphasise the matter disclosed in the paragraph “Basis of preparation” of the explanatory notes, where the directors identify the fact that the activities related to the signing of a new debt rescheduling agreement with the lender banks are still ongoing as a significant uncertainty with regard to the use of the going concern basis of accounting and illustrate the reasons why they considered it appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.”. This emphasis of matters led to CONSOB, on 1 October 2015, requiring that the Guarantor comply with certain additional reporting obligations pursuant to Article 114 of Italian Legislative Decree No. 58 of 24 February 1998, as amended (also known as the Testo Unico della Finanza or the “**TUF**”). In relation to the Group's financial statements following the 2015 Agreement, no emphasis of matters has been included by its auditors in their audit opinions or review reports. The Guarantor has also requested that CONSOB ends the application of additional reporting obligations pursuant to Article 114 of the TUF and in December 2017 CONSOB confirmed that such additional reporting obligations no longer apply.

Despite the actions carried out to date, and the future strategy of the Group, if the Group's financial statements as at and for the year ended 31 December 2017 and in the future do not report an increase in revenues and profits, or if they continue to decline, this could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group's consolidated statement of financial position includes significant intangible assets, which could become impaired***

The Group carries significant intangible assets on its consolidated statement of financial position. As of 31 December 2016, the carrying amount of intangible assets on its consolidated statement of financial position was EUR 61.1 million, representing 12.6 per cent. of the Group's total assets.

This carrying amount includes EUR 36.8 million in goodwill resulting from the consolidation of investments in Carraro Drive Tech which is carried out according to the methodology guidelines published in relation to the impairment test provided under IAS 36. This goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. In 2016, the Group recorded no impairments in reference to Carraro Drive Tech. However, there is no guarantee that additional impairments will not occur, particularly in the event of a substantial deterioration of the Group's future prospects or general economic conditions. A significant impairment of intangible assets could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group's ability to successfully execute its 2017-2021 Business Plan and implement its strategy is not assured***

In September 2017, the Guarantor presented its new Business Plan which contains the strategic guidelines and growth objectives of the Group for the relevant period, as well as some forecasts with regards to the Group's expected results of operations. For further information, see also "*Information about the Group – Strategy*".

The Group's previous 2016-2019 Business Plan formed the basis of the restructuring of its indebtedness with the Group's financing banks; however this has been reviewed and substituted, given that the 2016-2019 Business Plan was drawn up substantially in the context of negotiating the 2015 Agreement (see "*Information about the Group – History and Overview*" and "*Information about the Group – Material Financings of the Group*"). In addition, the Group registered a loss in 2016 of EUR 9.1 million which was significantly greater than the loss provided for in the 2016-2019 Business Plan, due to unexpected extraordinary transactions resulting in one-off losses (such as the sale of the Group's majority stake in Elettronica Santerno – see "*Information about the Group – History and Overview*" and "*Information about the Group – Business Areas*") together with a reduction in sales.

The 2017-2021 Business Plan and the projections contained therein are based on a series of critical assumptions. The Group may not succeed in implementing the 2017-2021 Business Plan in full or part or within the envisaged time frames. In addition, in the event that one or more of the 2017-2021 Business Plan's underlying assumptions proves incorrect (including, without limitation assumptions relating to an increase in revenues and development of new products) or events evolve differently than as contemplated in the 2017-2021 Business Plan (including because of events affecting the Group that may not be foreseeable or quantifiable, in whole or in part, as of the date hereof), the anticipated events and results of operations indicated in the 2017-2021 Business Plan (and in this Prospectus) could differ from actual events and results of operations.

The Group's future growth, profitability and cash flows depend upon its ability to successfully implement its strategy. There can be no assurance that the Group can successfully achieve any or all of its strategic initiatives in the manner or time period that it expects. Further, achieving these objectives will require investments which may result in short-term costs without generating any current net revenues and, therefore, may be dilutive to the Group's earnings, at least in the short term. Moreover, if the Group's strategic initiatives do not generate the expected benefits in a timely manner, the Issuer may face significant liquidity pressures in the medium term and throughout the implementation period of the strategic initiatives as a result of the associated investments required. In addition, the Group may decide to divest or discontinue certain product lines or streamline operations and incur other costs or special

charges in doing so. The Group cannot give any assurance that it will realise, in full or in part, the anticipated strategic benefits it expects its strategy will achieve.

Any failure by the Group to execute the 2017-2021 Business Plan and implement its strategy successfully could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group may be unable to successfully integrate or achieve the expected benefits from current or future acquisitions or joint ventures. In addition, it faces the risk of potential guarantee or liability claims resulting from the disposal of majority stakes in Elettronica Santerno and O&K Antriebstechnik***

The Group has completed or established a number of significant acquisitions or joint ventures in the past and may continue to pursue selected acquisitions or enter into new joint ventures in the future. To the extent that the Group is successful in making acquisitions or establishing joint ventures, it may need to expend substantial amounts of cash, incur additional debt or assume loss-making divisions. Future acquisitions or joint ventures may also involve a number of other risks, including unexpected losses of key employees of the acquired or established operations; extraordinary or unexpected legal, regulatory, contractual and other costs; difficulties in integrating the financial, technological and management standards, processes, procedures and controls of the acquired or established businesses with those of the Group's existing operations; challenges in managing the increased scope, geographic diversity and complexity of its operations; mitigating contingent and/or assumed liabilities; the possible loss of customers and/or suppliers; and control issues in relation to acquisitions through joint ventures and other arrangements where it does not exercise sole control.

The Group may not realise the anticipated cost savings, synergies, future earnings or other benefits that it intends to achieve from acquisitions or joint ventures. There is no guarantee that any future acquisition or joint venture will yield benefits that are sufficient to justify the expenses incurred or to be incurred by the Group in completing such acquisition or joint venture. Furthermore, any future acquisition or joint venture may not be as successful as the acquisitions or joint ventures that have been completed in the past. The Group could also take on additional risks as a result of acquisitions or joint ventures, including the risk of potential guarantee or liability claims resulting from the disposal of former business units or joint ventures such as the divestment of the Group's 51 per cent. stake in Elettronica Santerno and a 55 per cent. stake in O&K Antriebstechnik (see "*Information about the Group – History and Overview*").

The realisation of any of these risks, alone or in combination, could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group does not control certain of its joint ventures***

The Group has, and will continue to have, a number of strategic partnerships and joint ventures and alliances in which it holds a non-controlling interest. For example, the Group holds a 49 per cent. ownership stake in Agriming Agriculture Equipment Co. Ltd. and Elettronica Santerno.

There can be no assurance that the arrangements will be successful and/or achieve their planned objectives. The performance of all such operations in which the Group does not have a controlling interest will depend on the financial and strategic support of the other shareholders. Such other shareholders may make ill-informed or inadequate management decisions, or may fail to supply or be unwilling to supply the required operational, strategic and financial resources, which could materially adversely affect these operations. If any of these strategic partners were to encounter financial difficulties, change their business strategies or no longer be willing to participate in these strategic partnerships, joint ventures and alliances,

the business, financial condition and results of operations could be materially adversely affected. Moreover, in some of these businesses, the Group may not have the power to control the payment of dividends or other distributions. As a result even if the business is performing well, the Group may not receive payment of its share of any profits. Finally, there could be circumstances in which the Group may wish or be required to acquire the ownership interests of its partners, and there can be no assurance that it will have access to the funds necessary to do so, on commercially reasonable terms or at all.

The realisation of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group engages in significant transactions with related parties***

The Group has engaged and expects that it will continue to engage in financial and commercial transactions with related parties, including former members of the Group. These related parties may include Agriming Agriculture Equipment Co. Ltd., O&K Antriebstechnik GmbH and Elettronica Santerno. In most cases, transactions with related parties were not supported by independent third-party appraisals. Management believes that Group transactions with related parties are generally conducted on fair terms and conditions. However, had the Group entered into these transactions with third parties, those parties may not have negotiated and entered into the relevant contracts, or entered into the transactions, on the same conditions and using the same procedures.

***Exchange rate fluctuations may negatively affect the Group's business***

Due to the Group's significant international operations, it is exposed to exchange rate risks caused by fluctuations in the value of currencies against the functional currencies of each Group company. The principal exchange rates impacting results of operations are denominated in US Dollars in relation to the sales and Indian Rupees and Chinese Renminbi in relation to the purchases.

The Group prepares its consolidated financial statements in Euro and, therefore, fluctuations in the exchange rates used to translate the financial statements of subsidiaries who prepare their financial statements in currencies other than Euro could significantly affect the consolidated results of operations and financial condition expressed in Euro.

Exchange rate fluctuations could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group has significant outstanding indebtedness, which may limit its ability to obtain additional funding and may limit its financial and operating flexibility***

As of 31 December 2016, the Group had an aggregate of EUR 193.7 million of net consolidated financial position, and its equity was EUR 46.7 million including non-controlling interests. The extent of the Group's indebtedness could have important consequences on its operations and financial results, including:

- the Group may not be able to secure additional funds for working capital, capital expenditures, debt service requirements or general corporate purposes;
- the Group may need to use a portion of its projected future cash flow from operations to pay principal and interest on its indebtedness, which may reduce the amount of funds available to the Group for other purposes;
- the Group may be more financially leveraged than some of its competitors, which could put it at a competitive disadvantage;

- the Group may not be able to invest in the development or introduction of new products or new business opportunities; and
- the Group may not be able to adjust rapidly to changing market conditions, which may make it more vulnerable to a downturn in general economic conditions.

These risks are exacerbated by the ongoing volatility in the financial markets, in part resulting from perceived strains on the finances and creditworthiness of several governments and financial institutions, particularly in the Eurozone and Latin America, and from continued concerns about global economic growth, particularly in emerging markets.

The Group's future performance will depend on, among other things, its ability to finance debt repayment obligations and planned investments from operating cash flow, available liquidity, the renewal or refinancing of existing bank loans and/or facilities and access to capital markets or other sources of financing. A decline in revenues could have a negative impact on the cash-generating capacity of the Group's operating activities. Consequently, the Group could find itself in the position of having to seek additional financing and/or having to refinance existing debt, including in unfavourable market conditions with limited availability of funding and a general increase in funding costs. Instability in global capital markets, including market disruptions, limited liquidity and interest rate and exchange rate volatility, could reduce the Group's access to capital markets or increase the cost of its short and long-term financing.

The Group's debt agreements contain restrictive covenants. There is a risk that these covenants could constrain the execution of the Group's business strategy. Should the Group's strategy require additional financing, that could result in a violation of its existing debt covenants, refusal of its current lenders and/or the Noteholders to permit waivers or amendments to its existing covenants, which could delay or prevent completion of the Group's plans.

Any difficulty in obtaining financing could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***A meaningful percentage of the Group's revenues is concentrated among a small number of clients***

A substantial portion of the Group's sales is generated from a limited number of clients. The loss of, or a significant reduction in purchases by, such key clients could adversely affect the Group's results significantly. In 2016, the Group's top five and ten clients accounted for 48 per cent. and 61 per cent. respectively of consolidated sales. If one or more of the Group's major clients ceases to do business with the Group, this would significantly reduce volumes, sales and earnings, and worsen the Group's cost situation, in particular the coverage of fixed costs. In addition, the original investments made by the Group to provide such services or products, or outstanding claims against such clients, could be wholly or partially lost.

This concentration of revenues among a small number of clients may also imply a concentration of credit risk on a limited number of clients. The Group may suffer losses in the event of any breach by one or more of the Group's existing clients of their payment obligations, in particular if it is a key client, which may occur if a client becomes unable to fulfil its contractual obligations vis-à-vis the Group or becomes insolvent.

The realisation of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group relies on a limited number of suppliers of materials and could suffer shortages if these suppliers were to interrupt the supply or increase their prices***

The Group requires substantial amounts of raw materials and semi-processed materials. The Group is subject to the risk that any or all of these materials may become scarce or be unavailable. Although the Group's general policy is to source raw materials and semi-processed materials from a number of different suppliers, in some circumstances there may only be a limited number of suppliers in relation to certain specific materials. Furthermore, its procurement logistics may experience supply delays, cancellations, strikes, insufficient quantities or inadequate quality which would result in interruptions in production and, therefore, have a negative impact on the Group's production capacity and lead to under-utilisation of its production sites. This in turn may cause delays in the delivery of products to the Group's customers in these areas. If any one of the Group's suppliers becomes unable to meet the Group's delivery requirements for any reason (for example, due to insolvency, force majeure, subcontractor default or refusal to perform following a change in control), the Group might be unable to source input products from other suppliers on short notice and/ or at the required volume or might be required to pay higher prices for these products, which would reduce its operating margin.

The realisation of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group relies on strategic partners and other third-party contractors, and its business could be harmed if they fail to perform as expected or relationships with them were to be terminated***

Many of the Group's Original Equipment Manufacturer ("OEM") customers reserve the right to approve the suppliers the Group uses. The Group's ability to source input products from additional or alternate suppliers on short notice may be limited if the relevant OEM customer needs time to approve the additional or alternate supplier. If approved suppliers fail to perform as expected or the relationships with them were terminated, this could lead to order cancellations or even damages and could harm its long-term relationships with OEM customers, who may choose to select another supplier. The realisation of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group depends on the experience and expertise of its senior management team and certain key employees***

The Group's success largely depends on the ability of its senior executives and other members of management to effectively manage the Group's organisation and individual areas of its businesses. In particular, the Group relies upon managers who have strategic expertise, and upon specialised persons, such as those in charge of products or process engineering, who have highly specialised skillsets and an accumulation of experience. In the event of loss of services of any key employees, it is difficult to predict with any certainty that the Group will quickly be able to replace these individuals with persons of equivalent experience and capabilities. Accordingly, the Group's ability to retain the key members of its senior management team and specialised employees, as well as to recruit suitably qualified new executives will be a key factor in its future success.

If any of the risks described above were to materialise, it could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

### ***The Group faces risks associated with its employment relationships***

In many countries where the Group operates, its employees are protected by laws and/or collective labour agreements that guarantee them, through local and national representatives, the right of consultation on specific matters, including downsizing or closure of production facilities, activities and reductions in personnel. Laws and/or collective labour agreements applicable to the Group could impair the Group's flexibility in reshaping and/or strategically repositioning its business activities. Therefore, the Group's ability to reduce personnel or implement other permanent or temporary redundancy measures is subject to government approvals and/or the agreement of labour unions where such laws and agreements are applicable. Furthermore, the Group is at greater risk of work interruptions or stoppages than non-unionised companies and any work interruption or stoppage could significantly impact the volume of products the Group manufactures and sells. If any of the risks mentioned above should materialise, this could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

### ***The Group faces risks related to its manufacturing facilities***

The Group has production and distribution facilities located in diverse geographic areas, which requires it to manage a complex global production and distribution network.

Although some of the Group's production facilities have been designed to carry out all phases of required production processes, certain facilities are not interchangeable with the Group's other facilities with regard to the production of specific products. As a result, any interruption, slowdown or malfunction affecting these facilities would negatively impact the Group's production of these items and, in turn, its revenues.

The Group's manufacturing activities may be interrupted or negatively impacted by industrial accidents, equipment failures or catastrophic events. Such events, if they were to occur, could also expose the Group to third-party and environmental liabilities due to the use of environmentally hazardous materials such as paint, oils, flammable materials and other chemicals in the production process.

Although management believes that the Group's facilities and equipment are compliant with applicable health, safety and environmental regulations, should it experience an industrial accident or be found to have exceeded emissions limits or otherwise to have engaged in unlawful conduct, the Group and its managers could face significant fines from governmental authorities, damage claims from affected parties, the suspension or revocation of permits and authorisations as well as potential criminal penalties. Such events, if they were to occur, could expose the Group to temporary closure measures preventing it from conducting its business as well the possible appointment by judicial authorities of third parties to manage the Group's affairs.

The Group maintains insurance policies to cover potential damages and penalties relating to health, safety and environmental matters at levels that management believes to be appropriate. However, there is no assurance that such policies will be sufficient to cover in full or in part the amount of any damages or liabilities that may actually arise in the future.

Furthermore, there is no assurance that the Group will not be required to incur extraordinary costs relating to health, safety and environmental matters in the future in the event of changes to applicable regulations or in the case of unforeseen or exceptional circumstances.

If any of the risks mentioned above should materialise, this could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***Products that do not meet client specifications or that contain, or are perceived to contain, defects or errors or that are otherwise incompatible with their intended end use could impose significant costs on the Group, including from warranty and product liability claims. In addition, quality risks could also damage the Group's reputation***

As a manufacturer, the Group is subject to product liability lawsuits and other proceedings alleging violations of due care, violations of warranty obligations, treatment errors and claims arising from breaches of contract, recall actions or fines imposed by government or regulatory authorities. Any such lawsuits, proceedings and other claims could result in increased costs. In addition, defective products could result in loss of sales, loss of customers, and loss of market acceptance, in particular against the background that many of the Group's products are mission-critical components which often have a major impact on the overall safety, durability and performance of its clients' end-product. The risks arising from such warranty and product liability lawsuits, proceedings and other claims are insured up to levels the Group considers economically reasonable, but the insurance coverage could prove insufficient in individual cases. Additionally, any major defect in one of the Group's products could also have a material adverse effect on its reputation and market perception, which in turn could have a significant adverse effect on its business, financial condition and results of operations.

Furthermore, the Group manufactures many products pursuant to OEM customer specifications and quality requirements. If the products manufactured and delivered do not meet the requirements stipulated by its OEM clients at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Furthermore, the Group's OEM clients could potentially bring claims for damages on the basis of breach of contract, even if the cause of the defect is remedied at a later point in time. In addition, failure to perform with respect to quality requirements could negatively affect the market acceptance of the Group's other products and its market reputation in various market segments.

If any of the risks mentioned above should materialise, this could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

## **RISK FACTORS RELATED TO THE SECTOR IN WHICH THE GROUP OPERATES**

### ***The Group may be adversely affected by rising raw material and energy prices***

In its production processes, the Group is heavily dependent on the availability and cost of numerous commodities and raw materials (in particular, steel and cast iron), which account for a significant portion of its cost base. Commodities, raw materials and energy are subject to substantial price fluctuations. These price fluctuations may give rise to material earnings risks as it is often not possible to pass on these price fluctuations to customers. Consequently, a continued rise in the cost of the commodities and raw materials the Group uses could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

### ***Reduced demand for equipment would reduce the Group's sales and profitability***

#### ***Agricultural equipment market***

The performance of the agricultural equipment market is influenced, in particular, by factors such as:

- (i) the price of agricultural commodities and the relative level of new and used inventories;
- (ii) the profitability of agricultural enterprises, farmers' income and their capitalisation;
- (iii) the demand for food products; and

- (iv) agricultural policies, including aid and subsidies to agricultural enterprises provided by governments and/or supranational organisations as well as alternative fuel mandates.

In addition, unfavourable climatic conditions, especially during the spring, a particularly important period for generating sales orders, could have a negative impact on decisions to buy agricultural equipment and, consequently, on the Group's revenues.

#### *Construction equipment market*

The performance of the construction equipment market is influenced, in particular, by factors such as:

- (i) public infrastructure spending;
- (ii) new residential and non-residential construction; and
- (iii) capital spending in extractive industries such as mining.

The above factors can significantly influence the demand for agricultural and construction equipment, and consequently, the Group's financial results. Additionally, if demand for the Group's products is less than it expects, the Group may experience excess inventories and be forced to incur additional charges and the Group's profitability will suffer, including higher fixed costs associated with lower production levels at its plants. The Group's business may be negatively impacted if it experiences excess inventories or it is unable to adjust its production schedules or its purchases from suppliers to reflect changes in customer demand and market fluctuations on a timely basis.

The realisation of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

#### ***The Group operates on a global basis, which exposes it to numerous risks***

The Group's exposure to multiple international markets entails a number of inherent risks and uncertainties including the risk that changes to the political and socio-economic conditions in a given market may negatively impact its production and distribution operations, with consequent damage to the Group's business, financial condition, results of operations or reputation. For example, some of the countries in which the Group operates are economically or politically unstable or could, in future, become subject to economic sanctions. Operating in these countries subjects the Group to the risk of unfavourable changes to laws and regulations relating to foreign investment, licensing, import or export tariffs and taxation and exposes it to bureaucratic requirements that may be difficult to implement, lower levels of protection for legal and contractual rights as well as the risk of nationalisation and/or expropriation or exchange controls that could limit the Group's ability to remit funds to Italy. Moreover, in certain jurisdictions, laws, regulations and the interpretations thereof could be subject to unpredictable changes or uncertainties in application. For example, the introduction of new customs duties or trade tariffs could affect the competitiveness of the Group's products in the international market. Should regulations be re-interpreted, amended or revoked in the future by local authorities, the Group would have only limited ability to protect its rights. Should such a scenario materialise, there is no assurance that the Group's business, financial condition or results of operations will not be adversely impacted thereby.

Finally, the Group's operations in emerging markets could also be affected by difficulties typical of developing nations such as, without limitation, transportation bottlenecks, infrastructure inadequacies and difficulties in finding and retaining skilled employees.

The realisation of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group's business could suffer if it is unable to develop new technologies or if it cannot keep pace with the technology development of competitors***

The Group's clients demand increasingly complex and innovative solutions to meet their needs. The ability to anticipate technological trends and respond to client needs by developing innovative solutions in a timely manner is crucial to major parts of the Group's business. For example, the markets for agricultural equipment and, as a result, its business with OEM customers, are currently subject to a number of technical developments to which the Group is required to respond.

In addition, innovative and increasingly complex products and solutions are particularly exposed to the risk of yet unknown and/or undetected defects and errors which in turn may expose the Group to increased risk from warranty and product liability claims (see also – “*Risk Factors – Products that do not meet client specifications or that contain, or are perceived to contain, defects or errors or that are otherwise incompatible with their intended end use could impose significant costs on the Group, including from warranty and product liability claims. In addition, quality risks could also damage the Group's reputation.*”). For example, in connection with the market introduction of certain suspended axles destined to be installed into agricultural tractors with more than 200 hp, the Group has experienced, and continues to experience quality issues often associated with new product generations. The Group has taken steps and made investments to remedy such problems. However, if the Group is unable to fully remedy such problems, or other similar problems, the Group may incur significant additional cost, and will not be able to increase revenues through the sale of said axles and the Group's reputation as a leader in technology innovation may suffer.

If the Group fails to innovate and develop new solutions, fails to develop enough new solutions to generate sufficient sales, or if any future solutions fail to receive regulatory approval, or if the Group fails to introduce new products of sufficient quality or is otherwise unsuccessful, this failure could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group's business results depend largely on its ability to understand its customers' specific preferences and requirements, and to develop, manufacture and market products that meet customer demand***

The Group's ability to match new product offerings to diverse global customers' anticipated preferences for different types and sizes of equipment and various equipment features and functionality, at affordable prices, is critical to its success. This requires a thorough understanding of the Group's existing and potential customers on a global basis, particularly in potential high-growth and emerging markets, including Brazil, China and India. Failure to deliver quality products that meet customer needs at competitive prices ahead of competitors could have a significant adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group is exposed to the risk that clients may change their strategy with respect to outsourcing***

The Group's success is strongly linked to the preference of many OEMs to outsource components, modules, assemblies and production of one or more categories of agricultural and construction machinery, as well as, in some cases, the internal research and development functions. Indeed, many of the Group's clients do not have any internal research, development or manufacturing capabilities and therefore choose to fully outsource these functions to third parties such as the Group. The extent of outsourcing is influenced by a number of factors, including: relative cost, quality and timeliness of production by suppliers as compared to OEMs; capacity utilisation; OEM perceptions regarding the strategic importance of certain components/modules to them; labour relations among automobile manufacturers, their employees and unions; and other considerations.

However, there is no assurance that, in the future, one or more of the Group's current clients will not decide to reverse this business strategy, reduce its outsourcing or insource such activities and, consequently, to reduce or terminate its business relationship with the Group. Any such changes in strategy, if they occur, could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***Competitive activity, or failure by the Group to respond to actions by its competitors, could adversely affect its results of operations***

The Group operates in highly competitive global and regional markets. Depending on the particular country, the Group competes with other international, regional and local manufacturers and distributors of agricultural and construction equipment, commercial vehicles, and powertrains. Certain of the Group's global competitors have substantial resources and may be able to provide products and services at little or no profit or even at a loss to compete with certain of the Group's product offerings. The Group competes on the basis of product performance, innovation, quality, distribution, customer service and price. Aggressive pricing or other strategies pursued by competitors, unanticipated product or manufacturing delays or the Group's failure to price its products competitively could adversely affect the Group's business, results of operations and financial position. Additionally, there has been a trend towards consolidation in the agricultural and construction equipment industries that has resulted in larger and potentially stronger competitors in those markets. The markets in which the Group competes are highly competitive in terms of product quality, innovation, pricing, fuel economy, reliability, safety, customer service and financial services offered. Competition, particularly on pricing, has increased significantly in the markets in which the Group competes in recent years. Should the Group be unable to adapt effectively to market conditions, this could have an adverse effect on its business prospects, results of operations and/or financial position, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The agricultural equipment industry is highly seasonal, which causes the Group's results of operations and levels of working capital to fluctuate significantly***

Farmers traditionally purchase agricultural equipment in the spring and autumn, the main planting and harvesting seasons. The Group's agricultural equipment business net sales and results of operations have historically been the highest in the second quarter, reflecting the spring selling season in the Northern hemisphere, and lowest in the third quarter, when many of the Group's production facilities experience summer shut-down periods, especially in Europe. The Group's agricultural equipment production levels are based upon estimated retail demand. These estimates take into account the timing of dealer shipments, which occur in advance of retail demand, dealer inventory levels, the need to retool manufacturing facilities to produce new or different models and the efficient use of manpower and facilities. However, because the Group spreads its production and wholesale shipments throughout the year, wholesale sales of agricultural equipment products in any given period may not necessarily reflect the timing of dealer orders and retail demand in that period.

Estimated retail demand may exceed or be exceeded by actual production capacity in any given calendar quarter because the Group spreads production throughout the year. If retail demand is expected to exceed production capacity for a quarter, the Group may schedule higher production in anticipation of the expected retail demand. Often, the Group anticipates that spring selling season demand may exceed production capacity in that period and schedules higher production, and anticipates higher inventories and wholesale shipments to dealers in the first quarter of the year. As a result, the Group's working capital and dealer inventories are generally at their highest levels during the February to May period and decline towards the end of the year, as both the Group's and its dealers' inventories are typically reduced.

To the extent that the Group's production levels (and timing) do not correspond to retail demand, the Group may have too much or too little inventory, which could have an adverse effect on its financial position and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group's business may be affected by unfavourable weather conditions, climate change or natural disasters***

Poor, severe or unusual weather conditions caused by climate change or other factors, particularly during the planting and early growing season, can significantly affect the purchasing decisions of the Group's agricultural equipment customers. The timing and quantity of rainfall are two of the most important factors in agricultural production. Insufficient levels of rain prevent farmers from planting crops or may cause growing crops to die, resulting in lower yields. Excessive rain or flooding can also prevent planting or harvesting from occurring at optimal times and may cause crop loss through increased disease or mould growth. Temperature affects the rate of growth, crop maturity, crop quality and yield. Temperatures outside normal ranges can cause crop failure or decreased yields, and may also affect disease incidence. Natural disasters such as floods, hurricanes, storms and droughts can have a negative impact on agricultural production. The resulting negative impact on farm income can strongly affect demand for the Group's agricultural equipment in any given period.

In addition, natural disasters, pandemic illness, equipment failures, power outages, disruptions to the Group's information technology systems and networks or other unexpected events could result in physical damage to and complete or partial closure of one or more of the Group's manufacturing facilities or distribution centres, temporary or long-term disruption in the supply of parts or component products from some local and international suppliers, disruption in the transport of the Group's products to dealers and customers and delay in the delivery of products to distribution centres. In the event that such events occur, the Group's financial results might be negatively impacted. The Group's existing insurance arrangements may not protect against all costs that may arise from such events.

Furthermore, the potential physical impacts of climate change on the Group's facilities, suppliers and customers and therefore on its operations are highly uncertain and will be particular to the circumstances developing in various geographical regions. These may include long-term changes in temperature levels and water availability. These potential physical effects may adversely impact the demand for the Group's products and the cost, production, sales and financial performance of its operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***Changes in demand for food and alternate energy sources could impact the Group's revenues***

Changing worldwide demand for farm outputs to meet the world's growing food and alternative energy demands, driven in part by government policies and a growing world population, are likely to result in fluctuating agricultural commodity prices, which affect sales of agricultural equipment. While higher commodity prices will benefit the Group's crop-producing agricultural equipment customers, higher commodity prices also result in greater feed costs for livestock and poultry producers, which in turn may result in lower levels of equipment purchasing by these customers. Lower commodity prices directly affect farm income, which could negatively affect sales of agricultural equipment. Moreover, changing alternative energy demands may cause farmers to change the types or quantities of the crops they grow, with corresponding changes in equipment demands. Finally, changes in governmental policies regulating bio-fuel utilisation could affect demand for the Group's equipment and result in higher research and development costs related to equipment fuel standards.

The realisation of any of these risks could have a significant adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer

and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The demand for the Group's products is subject to fluctuations. If the Group's production capacities do not meet the actual demand for its products, this could affect its results of operations.***

If markets do not grow, or shrink faster than it is anticipated, the Group risks under-utilisation of its production facilities. Market developments and industry overcapacity may lead to under-utilisation of the Group's production facilities, which may result in idle capacity costs, write-offs of inventories and fixed assets as well as losses on products due to falling average selling prices. Fluctuations in the rate at which industry capacity grows relative to the growth rate in demand for the Group's products may in the future put pressure on its average selling prices and negatively affect its results of operations. On the other hand, during periods of increased demand, the Group may not have sufficient capacity to meet customer orders. In the past, the Group has responded to increased demand by opening new production facilities, providing for additional capacities in existing production facilities or entering into strategic alliances, which in many cases resulted in significant expenditures. If the Group is unable to meet rapidly increasing customer demand, it may lose customers, resulting in a loss of market share.

The realisation of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations, which could in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group faces risks related to possible changes to national and international laws and regulations***

The Group operates in numerous jurisdictions and is therefore subject to different laws, regulations and standards applicable to the manufacture, distribution and export of products and must monitor regulatory developments in various countries in order to ensure that it complies with all applicable laws, regulations and standards.

Any changes to such laws, regulations and standards may require the Group to adapt its production systems, manufacturing and distribution processes or product characteristics. This could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***International trade policies may impact demand for the Group's products and its competitive position***

Government policies on international trade and investment such as sanctions, import quotas, capital controls or tariffs, whether adopted by non-governmental bodies, individual governments or addressed by regional trade blocs, may affect the demand for the Group's products and services, impact the competitive position of its products or prevent it from being able to sell products in certain countries. The implementation of more restrictive trade policies, such as more detailed inspections, higher tariffs, or new barriers to entry, in countries where the Group sells products and provides services could negatively impact its business, results of operations and financial position. For example, a government's adoption of trade sanctions or "buy national" policies or retaliation by another government against such policies could have a negative impact on the Group's results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***Increasingly stringent engine emission standards could impact the Group's ability to manufacture and distribute certain engines or equipment which could negatively affect business results***

The Group's equipment operations must meet increasingly stringent engine emission reduction standards, including the European Union's Stage IV standard and recently enacted Stage V standard (see "Information about the Group – Regulation"). In addition, governmental agencies throughout the world are enacting more stringent laws and regulations to reduce off-road engine emissions. These standards are applicable to many engines manufactured by the Group and used in many models of Group agriculture and construction equipment. The Group has incurred and continues to incur substantial research and development costs and is introducing many new equipment models, largely due to the implementation of these more rigorous standards. While the Group has developed and is executing comprehensive plans to meet these requirements, and does not currently foresee significant obstacles that would prevent timely compliance, these plans are subject to many variables that could delay or otherwise affect the Group's ability to manufacture and distribute certain equipment or engines, which could negatively impact business results.

The realisation of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations, which could in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group may incur increased costs due to new or more stringent greenhouse gas emission standards designed to address climate change and could be further impacted by physical effects attributed to climate change on its facilities, suppliers and customers***

There is a political and scientific consensus that emissions of greenhouse gases ("GHG") continue to alter the composition of the Earth's atmosphere in ways that are affecting and are expected to continue to affect the global climate. These considerations may lead to international, national, regional or local legislative or regulatory responses in the future. Various stakeholders, including legislators and regulators, shareholders and non-governmental organisations, as well as companies in many business sectors, including the Group, are considering ways to reduce GHG emissions. The regulation of GHG emissions from certain stationary or mobile sources could result in additional costs to the Group in the form of taxes or emission allowances, facilities improvements and energy costs, which would increase the Group's operating costs through higher utility, transportation and materials costs. Increased input costs, such as fuel and fertiliser, and compliance-related costs could also impact customer operations and demand for Group equipment. Because the impact of any future GHG legislative, regulatory or product standard requirements on the Group's global businesses and products is dependent on the timing and design of mandates or standards, the Group is unable to predict its potential impact at this time.

Furthermore, the potential physical impacts of climate change on the Group's facilities, suppliers and customers, and therefore on the Group's operations, are highly uncertain, and will be particular to the circumstances developing in various geographical regions. These may include long-term changes in temperature levels and water availability. These potential physical effects may adversely impact the demand for the Group's products and the cost, production, sales and financial performance of the Group's operations.

The realisation of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group is subject to extensive anti-corruption and antitrust laws and regulations and faces certain risks related to enterprise liability pursuant to Italian Legislative Decree No. 231/2001***

The Group's operations are subject to a number of laws and regulations that apply to its operations around the world, including national anti-corruption and antitrust or competition laws that apply to conduct in a particular jurisdiction. These anti-corruption laws prohibit improper payments in cash or anything of value to improperly influence government officials or other persons to obtain or retain business or gain a business advantage. These laws tend to apply whether or not those practices are legal or culturally acceptable in a particular jurisdiction. Over the past several years there has been a substantial increase in the enforcement of anti-corruption and antitrust or competition laws both globally and in particular jurisdictions.

The Guarantor has adopted a compliance program designed to prevent the commission of the offences contemplated in Italian Legislative Decree No. 231/2001 ("**Compliance Program**") which governs enterprise liability under Italian law. (See "*Information about the Group – The Anti-Corruption Compliance System*"). Such offences include, among others, corruption crimes, fraud crimes (including accounting fraud), falsification crimes and corporate crimes. However, no assurance can be provided that the Compliance Programs already adopted or to be adopted will successfully prevent the commission by Group companies of relevant offences or be effective in shielding Group companies from related enterprise liabilities (including in relation to acts performed prior to the adoption of the Compliance Programs). In such a scenario, based on applicable Italian law, the affected Group company (whether or not located in Italy) and, potentially, the Guarantor, could be exposed to enterprise liability in relation to certain crimes that may be committed by Group employees in the discharge of their corporate duties.

Not all companies in the Group have adopted equivalent compliance programs, but all are subject to guidelines based on the objectives of the Compliance Program. Policies, including a Code of Ethics, have also been issued to all affiliates of the Group. In addition, these Group companies are required to comply with a number of local anti-fraud, anti-corruption, anti-bribery and money laundering regulations. Despite the implementation of guidelines and Code of Ethics, the Group nevertheless risks being associated with fraudulent activity by one of its employees, agents or joint venture partners, even if these parties are not subject to Group control.

If any of the risks described above were to materialise, it could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group is subject to risks from legal, administrative and arbitration proceedings***

The Group is, or may become, involved in a number of legal, administrative and arbitration proceedings (see "*Information about the Group – Legal Proceedings*"). These proceedings or potential proceedings could involve substantial claims for damages or other payments. Based on a judgment or a settlement agreement, the Group could be obligated to pay substantial damages or fines. Group litigation costs and those of third parties (in relation to which it may have to indemnify such third parties) could also be significant. The realisation of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***Increased information technology security threats, more sophisticated computer crime, and changes in privacy laws could disrupt the Group's business***

The Group relies upon information technology systems and networks in connection with a variety of business activities to operate its business, and it collects and stores sensitive data. Operating these information technology systems and networks, and processing and maintaining this data, in a secure manner, are critical to the Group's business operations and strategy. Additionally, increased information

technology security threats and more sophisticated computer crime pose a risk to the security of the Group's systems and networks and the confidentiality, availability and integrity of its data. Cybersecurity attacks could also include attacks targeting the security, integrity and/or reliability of the hardware and software installed in the Group's products.

While the Group actively manages information technology security risks within its control, there can be no assurance that such actions will be sufficient to mitigate all potential risks to the Group's systems, networks and data.

A failure or breach in security could expose the Group and its customers, dealers and suppliers to risks of misuse of information or systems, the compromising of confidential information, loss of financial resources, manipulation and destruction of data, defective products, production downtimes and operations disruptions, which in turn could adversely affect the Group's reputation, competitive position, businesses and results of operations. Security breaches could also result in litigation, regulatory action, unauthorised release of confidential or otherwise protected information and corruption of data, as well as higher operational and other costs of implementing further data protection measures. In addition, as security threats continue to evolve the Group may need to invest additional resources to protect the security of its systems.

Further, the regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. In May 2016, the European Union adopted the General Data Protection Regulation ("GDPR") that will impose more stringent data protection requirements and will provide greater penalties for noncompliance beginning in May 2018. The Group may be required to incur significant costs to comply with privacy and data security laws, rules and regulations, including the GDPR. Any inability to adequately address privacy and security concerns or comply with applicable privacy and data security laws, rules and regulations could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group may be unable to appropriately protect its intellectual property***

Management believes that the Group's ability to innovate represents one of its key competitive strengths and sources of value creation and that it permeates all of the Group's corporate activities and processes. Whenever a new product is developed that has the appropriate characteristics, the Group seeks to protect its intellectual property rights therein through the registration of patents, trademarks and other intellectual property rights. Although the Group expends significant resources to protect its products and processes, there can be no assurance that these activities will be sufficient to effectively protect its intellectual property or to prevent the imitation of its products. If such risks were to materialise, it could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***There is a risk that the Group may infringe intellectual property rights of third parties***

There is a risk that the Group may infringe intellectual property rights of third parties, since its competitors, suppliers and customers also submit a large number of inventions for industrial property protection. It is not always possible to determine with certainty whether processes, methods or applications the Group uses are subject to intellectual property rights of third parties.

Therefore, third parties could assert infringements of intellectual property rights (including illegitimate ones) against the Group. As a result, the Group could be required to cease manufacturing, using or marketing the relevant technologies or products in certain countries or be forced to make changes to manufacturing processes and/or products. In addition, the Group could be liable to pay compensation for infringements or could be forced to purchase licenses to make use of technology from third parties. The

realisation of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group may not have validly acquired employee inventions or could fail to validly acquire them in the future***

There is a risk that the Group has failed or will fail to properly claim inventions of its employees. Present or former employees who made or make employee inventions may continue to be the owners of the rights to inventions if the Group fails to claim the invention in a timely manner. If this should be the case and the Group nevertheless registered an employee invention with it as the owner of a patent or utility model and/or used an employee invention as such, then the employee who made the invention may have a claim for transfer of the patent/of the utility model against the Group, and may be able to assert claims for damages for the unauthorised use of his or her invention (e.g. disgorgement of profits or notional license fees). In addition, a claim could be asserted against the Group to enjoin its use of the invention, or it could be forced to enter into a license agreement providing for the payment of royalties in order to use the invention in the future, or the Group may have to acquire the invention. Furthermore, there is a risk that employees may have claims for employee invention compensation which have not yet been fully satisfied. Should the Group have failed to validly acquire employee inventions or should it potentially fail to validly acquire them in the future or should employees have claims for employee invention compensation which have not been fully satisfied, this could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

***The Group is exposed to the risk of product-related crime and industrial espionage***

As a manufacturer and supplier of high-quality products, the Group faces certain crime risks. These include, among others, theft, misuse and counterfeiting of products (including attempts at these crimes). This is often accompanied by an infringement of trademark rights. The risk resulting from illegal trading of counterfeit products by criminal third parties relates to the fact, that in most cases, the quality of counterfeit products is inferior to that of the original products. Products originating from illegal third-party manufacturing not only endanger users and the environment, but also jeopardise the Group's reputation and that of its products and therefore undermine its competitiveness. The sophistication and complexity of product-related crime has increased significantly in recent years. The material damage cannot easily be estimated, in particular, because, an exact number or cases of product related crimes is not available. The impact of product related crimes on business activities differs by case and is influenced by factors specific to regions and products.

Furthermore, there is a risk of loss of sensitive business information, other data or the tangible and intangible expertise due to an ineffective protection of confidential information, in particular as a result of any possible form of offence such as industrial espionage. The Group's key employees and officers have access to sensitive confidential information relating to its business such as insights about strategic developments, business case planning and core technology. The Group has implemented various measures to protect such confidential data.

However, in the event that competitors, third parties or the general public gain access to such confidential information in spite of the Group's protective measures, be it on purpose or by accident, its market position could be materially weakened. The realisation of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations, which could, in turn, adversely affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES**

### **Risk Relating to the Offering, the Notes and the Guarantee**

*An investment in the Notes involves certain risks associated with the characteristics, specification and type of the Notes and the Guarantee which could lead to substantial losses that Noteholders would have to bear in the case of selling their Notes or with regard to receiving interest payments and repayment of principal. Risks regarding the Offering, the Notes and the Guarantor comprise the risks set out below.*

### ***The Notes are fixed rate securities and are vulnerable to fluctuations in market interest rates***

The Notes will carry fixed interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the “**Market Interest Rate**”). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes.

### ***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus, the Interest Rate and Yield Notice, the Offering Results Notice or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain Investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential Investor should consult its legal advisers prior to investing in the Notes to determine whether and to what extent (i) the Notes are permitted investments for it, (ii) where relevant, the Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules. Each Investor should also consider the tax consequences of investing in the Notes and consult its own tax advisers with respect to the acquisition, sale and redemption of the Notes in light of its personal situation.

***The Notes are unsecured***

The Notes will be (subject to “*Terms and Conditions of the Notes – Negative Pledge*”) unsecured obligations of the Issuer. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer’s other unsecured senior indebtedness. The Notes are unsecured and, although they restrict the giving of security by the Issuer, the Guarantor and their respective Subsidiaries over Relevant Indebtedness and guarantees in respect of such Relevant Indebtedness, a number of exceptions apply, as more fully described in “*Terms and Conditions of the Notes – Negative Pledge*”. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such secured indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets.

***The Guarantee may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability***

The Guarantee given by the Guarantor provides the Noteholders with a direct claim against the Guarantor in respect of the Issuer’s obligations under the Notes. Enforcement of the Guarantee would be subject to certain generally available defences, which may include those relating to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or those affecting the rights of creditors generally. If a court were to find the Guarantee given by the Guarantor void or unenforceable, then Noteholders would cease to have any claim in respect of the Guarantor and would be creditors solely of the Issuer.

Enforcement of the Guarantee is subject to the detailed provisions contained in the Trust Deed (and any supplemental Trust Deed) which include certain limitations reflecting mandatory provisions of Italian laws, such as that the payment obligations of the Guarantor under the Guarantee shall at no time exceed 140 per cent. of the aggregate principal amount of Notes from the date of issue of the Notes. In the event that the limitations on the Guarantee apply and/or there are payment obligations under any Notes other than in respect of principal or interest, the Noteholders could have a reduced claim against the Guarantor.

***The Offering Period may be extended or amended, and the Offering may be terminated or withdrawn***

The Issuer together with the Placement Agent has the right to extend or amend the Offering Period and to terminate, postpone or withdraw the Offering for a number of reasons, including a failure to satisfy the Minimum Offer Condition or any extraordinary change in the political, financial, economic, regulatory or currency situation of the markets in which the Group operates that could have a materially adverse effect on the conditions of the Group and their business activities. See “*Sale and Offer of the Notes — Offering of the Notes — Offering Period, Early Closure, Extension and Withdrawal*”.

***The Notes may be redeemed prior to maturity***

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or the Grand Duchy of Luxembourg or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may, pursuant to “*Terms and Conditions of the Notes – Redemption for taxation reasons*”, redeem all outstanding Notes in accordance with the Conditions. In addition, the Issuer may elect to redeem the Notes in whole, but not in part, at any time pursuant to “*Terms and Conditions of the Notes – Redemption at the option of the Issuer*”. In either case, the Notes would be redeemed prior to their scheduled maturity date.

***Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

***Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax***

All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation and Luxembourg taxation, unless the withholding or deduction is required by law. In that event, the Issuer or the Guarantor, as the case may be, will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer's and, as the case may be, the Guarantor's obligation to gross up is, however, subject to a number of exceptions, including withholding or deduction of *imposta sostitutiva* (Italian substitute tax), pursuant to Italian Legislative Decree No. 239 of 1 April 1996, Italian Legislative Decree No. 461 of 21 November 1997 ("**Decree 461**") and Italian Presidential Decree No. 600 of 29 September 1973 and withholding or deduction pursuant to the Luxembourg law of 23 December 2005 introducing a final withholding tax on certain savings income, as amended.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws of any country or territory. See also the section headed "*Taxation*" below.

***Change of law or administrative practice***

The terms and conditions of the Notes are based on English law in effect as at the date of this Prospectus, save that following a Change of Registered Office provisions regarding the convening of meetings of Noteholders and the appointment of a Noteholders' Representative are subject to compliance with mandatory provisions of Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English law and/or Italian law (where applicable) or administrative practice after the date of this Prospectus.

***Modification***

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

As a result, a Noteholder is subject to the risk of being outvoted and losing rights against the Issuer or the Guarantor under the Notes or the Guarantee, as the case may be, against its will in the event that Noteholders holding a sufficient aggregate principal amount of the Notes participate in the vote and agree to amend the Conditions in accordance with the Conditions.

***Upon the occurrence of an event of default, the Notes will become due and payable if the Trustee, of its own accord or as directed by an extraordinary resolution of the Noteholders, delivers a notice declaring such Notes due and payable***

The Conditions provide that, upon the occurrence of an event of default, the Notes will become due and payable if the Trustee, of its own accord or as directed by an extraordinary resolution of the Noteholders, delivers a notice declaring such Notes due and payable.

Noteholders should be aware that, as a result, they may not be able to accelerate their Notes upon the occurrence of certain Events of Default, unless the required quorum of Noteholders delivers default notices.

***The limitations on indebtedness in the Notes and the instruments governing the Group's other debt may limit the Group's ability to operate its business.***

The Notes and the instruments governing the Group's other debt contain affirmative and negative covenants restricting, among other things, the Group's ability to incur additional debt, sell assets, create liens or other encumbrances, make certain payments and dividends and merge or consolidate. See "Information about the Group – Material Financings of the Group". Until such time as the Group's other debts have been redeemed or repaid in their entirety, such restrictions could affect the ability of the Group to operate its business and may limit its ability to take advantage of potential business opportunities as they arise. In addition, the Group will remain subject to the covenants in the Notes, which could limit the Group's ability to operate its business.

If the Group does not comply with the covenants and restrictions in the Notes and its other debt instruments, if any, it could be in default under those agreements. Any default under the Notes could lead to an acceleration of debt under other debt instruments that contain cross acceleration or cross default provisions. If the debt under the Notes or other debt instruments is accelerated, the Group may not have sufficient assets to repay amounts due thereunder. The Group's ability to comply with these provisions and other agreements governing its other debt may be affected by changes in economic or business conditions or other events beyond its control.

***The market value of the Notes could decrease if the creditworthiness of the Issuer worsens or is perceived to worsen.***

If any of the risks regarding the Group described herein materialises, then the Issuer is less likely to be in a position to fully perform all obligations under the Notes when they fall due, and the market value of the Notes will suffer. In addition, even if the Issuer is not actually less likely to be in a position to fully perform all obligations under the Notes when they fall due, or the Guarantor is not actually less likely to be in a position to fully perform all obligations under the Guarantee when they fall due, market participants could nevertheless have a different perception. In addition, the market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business areas as the Group could adversely change and have resulting effects on the perceptions of the Group's creditworthiness, whether warranted or otherwise.

Furthermore, changes in accounting standards may lead to adjustments in the relevant accounting positions of the Group which could have an adverse effect on the Group's financial condition, which could in turn affect the market value of the Notes.

### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

#### ***An active and liquid trading market for the Notes may not develop or be maintained***

The Notes represent a new issue of securities which may not be widely distributed and for which there is currently no established trading market. Although the Issuer has applied for admission of the Notes to trading on the regulated MOT market of Borsa Italiana, there can be no assurance that a market for the Notes will develop or, if it does develop, continue or that it will be liquid, thereby enabling Investors to sell their Notes when desired, or at all, or at prices they find acceptable.

The development or continued liquidity of any secondary market for the Notes will be affected by a number of factors including prevailing interest rates, the market for similar securities, general economic conditions and the creditworthiness of the Issuer as well as other factors such as the time remaining to maturity of the Notes, the outstanding amount of the Notes and the redemption features of the Notes. Such factors will also affect the market value of the Notes.

Investors may not be able to sell Notes readily or at prices that will enable Investors to realise their anticipated yield. No Investor should purchase Notes unless the Investor understands and is able to bear the risk that the Notes may not be readily sellable, that the value of the Notes will fluctuate over time and that such fluctuations may be significant.

#### ***The Notes are subject to inflation risks.***

The inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield of a Note. If the inflation rate is equal to or higher than the nominal yield, the real yield is zero or even negative. Currently, worldwide interest rates are low. Any increases in such interest rates would reduce the real amount of a Noteholder's return on an investment in the Notes.

#### ***The Notes are subject to transaction costs and charges.***

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the purchase or sale price of the Notes. These incidental costs may significantly reduce or eliminate any profit from holding the Notes. Credit institutions as a rule charge commissions which are either fixed minimum commissions or pro-rata commissions, depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including, but not limited to, domestic dealers or brokers in foreign markets, Noteholders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

#### ***The trading market for debt securities may be volatile and may be adversely affected by many events***

The market for debt securities issued by the Issuer is influenced by a number of interrelated factors, including economic, financial and political conditions and events in Italy and Luxembourg, as well as economic conditions and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates in other European and other industrialised countries. There can be no assurance that events in Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the market price of the Notes or that economic and market conditions will not have any other adverse effects. Accordingly, the price at which an Investor will be able to sell the Notes prior to maturity may be discounted, even substantially, from the Issue Price or the purchase price paid by such Investor.

No assurance can be given as to the effect of any possible judicial decision or change of laws or administrative practices after the date of this Prospectus.

The Conditions are governed by the laws of England and Wales in effect as at the date of this Prospectus. No assurance can be given as to the effect of any possible judicial decision or any change to the laws of England and Wales, administrative practices or the official application or interpretation of English law after the date of this Prospectus.

***The Notes are not rated and credit ratings may not reflect all risks.***

Neither the Notes nor the long-term debt of the Issuer is rated. To the extent that any credit rating agencies assign credit ratings to the Notes or any other senior unsecured indebtedness of the Issuer, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating or the absence of a rating is not a recommendation to buy, sell or hold Notes and may be revised or withdrawn by the rating agency at any time.

***Enforcing rights as a Noteholder or under the Guarantee across multiple jurisdictions may be difficult.***

The Notes have been issued by the Issuer, organised under the laws of Luxembourg and guaranteed by the Guarantor which is organised under the laws of Italy. See “*Risk Factors – The Guarantee may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability*”. In the event of any bankruptcy, insolvency or a similar event, proceedings could be initiated in either of these jurisdictions. A Noteholder’s rights under the Notes and the Guarantee will thus be subject to the laws of Luxembourg (for as long as the Issuer has its registered office in Luxembourg) and Italy and it may not be able to effectively enforce its rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors’ rights.

***Transfers of the Notes may be restricted, which may adversely affect the secondary market liquidity and/or trading prices of the Notes***

The ability to transfer the Notes may also be restricted by securities laws or regulations of certain jurisdictions or regulatory bodies. See “*Sale and Offer of the Notes*”. The Notes have not been, and will not be, registered under the Securities Act or any state securities laws or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States or for the account or benefit of a U.S. person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability. For a description of restrictions which may be applicable to transfers of the Notes, see “*Sale and Offer of the Notes*”.

***The secondary market generally***

The Notes may have no established trading market when issued and one may never develop (see “*Risk Factors – An active and liquid trading market for the Notes may not develop or be maintained*” above). If a market does develop, it may not be very liquid and, consequently, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

The market value of the Notes may also be significantly affected by factors such as variations in the Group’s annual and interim results, news announcements or changes in general market conditions. In addition, broad market fluctuations and general economic and political conditions may adversely affect the market value of the Notes, regardless of the actual performance of the Group.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to the purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

In addition, government and monetary authorities may impose, as some have done in the past, exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

The audited non-consolidated financial statements of the Issuer as of and for the years ended 31 December 2015 and 31 December 2016 incorporated by reference in this Prospectus have been prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand Duchy of Luxembourg and more specifically the law of December 19, 2002, as amended (“**Lux GAAP**”). These audited non-consolidated financial statements are referred to in this Prospectus as the “**2015 Audited Issuer Financial Statements**” and the “**2016 Audited Issuer Financial Statements**” respectively.

The audited consolidated financial statements of the Group as of and for the years ended 31 December 2015 and 31 December 2016 incorporated by reference in this Prospectus have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (“**IFRS**”). These audited consolidated financial statements are referred to in this Prospectus as the “**2015 Audited Consolidated Financial Statements**” and the “**2016 Audited Consolidated Financial Statements**” respectively.

The interim consolidated financial report of the Group as of and for the period ended 30 September 2017 is contained in the section entitled “Annex 1 – September 2017 Interim Unaudited Consolidated Financial Report of the Group” in this Prospectus and has been prepared in accordance with IFRS applicable to interim financial reporting (IAS 34), endorsed by the European Union. This unaudited condensed interim consolidated financial report is referred to in this Prospectus as the “**September 2017 Interim Unaudited Consolidated Financial Report**”.

The Issuer Audited Statement of Cash Flows (the “**Issuer Audited Statement of Cash Flows**”) for the years ended 31 December 2015 and 31 December 2016 are contained in the section entitled “Annex 2 – Issuer Audited Statement of Cash Flows”.

The interim consolidated financial report of the Issuer as of and for the period ended 30 September 2017 is contained in the section entitled “Annex 3 – September 2017 Interim Unaudited Issuer Financial Report” in this Prospectus and has been prepared in accordance with IFRS applicable to interim financial reporting (IAS 34), endorsed by the European Union. This unaudited condensed interim financial report referred to in this Prospectus as the “**September 2017 Interim Unaudited Issuer Financial Report**”.

In the future, in the event of a Change of Registered Office (as defined in the “Terms and Conditions of the Notes”), the Issuer may present its non-consolidated financial statements in accordance with the International Financial Reporting Standards as endorsed by the European Union (“**IFRS**”).

Financial data of the Guarantor included in this Prospectus has been derived from the 2016 Audited Consolidated Financial Statements and the September 2017 Interim Unaudited Consolidated Financial Report. The financial information as at and for the periods ended 31 December 2015 and 30 September 2016 included in this Prospectus has been taken respectively from the comparative information included in the 2016 Audited Consolidated Financial Statements, and in the September 2017 Interim Unaudited Consolidated Financial Report of the Group and the Issuer Audited Statement of Cash Flows.

Financial data of the Issuer included in this Prospectus has been derived from the 2016 Audited Non-Consolidated Financial Statements. The financial information as at and for the periods ended 31 December 2015 included in this Prospectus has been taken from the comparative information included in the 2016 Audited Non-Consolidated Financial Statements.

### Comparability

On 30 November 2016, the sale by the Guarantor of a 51 per cent. stake in Elettronica Santerno was finalised (see “*Information about the Group – Business of the Group – Elettronica Santerno*”). IFRS

provides that a subsidiary shall be de-consolidated starting from the date when the controlling stake is sold. Therefore, the 2016 Audited Consolidated Financial Statements present the statement of financial position figures and the income statement figures as at 31 December 2016 and as at 31 December 2015 for comparative purposes that do not take the disposal of Elettronica Santerno into consideration.

### **Alternative Performance Measures**

In order to better evaluate the Group's financial management performance, management has identified Alternative Performance Measures (each an "APM"). Each of the Issuer and the Guarantor believes that these APMs provide useful information for investors as regards the financial position, cash flows and financial performance of the same, because they facilitate the identification of significant operating trends and financial parameters. This Prospectus contains the following alternative performance measures as defined by the European Securities and Markets Authority's Guidelines on Alternative Performance Measures (ESMA/2015/1415), which are used by the management of the Issuer and the Guarantor to monitor its financial and operating performance:

"**EBIT**", which means operating profit/(loss) in the income statement;

"**EBITDA**", which means the sum of operating profit/(loss), depreciation and amortisation of fixed assets;

"**Net Financial Position**", means ESMA Net Financial 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;

"**Net Financial Position of Operations**": means ESMA Net Financial 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 deducted, where applicable, the effects of IFRS 16 – Leases; and

"**Net Working Capital of operations**", which means the difference between trade receivables, net inventories and trade payables in the balance sheet.

EBIT and EBITDA can also be adjusted in order to take into account any Exceptional Items (as defined in the Conditions).

These indicators are also the instruments which make it easier for the administrators themselves to identify operational trends and to take decisions regarding investments, allocation of resources and other operational decisions.

With reference to the interpretation of these APMs, the following factors are also to be taken into consideration:

- (i) these indicators are constructed exclusively from the Group's historic data and are no indication of the future direction of the Group;
- (ii) APMs are not taken into consideration by IFRS and, despite being derived from the Guarantor's consolidated accounts, are not subject to auditing;
- (iii) APMs should not be seen as substitutes for the indicators set out pursuant to IFRS;
- (iv) the APMs should be read in conjunction with the financial information of the Carraro Group taken from the 2015 Audited Consolidated Financial Statements, the 2016 Audited Consolidated Financial Statements, the September 2017 Interim Unaudited Consolidated Financial Report of the Group and the Issuer Audited Statement of Cash Flows;
- (v) the definitions of the indicators used by the Carraro Group, in so far as they are not derived from IFRS, may not align with those adopted by other companies/groups and thus not comparable; and

- (vi) the APMs used by the Carraro Group are calculated with continuity and homogeneity of definition and representation for all the periods for which financial information is included in the present Prospectus.

## INFORMATION INCORPORATED BY REFERENCE

The following documents which have been previously published or published simultaneously with this Prospectus and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Prospectus:

- (a) the 2015 Audited Issuer Financial Statements;
- (b) the 2016 Audited Issuer Financial Statements;
- (c) the Carraro Group Annual Report 2015 including the 2015 Audited Consolidated Financial Statements; and
- (d) the Carraro Group Annual Report 2016 including the 2016 Audited Consolidated Financial Statements.

Such documents will be available, without charge, on the Carraro Group's Website, as follows:

- (i) [http://www.carraro.com/media/u/file/2018/2015\\_12\\_31\\_CI\\_Annuel\\_Accounts\\_rev.pdf](http://www.carraro.com/media/u/file/2018/2015_12_31_CI_Annuel_Accounts_rev.pdf) as to the 2015 Audited Issuer Financial Statements;
- (ii) [http://www.carraro.com/media/u/file/2018/2016\\_12\\_31\\_CI\\_Annuel\\_Accounts\\_rev.pdf](http://www.carraro.com/media/u/file/2018/2016_12_31_CI_Annuel_Accounts_rev.pdf) as to the 2016 Audited Issuer Financial Statements;
- (iii) <https://www.carraro.com/media/u/file/2016/2015ARen.pdf> as to the 2015 Audited Consolidated Financial Statements; and
- (iv) [https://www.carraro.com/media/u/file/2017/AR\\_ReviewReport\\_2016\\_en.pdf](https://www.carraro.com/media/u/file/2017/AR_ReviewReport_2016_en.pdf) as to the 2016 Audited Consolidated Financial Statements.

Any statement contained in this Prospectus or in any of the documents incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference, by way of supplement prepared in accordance with Article 16 of the Prospectus Directive, modifies or supersedes such statement.

### Cross-reference lists

The following table shows where the information incorporated by reference in this Prospectus can be found in the above-mentioned documents. The page numbers referred to in the cross reference list below refer to the page numbers in the electronic PDF document.

<b>2015 Audited Issuer Financial Statements</b>	<b>Page(s)</b>
Directors' Management Report	3 - 9
Audit Report	10 – 11
Balance Sheet	12 – 17
Profit and loss account	18 - 20
Notes to the annual accounts	21 - 31
<b>2016 Audited Issuer Financial Statements</b>	<b>Page(s)</b>
Directors' Management Report	3-9
Audit Report	10-11
Balance Sheet	12-16
Profit and loss account	17-18

Notes to the annual accounts	19-27
------------------------------	-------

**Carraro Group Annual Report 2015 including the 2015 Audited Consolidated Financial Statements**

<b>Information</b>	<b>Page(s)</b>
Consolidated income statement	125
Consolidated comprehensive income statement	126
Consolidated statement of financial position	126-127
Statement of changes in consolidated shareholders' equity	128
Consolidated statement of cash flows	129
Explanatory and supplementary notes to the consolidated accounts as at 31 December 2015	130-194
Auditors' report in accordance with articles 14 and 16 of Legislative Decree no. 39 of 27 January 2010	203-204

**Carraro Group Annual Report 2016 including the 2016 Audited Consolidated Financial Statements**

<b>Information</b>	<b>Page(s)</b>
Consolidated income statement	90
Consolidated comprehensive income statement	91
Consolidated statement of financial position	91-92
Statement of changes in consolidated shareholders' equity	93
Consolidated statement of cash flows	94
Explanatory and supplementary notes to the consolidated accounts as at 31 December 2015	95-160
Auditors' report in accordance with articles 14 and 16 of Legislative Decree no. 39 of January 27, 2010	168-169

Any information contained in any of the documents specified above, including any documents incorporated by reference therein, which are not listed in the cross reference list are not incorporated by reference in this Prospectus and are not relevant to investors (pursuant to Article 28(4) of Regulation (EC) No. 809/2004 implementing the Prospectus Directive) or covered elsewhere in this Prospectus.

Copies of the documents specified above as containing information incorporated by reference in this Prospectus have been filed with the Luxembourg Stock Exchange and may be inspected, free of charge, at the specified offices of the Principal Paying Agent, on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and on the Carraro Group's Website.

This Prospectus also contains (i) the Interim Consolidated Unaudited Financial Statements of the Group as at 30 September 2017 in the section entitled "Annex 1 – September 2017 Interim Unaudited Consolidated Financial Report of the Group"; (ii) the Issuer Audited Statement of Cash Flows as at 31 December 2015 and 31 December 2016 in the section entitled "Annex 2 – Issuer Audited Statement of Cash Flows"; and (iii) the September 2017 Interim Unaudited Issuer Financial Report in the section entitled "Annex 3 – September 2017 Interim Unaudited Issuer Financial Report".

Any websites referred to in this Prospectus are for information purposes only and do not form part of this Prospectus.

## OVERVIEW OF FINANCIAL INFORMATION

Set out below is an overview of the Consolidated Income Statement and Consolidated Balance Sheet of the Group derived from the 2015 Audited Consolidated Financial Statements and from the 2016 Audited Consolidated Financial Statements, which are each incorporated by reference in this Prospectus and from the September 2017 Interim Unaudited Consolidated Financial Report of the Group annexed hereto, and an overview the Issuer Income Statement and Issuer Balance Sheet derived from the 2015 Audited Issuer Financial Statements and the 2016 Audited Issuer Financial Statements, which are each incorporated by reference in this Prospectus and from the September 2017 Interim Unaudited Issuer Financial Report annexed hereto. An overview of other consolidated financial information of the Group is also set out below in the table entitled “Overview of Other Consolidated Financial Information.”

The financial information reported below constitutes selected financial information as required by items 3.1 and 3.2 of Annex IV of Regulation (EC) No. 809/2004 implementing the Prospectus Directive and has been extracted from and should be read in conjunction with, and is qualified in its entirety by reference to, the 2015 Audited Consolidated Financial Statements, the 2016 Audited Consolidated Financial Statements, the September 2017 Interim Unaudited Consolidated Financial Report of the Group annexed hereto, the 2015 Audited Issuer Financial Statements, the 2016 Audited Issuer Financial Statements and the September 2017 Interim Unaudited Issuer Financial Report annexed hereto. The financial information reported below should also be read in conjunction with the information set forth in sections “*Presentation of Financial and Certain Other Information*” and “*Information Incorporated by Reference*”.

## Overview Consolidated Income Statement

	30 September		31 December	
	2017	2016	2016	2015
	<i>(unaudited)</i>		<i>(audited)</i>	
	<i>(amounts in Euro thousands)</i>		<i>(amounts in Eur thousands)</i>	
Products .....	433,399	450,923	571,332	652,031
Services.....	6,280	11,364	14,638	12,429
Other revenues .....	11,129	6,067	7,777	9,550
<b>Total Revenues from Sales.....</b>	<b>450,808</b>	<b>468,354</b>	<b>593,747</b>	<b>674,010</b>
<b>Operating Costs</b>				
Purchases of goods and materials ....	304,404	268,665	339,617	389,819
Services.....	67,768	72,644	94,542	105,091
Use of third-party goods and services .....	956	1,548	1,908	4,599
Personnel costs.....	71,028	73,951	97,871	125,063
Amortisation, depreciation and impairment of assets .....	15,648	17,248	27,918	48,908
depreciation of property, plant and equipment .....	12,535	13,599	17,700	21,117
amortisation of intangible fixed assets.....	2,507	2,947	3,854	4,952
impairment of fixed assets .....	362	450	5,869	20,538
impairment of receivables.....	244	252	495	2,301
Changes in inventories.....	(35,984)	16,423	17,449	11,356
Provision for risks and other liabilities .....	5,116	8,761	10,306	11,586
Other income and expenses .....	(6,718)	(3,549)	(3,439)	(17,758)
Internal construction .....	(1,286)	(3,897)	(4,184)	(4,985)
<b>Total Operating Costs.....</b>	<b>420,932</b>	<b>451,794</b>	<b>581,988</b>	<b>673,679</b>
<b>Operating Profit/(Loss) .....</b>	<b>29,876</b>	<b>16,560</b>	<b>11,759</b>	<b>331</b>
<b>Gains/(Losses) on Financial Assets</b>				
Income and expenses from equity investments .....	—	(206)	(14)	22,825
Other financial income.....	2,196	1,465	2,200	3,764
Financial costs and expenses .....	(9,128)	(10,544)	(13,644)	(20,182)

	30 September		31 December	
	2017	2016	2016	2015
	<i>(unaudited)</i>		<i>(audited)</i>	
	<i>(amounts in Euro thousands)</i>		<i>(amounts in Eur thousands)</i>	
Net gains/(losses) on foreign exchange .....	(1,194)	(1,568)	(1,836)	(4,471)
Value adjustments of financial assets .....	(1,838)	—	(213)	—
<b>Net Gains/(Losses) on Financial Assets.....</b>	<b>(9,964)</b>	<b>(10,853)</b>	<b>(13,507)</b>	<b>1,936</b>
<b>Profit/(Loss) before Taxes.....</b>	<b>19,912</b>	<b>5,707</b>	<b>(1,748)</b>	<b>2,267</b>
Current and deferred income taxes ..	7,199	6,478	7,340	11,373
Net Profit/(Loss) .....	12,713	(771)	(9,088)	(9,106)
Minority interests .....	1	1	1	191
<b>Group Consolidated Profit/(Loss)</b>	<b>12,714</b>	<b>(770)</b>	<b>(9,087)</b>	<b>(8,915)</b>

### Overview Consolidated Balance Sheet

	30 September		31 December	
	2017	2016	2016	2015
	<i>(unaudited)</i>		<i>(audited)</i>	
	<i>(amounts in Euro thousands)</i>			
Total non-current assets .....	257,811	267,170	267,170	293,525
Total current assets.....	296,352	219,045	219,045	286,499
<b>Total assets.....</b>	<b>554,163</b>	<b>486,215</b>	<b>486,215</b>	<b>580,024</b>
Total non-current liabilities	162,601	177,954	177,954	199,208
Total current liabilities	318,784	261,532	261,532	349,793
<b>Total liabilities</b>	<b>481,385</b>	<b>439,486</b>	<b>439,486</b>	<b>549,001</b>
Equity attributable to owners of the parent	72,778	46,729	46,729	28,365
Equity attributable to non-controlling interests	-	-	-	2,658
<b>Total equity</b>	<b>72,778</b>	<b>46,729</b>	<b>46,729</b>	<b>31,023</b>
<b>Total equity and liabilities</b>	<b>554,163</b>	<b>486,215</b>	<b>486,215</b>	<b>580,024</b>

**Overview Consolidated Cash  
Flow Statements**

	30 September		31 December	
	2017	2016	2016	2015
	<i>(unaudited)</i>		<i>(audited)</i>	
	<i>(amounts in Euro thousands)</i>			
Cash flows from operating activities.....	18,219	17,491	21,784	(9,414)
Cash flows from Investing activities.....	(12,299)	(9,521)	(16,718)	(581)
Cash flows from financing activities.....	3,823	623	(27,249)	17,572
<b>Total cash flows for the period ....</b>	<b>9,743</b>	<b>8,593</b>	<b>(22,183)</b>	<b>7,577</b>
Opening cash and cash equivalents	47,753	70,758	70,758	62,822
Exchange changes in cash and cash equivalents.....	(1,714)	(1,412)	(822)	359
<b>Closing cash and cash equivalents .....</b>	<b>55,782</b>	<b>77,939</b>	<b>47,753</b>	<b>70,758</b>

**Overview of Other Consolidated Financial Information:**

	30 September		31 December	
	2017	2016	2016	2015
	<i>(unaudited)</i>			
	<i>(amounts in Euro thousands)</i>			
Consolidated EBITDA	45,280	33,556	39,182	46,938
Consolidated Adjusted EBITDA	42,960	37,907	44,669	42,627
Net Consolidated Financial Position	(166,026)	(195,756)	(193,720)	(236,582)
Net Consolidated Financial Position of Operations	(155,019)	(190,578)	(183,200)	(227,783)

## Overview Issuer Income Statement

	30 September		31 December	
	2017 <i>(unaudited)</i>	2016	2016 <i>(audited)</i>	2015
	<i>(amount in Euro)</i>			
Net turnover .....	167,531	198,252	284,615	402,989
Variation in stock of finished goods in work in progress.....	—	—	—	—
Work performed by the undertaking for its own purposes and capitalised .....	—	—	—	—
Other operating income.....	12,101	10,457	14,179	258,880
Raw materials and consumables and other external expenses .....	(728,557)	(2,716,752)	(3,445,011)	(2,807,340)
Staff costs.....	(189,011)	(161,586)	(226,636)	(248,795)
Value adjustments .....	(9,363)	(9,268)	(12,552)	(12,518)
Other operating expenses.....	(60,575)	(123,088)	(291,053)	(262,412)
Income from participating interests ...	11,329,758	4,941,562	4,941,562	1,515,850
Income from other investments and loans forming part of the fixed assets..	4,298,280	5,796,472	7,673,080	8,496,001
Other interest receivable and similar income.....	28,411	1,316,098	1,173,516	5,070

	30 September		31 December	
	2017	2016	2016	2015
	<i>(unaudited)</i>		<i>(audited)</i>	
	<i>(amount in Euro)</i>			
Share of profit or loss of undertakings accounted for under the equity method.....	—	—	—	—
Value adjustments in respect of financial assets and of investments held as current assets.....	(865,220)	—	(10,897,892)	(25,684,270)
Interest payable and similar expenses.....	(3,600,299)	(4,499,763)	(5,620,546)	(6,421,237)
Tax on profit or loss.....	(200,000)	—	(18,250)	(1,705,817)
Profit or loss after taxation .....	—	—	—	—
<b>Profit or loss for the financial year .....</b>	<b>10,183,058</b>	<b>4,752,384</b>	<b>(6,424,986)</b>	<b>(26,463,600)</b>

## Overview Issuer Balance Sheet

	30 September		31 December	
	2017	2016	2016	2015
	<i>(unaudited)</i>		<i>(audited)</i>	
	<i>(amount in Euro)</i>			
Subscribed capital unpaid	—	—	—	—
Formation expenses	—	—	—	—
Fixed assets	43,765,593	47,658,352	39,740,175	41,167,620
Current assets	119,467,579	144,124,519	121,664,536	152,037,665
Prepayments	1,037,436	1,799,796	1,499,564	3,066,535
<b>Total assets</b>	<b>164,270,608</b>	<b>193,582,667</b>	<b>162,904,275</b>	<b>196,271,819</b>
Provision	465,693	835,361	645,433	2,350,053
Creditors	144,829,558	172,713,814	153,235,462	179,049,547
Deferred income	345,066	408,889	576,148	-
Capital and reserves	18,630,291	19,624,603	8,447,233	14,872,219
<b>Total (Capital, Reserves and liabilities)</b>	<b>164,270,608</b>	<b>193,582,667</b>	<b>162,904,275</b>	<b>196,271,819</b>

**Overview Issuer Audited Statement of  
Cash Flows**

	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
	<i>(audited)</i>	
	<i>(amounts in Euro)</i>	
Cash flows from operating activities	3,722,485	209,145
Cash flows from Investing activities	-	(8,985,070)
Cash flows from financing activities	(17,114,748)	16,371,700
<b>Total cash flows for the year</b>	<b>(13,392,264)</b>	<b>7,595,774</b>
Opening cash and cash equivalents	27,711,459	20,115,685
Exchange changes in cash and cash equivalents	-	-
<b>Closing cash and cash equivalents</b>	<b>14,319,196</b>	<b>27,711,459</b>

## CAPITALISATION

The following table sets forth the Guarantor's net financial position of operations, total shareholders' equity and total capitalisation as of 30 September 2017 on an actual basis, without giving effect to (i) the net proceeds of the issue of the Notes, expected between approximately €50 and €180 million (before deduction of the commissions and other expenses incurred in connection with the issue of the Notes), or (ii) the use of proceeds therefrom.

Prospective investors should read this table in conjunction with the section entitled "*Use of Proceeds*".

<i>(€ in thousands)</i>	<b>30 September 2017</b>
Current Net financial position	22,269
Non-Current Net financial position	143,757
<b>Total Net financial position(A)</b>	<b>166,026</b>
Share capital	41,453
Reserves	18,611
Net income	12,714
Minority interest	-
<b>Total shareholders' equity (B)</b>	<b>72,778</b>
<b>Total Capitalisation (A+B)</b>	<b>238,804</b>

## TERMS AND CONDITIONS OF THE NOTES

The €[●] [●] per cent. Notes due 31 January 2025 (the “Notes”, which expression includes any further notes issued pursuant to Condition 16 (*Further issues*) and forming a single series therewith) of Carraro International S.E. (the “Issuer”) guaranteed by Carraro S.p.A. (the “Guarantor”) are issued on 16 February 2018 (the “Issue Date”) and are subject to, and have the benefit of, a trust deed dated 16 February 2018 (as amended or supplemented from time to time, the “Trust Deed”) between the Issuer, the Guarantor and Lucid Trustee Services Ltd (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the “Noteholders” and the holders of the interest coupons appertaining to the Notes (the “Couponholders” and the “Coupons”, respectively). The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 18 January 2018 and the guarantee of the Notes was authorised by a resolution of the board of directors of the Guarantor passed on 18 January 2018. These terms and conditions (the “Conditions”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and the Coupons. Copies of the Trust Deed and the Paying Agency Agreement (the “Paying Agency Agreement”) dated the Issue Date relating to the Notes between the Issuer, the Guarantor, the Trustee and the initial principal paying agent and the other paying agents named in it, are available for inspection by Noteholders during usual business hours at the specified office of the Trustee (presently at One London Wall Buildings, London EC2M 5PG, United Kingdom and at the specified offices of the principal paying agent for the time being (the “Principal Paying Agent”) and the other paying agents for the time being (the “Paying Agents”, which expression shall include the Principal Paying Agent). The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement. Subject to and as set forth in Condition 9(d) (*Taxation*), the Issuer will not be liable to pay any additional amounts to holders of the Notes in relation to any withholding or deduction required pursuant to Decree 239 where the Notes are held by a person or entity resident or established in a country that does not allow for satisfactory exchange of information with the Italian tax authorities and otherwise in the circumstance described in Condition 9 (*Taxation*).

### 1 Definitions and interpretation

(a) **Definitions:** In these Conditions:

“**Business Day**” means, a day on which commercial banks and foreign exchange markets in London, Luxembourg and Milan are open and which is a TARGET Settlement Day.

“**Event of Default**” has the meaning given to it in Condition 10.

“**Group**” means the Guarantor and its Subsidiaries from time to time.

“**Interest Period**” means the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

“**Permitted Reorganisation**” means:

- (i) a Change of Registered Office; or
- (ii) any solvent amalgamation, merger, demerger or reconstruction involving the Issuer, the Guarantor or any Subsidiary under which the assets and liabilities of the Issuer, the Guarantor or the relevant Subsidiary are assumed by the entity resulting from such amalgamation, merger, demerger or reconstruction, and, where the same involves the Issuer or the Guarantor, such entity assumes all the obligations of the Issuer in respect of the Notes, or the Guarantor in respect of the Guarantee and an opinion of an independent legal

adviser of internationally recognised standing has been delivered to the Trustee, on behalf of the Noteholders, confirming the same prior to the effective date of such amalgamation, merger or reconstruction.

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

“**Relevant Date**” means whichever is the later of (A) the date on which such payment first becomes due and (B) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders and to the Trustee.

“**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market.

“**Relevant Jurisdiction**” means, in relation to the Issuer, the Grand Duchy of Luxembourg and after the Change of Registered Office (as defined below), the Republic of Italy, and, in relation to the Guarantor, the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer, or the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons or under the Guarantee.

“**Subsidiary**” or “**Subsidiaries**” means (i) in relation to the Issuer, any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer; and (ii) in relation to the Guarantor, a company controlled by the Guarantor, as such term is defined pursuant to Article 2359, paragraph 1, numbers 1 and 2, of the Italian Civil Code.

“**TARGET Settlement Day**” means any day on which the TARGET System is open.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(b) **Interpretation:** In these Conditions:

- (i) a “**Change of Registered Office**” will be deemed to occur if the shareholders of the Issuer resolve upon the move of the Issuer’s registered office to the Republic of Italy;
- (ii) any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Trust Deed; and
- (iii) any reference in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to Condition 16 (*Further issues*) and forming a single series with the Notes.

## 2 Form, Denomination and Title

- (a) **Form and denomination:** The Notes are serially numbered and in bearer form in the denomination of €1,000 each with Coupons attached on issue. No Notes in definitive form will be issued with a denomination above €1,000.

- (b) **Title:** Title to the Notes and Coupons passes by delivery. The holder of any Note or Coupon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no Person will be liable for so treating the holder.

### 3 Guarantee and Status

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes and the Coupons. Its obligations in that respect (the “**Guarantee**”) are contained in the Trust Deed. The Guarantee is limited to 140 per cent. of the aggregate principal amount of Notes as at the Issue Date.
- (b) **Status of the Notes and the Guarantee:** The Notes and Coupons constitute direct, unconditional and (subject to Condition 5 (*Negative pledge*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The obligations of the Guarantor under the Guarantee constitute direct, unconditional and (subject to Condition 5 (*Negative Pledge*)) unsecured obligations of the Guarantor, and rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Guarantor from time to time outstanding. The payment obligations of the Issuer under the Notes and the Coupons and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5 (*Negative pledge*), at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

### 4 Covenants and Suspension of Covenants

- (a) **Limitation on Indebtedness:** So long as any of the Notes or Coupons remain outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of their respective Subsidiaries will, incur any additional Indebtedness (other than Permitted Indebtedness) if, on the date of the incurrence of such additional Indebtedness, the Consolidated Net Leverage Ratio relating to the Relevant Period referred to in the latest Compliance Certificate is greater than 3.5:1, determined on a pro forma basis assuming for this purpose, that such additional Indebtedness (together with any other additional Indebtedness already incurred since the end of such Relevant Period) had been incurred, and the net proceeds thereof applied, on the first day of the applicable Relevant Period.
- (b) **Suspension of Covenants:** To the extent that a Rating Event has occurred and for so long as such Rating Event is outstanding, Condition 4(a) (*Covenants and Suspension of Covenants – Limitation on Indebtedness*) shall not apply and no Compliance Certificate shall be required pursuant to Condition 4(c) (*Compliance Certificate*).
- (c) **Compliance Certificate:** For so long as any Notes or Coupons remain outstanding, unless the covenants in Condition 4(a) (*Covenants and Suspension of Covenants – Limitation on Indebtedness*) have been suspended pursuant to Condition 4(b) (*Covenants and Suspension of Covenants – Suspension of Covenants*), the Guarantor will deliver the Compliance Certificate to the Trustee promptly on request and on each Reporting Date confirming:
- (i) among other things, the Issuer’s and the Guarantor’s, compliance with Condition 4(a) (*Covenants and Suspension of Covenants – Limitation on Indebtedness*) since the previous Reporting Date, or in the case of the first Reporting Date, since the Issue Date; and
  - (ii) that as at the Certified Date (as defined in the Trust Deed) the Issuer and the Guarantor have complied with their obligations under the Trust Deed and the Paying Agency Agreement and that as at such date there did not exist, nor had there existed since the Certified Date of the last Compliance Certificate, or in the case of the first Compliance

Certificate since the Issue Date, any Event of Default or Potential Event of Default, or if such an event has occurred or if the Issuer or the Guarantor is not in compliance, specifying such event or the nature of such non-compliance.

For the avoidance of doubt, any certification by the Guarantor given in the Compliance Certificate with respect to the compliance by the Issuer or the Guarantor with its obligations under the Conditions or the Trust Deed (including, but not limited to, the covenants in Condition 4(a)) shall include a statement that the Issuer or the Guarantor, as the case may be, has complied with its obligation to procure that its respective Subsidiaries comply with the relevant covenant, requirement or obligation as to which the relevant certification is given.

The Trustee shall have no duty to monitor compliance by the Issuer, the Guarantor or any of their respective Subsidiaries with the covenants set out in Condition 4(a) (*Covenants and Suspension of Covenants – Limitation on Indebtedness*) or the Trust Deed and shall rely without liability to any Person and without further enquiry on the Compliance Certificates as to the compliance by the Issuer, the Guarantor and/or their respective Subsidiaries or non-compliance as aforementioned.

For the purpose of these Conditions:

**“Acceptable Bank”** means:

- (a) a bank or financial institution which has a rating for its long term unsecured and non-credit enhanced debt obligations of at least BBB by Standard & Poor’s Rating Services or Fitch Ratings Ltd or at least Baa2 by Moody’s Investor Services Limited or a comparable rating from an internationally recognised credit rating agency; or
- (b) any bank or financial institution at which the Issuer holds a bank account as at the Issue Date; or
- (c) any other bank or financial institution approved by the Noteholders (or, if appointed, the Noteholders’ Representative);

**“Accounting Principles”** means IFRS or generally accepted accounting principles in Italy;

**“Acquired Indebtedness”** means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Subsidiary of the Issuer or at the time it merges or consolidates with or into the Issuer or any of its Subsidiaries or assumed in connection with the acquisition of assets from such Person and in each case not incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Subsidiary of the Issuer or such acquisition, merger or consolidation;

**“Capital Stock”** means:

- (i) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person, and all options, warrants or other rights to purchase or acquire any of the foregoing; and
- (ii) with respect to any Person that is not a corporation, any and all partnership, membership or other equity interests of such Person, and all options, warrants or other rights to purchase or acquire any of the foregoing;

**“Common Stock”** of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common stock;

**“Compliance Certificate”** means the compliance certificate to be delivered on each Reporting Date and signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor certifying the matters set out in Condition 4(c);

**“Consolidated Adjusted EBITDA”** means, in respect of any Relevant Period, the consolidated operating profit of the Group before taxation:

- (a) before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of that Relevant Period;
- (b) not including any accrued interest owing to any member of the Group;
- (c) after adding back any amount attributable to provisions and the amortisation, depreciation or impairment of assets;
- (d) before taking into account any Exceptional Items;
- (e) before taking into account any unrealised gains or losses on any derivative instrument; and
- (f) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset;

**“Consolidated Cash”** means, in respect of any Relevant Period, cash in hand or at bank and (in the latter case) credited to an account in the name of a member of the Group with a bank and to which a member of the Group is alone (or together with other members of the Group) beneficially entitled and for so long as:

- (a) that cash is repayable within 5 Business Days after the relevant date of calculation;
- (b) repayment of that cash is not contingent on the prior discharge of any other indebtedness (other than that included in the Consolidation Indebtedness of Operations) of any member of the Group or of any other person whatsoever or on the satisfaction of any other condition;
- (c) there is no Security Interest over that cash except for any Permitted Security Interest constituted by a netting or set-off arrangement entered into by members of the Group in the ordinary course of their banking arrangements; and
- (d) the cash is freely and immediately available to be applied in repayment or prepayment of the Notes or any indebtedness included in the Consolidated Indebtedness of Operations without double counting;

**“Consolidated Cash Equivalent Investments”** means, in respect of any Relevant Period:

- (a) certificates of deposit maturing within one year after the relevant date of calculation and issued by an Acceptable Bank;
- (b) any investment in marketable debt obligations issued or guaranteed by the government of the United States of America, the United Kingdom, any member state of the European Economic Area or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable into any other security;
- (c) commercial paper not convertible or exchangeable into any other security:
  - (i) for which a recognised trading market exists;
  - (ii) issued by an issuer incorporated in the United States of America, the United Kingdom, any member state of the European Economic Area;
  - (iii) which matures within one year after the relevant date of calculation; and
  - (iv) which has a credit rating of either “A-1” or higher by Standard & Poor’s Rating Services or “F1” or higher by Fitch Ratings Ltd or “P-1” or higher by Moody’s Investors Service Limited, or, if no rating is available in respect of the commercial paper, the issuer of which

has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating;

- (d) any investment in money market funds which (i) have a credit rating of either “A-1” or higher by Standard & Poor’s Rating Services or “F1” or higher by Fitch Ratings Ltd or “P-1” or higher by Moody’s Investors Service Limited, (ii) which invest substantially all their assets in securities of the types described in paragraphs (a) to (d) above and (iii) can be turned into cash on not more than 30 days’ notice; or
- (e) any other debt security approved in advance by the Trustee (such approval not to be unreasonably withheld or delayed), in each case, to which any member of the Group is alone (or together with other members of the Group) beneficially entitled at that time and which is not issued or guaranteed by any member of the Group or subject to any Security Interest;

“**Consolidated Indebtedness of Operations**” means, in respect of any Relevant Period:

- (a) moneys borrowed and debit balances at banks or other financial institutions (including any overdraft);
- (b) any acceptance under any acceptance credit or bill discounting facility (or dematerialised equivalent);
- (c) any indebtedness which is in the form of, or represented or evidenced by, bonds, convertible bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;
- (d) receivables sold or discounted (only on a recourse basis);
- (e) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under the Accounting Principles;

For the avoidance of doubt, the calculation excludes the effect of IFRS 16 Leases;

“**Consolidated Net Leverage Ratio**” means, for any Relevant Period, the ratio of the Net Consolidated Financial Position of Operations of the Group for such period to the Consolidated Adjusted EBITDA of the Group for such period;

“**Determination Date**” means 31 December in each year;

“**Disqualified Stock**” means, with respect to any Person, any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is redeemable or exchangeable), or upon the happening of any event: (1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, (2) is convertible or exchangeable for Indebtedness or Disqualified Stock of such Person or (3) is redeemable at the option of the holder thereof, in whole or in part (other than solely as a result of a change of control), in each case prior to 91 days after the earlier of the maturity date of the Notes or the date the Notes are no longer outstanding; provided, however, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock;

“**Equity Interests**” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock);

“**Exceptional Items**” means, in respect of any Relevant Period, any exceptional, one off, non-recurring or extraordinary items arising for example on:

- (a) the restructuring of the activities of an entity (including the refocusing or restructuring of the Group's product portfolio) and reversals of any provisions for the cost of restructuring; and
- (b) disposals, revaluations, write downs or impairment of non-current assets or any reversal of any write down or impairment;

**"Hedging Obligations"** means, with respect to any Person, the obligations of such Person under currency exchange or interest rate swap, cap and collar agreements, and other similar or like agreements or arrangements;

**"Indebtedness"** means with respect to any Person, without duplication,

- (i) the principal of indebtedness of such Person for borrowed money;
- (ii) the principal of indebtedness of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (iii) the principal component of obligations representing the deferred purchase price of property or services due more than one year after such property is acquired or such services are completed (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 180 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);
- (iv) obligations representing reimbursement obligations in respect of any letter of credit, banker's acceptance or similar credit transaction (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);
- (v) all Receivables Financing;
- (vi) the mark-to-market value of any Hedging Obligations of such Person;
- (vii) guarantees of the principal component of Indebtedness referred to in paragraphs (i) through (vi) above;
- (viii) the principal component of indebtedness of the type referred to in paragraphs (i) through (vii) which are secured by any lien on any property or asset of such Person, the amount of such obligation being deemed to be the lesser of the fair market value (as determined in good faith by the Board of Directors of the Issuer) of such property or asset or the amount of the obligation so secured; and
- (ix) the principal component of obligations or liquidation preference with respect to all Preferred Stock or Disqualified Stock issued by any Subsidiary of the Issuer (but excluding in each case any accrued dividends) to, and held by, third parties which are not members of the Group;

**"Net Consolidated Financial Position of Operations"** means, in respect of any Relevant Period, Consolidated Indebtedness of Operations, less Consolidated Cash, less Consolidated Cash Equivalents, less current and non-current financial assets. For the avoidance of doubt the calculation excludes the effects of any outstanding derivatives contracts;

**"Permitted Indebtedness"** means:

- (i) Indebtedness under the Notes and the Guarantees, *provided that* this shall not include any Notes issued after the Issue Date pursuant to Condition 17 (*Further Issues*);
- (ii) Indebtedness outstanding on the Issue Date after giving effect to the use of proceeds of the Notes;
- (iii) Hedging Obligations of the Issuer or any of its Subsidiaries entered into for non-speculative purposes;

- (iv) Indebtedness of the Issuer to a Subsidiary of the Issuer or Indebtedness of a Subsidiary of the Issuer to the Issuer or another Subsidiary of the Issuer for so long as such Indebtedness is held by a Subsidiary of the Issuer or the Issuer; *provided that* any Indebtedness of the Issuer or the Guarantor to any Subsidiary of the Issuer is unsecured and subordinated, pursuant to a written agreement, to the Issuer's and the Guarantor's obligations under the Notes;
- (v) Indebtedness of the Issuer or any of its Subsidiaries in respect of performance bonds, performance and completion guarantees, bankers' acceptances, workers' compensation claims, surety or appeal bonds, payment obligations in connection with self-insurance or similar obligations, accrued and unpaid tax liabilities and bank overdrafts (and letters of credit in respect thereof to the extent undrawn, or if and to the extent drawn, is honoured in accordance with its terms and, if to be reimbursed, is reimbursed no later than the 30th Business Day following receipt of a demand for reimbursement) in the ordinary course of business;
- (vi) Refinancing Indebtedness;
- (vii) Indebtedness of the Issuer and its Subsidiaries in respect of any customary cash management, cash pooling or netting or setting off arrangements;
- (viii) Acquired Indebtedness of any Person outstanding on the date on which such Person becomes a Subsidiary of the Issuer or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any of its Subsidiaries provided, however, that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred, the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to Condition 4(a) (*Covenants and Suspension of Covenants*) after giving effect to the incurrence of such Indebtedness pursuant to this paragraph; and
- (ix) Subordinated Indebtedness;

**"Permitted Security Interest"** means any Security Interest:

- (a) arising by operation of law;
- (b) existing on the Issue Date;
- (c) to secure Indebtedness over or with respect to any present or future assets, receivables, remittances or payment rights of the Issuer or any of its Subsidiaries (the **"Charged Assets"**) which is created pursuant to any leasing, factoring, securitisation or like arrangements whereby all or substantially all the payment obligations in respect of such Indebtedness are to be discharged solely from the Charged Assets, where such Indebtedness does not exceed an aggregate amount of 5 per cent. of Consolidated Assets;

**"Preferred Stock"** of any Person means any Capital Stock of such Person that has preferential rights to any other Capital Stock of such Person with respect to dividends or redemptions or upon liquidation;

A **"Rating Agency"** means each of Standard & Poor's Ratings Services, a division of the McGraw Hill Companies Inc., Moody's Investors Service Inc. and Fitch Ratings Ltd. and any of their respective successors;

A **"Rating Event"** will have occurred if, and will be deemed to be outstanding for so long as: (i) the Notes are rated BBB- (or the equivalent investment grade credit rating) or higher by at least one Rating Agency; (ii) no Event of Default has occurred and is continuing; and (iii) the Trustee has been provided with a certificate signed by two Authorised Signatories of the Issuer certifying the matters referred to in (i) and (ii) above, upon which the Trustee shall rely without liability to any Person, provided that the Issuer shall provide the Trustee with a further certificate to the extent the Rating Event is no longer outstanding;

**“Receivables Financings”** means factoring, securitisations of receivables or any other receivables financing (including, without limitation, through the sale of receivables in a factoring arrangement or through the sale of receivables to lenders or to special purpose entities formed to borrow from such lenders against such receivables), whether or not with recourse to the Issuer or any of its Subsidiaries, but in each case only to the extent that such factoring, securitisation or financing would either be treated as financial payables under Accounting Principles or as indebtedness under IFRS as of the Issue Date;

**“Refinance”** means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part. **“Refinanced”** and **“Refinancing”** shall have correlative meanings;

**“Refinancing Indebtedness”** means any Refinancing by the Issuer or any Subsidiary of the Issuer of Indebtedness incurred in accordance with Condition 4(a) (*Covenants and Suspension of Covenants*) and paragraphs (i), (ii), (vi) and (viii) of the definition of **“Permitted Indebtedness”**, in each case that does not:

- (i) result in an increase in the aggregate principal amount of Indebtedness of such Person as of the date of such proposed Refinancing (plus the amount of any premium or accrued interest required to be paid under the terms of the instrument governing such Indebtedness and plus the amount of reasonable fees and expenses incurred by the Issuer in connection with such Refinancing); or
- (ii) create Indebtedness with: (a) a Weighted Average Life to Maturity that is less than the Weighted Average Life to Maturity of the Indebtedness being Refinanced; or (b) a final maturity earlier than the final maturity of the Indebtedness being Refinanced; provided that if such Indebtedness being Refinanced is subordinate or junior to the Notes or any Guarantee, then such Refinancing Indebtedness shall be subordinate to the Notes or such Guarantee, as the case may be, at least to the same extent and in the same manner as the Indebtedness being Refinanced;

**“Relevant Period”** means a 12-month period ending on a Determination Date;

**“Reporting Date”** means a date falling no later than sixty days after the approval by the Guarantor’s Board of Directors of its consolidated financial statements, with respect to a Relevant Period ending on 31 December, and in any event by no later than 30 June of the following calendar year, *provided that* the first Reporting Date shall be the date falling no later than 60 days after the approval by the Guarantor’s Board of Directors of the its audited annual consolidated financial statements as of and for the year ended 31 December 2017 and in any event by no later than 30 June 2018;

**“Security Interest”** means, without duplication, a mortgage, charge, pledge, lien or other security interest or other preferential interest or arrangement having a similar economic effect, excluding any right of set-off, but including any conditional sale or other title retention arrangement or any finance leases;

**“Subordinated Indebtedness”** means Indebtedness of the Issuer or any of its Subsidiaries that is subordinated or junior in right of payment to the Notes or the Guarantee, as the case may be, *provided that* such Subordinated Indebtedness:

- (i) does not mature or require any amortisation or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Issuer or such Subsidiary or for any other security or instrument meeting the requirements of the definition);
- (ii) does not require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

- (iii) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganisation, liquidation, winding up or other disposition of assets of the Issuer; and
- (iv) does not restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Trust Deed; and

“**Weighted Average Life to Maturity**” means, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the then outstanding aggregate principal amount of such Indebtedness into (b) the sum of the total of the products obtained by multiplying (i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

## 5 Negative pledge

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and will ensure that none of their respective Subsidiaries will, create or have outstanding any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

## 6 Interest

The Notes bear interest from and including the Issue Date at the rate of [●] per cent. per annum, payable in equal instalments semi-annually in arrear on 31 January and 31 July in each year, commencing on 31 July 2018 (each an “**Interest Payment Date**”) and will amount to €[●] per Calculation Amount (as defined below), except that the first payment of interest, to be made on 31 July 2018, will be in respect of the period from and including the Issue Date to but excluding 31 July 2018 (the “**First Interest Period**”) and will amount to €[●] per Calculation Amount (as defined below). Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day which is seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Save as provided above in relation to equal instalments, the day-count fraction will be calculated on an “Actual/Actual (ICMA)” basis as follows:

- (a) if the Accrual Period is equal to or shorter than the Determination Period during which it falls, the day-count fraction will be the number of days in the Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (b) if the Accrual Period is longer than one Determination Period, the day-count fraction will be the sum of:
  - (i) the number of days in such Accrual Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such

Determination Period and (2) the number of Determination Periods normally ending in any year; and

- (ii) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (a) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Accrual Period**” means the relevant period for which interest is to be calculated (from and including the first such day to but excluding the last); and

“**Determination Period**” means the period from and including 31 January and 31 July in any year to but excluding the next 31 January and 31 July in each year.

Interest in respect of any Note shall be calculated per €1,000 in principal amount of the Notes (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period, save as provided above in relation to the First Interest Period, shall be equal to the product of [●] per cent., the Calculation Amount and the day-count fraction (calculated on an “Actual/Actual (ICMA)” basis, as set out above) for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

## 7 Redemption and Purchase

- (a) **Final redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 31 January 2025. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.
- (b) **Redemption for taxation reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders and to the Trustee (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Grand Duchy of Luxembourg (in the case of a payment by the Issuer) or the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee) then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(b), the Issuer shall deliver to the Trustee (A) a certificate signed by two duly Authorised Signatories of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion of independent legal advisers of recognised international standing to the effect that the Issuer and/or the Guarantor, as the case may be, has or will be obliged to pay such additional amounts as a result of such change and the Trustee shall be entitled to accept and rely on such certificate and legal opinion (without liability to any Person) as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

- (c) **Redemption at the option of the Issuer:** The Issuer may, at any time on or after 31 January 2021, on giving not more than 60 nor less than 30 days' irrevocable notice to the Noteholders and to the Trustee, redeem the Notes in whole or in part at the following redemption prices (expressed as a percentage of the principal amount of the Notes on the date fixed for redemption), plus accrued and unpaid interest outstanding (as defined in the Trust Deed) to the relevant redemption date:

<b>Redemption Period</b>	<b>Price</b>
2021	101.500%
2022	100.750%
2023	100.375%
2024 and thereafter	100.000%

- (d) **Redemption at the option of the Noteholders upon a Change of Control:** Promptly and in any event within ten Business Days after the occurrence of a Change of Control (as defined below), the Issuer will give written notice thereof (a "**Change of Control Notice**") to the holders of all outstanding Notes in accordance with Condition 17 (*Notices*) and to the Trustee, which Change of Control Notice shall (i) refer specifically to this Condition 7(d) (*Redemption at the option of the Noteholders upon a Change of Control*), (ii) describe in reasonable detail the event or circumstances resulting in the Change of Control, (iii) specify the date for redemption of the Notes, which shall be a Business Day not less than 30 days and not more than 90 days after the date of such Change of Control Notice ("**Change of Control Redemption Date**"), (iv) offer to redeem, on the Change of Control Redemption Date, all Notes at 101 per cent. of their principal amount (the "**Change of Control Redemption Amount**") together with interest accrued thereon to the Change of Control Redemption Date and (v) specify the date by which holders must provide written notice to the Issuer of such holder's redemption, which shall be not less than fifteen days prior to the Change of Control Redemption Date (the "**Change of Control Response Date**"). For so long as the Notes are listed on the regulated market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer shall also notify the Luxembourg Stock Exchange promptly of any Change of Control. The Issuer shall redeem on the Change of Control Redemption Date all of the Notes held by Noteholders that require redemption at the Change of Control Redemption Amount. If any holder does not require early redemption on or before the Change of Control Response Date, such holder shall be deemed to have waived its rights under this Condition 7(d) (*Redemption at the option of the Noteholders upon a Change of Control*) to require early redemption of all Notes held by such holder in respect of such Change of Control but not in respect of any subsequent Change of Control.

To exercise the right to require early redemption of any Notes, the holder of the Notes must deliver at the specified office of any Paying Agent, on any Business Day before the Change of Control Response Date, a duly signed and completed notice of exercise in the form (for the time being current and which may, if such Notes are held in a clearing system, be in any form acceptable to such clearing system and may be delivered in any manner acceptable to such clearing system) obtainable from the specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition 7(d) (*Redemption at the option of the Noteholders upon a Change of Control*) accompanied by such Notes or evidence satisfactory to the Paying Agent concerned that such Notes will, following the delivery of the Put Notice, be held to its order or under its control. A Put Notice given by a holder of any Notes shall be irrevocable except where, prior to the Change of Control Redemption Date, an Event of Default has occurred and is continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice.

For the purposes of this Condition 7(d):

a “**Change of Control**” shall be deemed to have occurred if one or more Person or Persons (other than the Guarantor) acquire Control of the Issuer; and

“**Control**” means the power to (i) appoint or remove a majority of the directors of the Issuer or (ii) exercise more than 50 per cent. of the voting rights normally exercisable at the Issuer’s ordinary and extraordinary shareholders’ meetings.

- (e) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 7(b) (*Redemption for taxation reasons*), Condition 7(c) (*Redemption at the option of the Issuer*) and 7(d) (*Redemption at the option of the Noteholders upon a Change of Control*).
- (f) **Notice of redemption:** All Notes in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition 7.
- (g) **Purchase:** Each of the Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Notes in the open market or otherwise at any price (provided that, if they should be cancelled under Condition 7(h) (*Cancellation*) below, they are purchased together with all unmatured Coupons relating to them). The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of these Conditions and the Trust Deed. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation.
- (h) **Cancellation:** All Notes which are (i) purchased by or on behalf of the Issuer, the Guarantor or any such Subsidiary and surrendered for cancellation or (ii) redeemed, and any unmatured Coupons attached to or surrendered with them, will be cancelled and may not be re-issued or resold.

## 8 Payments

- (a) **Method of payment:** Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Notes or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by transfer to a Euro account specified by the payee with a bank in a city in which banks have access to the TARGET System. Payments of interest due in respect of any Note other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.
- (b) **Payments subject to fiscal laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (c) **Surrender of unmatured Coupons:** Each Note should be presented for redemption together with all unmatured Coupons relating to it, failing which, the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than 10 years after the Relevant Date (for the relevant payment of principal in respect of the relevant Note).

- (d) **Payments on business days:** A Note or Coupon may only be presented for payment on a day which is a business day in the place of presentation and, in the case of payment by credit or transfer to a Euro account as described above, is a TARGET Settlement Day. No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this Condition 8 falling after the due date.
- (e) **Paying Agents:** The initial Paying Agents and their initial specified offices are listed in the Paying Agency Agreement. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that they will maintain (i) a Principal Paying Agent and (ii) Paying Agents having specified offices in at least two major European cities in a jurisdiction other than Italy. Notice of any change in the Paying Agents or their specified offices will promptly be given to the Noteholders and to the Trustee.

## 9 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Grand Duchy of Luxembourg or the Republic of Italy or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer, or, as the case may be, the Guarantor, shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

- (a) presented for payment in the Republic of Italy; or
- (b) presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (c) presented for payment by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of the Note or Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption, and fails to do so in due time; or
- (d) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or
- (e) with respect to payments made by the Guarantor, on account of any Taxes applicable pursuant to the provisions of Decree No. 600 of 29 September 1973, as amended from time to time, and any related implementing regulations; or
- (f) on account of *imposta sostitutiva* pursuant to Legislative Decree No. 239 of 1 April 1996 (as, or as may subsequently be, amended or supplemented) and related regulations of implementation which have been, or may subsequently be, enacted (“**Decree 239**”) with respect to any Note or Coupon, including all circumstances in which the procedures to obtain an exemption from *imposta sostitutiva* or any alternative future system of deduction or withholding set forth in Decree 239, have not been met or complied with, except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

- (g) presented for payment where such withholding or deduction is imposed by Luxembourg on the basis of the Luxembourg law of 23 December 2005 introducing a final withholding tax on certain savings income, as amended; or
- (h) any combination of the items above.

For the avoidance of doubt, notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer or the Guarantor will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or otherwise imposed pursuant to Sections 1471 to 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer, the Guarantor nor any other Person will be required to pay any additional amounts in respect of FATCA Withholding.

## 10 Events of Default

If any of the following events occurs, the Trustee, at its discretion, may, and, if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

- (a) **Non payment:** any default is made in the payment of any principal or interest due in respect of the Notes, and such default continues for a period of five Business Days; or
- (b) **Breach of other obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed, which default is (in the opinion of the Trustee) incapable of remedy or, if, in the opinion of the Trustee, capable of remedy, is not, in the opinion of the Trustee, remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or
- (c) **Cross-default of the Issuer, Guarantor or a Subsidiary:**
  - (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default or event of default (howsoever described); or
  - (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or
  - (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds €7,500,000 or its equivalent; or

- (d) **Enforcement proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or the Guarantor or any of its Subsidiaries having an aggregate value of at least €4,000,000 or its equivalent unless such distress, attachment, execution or other legal process (i) is being disputed in

good faith with a reasonable prospect of success as confirmed by an opinion of independent legal advisers of recognised standing or (ii) is discharged or stayed within 30 days; or

- (e) **Security enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of their respective Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar Person) unless discharged or stayed within 30 days; or
- (f) **Insolvency:** other than for the purposes of, or pursuant to, a Permitted Reorganisation, the Issuer or the Guarantor or any of their respective Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of their respective Subsidiaries; or
- (g) **Cessation of business:** the Issuer, the Guarantor or any of their respective Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business (other than for the purposes of, or pursuant to, a Permitted Reorganisation); or
- (h) **Analogous event:** any event occurs which, under any applicable laws has an analogous effect to any of the events referred to in Conditions 10(d) (*Enforcement proceedings*) to 10(g) (*Cessation of business*) (both inclusive); or
- (i) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or
- (j) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or
- (k) **Delisting:** the Notes cease to be listed on at least one of (i) the official list of the Luxembourg Stock Exchange (and admitted to trading on the Luxembourg Stock Exchange's regulated market) or (ii) the MOT.

provided that in the case of Conditions 10(b), (g) and (h) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of Noteholders.

## 11 Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 8 (*Payments*) within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

## 12 Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent, subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## 13 Meetings of Noteholders, modification, waiver and substitution

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including any modifications of the Conditions or of any provisions of the Trust Deed. Such provisions are subject to the Issuer's by-laws in force from time to time and the mandatory provisions of Italian law in force from time to time. For the avoidance of doubt, the provisions of Articles 470-1 to 470-19 of the Luxembourg law on commercial companies of 10 August 1915, as amended, are excluded.

The quorum and the majorities for passing resolutions at any such meetings are established by the applicable legislation and by the Issuer's by-laws in force from time to time. As long as the Issuer does not have shares listed on a regulated market located in any EU member state or held by a significant number of investors (*diffuse tra il pubblico in misura rilevante*) as per Article 2325-*bis* of the Italian civil code, at any such meeting (subject as provided below) (i) on first call, the quorum of such a meeting shall be one or more persons present holding Notes or voting certificates or being proxies representing more than one-half of the principal amount of the Notes for the time being outstanding, and resolutions may only be adopted by the higher of the favourable vote of one or more persons holding Notes or voting certificates or being proxies representing: (x) more than one-half of the principal amount of the Notes for the time being outstanding; and (y) not less than two thirds of the principal amount of the Notes represented at the meeting, and (ii) on second or subsequent call, the quorum of such a meeting shall be, one or more persons present holding Notes or voting certificates or being proxies representing more than one-third of the principal amount of the Notes for the time being outstanding, and resolutions may only be adopted by the favourable vote of one or more persons holding Notes or voting certificates or being proxies representing not less than two thirds of the principal amount of the Notes represented at the meeting.

In any event, the voting majority at any meeting (including subsequent calls) for passing a resolution relating to any matter provided under Article 2415, paragraph 1, item 2 of the Italian civil code (including, *inter alia*, any proposal to change any date fixed for payment of principal or interest in respect of the Notes, any changes to the Guarantee, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or any proposal relating to any of the matters set out in the Article 2415, paragraph 3 of the Italian civil code), shall be the higher of one or more persons holding or representing (i) not less than one-half of the aggregate principal amount of the outstanding Notes, and (ii) not less than two-thirds of the Notes represented at the meeting pursuant to paragraph 3 of Article 2415 of the Italian civil code.

To the extent permitted under applicable laws, the Issuer's by-laws may in each case provide for higher majorities and such higher majorities shall prevail.

Resolutions validly passed at any meeting of Noteholders shall be binding on all Noteholders, whether or not they are present at the meeting.

After a Change of Registered Office and in accordance with the Italian law, a *rappresentante comune*, being a joint representative of Noteholders, may be appointed in accordance with Article 2417 of the Italian civil code in order to represent the Noteholders' interests hereunder and to give effect to the resolutions of the meeting of the Noteholders with the powers and duties set out in article 2418 of the Italian civil code.

The *rappresentante comune* may be a person who is not a Noteholder and may be (i) a company duly authorised to carry on investment services (*servizi di investimento*) or (ii) a trust company (*società fiduciaria*). The *rappresentante comune* is appointed by resolution passed at a Noteholders' meeting. If a Noteholders' meeting fails to appoint the *rappresentante comune*, the appointment is made by a competent court upon the request of one or more Noteholders or the directors of the Issuer. The *rappresentante comune* shall remain in office for a period not

exceeding three financial years from appointment and may be reappointed; remuneration shall be determined by the meeting of Noteholders which makes the appointment.

- (b) **Modification and waiver:** The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that, in its opinion, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders. The Trustee may also make a determination that an Event of Default or a Potential Event of Default shall not be treated as such. Any such modification, authorisation, waiver or determination shall be binding on the Noteholders and the Couponholders and such modification shall be notified to the Noteholders as soon as practicable.
- (c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of certain other entities in place of the Issuer or Guarantor, or of any previous substituted company, as principal debtor or guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including, but not limited to, those referred to in this Condition 8), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders, and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.
- (e) **Consent to the Change of Registered Office:** Any Noteholder purchasing the Notes prior to a Change of Registered Office, either in the primary or the secondary market, shall be deemed to have consented to a Change of Registered Office in its capacity as a creditor of the Issuer and to have waived any rights it may have under Italian law or Luxembourg law or otherwise to oppose the implementation of a Change of Registered Office.

## 14 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such steps, actions or proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such steps, actions or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

## 15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee may act and rely, without liability to Noteholders or Couponholders, on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept, and shall be entitled to rely on (without liability to any Person), any such report, confirmation or certificate or advice, and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

## **16 Further issues**

The Issuer may, from time to time, without the consent of the Noteholders or Couponholders, create and issue further securities, either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them), and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes), or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 16 and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

## **17 Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper (which is expected to be the *Financial Times*) and (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require) published either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, in either case, if, in the opinion of the Trustee, such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 17. In addition, so long as the Notes are listed on Borsa Italiana, the Issuer shall also provide a copy of any notice to Noteholders published in accordance with these Conditions to Borsa Italiana.

## **18 Contracts (Rights of Third Parties) Act 1999**

No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any Person which exists or is available apart from that Act.

## 19 Governing law

- (a) **Governing law:** The Trust Deed, the Notes and the Coupons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law. Following a Change of Registered Office, Condition 13(a) (Meetings of Noteholders) and the provisions of Schedule 3 of the Trust Deed which relate to the convening of meetings of Noteholders and the appointment of a Noteholders' representative are subject to compliance with Italian law. For the avoidance of doubt, the provisions of Articles 470-1 to 470-19 of the Luxembourg law on commercial companies of 10 August 1915, as amended, are excluded.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Coupons, and, accordingly, any Proceedings may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.
- (c) **Agent for service of process:** Pursuant to the Trust Deed, the Issuer has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Notes or the Coupons.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of a Temporary Global Note which will be deposited on or around the Issue Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in new global note (“NGN”) form. On 13 June 2006, the European Central Bank (the “ECB”) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ECB credit operations” of the central banking system for the Euro (the “Eurosysteem”), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosysteem operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosysteem eligibility – that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosysteem monetary policy and intra-day credit operations by the Eurosysteem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosysteem eligibility criteria.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”) in the denomination of €1,000 each, at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if Euroclear or Clearstream, Luxembourg or any alternative clearing system through which the Notes are held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business.

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of €1,000.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

*Payments on business days:* In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note Condition 8(d)) (*Payments on business days*) shall not apply, and all such payments shall be made on a day on which the TARGET System is open.

*Redemption of the option of the Issuer:* In order to exercise the option contained in Condition 7(b) (*Redemption for taxation reasons*) and 7(c) (*Redemption at the option of the Issuer*) the Issuer shall give notice to the Noteholders, the relevant clearing system and to the Trustee (or procure that such notice is given on its behalf) within the time limits set out in and containing the information required by that condition and Condition 7(f) (*Notice of redemption*). In the case of Condition 7(c) (*Redemption at the option of the Issuer*) and a partial exercise of an option, the rights of accountholders with the relevant clearing system in respect of the Notes will be governed by the standard procedures of the relevant clearing system and shall be reflected in the records of the relevant clearing system as either a pool factor or a reduction in nominal amount, at their discretion. Following the exercise of any option, the Issuer shall procure that the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note shall be reduced accordingly.

*Redemption at the option of the Noteholders:* The option of the Noteholders in Condition 7(d) (*Redemption at the option of the Noteholders*) may be exercised by the holder of the Permanent Global Note giving notice to the Agent of the principal amount of Notes in respect of which the option is exercised within the time limits specified in Condition 7(d) (*Redemption at the option of the Noteholders*).

*Notices:* Notwithstanding Condition 17 (*Notices*), while all the Notes are represented by the Permanent Global Note (or, as the case may be, by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or, as the case may be, the Permanent Global Note and/or the Temporary Global Note are) held on behalf of Euroclear or Clearstream, Luxembourg or an alternative clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg or such alternative and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 17 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## USE OF PROCEEDS

The Issuer expects the gross proceeds of the Offering will be between €50 million and €180 million. The estimated total expenses of the Offering will be between €3.0 million and €4.5 million (depending on the final size of the Offering), including the Placement Agent's commission and estimated expenses in respect of the Offering.

The Issuer intends to use the net proceeds from the Offering in order to refinance part of its outstanding indebtedness under the 2015 Agreement (see "*Information about the Group – Material Financings of the Group*").

## INFORMATION ABOUT THE GROUP

### GENERAL

#### *The Issuer*

Carraro International S.E., formerly Carraro International S.A., (the “**Issuer**” or “**Carraro International**”) was incorporated in Luxembourg on 10 February 1999, as a société anonyme, for an unlimited period, under the laws of the Grand Duchy of Luxembourg and it is registered under number B 68721 with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*). The registered and administrative office of the Issuer is currently Carraro International S.E., 15 Rue des Bains, L1212 – Luxembourg, and its telephone number is +352 229771921.

On 10 November 2017, Carraro International filed a deed in respect of its transformation project into a European Company (SE) pursuant to article 37 no. 7 of the EC Regulation no. 2157/2001, together with its new articles of association adopted by the company, for publication in the Luxembourg. Publication was made on 20 November 2017, number of publication RESA\_2017\_268.641-. On 21 December 2017, the extraordinary shareholders’ meeting of Carraro International approved the transformation of the company into a *société européenne* (“**SE**”). The transformation process took effect starting from 10 January 2018, when the registration of the SE was made in *the Registre de Commerce et des Sociétés de Luxembourg*.

On 21 December 2017, the transformation of the Issuer from a corporate entity in “*société anonyme*” form to a European company (“**SE**”), governed by European Regulation no. 2157/2001 (the “**Regulation 2157/2001**”), was formally approved and ratified before the competent Notary in Luxembourg.

On 3 January 2018, the board of directors of the Issuer approved the project for the transfer of the registered office (the “**Transfer Project**”) from the territory of the Grand Duchy of Luxembourg to the Republic of Italy according to Regulation 2157/2001 and to the relevant provisions of the Luxembourg Law of 10 August 1915, *On commercial companies*, as amended (“**L.S.C.**”).

The transfer of the registered office of the SE will not result in the winding up of the same nor in the incorporation of a new legal entity according to Regulation 2157/2001, but purely in a change of registered office.

According to Regulation 2157/2001 and the L.S.C., a resolution of the shareholders meeting of the SE concerning the transfer of the registered office can only be taken at least two months after the publication of the Transfer Project. During such period, shareholders and creditors shall have access to the Transfer Project. Consequently, the meeting of the shareholders of the Issuer called to approve the transfer is currently scheduled for a date falling on or about 19 March 2018.

According to Art. 491-6 of the L.S.C., creditors (including bondholders) of a SE which is transferring its registered office, whose claims predate the publication of the transfer proposal, may, notwithstanding any agreement to the contrary, within two months of such publication, apply to the competent Luxembourg Court for the constitution of security for matured or unmatured claims, in case the transfer would have as an effect to jeopardise the general lien of such creditors or to impede the enforcement of their claims. The Court shall reject such application, where it is held that the creditor already has adequate safeguards or if such security is not necessary having regard to the position of the company after the transfer. The debtor company may cause the application to be turned down by paying the creditor even if his claim has not matured. If security is held to be appropriate and such security is not provided within the time limit prescribed, the claim shall become immediately due and payable.

The prevailing interpretation of the above provisions is that creditors are not entitled to other remedies and would not be entitled to apply for the suspension or the annulment of the transfer of the registered offices of the SE.

Currently, 99.9% of the indebtedness of the Issuer is represented by loans granted by a pool of Italian banks and the remaining 0.1% of the indebtedness is roughly equal to EUR300,000.

A Luxembourg notary shall verify and certify the existence and legality of the relevant deeds and shall issue a certificate attesting in a conclusive manner as to the completion of the acts and formalities which need to be accomplished prior to the transfer. Following this, the formal process of deregistering the SE from the Luxembourg Register of Commerce and Companies needs to be completed.

The registration with the Italian companies' register shall be effective from the day on which the Issuer is registered and, therefore, based on the current timetable, the Issuer expects to have an effective registered office in the territory of the Republic of Italy from approximately March 2018.

As at 31 December 2016, the issued share capital of the Issuer amounted to €39,318,000, represented by 39,318 shares with a nominal value of €1,000 each. On 7 November 2017 the Issuer resolved to reduce its share capital. See "*Information about the Group – Recent Developments*". As of the date of this Prospectus, the Issuer's entire share capital was held by the Guarantor.

Pursuant to article 4 of its articles of association in force as at the date of this Prospectus, the corporate purpose of the Issuer is as follows:

- (a) the holding activity in relation to Luxembourg and/or foreign companies and in particular the purchase of securities, patents, licenses and trademarks and the management thereof;
- (b) the borrowing in any kind or form, with or without guarantee, in all currencies, including but not limited to by issuing ordinary or subordinated bonds;
- (c) the financing of and assistance in any kind or form to subsidiaries and affiliates and provision of technical and financial coordination within the limits and conditions of the law; the activities herein described must be strictly carried out only with regard to and for the benefit of the subsidiaries and affiliated companies of the Issuer;
- (d) the purchase, sale and commercialization, through its subsidiaries or branches established abroad, of products for the mechanical and electrical industry and all activities, services, commercial support, marketing, research, engineering activities and technical assistance related to this purchase, sale and commercialisation;
- (e) The Issuer may also carry out all commercial, industrial and financial, movable and real estate transactions being directly or indirectly related to its corporate purpose or deemed useful in the accomplishment of its corporate object.

Following the conclusion of the Transfer Project, the Issuer's articles of association will be amended and the corporate purpose of the Issuer pursuant to article 4 of the Issuer's amended articles of association will be as follows:

- (a) the holding activity and in particular the purchase, management, possession and sale of shares and bonds, and similar securities, as well as investments or interests in other companies, whatever the activities carried out by them, both in Italy and abroad, for investment purposes and not for placement, and therefore not for the public;
- (b) the financing of subsidiaries and associates and their technical and financial coordination within the limits and conditions of the law; the activities herein described must be strictly carried out only with regard to the subsidiaries and associated companies, and all financial activities are expressly excluded in relation of the public and therefore third parties in general;
- (c) the purchase, sale, exchange, management and lease of real estate in general, the construction of buildings, including through third parties, the sale, exchange, lease, as well as the management, both in bulk and split up;

- (d) the carrying out of all commercial, industrial and financial, movable and real estate transactions if deemed useful for achieving its corporate purpose by the Board of Directors;
- (e) the granting of sureties and guarantees of any kind to its subsidiaries and associated companies.

The Issuer performs the financial management and treasury functions of the Group, and provides financial support to the Guarantor and its subsidiaries/Group. This support is provided by way of, for example, intercompany loans, financial services, financial arranger deals for local credit lines or guaranteeing local credit lines. It is also a financial vehicle through which the Guarantor controls some of the Guarantor's foreign commercial subsidiaries.

### ***The Guarantor***

Carraro S.p.A. (the “**Guarantor**” or “**Carraro**”) was incorporated on 27 December 1972 with a duration until 31 December 2050. The registered and administrative office of the Guarantor is currently Via Olmo, 37, 35011, Campodarsego, Italy and it is registered in the Companies Register of Padua (*Registro delle Imprese di Padova*) under registration number and fiscal code 00202040283. The Guarantor's ordinary shares are listed on the *Mercato Telematico Azionario* of the Italian Stock Exchange under the symbol “CARR”. The Guarantor and its subsidiaries are referred to as the “**Group**” or the “**Carraro Group**”.

The Guarantor is the parent company of the Group which principally designs, manufactures and markets drivetrain components and systems for original equipment manufacturers for use mainly in connection with agricultural, construction and industrial applications. The Group also produces agricultural equipment and construction machinery for sale for third-party brands (including John Deere, Massey Ferguson and Claas) in addition to the Group's specialist own-brand range.

As at 30 September 2017, the issued share capital of the Guarantor amounts to €41,452,543.60, represented by 76,442,194 ordinary shares with a nominal value of €0.52 each, and 3,274,236 class “B” Shares with a nominal value of €0.52. In May 2017 the Guarantor completed a capital increase, see “–*History and Overview*” below.

Pursuant to article 2 of its articles of association, the corporate purpose of the Guarantor is as follows:

- (a) the production, sale and design of axles, drives and mechanical components for tractors, construction machinery, fork-lift trucks, automobiles, trucks, buses and special machines, and the production of tractors;
- (b) the assumption of equity investments in other companies or entities; to finance and coordinate technically and financially the companies and entities in which it has an interest;
- (c) to assume agencies, for the same or similar businesses, or for businesses connected in any way with those specified in point a); sale of replacement parts;
- (d) to give endorsements and sureties of any kind and nature, for any amount and period of time, with or without real guarantees, in favour of third parties, persons, entities, or companies, which may be exercised by the Board of Directors pursuant to Article 28 of its Articles of Association;
- (e) to sign and execute including through the signing of atypical contracts, any other financial transaction that interests the Guarantor or that involves or is connected even indirectly with its corporate purpose or with that of any company in which it has an interest.

The Guarantor may also buy, sell, exchange, build with its own workforce or through contracts real estate assets both in the country and in urban areas, both civil and industrial, and rent out and manage such properties.

## History and Overview

In the early 1930s, in Campodarsego, Italy, Carraro was founded by Giovanni Carraro, with a vision to find solutions to improve the quality of life and work for people working every day in agriculture and in 1958 Carraro produced its first “*Tre Cavallini*” branded tractor.

Market developments drove the technological evolution of Carraro tractors, which became four-wheel drive. Then, in the 1970s, Carraro diversified its strategy by moving its core business from complete vehicles to components of the vehicles, principally transmission systems (axles and transmissions).

In the 1970s and 1980s, Carraro experienced a period of growth with the development of core business activities and the progressive decentralisation of production. In 1973, Carraro developed its ‘axles and drives’ division, specialising in the design and construction of axles and drives for agricultural tractors and earth-moving machines. In the years that followed, the activities associated with this division developed into the company’s core business.

Supported by the development of Carraro’s core activities, since the mid-80s the Group has been implementing an ongoing process of decentralisation of ancillary production, through the acquisition and establishment of companies specialising in activities linked to its core business. This was followed by opening up to increasingly global markets and, in order to support this growth abroad, a structure that went beyond its national borders became necessary. To do so, with the objective of raising new capital for the development of Carraro, on 27 December 1995, the holding company Carraro S.p.A. was listed on the Milan Stock Exchange. After this, Carraro began the expansion of its manufacturing presence on a global scale. Carraro India, in 1997, was the first international industrial step, soon joined by plants in each strategic area of the world: from China to South America and Europe. See “– Business of the Group – Business Areas – Carraro Drive Tech” below.

In parallel, Carraro was focusing on technological development in the direction of increasingly value added products. For example, axles for tractors with electronically controlled independent suspension or powershift transmissions for backhoe loaders. Management believes that the combination of advanced product solutions together with its international dimension led to the expansion of the Group’s customer network to new partners in a variety of geographies. With 11 plants, 6 R&D centres and approximately 3,000 employees, today Carraro sees itself as an important partner in the power transmission field of the main manufacturers of agricultural and construction machinery.

From around 2009 the markets in which the Group operates suffered in the general economic crisis which affected many industries across Europe and beyond. This led to reduction in turnover and saw the start of a period of discussions and agreements with the Group’s financing banks. In 2010, the Group entered into a framework agreement with its financing banks which, in 2013, it restructured in light of the Group’s 2013-2016 business plan amending the amortisation schedule and certain covenants.

In 2015, the financing banks entered into a standstill agreement with the Group in light of the fact that certain covenants would not be satisfied on the basis of the financial statements as at and for the period ended 30 June 2015. The standstill agreement was entered into to allow the Group to negotiate with its financing banks and reach a new agreement in relation to the indebtedness of the Group, which was entered into in December 2015 (the “**2015 Agreement**”), see “– Business of the Group – Material Financings of the Group”.

In view of the fact that the auditors of the Group issued a review report in relation to the Group’s financial statements as at and for the period ended 30 June 2015 prior to the 2015 Agreement, the review report included an emphasis of matters which stated “We wish to emphasise the matter disclosed in the paragraph “Basis of preparation” of the explanatory notes, where the directors identify the fact that the activities related to the signing of a new debt rescheduling agreement with the lender banks are still ongoing as a significant uncertainty with regard to the use of the going concern basis of accounting and illustrate the reasons why they considered it appropriate to prepare the condensed consolidated interim

financial statements on a going concern basis.”. This emphasis of matters led to CONSOB, in September 2015, requiring that the Guarantor comply with certain additional reporting obligations pursuant to art. 114 of the TUF. In relation to the Group’s financial statements following the 2015 Agreement, no emphasis of matters has been included by its auditors in their audit opinions or review reports. The Guarantor has also requested that CONSOB cease requiring the fulfilment of additional reporting obligations pursuant to art. 114 of the TUF and in December 2017 CONSOB confirmed that such additional reporting obligations no longer apply.

The 2015 Agreement was based on a 2016-2019 business plan prepared by the Group, which set out a de minimis level of actions to be implemented, in particular a capital increase, sale of the Group’s stake in O&K Antriebstechnik GmbH (“**O&K Antriebstechnik**”) (a German subsidiary of the Group) and sale of a business unit in Argentina. Following the 2015 Agreement, the Group implemented the following transactions which Management believes have increased its capital base, reduced its fixed cost structure and rationalised its manufacturing footprint:

- in 2015 the Group sold a 55 per cent. stake in O&K Antriebstechnik, a German subsidiary which did not form part of the Group’s core business for a consideration of €25,007,000.00
- on 5 June 2017 the Group completed a capital increase by issuing 33,726,630 new shares (of which 30,452,394 ordinary shares with a nominal value of Euro 0.52 and 3,274,236 class “B” shares with a nominal value of Euro 0.52) for a total amount of €53,827,701.48, of which €17,537,847.6 was allocated to the share capital and €36,289,853.88 to the share premium reserve
- on 1 May 2017 the Group completed a sale of the remaining portion of the manufacturing plant located in Haedo, Buenos Aires in Argentina for a consideration of USD 5,000,000.00
- in November 2016 the Group transferred the majority stake, equal to 51 per cent. of the share capital of Elettronica Santerno, an Italian subsidiary operating in the photovoltaic industry which did not form part of the Group’s core business, through a share capital increase worth €2,250,000.00
- over the course of 2015 and 2016 the Group closed a factory in Gorizia and implemented processes pursuant to Italian law to reduce employees, working hours and salaries at the production units in Poggiofiorito and Campodarsego. The Group has also carried out a general reorganisation process reducing managers, mainly of the Guarantor, Carraro Drive Tech S.p.A. and Elettronica Santerno.
- over the course of 2014, 2015 and 2016, the Group reviewed its suppliers in order to reduce the number of suppliers with a view to reducing costs, from more than 800 to slightly more than 400.

Following completion of these activities, the Group reviewed its strategy and presented its new 2017-2021 business plan in September 2017, see “*Information about the Group – Strategy*”. In addition, the Group entered into discussions with its financing banks with a view to re-negotiating the 2015 Agreement, see “*Information about the Group – Recent Developments*”.

## **Strategy**

In September 2017 the Group presented its new business plan to the market. The plan comes after a period of turnaround for the Group (See “*Information about the Group – History and Overview*”) and at a time that management believes market conditions are improving.

The key strategic pillars are:

- **R&D:** the Group is targeting an investment plan in the amount of approximately €90 million over the next five years. After having invested over approximately €140 million in R&D over the last ten years, the new R&D programme aims to allow the Group to focus on higher value-added and innovative products, such as new transmissions (able to supply agricultural & construction

equipment with a higher horse power than in the past) and specialised tractors for vineyards and orchards. The intention is that these products would be sold to third parties and also under Carraro's proprietary brands. In addition, the Group is investing in R&D for the different markets and locations in which it does business, to support its local for local model and develop products which satisfy local client bases across the globe. The Group is also developing a range of hybrid and electrical tractors. Management believes that investment in R&D is one of the core drivers of bringing new products and solutions to the market, as well as researching processes with a view to maximising production efficiencies. See "Research and Development".

- **Cost reduction:** the Group is aiming to maintain a continuous focus on costs and is targeting no increase in fixed costs for the duration of the plan, with the exception of increased headcount to support its R&D strategy.
- **Staying close to clients:** management believes that its longstanding relationship with key clients will continue to be a driver of the Group's success. The Group is pursuing a local for local model in order to keep close to its clients across the globe, and be able to respond to their requirements including through regular visits to increase understanding of each client's requirements and adapting the Group's products as appropriate. See "Production and Sales – Key Clients".

## **Recent Developments**

### ***Capital increase in SIAP S.p.A. in favour of Friulia***

On November 28 2017, Friulia, the Regional Finance Institution of Friuli Venezia Giulia, subscribed a share capital increase for an amount of eight million (including share premium), corresponding to 23.24 per cent. of the share capital of SIAP S.p.A. The investment agreement entered on the same date between Friulia and Carraro Drive Tech SpA provides a call option in favour of Carraro Drive Tech SpA to repurchase the entire participation held by Friulia at a later stage. The transaction is aimed at supporting the development of a centre of excellence at the Maniago (Pordenone) plant with investments in capital goods to increase production capacity in order to consolidate SIAP's international leadership. This investment, which strengthens the thirty-year relationship between Friulia and the Carraro Group, fits within the new Carraro 2017-2021 Business Plan which aims to increase SIAP investments in the technological evolution of its production processes. The Maniago plants represent a benchmark in the production of high-quality components and gears for both Group companies as well as the world's leading players in off-highway vehicles (agricultural and construction machinery) and in the automotive sector (cars and trucks). The company's growth plan envisages 27 million euros of investment over the next five years concentrated at the Maniago plant with the aim of insourcing assembly of the more complex products, significantly increasing orders in the gear sector towards new applications and customers and managing certain in-house processes currently carried out at other Group sites.

### ***Reduction in Issuer Share Capital***

On 7 November 2017 the shareholders' meeting of Carraro International resolved to reduce its share capital from €39,318,000 to €13,500,000, represented by 13,500 ordinary shares with nominal value of €1,000 each.

### ***Transformation of the Issuer into a European company***

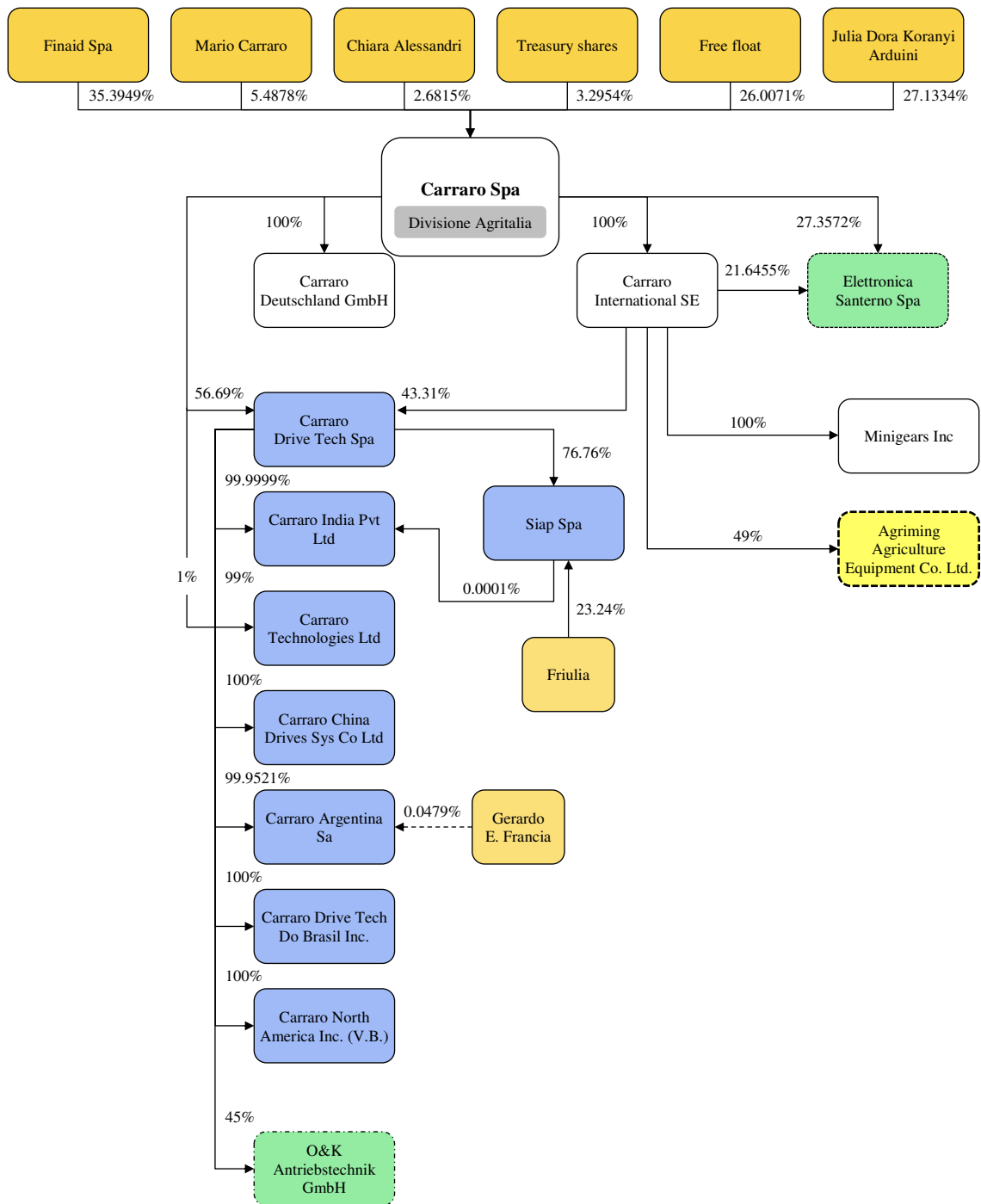
On 21 December 2017, the transformation of the Issuer from a corporate entity in SE, governed by Regulation 2157/2001, was formally approved and ratified before the competent Notary in Luxembourg.

On 3 January 2018, the board of directors of the Issuer approved the Transfer Project from the territory of the Grand Duchy of Luxembourg to the Republic of Italy according to Regulation 2157/2001 and to the relevant provisions of the L.S.C. (see "*General – The Issuer*").

## Organisational Structure

The Guarantor is the parent company of the Group, and its shares are listed on *the Mercato Telematico Azionario* market of the Italian Stock Exchange. The Group consists of the Guarantor and 16 subsidiaries, one of which is the Issuer. The following diagram depicts, in simplified form, Group's corporate structure, as of the date of this Prospectus:

### Group Structure



**Legend:**

- Subsidiary
- Affiliate
- Joint Venture

## **BUSINESS OF THE GROUP**

The following is a description of the business activities of the Group. Management believes that a presentation of the business as that of the consolidated Group and not of individual Group companies is most representative of the business of the Issuer and the Guarantor and their subsidiaries.

### **Industry and Market Position**

The information in this section is based on internal data and estimates of the Group. The Group operates principally in the off-road vehicle industry, which represents over 90 per cent. of its consolidated revenues. The off-road market is made up of three different segments, and relates to over 3.3 million vehicles per year:

- Agricultural machinery
- Construction
- Material handling machinery

The Group manufactures products in all three segments with an offering that ranges from complete vehicles (agricultural tractors), transmission systems (axles – complete control unit transmissions) and parts (gears), with 85 per cent. of the Group's revenues attributable to the agricultural and construction segments (including sales of products and spare parts, with spare parts amounting to approximately 8.5 per cent. of the Group's revenues in 2016).

The competitive outlook and dynamic of each segment is different from the other and a summary is set out below.

#### *Agricultural machinery*

Agriculture is the off-road segment with the largest number of vehicles manufactured and sold globally, 90 per cent. of these being tractors and the remainder being a broad range of harvesting and other specialised machinery. Sales of products (other than spare parts) in this segment made up approximately 51 per cent. of the Group's revenues in 2016.

The Group is one of the leading producers of driving axles and transmissions for agricultural tractors worldwide.

Countries across the world provide direct or indirect subsidies to the agriculture sector in different forms, such as minimum prices for agricultural raw materials, tax incentives for purchase of equipment, direct financing for new technologies. Both the prices for agricultural raw materials and local incentive policies affect the demand for new agricultural machinery.

Up until 2016, the economic situation had seen persisting low prices for agricultural products, generating limited profits for producers, combined with a progressive reduction in subsidies to the agriculture sector by many governments. These factors together negatively impacted the demand for new machinery. However, 2017 has seen an increase in demand for agricultural vehicles, in part facilitated by increases in prices for agricultural products. The situation varies from one country/area to another. Management believes that mature markets such as Europe and North America allow for more limited growth while emerging markets show growth opportunities, although China's introduction of new regulations relating to emissions and reduction of subsidies seem to have contributed to a slowdown in its region.

#### *Construction*

Following two years of decreasing in demand for new vehicles that started in 2015, there has been an increase in demand over 2017. The segment was better for compact machinery, although still largely positive for larger machinery. Sales of products (other than spare parts) in this segment made up approximately 31 per cent. of the Group's revenues in 2016.

Specialised machinery has shown more positive growth within the range of compact machinery, particularly in mature markets such as Europe and North America, for reasons of efficiency. Mature markets are also characterised by the ever-increasing importance of hire companies as purchasers of machinery.

Prior to 2017, overall sales were impacted by continued slowdown in economic growth rates across all regions. This, together with complex situations in emerging markets, has delayed investments and reduced demand for new machinery. The increase in demand in 2017 has been registered across most geographies, including Europe, North America, China and India, although the complexities in Turkey and parts of South America have limited growth due to limited investment in infrastructure and construction.

The Group is one of the leading producers of in transmission systems for backhoe loaders, compact wheel loaders and other applications of light construction equipment worldwide.

#### *Material handling machinery*

The material handling machinery segment growth generally follows global GDP and historically has been a relatively stable and predictable market. Sales of products (other than spare parts) in this segment made up approximately 4 per cent. of the Group's revenues in 2016. The Group is developing new products aimed at increasing its share in this market, with a focus on electric powertrains.

#### **Business Areas**

Carraro is the parent company of the Group and is a global player in the power transmission system industry. The Group's business is focused on improving efficiency and reducing the environmental impact of the vehicles and components it develops and produces. The Group is one of the leading international players (source: ANFAVEA, Off-Highway Research, Starks, OEM Interviews, Carraro Market Intelligence) in the design and manufacturing of axles and transmission systems for agricultural, construction and material handling vehicles, which it has developed together with global Original Equipment Manufacturers (OEMs) of these vehicles, see “– Key Clients”.

The Guarantor plays a role of coordinating the Group and carries out the following functions for the Group as a whole: administration and finance, HR, internal audit, IT, communications and legal (including intellectual property). In addition, the R&D and marketing activities of the Group sit within the Guarantor.

The Issuer carries out treasury functions for the Group, obtaining funding for the different subsidiaries and business areas of the Group.

For the year ended 31 December 2016, the Group's total revenues and EBITDA were €593.75 million and €39.18 million, respectively (compared to €674.01 million and €46.94 million, respectively, for 2015).

The Group's business is divided into two principal business areas, Carraro Drive Tech (“Carraro Drive Tech”), which specialises in the manufacturing and marketing of transmission systems, and Carraro Agritalia (“**Carraro Agritalia**”), which specialises in the design of specialist tractors for orchards and vineyards and in general tractors of between 60 and 100 horsepower.

Until 30 November 2016, Elettronica Santerno S.p.A. (“**Elettronica Santerno**”), a company specialising in the development and marketing of inverters for the photovoltaic and industrial automation systems' industry, was a wholly-owned subsidiary of Carraro. As of 30 November 2016, Carraro reduced its shareholding in Elettronica Santerno to 49 per cent.

#### ***Carraro Drive Tech***

The Carraro Drive Tech business is carried out by Carraro Drive Tech S.p.A. and its subsidiaries and represents the Group's core business. For the year ended 31 December 2016, total revenues and EBITDA for the Carraro Drive Tech business were €442.20 million (net of intra-group revenues) and €37.48 million, respectively (compared to €522.63 million and €40.09 million, respectively, for 2015),

representing 74.5 per cent. and 95.7 per cent. of the Group's total revenues (net of intra-group revenues) and EBITDA for 2016, respectively (compared to 77.5 per cent. and 85.4 per cent., respectively, for 2015).

The Carraro Drive Tech business manufactures and markets axles, transmission systems, parts and steel gears of medium and large size for the off-road sector (vehicles used in the agricultural industry, such as tractors, and the construction industry, such as diggers). In relation to the on-road sector (vehicles used in the automotive industry, such as cars and lorries, and material handling industry, such as fork lift trucks) in addition to axles, parts and gears, the Group also designs and develops integrated transmission systems (powertrain) for application in a broad range of vehicles using both endothermic and electric traction engines. The design, branding and marketing requirements of Carraro Drive Tech are provided by Carraro S.p.A.

Carraro Drive Tech is a global supplier of advanced technology solutions and drivelines. Carraro Drive Tech has a global industrial platform as follows:

In Italy, Carraro Drive Tech operates from the following production sites (Campodarsego, Monselice and Poggiofiorito are operated by Carraro Drive Tech S.p.A. while Maniago is operated by SIAP S.p.A.):

- Campodarsego (Padua, Italy): the headquarters of the business and production site for off-road axles (tractors and earthmoving machinery), transmission systems for construction equipment, specialised axles for commercial vehicles as well as powertrain for forklift trucks.
- Maniago (Pordenone, Italy): specialising in production of high quality gears and cut steel parts, for both on-road and off-road application, as well as production of integrated transmission systems for the earthmoving sector.
- Poggiofiorito (Chieti, Italy): the production site in Italy currently specialising in cut steel gears and specialising in large-sized parts. Over the course of 2018, management expects to convert this production site into the Group's Italian logistics centre. See "*Information about the Group – Employees*".
- Monselice (Padua, Italy): this warehouse of almost 7,000 square meters is the logistics centre for spare parts, service and post-sales activity, covering OEMs (principally agricultural machinery and earthmoving vehicle manufacturers) and the Group's IAM (Independent After Market) network. Over the course of 2018, management expects to transfer the current activities from Monselice to Poggiofiorito.

Outside Italy, Carraro Drive Tech operates from the following production sites:

- Pune (Ranjangaon, India): this production site is divided into two areas with the main area used for the production of axles and transmissions for off-road application (tractors and earthmoving machinery) and the other area used for the production of cut steel gears (used within the Group and sold to third parties).
- Qingdao (Qingdao, China): the most recently opened production site of the Group, covering the production of transmission systems for off-road application (tractors and earthmoving machinery) and forklift trucks.
- Haedo (Buenos Aires, Argentina): this production site specialises in axles and transmissions for off-road applications (tractors and earthmoving machinery).
- Caxias do Sul (Rio Grande do Sul, Brazil): this production site specialises in axles for off-road applications (tractors and earthmoving machinery).

In addition, from 2006 Pune also houses the R&D centre of Carraro Technologies India, which is a design centre for the Group, coordinated by the Group's central R&D functions, looking at updates and

maintenance of products as well as customising products for different customer applications and developing new products for the local market.

### ***Carraro Agritalia***

The Agritalia business is carried out directly by Carraro S.p.A. and represents the “Carraro” heritage of designing and producing vehicles. For the year ended 31 December 2016, total revenues and EBITDA for the Agritalia business were €115.1 million (net of intra-group revenues) and €7.79 million, respectively (compared to €116.19 million and €7.89 million, respectively, for 2015), representing 19.4 per cent. and 19.9 per cent. of the Group’s total revenues (net of intra-group revenues) and EBITDA for 2016, respectively (compared to 17.2 per cent. and 16.8 per cent., respectively, for 2015).

Agritalia has historically operated from the Group’s headquarters in Rovigo, designing and manufacturing specialised tractors (principally for vineyards and orchards, in the range of 60-100 hp) mainly for third parties and, to a limited extent, under its own brand.

The key clients for the Agritalia business as at the date hereof are the companies operating under the following brands John Deere, Massey Ferguson and Claas. In addition, in 2010 the Group relaunched its tractor range under the Carraro “Tre Cavallini” brand . This decision was taken both to maintain contact with end-users and as a means to try out new technological solutions which can be offered to the market.

According to Systematics reports (a sector database) the Agritalia business is one of the leading European players, with a market share in the European specialty tractors market of 16 per cent. as at 31 December 2016. The Agritalia business does not have the same level of market share in the global market, which management believes offers a growth opportunity.

In June 2017 the Issuer entered into a joint venture with Shandong Juming Group, a Chinese manufacturer of agricultural machinery and tractors. Pursuant to this joint venture, in July 2017 a company named Agriming Agriculture Equipment Co. Ltd. was incorporated and substantially equal investment from both partners and substantially equal split of any future profits is envisaged. The plan in respect of this joint venture is to set up a new production facility which will design and manufacture tractors for the local market, with transmissions supplied by Carraro Drive Tech China. The Group would bring its mechanical expertise in manufacturing a new generation of Chinese tractors, while its local partner would provide its knowledge of the local market and network of clients.

### **Production and sales**

The Group carries out production with the aim of ensuring the quality of its products, increasing efficiency and reducing productions costs. The Group’s local for local model means that production facilities are located in areas close to key clients in order to better service clients by allowing both the Group and its clients to take a more active role in each others’ production processes (see “– Business Areas”).

Management believes that the quality of its products is one of the Group’s competitive strengths, and has a number of certifications and processes that seek to ensure and maintain quality levels (see “– Competitive Strengths”)

### ***Suppliers***

The Group’s raw materials and semi-processed raw materials purchases accounted for approximately 73 per cent. of sales in 2016 (substantially equivalent in 2015). The Group has a network of suppliers principally in relation to castings, gears, steel and bearings. Each supplier of the Group has to be validated as a supplier, which consists in meeting certain quality requirements which are periodically monitored (see also “– *Competitive Strengths – Quality*”). The Group ensures that there are a number of suppliers who can provide any particular product at any time (in the case of very specialised products there would always be at least two suppliers validated to supply the Group). The Group has framework agreements with suppliers which set out certain tariffs, delivery times and invoicing arrangements. Most of the

framework agreements provide for renegotiation of tariffs in the event of changes in international market prices of key raw materials.

The Group generally places orders with suppliers on the basis of orders the Group receives from clients (see “– Key Clients”), notifying suppliers of the expected pipeline of orders and placing firm orders once it receives a firm order from clients. In order to obtain better pricing from suppliers the Group may place bulk orders and hold some stock which it expects to be able to use to satisfy future client orders.

### ***Key Clients***

Other than its own brand tractor range, the Group designs and develops the majority of its products in partnership with its clients. For the most part, the Group’s clients are OEMs with which it has long-standing relationships and to whom it has supplied products for many years. The Group engages in active discussions with clients in order to design products specific to their needs, by adapting its basic product offering to satisfy their requirements. Each client validates the Group as a supplier in a similar way to the process used by the Group to validate its own suppliers, with a view to ensuring that quality requirements are met and maintained. Given the bespoke nature of most of the Group’s products, finding an alternative supplier would likely result in some delay and increased cost for clients.

The Group generally has framework agreements with its clients which set out certain tariffs, delivery times and invoicing arrangements. Most of the framework agreements provide for renegotiation of tariffs in the event of changes in international market prices of key raw materials.

Each client will generally inform the group on an annual basis of its expected orders, and will then place firm orders from time to time during the year. The orders may increase or decrease depending on the client’s business and the Group works to manage its suppliers in order to meet these orders as efficiently as possible.

In line with its local for local model, the Group and has design and production facilities close to its main clients in order to be able to actively manage the design and production process with its clients and reduce delivery times and costs.

The Group's top 10 clients for the two years ended 31 December 2015 and 2016 are set out in the following table:

Name of Client	Sales for year ended	Percentage of total revenues	Sales for year ended	Percentage of total revenues
	31 December 2016 (€ millions)		31 December 2015 (€ millions)	
CNH.....	76.0	14	83.8	13
JOHN DEERE.....	60.9	11	60.8	10
AGCO .....	59.2	11	79.0	12
CLAAS .....	47.7	9	53.0	8
CAT .....	40.1	7	52.3	8
SAME DEUTZ.....	18.5	3	17.5	3
SANKO MAKINA SABNAYI .....	15.2	3	8.9	1
KOMATSU .....	13.6	2	8.5	1
WACKER NEUSON .....	11.5	2	10.2	2
TUMOSAN .....	9.8	2	14.5	2
OTHER CLIENTS.....	204.8	36	250.4	39
Total revenues to third parties for Drive Tech and Agritalia business areas.....	<b>557.3</b>	<b>100</b>	<b>639</b>	<b>100</b>
Revenues to third parties for other business areas	36.4		35	
<b>Total consolidated revenues.....</b>	<b>593.7</b>		<b>674.0</b>	

### **Post Sales**

The Group provides ongoing assistance to clients in relation to products sold by it and supplying spare parts for the life of the machinery in which its products are installed.

### **Research and Development**

The Group is focused on developing transmission systems with a view to increasing productivity and environmental sustainability. On average for the last five years, the Group has non-capitalised costs for R&D activities equal to approximately 2-2.5 per cent. of its revenues every year. A significant part of the Group's R&D function is focused on complying with changing regulation (see “– Regulation”) and maintaining efficiency in production processes to manage costs.

Since 2015, all R&D activities (including testing) related to the Group's Drive Tech and Agritalia businesses are carried out by the Guarantor, which also houses the Group's strategic marketing and prototypes division. The Guarantor also coordinates Carraro Technology India and R&D centres in Haedo (Argentina) and Qingdao (China). As such, the R&D activities for Drive Tech are carried out outside of this business area and recorded as services provided by the Guarantor, whereas the Agritalia R&D activities are within the Agritalia business area.

The Group's policy is to patent the output of its R&D activities, where possible.

Carraro has applied for and obtained a list of patents addressing crucial technology aspects for its products, such as:

- Power Shift Dual Clutch and Continuous Variable Transmissions for Agricultural Machines (Lay-out and Control);
- Hydrostatic Transmissions for Construction Equipment Machines (Lay-out and Control);
- Steering System for Off-Highway Axles;
- Braking System for Off-Highway Axles; and
- Suspension System for Off-Highway Machines.

#### *Transmissions for agricultural and construction machinery*

The Group has developed new technology in line with market demands and has a broad range of products for tractors between 40hp and 230hp, including simple and complex solutions such as mechanical operations, power hi-low, power reversers and power shifts. The R&D function is focusing on the new generation of Carraro Twin Shift™ agricultural transmissions based on dual clutch technology.

In the construction machinery sector the Group has extended its range to different applications, including backhoe loaders, diggers, telescopic handlers and compactors. The new generation of transmissions for construction machinery are designed to improve vehicle efficiency and reduce energy consumption and emissions.

#### *Axles for agricultural and construction machinery*

Technological developments have led to a change in the engineering approach to the Group's axle offering. The different products which used to be split between agricultural machinery and construction machinery have been integrated and the Group can offer its OEM clients a wide range of options.

#### *Tractors*

In the area of specialised tractors, the Agritalia business has developed a powertrain platform (powertrain is the combination of transmission and engine) for the 60hp to 100hp range of tractors, which allows the Group to improve synergies in product development by increasing efficiency and reducing complexity.

Agritalia is also developing an extension of its range both for higher power (up to 120hp) and lower power (between 35hp and 60hp) tractors, as well as developing different types of tractors, such as specialised and alpine tractors, and compact and super compact tractors.

### **COMPETITIVE STRENGTHS**

Management believes that the Group's competitive strengths are focused on three points:

- Innovation
- Quality
- Values

#### **Innovation**

Throughout its history the Group has often been a pioneer in its sector. This started with automatic seeders, followed by four-wheel drive tractors right up to the transmission systems that the Group manufactures today and continues to develop technology seeking to improve efficiency in the vehicles in which they are installed.

Today the Group's product range is aimed at improving end-user experience – be that a farmer or a machine operator. The Group's vision is to put together design with an increasing electronic component, targeting efficiency and reduction in emissions and consumption – applying this to parts, transmission systems and vehicles.

Examples of the Group's innovation are the “Direct Drive” solution for backhoe loader transmissions, which can improve productivity by up to 12 per cent.; the ECOlogy Mode system, which can reduce kW consumption of earthmoving machinery; and the new generation of transmissions for double clutch tractors (Twin Shift™) which can increase productivity and improve comfort on the field.

## **Quality**

Attention to detail and advanced processes are key to designing and manufacturing excellent products. The Group has adopted a “Total Quality” approach since the 1980's, striving to implement the most advanced processes and planning tools. The Group monitors each step of the process from beginning to end, with the aim of optimising product quality and minimising defects, and then provides client service for as long as the product is used.

The Group has obtained and maintains a broad range of quality certifications and recognition for its products, such as ISO 9001 / 1994; ISO 9002 / 1994; QS 9000 / 1996; SAE Company of the Year / 1998; QS 9000 / 1998; ISO/TS 16949 / 1999; ISO 9001 / 2000; ISO/TS 16949 / 2000; ISO/TS 16949 / 2002; ISO 14001 /2004; OSHAS 18001 / 2007; ISO 9001 /2008; ISO/TS 16949 / 2009; EH&S Management System / 2013.

The Group's quality control processes can be summarised in three phases:

- Suppliers: parts are purchased from suppliers with third party certifications that are approved by the Group's Supplier Quality Assurance department. Each supplier is checked and monitored by the Group to ensure the correct quality is obtained. Any change in supplier needs to be approved by a team made up of individuals carrying out different functions within the Group, and a process is implemented to minimise the risk of product defects linked to any change in supplier.
- Manufacturing process and quality control: each internal manufacturing and assembly process has a quality control protocol to minimise the risk of supplying products with any defects. Each employee who can impact the final product quality is trained and there are quality checks on the final products where appropriate before delivering to clients.
- Processes and continuous improvement: the Group carries out periodic internal audits on its processes and systems. At the start of each year quality targets are set for year end and strategies are defined to achieve them

## **Values**

The Carraro Culture Project was launched in 2010, aimed at creating and implementing a set of shared values and behaviours for everyone in the Group. This is a continually evolving project which involves all of the Group's employees and stakeholders, and the five values of the Group are as follows:



**We Are Accountable**  
Ethics, Respect, Quality, Accountability



**We Create Value**  
Economic Consciousness, Standardization, Simplicity



**We Develop Talents**  
Teamwork, International Development



**We Stimulate Innovation**  
Change, Innovation, Know How



**We Work Together**  
Partnership, Passion, Reliability

## ENVIRONMENT AND SUSTAINABILITY

The Group is committed to operating its business while respecting the environment and other social considerations. The business activities comprise of a large amount of mechanical processes and assembly of mechanical parts. Management believes that the risks relating to health and safety and environmental impact are typical of any manufacturing process. In 2016 the Group implemented its Environment, Health and Safety (EH&S) System which encapsulates the use of end-to-end business processes and requirements that are designed to systematically achieve continuous improvement in EH&S performance. The EH&S System is in line with ISO-14001 and OHSAS 18001 standards and UNI-INAIL guidelines which is the model set out in Legislative Decree 231/2001 (see also “*Information about the Group – The Anti- Corruption Compliance System*”). All production sites in Italy and abroad operate pursuant to the standards set out by the Group and in line with local regulation. The EH&S service of the Group operates a continuous improvement process with internal audit activities and monthly review of improvement plans. In 2016, the Group saw a reduction in recorded accidents of 35 per cent. compared to 2015.

## EMPLOYEES

As of 31 December 2016, the Group employed 2,979 workers (of which 1,289 were in Italy, 1,293 in India, 190 in China, 186 in Argentina and 21 in other locations).

The following table shows a breakdown of the Group companies’ employees by category as of the periods indicated.

<b>Employees</b>	<b>As at 31 December 2015</b>	<b>As at 31 December 2016</b>
Executives.....	29	25
Clerical staff.....	823	661
Factory workers .....	2,211	2,006
Temporary workers .....	213	287
<b>Total .....</b>	<b>3,276</b>	<b>2,979</b>

Over the course of 2015 and 2016 the Carraro Group closed a factory in Gorizia and implemented processes pursuant to Italian law to reduce employees, working hours and salaries at the production units in Poggiofiorito and Campodarsego. This was done entering into agreements with local and national trade unions and individual employees. The Group has also carried out a general reorganisation process reducing managers, mainly of the Guarantor, Carraro Drive Tech S.p.A. and Elettronica Santerno.

## PROPERTY AND EQUIPMENT

The Group carries out its activities at production sites either owned or leased by it. Management believes that the Group's facilities, which are of varying ages and types of construction, are in good condition, suitable for operations and generally provide sufficient capacity to meet the Group's requirements in the foreseeable future.

The following table sets out the properties owned by the Group as at 31 December 2016:

Company	Property	Use	Size (sqm)	Net book value	
				Land	Buildings
				<i>(€ thousands)</i>	
Carraro S.p.A. ....	Campodarsego (PD), via Olmo n. 37 35011	Production	96,107		
	Campodarsego (PD), via Olmo n. 37 35011	Office	1,515	14,583	9,382
	Rovigo (RO), viale del Lavoro n. 1 45100	Production	25,400		
	Rovigo (RO), via Achille Grandi n. 25 14100	Sales	6,624	—	5,733
	Gorizia (GO), via Brigata Casale n. 70 34170	Sales	19,938	975	827
Carraro Drive Tech S.p.A. ....	Poggiofiorito (CH), Contrada Mortella n. 64 66030	Production	7,512	469	2,743
Siap S.p.A. ....	Maniago (PN), via Monfalcone n. 4 35085	Production	12,868	906	3,823
Carraro India Pvt. Ltd. ....	Pune (India), B2/3 MICD Ranjangoan	Production	27,200	725	4,824
Carraro Argentina SA. ....	Haedo – Buenos Aires (Argentina), Valentin Gomez n. 577	Production	15,655	119	342
Carraro China Drives Systems Co. Ltd. ....	Quindao 266111 Shandong Province, 11 Road Qingda Industrial Park	Production	25,605	210	6,030

The following table sets out the properties leased by the Group as at 31 December 2016:

Company	Property	Use	Term	Annual Rent <sup>(1)</sup>
				<i>(€ thousands)</i>
Carraro Drive Tech do Brasil Inc. ....	Cavias do Sul (Brasile), Rua Gilberto de Zorzi, 380	Production	01/04/14 – 31/03/17 – renews annually	37
	Sao Paulo (Brasile), Av. Roque Petroni J., 999, 13° andar	Office	31/03/17 – renews automatically	
Carraro Drive Tech S.p.A. ....	Noale (VE), via Pacinotti, 6 30033	Sales	01/09/16 – 31/08/22	120
Elettronica Santerno S.p.A. <sup>(2)</sup> ....	Castelguelfo (BO), via della Concia, 7 40023	Production	14/07/10 – 30/09/22	315
Carraro Technologies Pvt Ltd. ..	Pune (India), Gaspac Building Beta 1, Viman Nagar, 41100	Office	09/09/16 – 09/03/21	90

Company	Property	Use	Term	Annual Rent <sup>(1)</sup>
Carraro North America Inc .....	Virginia Beach (Stati Uniti), 2697 International Pkwy 1, Suite 200 VA 23452	Office	01/11/14 – 01/12/17	27
Carraro International S.A. ....	Luxembourg, 15 Rue de Bains	Office	01/01/09 – renews annually	46

Notes:

- (1) for foreign companies, the values of the annual rents have been changed into Euro at the average exchange rate at 31/12/2016  
(2) With effect from 30 November 2016 Elettronica Santerno is no longer a consolidated subsidiary of the Group

With respect to other fixed assets, the Group owns machines relating to its activities. Management believes that its equipment is in good condition, suitable for operations and uses within the Group. The following table sets out the fixed assets of the Group and details of amortisation and depreciation as at 31 December 2016 and 2015.

Items	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress and deposits	Total
<i>(€ thousands)</i>						
Historical cost .....	77,319	179,857	107,713	16,649	7,183	388,721
Provisions for amortisation and depreciations .....	-23,882	-107,418	-80,350	-13,243	-	-224,893
Net as at 31.12.2015.....	53,437	72,439	27,363	3,406	7,183	163,828
<b>Movements in 2016:</b>						
Increases .....	169	3,192	3,253	356	4,079	11,049
Decreases .....	-33	629	21	-48	-259	310
Capitalisation .....	1,404	3,751	1,440	262	-6,857	—
Change in consolidation scope .....	-445	-610	-2,409	-590	—	-4,054
Depreciation and amortisation .....	-1,514	-9,697	-5,719	-770	—	-17,700
Reclassification .....	-1,046	1,656	386	31	-1,027	—
Impairment.....	—	-407	-7	-116	—	-530
Foreign exchange translation difference	-322	-1,635	-77	-17	-3	-2,054
<b>Net as at 31.12.2016.....</b>	<b>51,650</b>	<b>69,318</b>	<b>24,251</b>	<b>2,514</b>	<b>3,116</b>	<b>150,849</b>
<b>Made up of:</b>						
Historical cost .....	76,010	181,636	103,404	14,587	3,116	378,753
Provisions for amortisation and depreciations .....	-24,360	-112,318	-79,153	-12,073	—	-227,904

## **Regulation**

The Group's equipment operations must meet increasingly stringent engine emission reduction standards, including the European Union's Stage IV standard and recently enacted Stage V standard and the "Mother Regulation" (Regulation 167/2013). In addition, governmental agencies throughout the world are enacting more stringent laws and regulations to reduce off-road engine emissions.

The Stage V standard is a European Regulation which will introduce the new standards for emissions of earth moving machineries to be sold in Europe starting from 2019, while the "Mother Regulation" (Regulation 167/2013) applies to all the agricultural vehicles sold in Europe starting from 2018. The main object of this regulation is to harmonize and simplify the procedures for the homologation of agricultural vehicles, aimed at granting functional safety and rendering European manufacturers more competitive.

The effects of these new regulations will principally impact the manufacture and sale of complete tractors and, to this end, Agritalia is actively working together with its customers for the re-design of its products. The Stage V does not concern directly the development and homologation of axles and transmissions but could affect the Group's products indirectly as a consequence of changes in the installation of said components. The "Mother Regulation", on the contrary, will affect both the development of axles transmissions and complete vehicles. The Group is actively working at a project which involves its engineering and operations so to be able to effectively comply with the new regulations in due time. (see "Risk Factors – The Group faces risks related to possible changes to national and international laws and regulations" and "Risk Factors – Increasingly stringent engine emission standards could impact the Group's ability to manufacture and distribute certain engines or equipment which could negatively affect business results", "Risk Factors – The Group may incur increased costs due to new or more stringent greenhouse gas emission standards designed to address climate change and could be further impacted by physical effects attributed to climate change on its facilities, suppliers and customers").

## **Insurance**

The Group maintains insurance coverage under various liability and property insurance policies for, among other things, damages in the areas of operations, environmental liabilities and business interruption. The Group also maintains product risk insurance in the event of any defects or malfunctioning of the Group's products. Fixed assets, information technology and office equipment, are protected by a bundled industrial insurance policy (damages from fire, catastrophes, theft, flood and severe weather) that includes a business interruption insurance when business interruption is caused by an insured property damage. The Group also maintains various transportation, accident and motor vehicle insurance policies as well as a directors' and officers' liability insurance. Management believes that the level of insurance maintained by the Group is appropriate for the risks of its business and is comparable, in each case, to that maintained by other companies in the market operating in the same business lines.

The Group does not have insurance coverage for all interruptions as a result of operational risks because in management's view, these risks cannot be insured or can only be insured on unreasonable terms. See "Risk Factors— *The Group's business may be affected by unfavourable weather conditions, climate change or natural disasters*").

## **Legal Proceedings**

In the ordinary course of its business, the Group is subject to various legal and arbitral proceedings. The Group believes such litigation is routine in nature and incidental to the conduct of its business. Management believes that none of such litigation would have a material adverse effect on the Group, should such litigation be determined adversely to the Group. As a result, Group has not recorded

provisions in respect of all of the proceedings to which it is subject. In particular, it has not recorded provisions in cases in which it is not possible to quantify any negative outcome and in cases in which it currently believes that negative outcomes are not likely.

### **Indian Tax Dispute**

In 2016, in relation to Carraro's operations in India, EY was commissioned to follow the tax disputes as a result of claims by the local tax authorities concerning several years and mainly related to the benchmark used for transfer pricing and to the evidence of services and related benefits received by the Indian plant for the deductibility of royalties and intercompany services. Extensive documentation has already been submitted in court in support of the defence arguments of the company. Supported by the opinions of its tax consultants, the risk of losing the case in court in relation to the claims of the Indian financial administration is estimated (as at 30 September 2017) to be possible for a total of EUR4.21 million. Considering the estimated degree of risk, it was not considered necessary to allocate a risk provision.

### **Terex South Dakota Inc./Carraro Drive Tech S.p.A.**

On 2 February 2017, Terex South Dakota, Inc. ("**Terex**") brought a lawsuit against Carraro Drive Tech, S.p.A. ("**Carraro**") in the District of Connecticut in the United States of America. Terex claimed that Carraro sold axles to Terex for use in Terex's "Genie" telehandlers. Terex alleged that the axles were improperly designed and manufactured, causing Terex to suffer substantial damages. Terex alleged a number of causes of action based on its allegations, including breach of contract, breach of the implied covenant of good faith and fair dealing, breach of express warranty, breach of implied warranty of fitness for a particular purpose, breach of implied warranty of merchantability, express indemnity, and negligence. Terex seeks damages against Carraro in excess of \$2.5 million together with attorney's fees, interest and costs. On 2 May 2017, Carraro filed counterclaims against Terex alleging that Terex concealed that the cause of the failures was not the design of Carraro's axles, but rather defects in the hydraulic system of Terex's Genie telehandlers. Carraro alleged numerous causes of action based on its allegations, including wrongful rejection and breach of warranty under the Uniform Commercial Code, fraudulent and negligent misrepresentation, promissory estoppel, unjust enrichment, breach of the covenant of good faith and fair dealing, breach of contract, and negligence. Carraro seeks damages against Terex in excess of \$1.9 million together with attorney's fees, interest and costs. The case is being actively litigated, and will be tried before a jury in due course. As with any case with a jury, it is difficult to predict the outcome of the case.

### **LQG Hattingen Immobilien GmbH / Carraro Deutschland GmbH**

On 5 May 2017 Carraro Deutschland GmbH ("**Carraro**") was notified of a lawsuit by LQG Hattingen Immobilien GmbH ("**LQG**") brought against in the Court of Essen, Ref. No.: 12 O 72/17. In its complaint, LQG raised several claims requesting the court issue a declaratory judgment against Carraro making it pay compensation based on the fact that LQG is unable to enter a new lease agreement as long as refurbishing works (including removal of the foundations for the machines) and removal of environmental damage have not been completed. On 29 June 2017, Carraro filed its response to LQG's statement of claim rejecting all of LQG's requests. It is difficult to predict the outcome of the case.

### **Investments**

The Group's investments are primarily related to maintaining plants and machinery and R&D activities. R&D expenditure has historically been capitalised as investments. R&D expenditure will continue to be capitalised in relation to projects commenced prior to 1 January 2017, but the Group will not capitalise R&D expenditure in relation to new projects commencing on or after 1 January 2017. All new project costs have impact on R&D total costs instead of on R&D investments. For the year ended 31 December 2016, the Group's investments totalled €16 million with €11.3 million in relation to maintaining plants and machinery and €4.7 million for R&D (all of which are capitalised).

Ongoing investments relate principally to the development of new products in the Drive Tech and Agritalia businesses. Future planned investments principally relate to optimising production processes in the different markets in which the Group operates, which may include relocating production to support our local to local strategy. In addition, significant investments in R&D are expected in Drive Tech and Agritalia to develop new technologies and new products, see “– *Research and Development*”.

## **Material Financings of the Group**

On 14 May 2013 the Issuer and the Guarantor (as borrowers) entered into a restructuring agreement with Monte dei Paschi di Siena S.p.A., Cassa di Risparmio del Veneto S.p.A., UniCredit S.p.A. and Banca Popolare Friuladria S.p.A. and Loans Agency Services S.r.l. as agent which was subsequently amended on 23 December 2015 (the “**2015 Agreement**”). The 2015 Agreement relates to all of the Group’s financing arrangements with Italian banks (other than the BPVi Facility Agreement described below) including the following:

- facility agreement entered into on 26 September 2007 between Carraro International S.A. as borrower and Monte dei Paschi di Siena S.p.A. (formerly Banca Antonveneta S.p.A.) as lender (outstanding amount as at 30 November 2017 EUR 5,280,092.76);
- facility agreement entered into on 12 February 2007 between Carraro International S.A. as borrower and Monte dei Paschi di Siena S.p.A. as lender (outstanding amount as at 30 November 2017 EUR 3,332,745.80);
- facility agreement entered into on 26 March 2009 between Carraro S.p.A. as borrower and Monte dei Paschi di Siena S.p.A. (formerly Banca Antonveneta S.p.A.) as lender (outstanding amount as at 30 November 2017 EUR 12,859,226.22);
- facility agreement entered into on 28 April 2008 between Carraro Drive Tech S.p.A. (formerly Mini Gears) as borrower and Banco Popolare Società Cooperativa (formerly Banca Popolare di Verona) as lender (outstanding amount as at 30 November 2017 EUR 11,181,423.61),
- facility agreement entered into on 15 May 2008 between Carraro International S.A. as borrower and Monte dei Paschi di Siena S.p.A. (formerly Banca Antonveneta S.p.A.), Cassa di Risparmio del Veneto S.p.A. (formerly Cassa di Risparmio di Padova e Rovigo S.p.A.), UniCredit S.p.A. and Banca Popolare Friuladria S.p.A. as lenders (outstanding amount as at 30 November 2017 (i) EUR 64,003,527.82 as term facility (together with the facilities drawn under the abovementioned facilities agreements, the “**Medium Long Term Facilities**”); and (ii) EUR 35,200,620.40 as revolving credit facility (the “**Revolving Credit Facility**” and together with the Medium Long Term Facilities, the “**MLT Facilities**”)).

On 16 December 2015, the Issuer and the Guarantor (as borrowers) entered into a separate bilateral restructuring agreement with Banca Popolare di Vicenza S.c.p.A. in relation to a facility agreement previously entered into between such parties (outstanding amount as at 30 November 2017 EUR 16,000,000 euro) on substantially the same terms as the 2015 Agreement (the “**BPVi Facility Agreement**”).

The total aggregate amount of MLT Facilities subject to the 2015 Agreement and the BPVi Facility Agreement outstanding as at the date hereof is EUR 147,000,000. The 2015 Agreement also covers certain Short Term Facilities of the Group for a total aggregate amount of EUR 127,000,000

On 18 January 2018 Carraro International received a commitment and underwriting letter from one of the Group’s principal financing banks relating to the refinancing of the Short Term Facilities subject to the 2015 Agreement and to the BPVi Facility Agreement for a total aggregate amount up to Euro 130 million (part RCF and part MLT), conditional on, inter alia, the issue of the Notes the object of this Prospectus in an amount of at least Euro 150 million and subject to documentation. The boards of directors of the

Issuer and the Guarantor (who would be a guarantor also in relation to such financing) have mandated their respective chairmen to consider the offer and, if appropriate, to accept it and negotiate the relevant contractual documentation, also in the light of the outcome of the Offering.

## Material Contracts of the Group

Other than the financing agreements described under “– Material Financings of the Group”, there are no Material Contracts currently in place.

## Management

### The Issuer

The Issuer is administered by a “*conseil d’administration*” or board of directors composed of at least three members. The current members of the *conseil d’administration* were appointed by a resolution of the Issuer’s shareholders at a meeting held on 30 May 2017, and will hold office until the approval of the Issuer’s financial statements for the financial year ended 31 December, 2017.

The names of the members of the *conseil d’administration* are set forth in the following table.

Name	Position	Place and Date of Birth
Enrico Gomiero	Chairman	Padua, 27 October 1958
Federico Franzina	Administrator	Padua, 1 April 1961
Vania Baravini	Administrator	Esch Sur Alzette (Luxembourg) 21 May 1964

The following table sets out the principal activities performed by the members of the *conseil d’administration* outside of the Issuer.

Name	Company	Office
Enrico Gomiero	Carraro Group	Chief Financial Officer
Federico Franzina	Your Tacs SA	Founding Partner
Vania Baravini	Your Tacs SA	Partner

The business address of each of the Issuer’s current *conseil d’administration* members that of its registered office, 15, Rue Des Bains, L1212– Luxembourg.

The Issuer considers itself to comply with all Luxembourg laws relating to corporate governance that are applicable to it.

As at the date hereof, the abovementioned members of the *conseil d’administration* of the Issuer do not have conflicts of interests between any duties to the Issuer and their private interests or other duties.

### The Guarantor

#### Corporate Governance

The Guarantor has adopted a “traditional” system of corporate governance, based on a conventional organisational model involving shareholders’ meetings, a board of directors, a board of statutory auditors and independent auditors.

Pursuant to its by-laws, the management of the Guarantor is entrusted to a collegial body made up of no fewer than 3 and no more than 11 members, appointed by an ordinary shareholders' meeting (collectively the "**Board of Directors**") and each member so appointed a "**Director**").

Pursuant to the Guarantor's by-laws, the Board of Statutory Auditors (*collegio sindacale*) is composed of three auditors and two alternate auditors, each of which shall meet the requirements provided for by applicable law and the Guarantor's by-laws (collectively, the "**Board of Statutory Auditors**").

The Board of Statutory Auditors is responsible for monitoring (i) the Company's compliance with the law and by-laws, as well as compliance with proper management principles in carrying out the Company's activities; (ii) the process of financial disclosure and the adequacy of the Company's organisational structure, internal auditing system, and administration and accounting system; (iii) the audit of the stand-alone and the consolidated financial statements and the independence of the external auditing firm; and, lastly, (iv) how the corporate governance rules provided by the Corporate Governance Code are implemented.

The Guarantor's by-laws are in compliance with applicable laws and regulations aimed at ensuring the gender balance within the Board of Directors and the Board of Statutory Auditors.

### ***Board of Directors***

The Guarantor is administered by a Board of Directors composed of seven members. The current members of the Board of Directors were appointed by a resolution of the Guarantor's shareholders at a meeting held on 23 March 2015, and will hold office until the approval of the Guarantor's financial statements for the financial year ended 31 December 2017.

The names of the members of the Board of Directors are set forth in the following table.

<b>Name</b>	<b>Position</b>	<b>Place and Date of Birth</b>
Enrico Carraro	President	Padua, 17 April 1962
Tomaso Carraro	Vice President	Padua, 23 April 1966
Alberto Negri	Chief Executive Officer	Zurich (Switzerland), 8 May 1955
Riccardo Arduini	Non Executive Director	Peschiera del Garda, 26 September 1948
Fabio Buttignon	Independent Director	Belluno, 6 November 1959
Marina Manna	Independent Director	Foggia, 26 July 1960
Marina Pittini	Independent Director	Gemona del Friuli, 13 April 1967

The following table sets out the principal activities performed by the members of the Board of Directors outside of the Guarantor.

<b>Name</b>	<b>Company</b>	<b>Office</b>
Enrico Carraro	FINAID S.p.A.	Shareholder
	FINAID S.p.A.	Director
	Azienda Agricola Terme Euganee	Chairman of the Board of Directors
Tomaso Carraro	FINAID S.p.A.	Shareholder
	FINAID S.p.A.	Chief Executive Officer
	Azienda Agricola Terme Euganee	Director

Alberto Negri	—	—
Riccardo Arduini	For Rumo and Sao Carlos Holding	Shareholder
	CINPAL	Shareholder
	CINPAL	Chairman of the Board of Directors
	Rumo Logistica Operadora Multimodal S.A.	Shareholder
	Rumo Logistica Operadora Multimodal S.A.	Director
	São Carlos Empreendimentos e Participações S.A.	Shareholder
	São Carlos Empreendimentos e Participações S.A.	Director
	Balaton Empreendimentos Ltda	Director
	CPE Companhia de Participacoes e Empreendimentos	Director
	EPE Emprese de Participações e Empreendimentos S.A.	Director
	Incoem Incorporações e Empreendimentos Ltda	Director
	Bamburi Importadora e Locadora de Veiculos Nauticos Ltda	Director
Fabio Buttignon	AFV Acciaierie Beltrame S.p.A.	Director
	Banca IMI S.p.A.	Director
	Benetton Group S.r.l.	Director
	Edizione S.r.l.	Director
	GEOX S.p.A.	Alternate Auditor
	ICM S.p.A.	Chairman of the Board of Statutory Auditors
	SIT S.p.A.	Director
	Stevanato Group S.p.A.	Director
	EPS Equita PEP SPAC	Director
	Valentino S.p.A.	Director
Marina Manna	Stefanel S.p.A.	Director
	Delta Erre Trust Company	Director
	Banco di Napoli	Director
	Lanificio dell’Olivo S.p.A.	Chairman of the Board of Statutory Auditors
	Fondazione Istituto di Ricerca Pediatrica Città della Speranza	Chairman of the Board of Statutory Auditors

	Celenit S.p.A.	Statutory Auditor
	Superauto S.p.A.	Statutory Auditor
	Clodia Società Immobiliare S.p.A.	Statutory Auditor
	Pagnan Finanziaria S.p.A.	Statutory Auditor
	Veneto Logistica S.r.l.	Statutory Auditor
	FPR Industrie S.p.A.	Statutory Auditor
	Nice Group S.p.A.	Statutory Auditor
	Munari S.p.A.	Alternate Auditor
	Gradiente SGR S.p.A.	Alternate Auditor
	Cavour S.r.l.	Sole Director
	We Drone S.r.l.	Sole Director
	Ali sul Mondo di Donatella Menna e c. S.a.S.	Shareholder
	Sestante S.r.l.	Shareholder
	Delta Erre S.p.A.	Shareholder
Marina Pittini	Fondazione Pietro Pittini	President
	Fondazione Antonveneta	Director
	BCC Credifriuli	Director
	Consorzio Friuli Formazione	President
	Biovalley Investment S.p.A.	Director

The business address of each member of the Guarantor's Board of Directors is the registered office of Carraro S.p.A.: Via Olmo, 37, 35011 Campodarsego, Italy.

As at the date hereof, the abovementioned members of the Board of Directors of the Guarantor do not have conflicts of interests between any duties to the Guarantor and their private interests or other duties.

#### ***Board of Statutory Auditors***

The current members of the Board of Statutory Auditors were appointed by a resolution of the Guarantor's shareholders at a meeting held on 23 March 2015, and will hold office until the approval of the Guarantor's financial statements for the financial year ended 31 December 2017. At the end of their term in office, the Statutory Auditors may be re-appointed.

The names of the members of the Board of Statutory Auditors are set forth in the following table.

<b>Name</b>	<b>Position</b>	<b>Place and Date of Birth</b>
Saverio Bozzolan	Chairman	Padua, 2 April 1967
Stefania Centorbi	Effective Auditor	Venice, 3 November 1969
Andrea Cortellazzo	Effective Auditor	Padua, 4 August 1969
Barbara Cantoni	Alternate Auditor	Padua, 1 October 1962
Gianmarco Milanato	Alternate Auditor	Padua, 24 December 1965

The following table sets out the principal activities performed by the members of the Board of Statutory outside of the Guarantor.

<b>Name</b>	<b>Company</b>	<b>Office</b>
Saverio Bozzolan	Banca Annia	Chairman of the Board of Statutory Auditors
	SIT S.p.A.	Chairman of the Board of Statutory Auditors
	SIT Tech S.p.A.	Chairman of the Board of Statutory Auditors
	SIT Immobiliare S.p.A.	Member of the Board of Statutory Auditors
	European Accounting Association (BE)	Member of the Board and Management Committee
Stefania Centorbi	Itw Construction Products Italy S.p.A.	Statutory Auditor
	Legnopan S.p.A.	Statutory Auditor
	Midac S.p.A.	Statutory Auditor
	Progetta S.p.A.	Statutory Auditor
	Valigeria Roncato S.p.A.	Statutory Auditor
	Anselmi Casting S.p.A.	Statutory Auditor
Andrea Cortellazzo	Beding S.p.A.	Member of the Board of Directors
	Benetton Servizi S.r.l.	Chairman of the Board of Statutory Auditors
	Cortellazzo e Soatto	Shareholder
	Delta Erre S.p.A.	Shareholder
	Edizione S.r.l.	Supervisory Agency component
	Equilybra Capital Partners Spa in liquidazione	Statutory Auditor
	Fast Start S.r.l.	Liquidator
	FIP Industriale S.p.A.	Statutory Auditor
	Fondazione Un-Hate	Statutory Auditor
	Impresa di Costruzioni Ing. E. Mantovani S.p.A.	Statutory Auditor
	Maschio Fienagione S.p.A.	Statutory Auditor
	Maschio Gaspardo S.p.A.	Chairman of the Board of Statutory Auditors
	Menocarta.Pro S.r.l.	Chairman of the Board of Director
	Molino Quaglia S.p.A.	Alternate Auditor
	Maschio Aratri S.r.l.	Statutory Auditor
	NEIP II S.p.A.	Statutory Auditor

	NEIP III S.p.A.	Alternate Auditor
	Olimpias Group S.r.l.	Alternate Auditor
	Palma S.r.l.	Sole Auditor
	Princess S.S. di A. Cortellazzo & C.	Shareholder
	Scarabel S.p.A:	Statutory Auditor
	Schematrentaquattro S.p.A.	Chairman of the Board of Statutory Auditors
	Schematrentatre S.p.A.	Chairman of the Board of Statutory Auditors
	Serenissima Holding S.p.A.	Alternate Auditor
	Servizi professionali organizzati	Shareholder
	Si.Ged. S.r.l.	Chairman of the Board of Directors
	Si.Ged. S.r.l.	Shareholder
	Valigeria Roncato S.p.A.	Statutory Auditor
	Varem S.p.A.	Statutory Auditor
	Wintech S.p..A	Statutory Auditor
Barbara Cantoni	Stazione sperimentale per l'industria delle pelli e delle materie concianti S.r.l.	Alternate Auditor
	O.M.S. – Spa Officine Meccaniche Specializzate	Independent Auditor
	LPM S.p.A.	Statutory Auditor
Gianmarco Milanato	L'Iride – Società Cooperativa Sociale – Impresa Sociale	Statutory Auditor
	PAM Rollers Factory S.p.A.	Alternate Auditor
	Filippi S.r.l.	Statutory Auditor
	Eudromos S.p.A.	Statutory Auditor
	Art.Serf. S.p.A.	Alternate Auditor
	Garanzia Collettiva Fidi fra le Imprese Artigiane della Provincia di Verona – Fifi Artigiani Soc. Coop. A.r.l.	Alternate Auditor

The business address of each member of the Guarantor's Board of Statutory Auditors is the registered office of Carraro S.p.A.: Via Olmo, 37, 35011 Campodarsego, Italy.

As at the date hereof, the abovementioned members of the Board of Statutory Auditors of the Guarantor do not have conflicts of interests between any duties to the Guarantor and their private interests or duties.

#### **Board Committees**

On 27 March 2015, in accordance with the provisions of the Corporate Governance Code (*Codice di Autodisciplina*), Carraro's Board of Directors resolved to establish the following committees:

- auditing and risk committee; and
- appointments and remuneration committee.

Special organisational regulations approved by the Board of Directors govern the composition, tasks and functioning of the committees.

- **Auditing and Risk Committee**

The auditing and risk committee has the task of supporting, through a review process, the assessments and decisions on the part of the Board of Directors regarding the internal control and risk management system.

Specifically, the auditing and risk committee carries out the following tasks:

- assessing, together with the executive in charge of preparing the corporate accounting documents and after consulting with the auditing firm and the Board of Statutory Auditors, the proper application of accounting principles and their uniformity for purposes of preparing the periodic financial reports;
- expressing opinions on specific aspects regarding the identification of the group's main risks;
- reviewing periodic reports concerning assessments on the internal control and risk management system, as well as the other reports prepared by the audit department;
- monitoring the independence, adequacy, effectiveness and efficiency of the Group's audit department;
- reporting to the Board of Directors at least once every six months on the work performed and on the adequacy of the internal control and risk management system; and
- carrying out any preliminary activity to support the Board of Directors in its evaluations and decisions regarding the management of risks.

The committee may also ask the internal audit department to perform checks on specific operating areas.

At the date hereof, the members of the committee are Fabio Buttignon, Marina Manna and Marina Pittini and the committee may invite other parties to attend such as Statutory Auditors, the head of the internal audit department and the Chief Executive Officer or other executives whose presence would support the meeting.

- **Appointments and Remuneration Committee**

The current appointments and remuneration committee is made up, in line with the Corporate Governance Code, entirely of non executive Directors, the majority of whom are qualified as independent and at least one of whom has adequate experience in financial matters or remuneration policies.

The Committee's role is to review generally HR and remuneration matters, and specifically it reviews related party transactions and the appropriateness of conditions where such transaction has an HR or remuneration aspect, or covers any economic benefit to a corporate body or manager of the Group.

At the date hereof, the members of the committee are Fabio Buttignon, Marina Manna and Marina Pittini and the committee may invite other parties to attend such as Statutory Auditors, the head of the legal department and the Chief Executive Officer or other executives whose presence would support the meeting..

## The Anti-Corruption Compliance System

Italian Legislative Decree 8 June 2001, No. 231, as amended, (“**Decree 231**”) introduced a regime of quasi-criminal liability applicable to legal entities doing business in Italy (this regime is called of quasi-criminal liability as it involves rules and sanctions that are different from those applicable to individuals).

Under Decree 231, any of the Group companies may be held liable for crimes (including corruption, fraud against the state, corporate offenses and insider trading, environmental crimes and crimes relating to health and safety conditions in workplaces) that are committed or attempted, in its interest or for its benefit, by individuals having a functional relationship with any of these Group companies. When a crime subject to Decree 231 is committed, both the individual who commits the crime and the entity in the interest, or for the benefit of which, it is committed are subject to trial.

Quasi-criminal sanctions applicable to companies may include, also depending on the relevance of the criminal offence and the degree of inadequacy of the measures adopted to prevent that offence, either, the shut-down of a company’s business, the suspension or cancellation of its licenses and permits, the prohibition to contract with public entities, the ineligibility for special schemes, financing or subsidies, a ban on the marketing of goods or services or seizures of profits arising from the crime and economic sanctions. Under certain circumstances, Decree 231 also applies when the above-mentioned offences are committed outside of Italy.

If a crime subject to Decree 231 is committed by an individual within one of the Group companies, the Guarantor may avoid sanctions if it can prove that, among other things, the relevant Group company has adopted and effectively implemented, before the crime was committed, the so-called “Model 231” (i.e. a model providing for organisational and operational controls that are suitable to prevent crimes that are similar in nature to the crime that was committed) (the “**Model 231**”).

As of the date of this Prospectus, each of the Guarantor and its principal Italian subsidiaries have adopted such model, which was last updated on 29 April 2016.

As part of the Group’s aim to comply with the best international practices in its risk control functions, and in light of the Group’s periodic review of its internal controls system, on 29 March 2007 the Board approved an anti-corruption model (the “**Anti-Corruption Model**”), with the intent of providing a systematic reference framework of regulatory instruments and anti-corruption policies implementing the Group’s Model 231.

Accordingly, the Guarantor implemented its anti-corruption compliance system (the “**Anti-Corruption Compliance System**”) with an aim to prevent active and passive corruption, in particular, for offers or requests for money, advantages and/or other benefits, or payments, made or received, by any party acting in the name or on behalf of the Guarantor in relation to business activities, ensuring compliance with anti-corruption applicable legislation.

The Anti-Corruption Compliance System consists of the following documents and activities:

- the preparation, updating and application of the Anti-Corruption Model;
- the adoption of an Anti-corruption Policy;
- the implementation of specific controls, in accordance with detailed guidelines (“Evaluation of Relevant Third Parties” and “Third Parties’ Benefit Management”) and procedures, in order to define roles and responsibilities and to provide operating instructions in relation to procedures and control tools under the abovementioned documents;
- the establishment of an anti-corruption legal support unit, within the Guarantor’s Compliance Function;
- the definition of a dedicated sanctions system;

- the establishment of a whistleblowing system meant to facilitate and encourage reporting of alleged violations of the anti-corruption principles.

The Guarantor, as the parent company, encourages adoption of the Anti-Corruption Compliance System by the Group companies and other entities other than subsidiaries (consortia, joint ventures, etc.) in which it holds an interest.

The Anti-Corruption Compliance System meets certain international standards, in respect of which the Guarantor obtained the UNI: ISO 37001 certification in July 2017, based on the audit carried out by an independent entity (namely Rina Services S.p.A.).

### Principal Shareholders of the Guarantor

As of the date of this Prospectus, the issued and paid-up share capital of the Guarantor is €41,452,543.60, divided into 76,442,194 ordinary shares with a nominal value of Euro 0.52 and 3,274,236 class “B” shares with a nominal value of Euro 0.52.

Compared to the previous year, the share capital has increased following the capital increase completed on 5 June 2017, which entailed the issue of 33,726,630 new shares (of which 30,452,394 ordinary shares with a nominal value of Euro 0.52 and 3,274,236 class “B” shares with a nominal value of Euro 0.52) for a total amount of €53,827,701.48 of which €17,537,847.6 was allocated to the share capital and €36,289,853.88 to the share premium reserve. The Guarantor is a small medium enterprise (“SME”) pursuant to Article 1, paragraph 1, letter w-luater 1) of the TUF. As an SME, the minimum shareholding reporting threshold is a 5 per cent. holding of the share capital (with voting rights). The following table sets out the persons who have significant shareholdings in the Guarantor as at the date of this Prospectus, pursuant to such reporting threshold.

Shareholder	Share Ownership	
	(No. of shares)	(% of total)
Mario Carraro <sup>(1)</sup> .....	32,590,159	40.88
Julia Dora Koranyi Arduini.....	21,629,779	27.13
Carraro S.p.A. (treasury shares).....	2,626,988	3.30

Note:

- (1) of which 28,215,519 shares are held via Finaid S.p.A., a company controlled by Mario Carraro in which he holds 55 per cent. of the share capital. Furthermore, 16,741,543 shares held in the Guarantor by Finaid S.p.A. are subject to a share pledge in favour of financial institutions, in relation to which Mario Carraro retains the voting rights.

As of the date of this Prospectus, Mario Carraro exercises de facto control over the Guarantor.

## TAXATION

*The statements herein regarding taxation are based on the laws in force as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes. This summary is based upon the laws and/or practice in force as at the date of this Prospectus. Tax laws and interpretations may be subject to frequent changes which could be made on a retroactive basis. Neither the Issuer nor the Guarantor will update this summary to reflect changes in laws and/or in practice and if such a change occurs, the information in this summary could become invalid.*

*This discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. In particular, the Issuer is organised under the laws of Luxembourg, but it is considered resident in Italy for tax purposes and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, should be subject to Italian tax laws and regulations. As a consequence, the actual identification of the specific tax laws and regulation applicable to the Notes may be subject to interpretation. On the Issue Date, since the Issuer is a tax resident in both Luxembourg and Italy, payments on the Notes by the Issuer are expected to be subject to Italian and Luxembourg Taxation. Following the Transfer, the Issuer expects that payments on the Notes will only be subject to Italian Taxation. See “Risk Factors – The applicability of Luxembourg law to the Issuer and its corporate actions and risks regarding substance”.*

### **Luxembourg**

The comments below are intended as a basic summary of certain tax consequences in relation to the purchase, ownership and disposal of the Notes under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.

#### **Withholding Tax**

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to certain individual Noteholders, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to certain individual Noteholders, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

#### ***Luxembourg residents***

In accordance with the law of 23 December 2005, as amended, on the introduction of a withholding tax on certain interest payments on savings income, interest payments made by Luxembourg paying agents to Luxembourg individual residents are subject to a 20 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

### **Income Taxation on Principal, Interest, Gains on Sales or Redemption**

#### ***Luxembourg tax residency of the Noteholders***

Noteholders will not be deemed to be resident, domiciled or carrying on business in Luxembourg solely by reason of holding, execution, performance, delivery, exchange and/or enforcement of the Notes.

### *Taxation of Luxembourg non-residents*

Noteholders who are non-residents of Luxembourg and who do not have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes is connected, will not be subject to taxes (income taxes and net wealth tax) or duties in Luxembourg with respect to payments of principal or interest (including accrued but unpaid interest), payments received upon redemption, repurchase or exchange of the Notes or capital gains realised upon disposal or repayment of the Notes.

### *Taxation of Luxembourg residents*

Noteholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

Interest received by an individual resident in Luxembourg is, in principle, reportable and taxable at the progressive rate unless the interest has been subject to withholding tax (see above “**Withholding Tax**” - *Luxembourg residents*) or to the self-applied tax, if applicable. Indeed, in accordance with the Luxembourg law of 23 December 2005, as amended, Luxembourg resident individuals, acting in the framework of their private wealth, can opt to self-declare and pay a 20 per cent. tax on interest payments made by paying agents located in an EU Member State other than Luxembourg, or a Member State of the European Economic Area other than an EU Member State.

The withholding tax or self-applied tax are the final tax liability for the Luxembourg individual resident taxpayers receiving the interest payment in the framework of their private wealth. Individual Luxembourg resident Noteholders receiving the interest as business income must include this interest in their taxable basis. If applicable, the 20 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

Luxembourg resident individual Noteholders are not subject to taxation on capital gains upon the disposal of the Notes, unless the disposal of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of acquisition of these Notes. Upon the sale, redemption or exchange of the Notes, accrued but unpaid interest will be subject to the 20 per cent. withholding tax or the self-applied tax, if applicable. Individual Luxembourg resident Noteholders receiving the interest as business income must include the portion of the price corresponding to this interest in their taxable income. The 20 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

Luxembourg resident corporate Noteholders, or non-resident Noteholders which have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes is connected, must for income tax purposes include in their taxable income any interest (including accrued but unpaid interest) as well as the difference between the sale or redemption price and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg resident corporate Noteholders which are companies benefiting from a special tax regime (such as (a) family wealth management companies subject to the law of 11 May 2007, (b) undertakings for collective investment subject to the law of 17 December 2010, (c) specialised investment funds subject to the law of 13 February 2007, or (d) reserved alternative investment funds governed by the law of 23 July 2016, provided it is not foreseen in the incorporation documents that (i) the exclusive object is the investment in risk capital and that (ii) article 48 of the aforementioned law of 23 July 2016 applies) are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e., corporate income tax, municipal business tax and net wealth tax) other than the annual subscription tax calculated on their (paid up) share capital (and share premium) or net asset value.

### **Net Wealth tax**

Luxembourg net wealth tax will not be levied on a corporate Noteholder, unless (a) such Noteholder is a Luxembourg resident other than a Noteholder governed by (i) the laws of 17 December 2010 and 13

February 2007 on undertakings for collective investment; (ii) the law of 22 March 2004 on securitisation; (iii) the law of 15 June 2004 on the investment company in risk capital; or (iv) the law of 11 May 2007 on family estate management companies, or (v) the law of 23 July 2016 on reserved alternative investment funds, or (b) the Notes are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or a permanent representative.

### **Other taxes**

No stamp, registration, transfer or similar taxes or duties will be payable in Luxembourg by Noteholders in connection with the issue of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption of the Notes, unless the documents relating to the Notes are (a) voluntarily registered in Luxembourg, or (b) voluntarily appended to a document that requires mandatory registration in Luxembourg.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Noteholders not permanently resident in Luxembourg at the time of death will not be subject to inheritance or other similar taxes in Luxembourg in respect of the Notes. No Luxembourg gift tax is levied upon a gift or donation of the Notes, if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.

### **ITALY**

The statements herein regarding Italian taxation are based on the laws in force in Italy and on published practices of the Italian tax authorities in effect in Italy as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid. The following is a summary of certain material Italian tax consequences of the purchase, ownership, redemption and disposition of Notes for Italian resident and non-Italian resident beneficial owners only and it is not intended to be, nor should it be constructed to be, legal or tax advice. This summary also assumes that the Issuer is resident in Italy for tax purposes, is structured and conducts its business in the manner outlined in this Prospectus. Changes in the Issuer's organisational structure, tax residence or the manner in which it conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Notes is at arm's length. This summary also assumes that the Notes are listed from their issue and traded, for the entire duration of the plan, on a regulated market or on a multi-lateral trading platform of member states of the EU or the EEA which allow a satisfactory exchange of information with Italian tax authority, as listed in the Decree of the Minister of Finance of 4 September 1996, as amended and supplemented. Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian law. The following summary does not purport to be a comprehensive description of all tax considerations which may be relevant to make a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to additional or special rules. Prospective Investors are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding and disposing of Notes and receiving payments on interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional and local tax laws.

#### ***Tax treatment of interest***

Decree 239 sets forth the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price, hereinafter collectively referred to as “**Interest**”) deriving from Notes falling within the category of bonds (*obbligazioni*) and similar securities (pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (“**Decree 917**”)), issued, *inter alia*, by:

- a) companies resident of Italy for tax purposes whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States or States party to the EEA Agreement allowing a satisfactory exchange of information with the Italian tax authorities as included in the decree of the Ministry of Economy and Finance of 4 September 1996, as subsequently amended and supplemented or (ii) once effective, any other decree that will be issued in the future under Article 11 paragraph 4 letter c) of Decree No. 239 (any of such decrees, the “**White List**”); or
- b) companies resident of Italy for tax purposes whose shares are not listed, issuing notes traded (*negoziati*) upon their issuance on the aforementioned regulated markets or platforms.

For these purposes, securities similar to bonds (“*titoli similari alle obbligazioni*”) are securities that incorporate an unconditional obligation for the Issuer to actually pay, at maturity (or at any earlier redemption), an amount not lower than their nominal/face value/principal and that do not provide any right of direct or indirect participation in, or control on, the management of the Issuer or of the business in connection with which they are issued.

#### *Italian-resident Noteholders*

##### *Noteholders not engaged in an entrepreneurial activity*

Where an Italian-resident beneficial owner of the Notes (a “**Noteholder**”) is:

- an individual not engaged in an entrepreneurial activity to which the Notes are connected;
- a non-commercial partnership (*società semplice*) or a professional association;
- a non-commercial private or public institution (other than Italian undertakings for collective investment); or
- an investor exempt from Italian corporate income taxation,

then interest derived from the Notes, and accrued during the relevant holding period, is subject to a tax withheld at source (*imposta sostitutiva*), levied at a rate of 26%, unless the relevant Noteholder holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and has validly opted for the application of the *risparmio gestito regime* under Article 7 of Decree No. 461 (see also “—*Tax treatment of capital gains—Discretionary investment portfolio regime (Risparmio gestito regime)*” below).

Subject to certain conditions (including a minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes (being financial instruments issued by an Italian resident entity) may be exempt from any income taxation (including the 26% *imposta sostitutiva*) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016.

##### *Noteholders engaged in an entrepreneurial activity*

In the event that the Italian-resident Noteholders mentioned above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant beneficial owner’s Italian income tax return and will be subject to Italian

ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Where a Noteholder is an Italian-resident company or similar commercial entity, or a permanent establishment in Italy of a non-resident company to which the Notes are effectively connected, and the Notes are deposited with an authorized intermediary, Interest from the Notes will not be subject to the *imposta sostitutiva*. Interest must, however, be included in the relevant Noteholder's income tax return and is therefore subject to general Italian corporate income taxation and, in certain circumstances, depending on the status of the Noteholder and also to the Italian regional tax on productive activities ("IRAP").

#### *Real estate investment funds and real estate SICAFs*

Payments of Interest deriving from the Notes made to Italian resident real estate investment funds and real estate closed-ended investment companies (*società di investimento a capitale fisso*, or "SICAFs"), provided that the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Italian authorized financial intermediary (or permanent establishment in Italy of non-resident intermediary) are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the real estate SICAF. However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders in the event of distributions, redemption or sale of the units or shares. Moreover, subject to certain conditions, income realized by Italian real estate investment funds or real estate SICAFs is attributed pro rata to the Italian resident unitholders irrespective of any actual distribution on a tax transparency basis.

#### *Funds, SICAVs and non-real estate SICAFs*

If an Italian resident Noteholder is a non-real estate open-ended or a closed-ended collective investment fund ("Fund") or an open-ended investment company (*società di investimento a capitale variabile*, or "SICAVs") or a non-real estate SICAF established in Italy and either (i) the Fund, the SICAV or the non-real estate SICAF or (ii) their manager is subject to the supervision of a regulatory authority and the Notes are deposited with an authorized intermediary, interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund, the SICAV or the non-real estate SICAF. The Fund, the non-real estate SICAF or the SICAV are subject neither to *imposta sostitutiva* nor to any other income tax at their level, but a withholding tax of 26% will be levied, in certain circumstances, by the Fund, the non-real estate SICAF or the SICAV on proceeds distributed in favor of their unitholders or shareholders.

#### *Pension funds*

If an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorized intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the results of the relevant portfolio accrued at the end of the tax period (which will be subject to a 20% substitute tax).

#### *Application of the imposta sostitutiva*

Pursuant to Decree No. 239, the *imposta sostitutiva* is applied by banks, brokerage companies (*società di intermediazione mobiliare*, or "SIM"), fiduciary companies, *società di gestione del risparmio* ("SGR"), stockbrokers and other entities identified by decrees of the Ministry of Economy and Finance (each, an "Intermediary").

An Intermediary must:

- a) be resident in Italy or be a permanent establishment in Italy of a non-resident financial intermediary; and

- b) participate, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in the Intermediary with which the Notes are deposited.

If the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by the relevant Italian financial intermediary (or permanent establishment in Italy of a non-Italian resident financial intermediary) paying the Interest to a Noteholder or, absent that, by the Issuer and gross recipients that are Italian resident corporations or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

#### *Non-Italian resident Noteholders*

If the Noteholder is a non-resident for tax purposes, an exemption from the *imposta sostitutiva* applies, provided that the non-resident Noteholder is:

- a) a beneficial owner of the payment of Interest and resident, for tax purposes, in a state or territory included in the White List; or
- b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- c) an “institutional investor,” whether or not subject to tax, which is established in a state or territory included in the White List, even if it does not possess the status of a taxpayer in its own state of establishment; or
- d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign state.

In order to ensure gross payment, non-resident Noteholders must promptly deposit the Notes together with the coupons relating to such Notes directly or indirectly with:

- (i) an Italian or non-resident bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the “**First Level Bank**”), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); or
- (ii) an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Economy and Finance (the “**Second Level Bank**”). Organizations and companies that are not resident of Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or the permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of 24 February 1998) for the purposes of the application of Decree 239. If a non-resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank. The exemption from the *imposta sostitutiva* for non-resident Noteholders is conditional upon:
  - (i) the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and

- (ii) the submission to the First Level Bank or the Second Level Bank (as the case may be) of a statement of the relevant Noteholder (*autocertificazione*), to be provided only once, in which it declares, *inter alia*, that it is the beneficial owner of any interest on the Notes and it is eligible to benefit from the exemption from the *imposta sostitutiva*.

Such statement must comply with the requirements set forth by a Ministerial Decree dated 12 December 2001, is valid until withdrawn or revoked (unless some information provided therein has changed) and does not need to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy referred to in point b) above or Central Banks or entities also authorized to manage the official reserves of a State referred to in point d) above. Additional requirements are provided for “institutional investors” referred to in point c) above (in this respect see Circular No. 23/E of 1 March 2002 and No. 20/E of 27 March 2003).

The *imposta sostitutiva* will be applicable at a rate of 26% to interest paid to Noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the requested conditions (including the procedures set forth under Decree No. 239 and in the relevant implementation rules). Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for full or partial relief under an applicable tax treaty, subject to timely filing of required documentation provided by Regulation of the Director of Italian Revenue Agency No. 2013/84404 of 10 July 2013.

### ***Tax treatment of capital gains***

#### *Italian-resident Noteholders*

##### *Noteholders not engaged in an entrepreneurial activity.*

Where an Italian-resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to a capital gain tax (*imposta sostitutiva*, or “CGT”) levied at a rate of 26%. Noteholders may set off any capital losses with their capital gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt—under certain conditions—for any of the three regimes described below.

*Tax return regime.* Under the tax return regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the CGT on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realized by the Italian resident individual holding the Notes during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss, in their annual tax return, and pay the CGT on such gains, together with any balance of income tax due for such year. Within the same time limit, capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years. Under Decree No. 66 of 24 April 2014 (“**Decree 66**”), capital losses may be carried forward and offset against capital gains of the same nature realized as of 1 July 2014 for an overall amount of 76.92% of the capital losses realized from 1 January 2012 to 30 June 2014; and 100% of the capital losses realized as of 1 July 2014.

*Nondiscretionary investment portfolio regime (Risparmio Amministrato Regime).* As an alternative to the tax return regime, Italian-resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the CGT separately on capital gains realized on each sale or redemption of the Notes (*regime del risparmio amministrato*). Such separate taxation of capital gains is allowed subject to:

- (i) the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediaries; and
- (ii) an express election for the *risparmio amministrato* regime being made in writing in a timely fashion by the relevant Noteholder.

The depository must account for the CGT in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the CGT to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a sale or redemption or certain other transfer of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years, up until the fourth tax year. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains/losses realized within said regime in the annual tax return. Under Decree 66, capital losses may be carried forward and offset against capital gains of the same nature realized as of 1 July 2014 for an overall amount of 76.92% of the capital losses realized from 1 January 2012 to 30 June 2014; and 100% of the capital losses realized as of 1 July 2014.

*Discretionary investment portfolio regime (Risparmio gestito regime).* In the *risparmio gestito regime*, any capital gains realized by Italian-resident individuals holding the Notes not in connection with an entrepreneurial activity and who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at tax year-end, subject to a 26% substitute tax, to be paid by the managing authorized intermediary. Any decrease in value of the managed assets accrued at the tax year-end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholder is not required to declare the capital gains or losses realized within said regime in its annual tax return. Under Decree 66, decreases in value of the managed assets may be carried forward and offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of 76.92% of the capital losses realized from 1 January 2012 to 30 June 2014; and 100% of the capital losses realized as of 1 July 2014. The Noteholder is not required to declare the capital gains realized in the annual tax return.

Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be exempt from any income taxation (including from the 26% CGT) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements set forth in Article 1(100-114) of Finance Act 2017.

#### *Noteholders engaged in an entrepreneurial activity*

Any gain obtained from the sale or redemption of the Notes will be treated as part of taxable business income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of net value of the production for IRAP purposes), if realized by an Italian company, a similar commercial entity (including the Italian permanent establishment of non-resident entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

#### *Real estate investment funds and real estate SICAFs*

Any capital gains realized by a Noteholder which qualifies as an Italian real estate investment fund or an Italian real estate SICAF will be subject neither to CGT nor to any income tax at the level of the real estate investment fund or the Real Estate SICAF (see “*Tax treatment of Interest— Real estate investment funds and real estate SICAFs*”). However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders in the event of distributions, redemption or sale of the units or shares. Moreover, subject to certain conditions, income realized by Italian real

estate investment funds or real estate SICAFs is attributed pro rata to the Italian resident unitholders irrespective of any actual distribution on a tax transparency basis. Funds, SICAVs and non-real estate SICAFs

Any capital gains realized by a Noteholder which is a Fund, a SICAF (other than a real estate SICAF) or a SICAV will not be subject to CGT but will be included in the result of the relevant portfolio accrued at the end of the relevant fiscal year. Such result will not be taxed at the level of the Fund, the SICAF or the SICAV, but income realized by the unitholders or shareholders in case of distributions, redemption or sale of the units / shares may be subject to a withholding tax of 26%.

#### *Pension funds*

Any capital gains realized by a Noteholder which qualifies as an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the relevant tax period, and subject to 20% substitute tax.

#### *Non-Italian resident Noteholders*

A 26% CGT on capital gains may be payable on capital gains realized on the sale or redemption of the Notes by non-Italian resident persons without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, under Article 23(1)(f)(2) of Decree 917, capital gains realized by non- resident Noteholders from the sale or redemption of notes issued by an Italian resident issuer and traded on regulated markets in Italy or abroad are not subject to the CGT, subject to the filing of required documentation in a timely fashion (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes). As of the date of this Offering Memorandum, the Italian tax authorities have not officially confirmed whether a multilateral trading platform qualifies for this exemption.

Capital gains realized by non- resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer, even if the Notes are not traded on regulated markets, are not subject to the CGT, provided that the beneficial owner is:

- a) a beneficial owner of the capital gains and resident, for tax purposes, of a state or territory included in the White List; or
- b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- c) an “institutional investor,” whether or not subject to tax, which is established in a state or territory included in the White List, even if it does not possess the status of a taxpayer in its own state of establishment; or
- d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign state.

In order to ensure gross payment, non-Italian resident Noteholders must satisfy the same conditions set forth above to benefit from the exemption from the *imposta sostitutiva* in accordance with Decree 239 (see “—Tax Treatment of Interest”).

If none of the above conditions is met, capital gains realized by non-resident Noteholders from the sale or the redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the CGT at the current rate of 26%. However, Noteholders might benefit from an applicable tax treaty with Italy, providing that capital gains realized upon the sale or redemption of the Notes are to be taxed only in the State where the recipient is tax resident, subject to certain conditions to be satisfied.

Under these circumstances, if non-resident persons without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito regime*, exemption from Italian taxation on capital gains will apply upon condition that the non-residents Noteholders file in time with the authorized financial intermediary appropriate documents which include, inter alia, a certificate of residence from the competent tax authorities of their country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Intermediary, but non-Italian resident Noteholders retain the right to waive this regime.

#### ***Certain reporting obligations for Italian-resident Noteholders***

Under Law Decree No. 167 of 28 June 1990, as subsequently amended and supplemented, individuals, non-business entities and non-business partnerships that are resident in Italy and, during the tax year, hold investments abroad or have financial assets abroad (including possibly the Notes) must, in certain circumstances, disclose these investments or financial assets to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding €15,000 threshold throughout the year, which per se do not require such disclosure). The requirement applies also where the persons above, being not the direct holder of the financial assets, are the actual economic owners thereof for the purposes of anti-money laundering legislation.

No disclosure requirements exist for investments and financial assets (including the Notes) under management or administration entrusted to Italian resident intermediaries (Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree No. 167 of 28 June 1990) and for contracts concluded through their intervention, provided that the cash flows and the income derived from such activities and contracts have been subjected to Italian withholding or substitute tax by the such intermediaries.

#### ***Italian inheritance tax and gift tax***

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

- (a) 4% for transfers in favor of the spouse or direct relatives exceeding, for each beneficiary, a threshold of €1.0 million;
- (b) 6% for transfers in favor of siblings exceeding, for each beneficiary, a threshold of €0.1 million;
- (c) 6% for transfers in favor of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, on the entire value of the inheritance or the gift; and
- (d) 8% for transfers in favor of any other person or entity, on the entire value of the inheritance or the gift.

If the heir/heirress or the donee is a person with a severe disability pursuant to Law No. 104 of 5 February 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.5 million.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax

purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

#### ***Wealth tax—direct holding***

According to Article 19 of Law Decree No. 201 of 6 December 2011 (“**Decree 201**”), Italian resident individuals holding financial products, including the Notes, outside Italy without the involvement of an Italian financial intermediary are required to pay a wealth tax currently at the rate of 0.2% (the level of tax being determined in proportion to the period of ownership). The wealth tax applies on the market value at the end of the relevant year or, in the absence of a market value, on the nominal value or redemption value of such financial products held outside Italy. Taxpayers are generally permitted to deduct from the wealth tax a tax credit equal to any wealth taxes paid in the State where the financial products are held (up to the amount of the Italian wealth tax due).

#### ***Stamp taxes and duties—holding through financial intermediary***

Under Article 13(2*bis-2ter*) of Decree No. 642 of 26 October 1972, a 0.2 % stamp duty generally applies on communications and reports that Italian financial intermediaries periodically send to their clients in relation to the financial products that are deposited with such intermediaries. The Notes are included in the definition of financial products for these purposes. Communications and reports are deemed to be sent at least once a year even if the Italian financial intermediary is under no obligation to either draft or send such communications and reports.

The stamp duty cannot exceed €14,000.00 for Noteholders other than individuals. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on 24 May 2012, the 0.2% stamp duty does not apply to communications and reports that the Italian financial intermediaries send to investors who do not qualify as “clients” according to the regulations issued by the Bank of Italy. Communications and reports sent to this type of investors are subject to the ordinary €2.00 stamp duty for each copy.

The taxable base of the stamp duty is the market value or, in the lack thereof, the nominal value or the redemption amount of any financial product.

#### ***Registration tax***

Contracts relating to the transfer of the Notes are subject to the registration tax as follows:

- a) public deeds and private deeds notarized signatures (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of €200.00; and
- b) private deeds (*scritture private non autenticate*) are subject to fixed registration tax of €200.00 only in the case of use or voluntary registration or occurrence of the so-called *enunciazione*.

#### ***General—payments by a Guarantor***

According to a certain interpretation, payments on the Notes made by an Italian resident Guarantor under a Guarantee should be treated, in certain circumstances, as payment by the relevant Issuer and should be subject to the tax regime described above. However, there is no authority directly regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments or that the Italian courts would not support such an alternative treatment.

In particular, according to a different interpretation, if a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of principal under

the Notes), it is possible that such payments may be subject to withholding tax at applicable rates, pursuant to Presidential Decree No. 600 of 29 September 1973, subject to such relief as may be available under the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

## SALE AND OFFER OF THE NOTES

### General

In connection with the Offering, Equita S.I.M. S.p.A. as placement agent (the “**Placement Agent**”) has, according to Article 2.4.3 of the trading rules of Borsa Italiana, been appointed by the Issuer and the Guarantor to offer and display the Notes for sale on the MOT. Furthermore, the Placement Agent has been appointed by the Issuer to act as the specialist (the “**Specialist**”). The Specialist may act in a market-making capacity by effecting purchases of the Notes on the secondary market with a view to supporting the liquidity of the Notes. Purchases effected by the Specialist may be made at prices which, within a range set by Borsa Italiana, may be higher than the price that would otherwise prevail. The Specialist’s market-making activities will be done in compliance with all quantity- and duration-related requirements set forth by Borsa Italiana. The fees payable to the Placement Agent in connection with the Offering will be up to 0.75 per cent. of the total principal amount of the Notes issued and up to 0.60 per cent. of the principal amount of the Notes issued pursuant to offers to purchase the Notes (“**Purchase Offers**”) collected by the Placement Agent from institutional investors, and in any case subject to a minimum and a maximum total amount. The Placement Agent considers its clients to be each of the Issuer, the Guarantor and potential investors in the Notes. The Placement Agent and its affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer, the Guarantor or their respective affiliates, for which the Placement Agent and its affiliates have received or will receive customary fees and commissions. In addition, in the ordinary course of their business activities, the Placement Agent and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. Typically, the Placement Agent and its affiliates would hedge and do hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Placement Agent and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. There are no interests of natural and legal persons other than the Issuer, the Guarantor and the Placement Agent involved in the issue of the Notes, including conflicting ones that are material to the issue.

### Offering of the Notes

#### *Offering Amount*

Subject to the Minimum Offer Condition, the Issuer is offering for subscription and listing and admission to trading on the MOT a minimum of €50,000,000 aggregate principal amount of the Notes (the “**Minimum Offer Amount**”) and a maximum of €180,000,000 aggregate principal amount of the Notes (the “**Maximum Offer Amount**”). The Maximum Offer Amount may be reduced by the Issuer prior to the Launch Date. If the Maximum Offer Amount is reduced below €180,000,000 the Issuer will publish a notice specifying the revised Maximum Offer Amount on the Issuer’s Website, the Luxembourg Stock Exchange Website and released through the SDIR-NIS system of Borsa Italiana.

#### *Pricing Details*

The Notes will be issued at a price of 100 per cent. of their principal amount (the “**Issue Price**”).

### ***Disclosure of the Results of the Offering***

The interest rate (which shall not be less than the Minimum Interest Rate) will be determined on the basis of the tenor of the Notes, the yield and the demand by investors in the course of the determination of the conditions (the bookbuilding procedure) prior to the start of the Offering Period. In the course of the bookbuilding procedure, the Placement Agent will accept within a limited period of time indications of interest in subscribing for the Notes from investors, including credit spreads usually within a predetermined spread range. Subsequently, the Placement Agent will determine, in consultation with the Issuer and the Guarantor, the interest rate (coupon) and the final yield. The interest rate of the Notes (which shall not be less than the Minimum Interest Rate) and the yield will be set out in the Interest Rate and Yield Notice, which will be filed with the CSSF, and published on the Issuer's Website (<https://www.carraro.com/bonds>), the Luxembourg Stock Exchange Website ([www.bourse.lu](http://www.bourse.lu)) and released through the SDIR-NIS system of Borsa Italiana prior to the start of the Offering Period.

The aggregate principal amount of the Notes, the number of Notes sold and the proceeds of the Offering will be set out in the Offering Results Notice which will be filed with the CSSF, and published on the Issuer's Website (<https://www.carraro.com/bonds>), the Luxembourg Stock Exchange Website ([www.bourse.lu](http://www.bourse.lu)) and released through the SDIR-NIS system of Borsa Italiana no later than the third business day after the end of the Offering Period.

### ***Conditions of the Offering***

Except for the Minimum Offer Condition, the Offering is not subject to any conditions.

Subscription rights for the Notes will not be issued. Therefore, there are no procedures in place for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.

### ***Offering Period, Early Closure, Extension and Withdrawal***

The Offering will open on 31 January 2018 at 09:00 (CET) (the "**Launch Date**") and will expire on 9 February 2018 at 17:30 (CET) (the "**Offering Period End Date**"), subject to amendment, extension or postponement by the Issuer and the Placement Agent (the "**Offering Period**").

The Investors will be required to remit payment in exchange for the issuance of the Notes for which they have placed Purchase Offers on the Issue Date, which will initially be 16 February 2018. In the case of an early closure or extension of the Offering Period the Issue Date will be the fifth business day following the closure of the Offering Period.

The Offering Period is an approximate period and has been determined by the Issuer. The Issuer expressly reserves the right to postpone or extend the Offering Period or modify the Launch Date and/or the Offering Period End Date in agreement with the Placement Agent by giving due notice to the CSSF, Borsa Italiana, the Trustee through the publication of a supplement to this Prospectus (a "**Supplement**") (as such postponement or extension will be a significant new factor, as defined in Article 13 of the Luxembourg Prospectus Law) and, by way of a notice published on the Issuer's Website, the Luxembourg Stock Exchange Website and released through the SDIR-NIS system of Borsa Italiana, the general public. Any notice of postponement or modification of the Offering Period will be given no later than the business day prior to the Launch Date. Any notice of an extension of the Offering Period will be published before the last day of the Offering Period.

If, during the Offering Period, Purchase Offers exceed the Maximum Offer Amount, the Placement Agent, in agreement with the Issuer, will close the Offering prior to the expiration of the Offering Period, and all Purchase Offers in excess of the Maximum Offer Amount will not be executed. The Issuer will promptly communicate an early closure of the Offering Period to the CSSF, Borsa Italiana, the Trustee and, by way of a notice published on the Issuer's Website, to the general public.

The Issuer and the Placement Agent expressly reserve the right to withdraw the Offering at any time prior to 16:45 (CET) on the business day prior to the Issue Date, including if Purchase Offers are lower than the Minimum Offer Amount. The Issuer will promptly communicate a withdrawal of the Offering to the CSSF, Borsa Italiana and the Trustee, first, and, subsequently, to the general public, by way of a dedicated notice published on the Issuer's Website, the Luxembourg Stock Exchange Website and released through the SDIR-NIS system of Borsa Italiana.

The Placement Agent, in agreement with the Issuer, expressly reserves the right to cancel the launch of the Offering at any time between the date of this Prospectus and the Launch Date or to withdraw the Offering at any time after the Launch Date and before 16:45 (CET) on the business day prior to the Issue Date in the case of (i) any extraordinary change in the political, financial, economic, regulatory, currency or market situation of the markets in which the Group operates which could have a materially adverse effect on the Offering, or the economic, financial and/or management conditions of the Issuer, the Guarantor and/or the Group or on their business activities, or (ii) any act, fact, circumstance, event, opposition or any other extraordinary situation which has not yet occurred at the date of this Prospectus which may have a materially adverse effect on the Offering, or the economic, financial and/or management conditions of the Issuer, the Guarantor and/or the Group or on their business activities. If the launch of the Offering is cancelled or the Offering is withdrawn, the Offering itself and all submitted Purchase Offers will be deemed cancelled. Prompt notice of any decision to cancel the launch of the Offering or withdraw the Offering after the Launch Date will be communicated to the CSSF, Borsa Italiana, the Trustee and, by way of a notice published on the Issuer's Website, and released through the SDIR-NIS system of Borsa Italiana, the general public.

If, prior to the Issue Date, Borsa Italiana has failed to set the Trading Start Date, the Offering will be automatically withdrawn by giving notice to CSSF, the Trustee and, no later than the day after notice has been given to CSSF, by notifying the general public by way of a notice published on the Issuer's Website, the Luxembourg Stock Exchange Website and released through the SDIR-NIS system of Borsa Italiana.

#### ***Technical Details of the Offering on the MOT***

The Offering will occur through Purchase Offers made by Investors on the MOT through Intermediaries and coordinated by the Placement Agent, who has been appointed by the Issuer to offer and display the Notes for sale on the MOT according to the trading rules of Borsa Italiana. Purchase Offers may only be made with the MOT through an Intermediary. Purchase Offers must be made during the operating hours of the MOT for a minimum quantity of aggregate par value of €1,000 of the Notes, and may be made for any multiple thereof.

During the Offering Period, Intermediaries may make irrevocable Purchase Offers directly or through any agent authorised to operate on the MOT, either on their own behalf or on behalf of third parties, in compliance with the operational rules of the MOT.

The Notes shall be assigned, up to their maximum availability, based on the chronological order in which Purchase Offers are made on the MOT. The acceptance of a Purchase Offer on the MOT does not alone constitute the completion of a contract with respect to the Notes requested thereby. The perfection and effectiveness of contracts with respect to the Notes are subject to confirmation of the correct execution of the Purchase Offer and issuance of the Notes. Each Intermediary through whom a Purchase Offer is made will notify Investors of the number of Notes they have been assigned within the Issue Date.

After the end of the Offering Period, Borsa Italiana, in conjunction with the Issuer, shall set and give notice of the Trading Start Date. The Trading Start Date shall correspond to the Issue Date.

Investors wishing to make Purchase Offers who do not have a relationship with any Intermediary may be requested to open an account or make a temporary deposit for an amount equivalent to that of the Purchase Offer. In case of partial sale of the Notes or a cancellation or withdrawal of the Offering, all amounts paid as temporary deposits, or any difference between the amount deposited with the

Intermediary and the aggregate value of the Notes actually sold to the Investor, will be repaid to the Investor who initiated the Purchase Offer by the Issue Date. See “*Terms and Conditions of the Payment and Delivery of the Notes*”.

Except as otherwise set forth herein, Purchase Offers, once placed, may not be revoked. See “—*Revocation of Purchase Offers*”.

Any Purchase Offer received outside the Offering Period, or within the Offering Period but outside the operating hours of the MOT, will not be accepted. Investors may place multiple Purchase Offers. Purchase Offers placed by Italian Investors through telecommunication means are not subject to the existing withdrawal provisions applicable to distance marketing of consumer financial services, services in accordance with articles 67-bis and 67-duodecies of legislative Decree no. 206 of 6 September 2005 as regards the public offer in Italy.

#### ***Revocation of Purchase Offers***

If the Issuer publishes any Supplement, any Investor who has placed a Purchase Offer prior to the issuance of the Supplement shall be entitled to revoke such Purchase Offer by no later than the second business day following the publishing of the Supplement. Revocation of a Purchase Offer may be accomplished by delivering written notice to the Intermediary through whom the Investor made the Purchase Offer, who shall in turn notify the Placement Agent of such revocation.

#### ***Terms and Conditions of the Payment and Delivery of the Notes***

Investors will pay the Issue Price to the Intermediaries through whom they have placed Purchase Offers on the Issue Date.

In case of early closure of the Offering or extension of the Offering Period, a press release will be made to announce the action and inform Investors and potential Investors of the revised Issue Date. For more information about the circumstances in which the Offering Period may be closed early or extended, see “**Offering Period, Early Closure, Extension and Withdrawal**”.

Ownership of interests in the Notes will be limited to persons that have accounts with Euroclear and/or Clearstream, Luxembourg or persons that hold interests in the Notes through participants in Euroclear and/or Clearstream, Luxembourg, including Monte Titoli. Euroclear and Clearstream, Luxembourg will hold interests in the Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Payments and transfers of the Notes will be settled through Euroclear and Clearstream, Luxembourg.

None of the Issuer, the Guarantor, the Trustee, the Paying Agents or any of their respective agents will have any responsibility, or be liable, for any aspect of the records relating to the ownership of interests in the Notes.

#### ***Costs and Expenses Related to the Offer***

The Issuer will not charge any costs, expenses or taxes directly to any Investor. Investors must, however, inform themselves about any costs, expenses or taxes in connection with the Notes which are generally applicable in their respective country of residence related to the opening of a bank account or a temporary deposit account with an Intermediary, if necessary, and/or any costs related to the execution, acceptance and transmission of Purchase Offers imposed by such Intermediaries. See “—*Technical Details of the Offering*”.

#### ***Public Offer and Selling Restrictions***

The Offering is addressed to the general public in Luxembourg and Italy and to qualified investors (as defined in the Prospectus Directive) in Luxembourg and Italy following the approval of this Prospectus by the CSSF according to Article 7 of the Luxembourg Prospectus Law, and the effectiveness of the

notification of this Prospectus by the CSSF to CONSOB according to Article 18 of the Prospectus Directive and Article 19 of the Luxembourg Prospectus Law.

Purchase Offers may only be placed through Intermediaries. Any persons who, at the moment of making a Purchase Offer, even if they are resident in Luxembourg or Italy, may be considered as being resident in the United States or in any other country in which the offer of financial instruments is not permitted to be made unless it has been authorised by the competent authorities of such country (the “**Other Countries**”) are not entitled to subscribe for the Notes in the Offering.

If, according to the Intermediaries, Purchase Offers were made by persons resident in Luxembourg or Italy in breach of the provisions in force in the United States or in Other Countries, the Intermediaries shall adopt any adequate measure to remedy the unauthorised Purchase Offers and shall promptly notify the Placement Agent.

**The Notes are not intended to qualify as PRIIPs and, as such, no key information document required by the PRIIPs Regulation has been or will be prepared by the Issuer.**

#### *United States and its Territories*

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes have not been, and will not be, offered or sold within the United States or to U.S. Persons except in accordance with Rule 903 of Regulation S. Neither the Issuer, the Guarantor nor the Intermediaries, nor any persons acting on their behalf, have engaged, or will engage, in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are in bearer form and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder, including TEFRA D.

In accordance with TEFRA D, the Placement Agent and each Intermediary represents and agrees that:

- except to the extent permitted under TEFRA D, (a) it has not offered or sold, and until 40 days after the later of the commencement of the offering and the Closing Date (the “**Restricted Period**”) will not offer or sell, the Notes to a person who is within the United States or its possessions or to, or for the account or benefit of, a United States person and (b) it has not delivered and will not deliver within the United States or its possessions definitive Notes (if any) that are sold during the Restricted Period;
- it has, and throughout the Restricted Period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling the Notes are aware that such Notes may not be offered or sold during the Restricted Period to a person who is within the United States or its possessions or to, or for the account or benefit of, a United States person, except as permitted by TEFRA D;
- if the Intermediary is a United States person, it represents that it is acquiring the Notes for purposes of resale in connection with their original issuance and, if such Intermediary retains the Notes for its own account, it will only do so in accordance with TEFRA D;
- with respect to each affiliate (if any) that acquires from such Intermediary the Notes for the purpose of offering or selling such Notes during the Restricted Period, such Intermediary either (a)

hereby represents and agrees on behalf of such affiliate to the effect set forth in the three bullet points above or (b) agrees that it will obtain from such affiliate, for the benefit of the Issuer, the representations and agreements contained in the three bullet points above; and

- such Intermediary will obtain for the benefit of the Issuer the representations and agreements contained in the four bullet points above from any person other than its affiliate with whom it enters into a written contract, as defined under TEFRA D, for the offer and sale during the Restricted Period of the Notes.

Terms used in this paragraph have the meanings given to them by Regulation S,

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes or the Guarantee within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act. United Kingdom

The Placement Agent has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### ***EEA***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Placement Agent has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than the offers contemplated in this Prospectus in Luxembourg and Italy from the time the Prospectus has been approved by the competent authority in Luxembourg and published and notified to the relevant competent authorities) in accordance with the Prospectus Directive, and provided that the Issuer has consented in writing to use of the Prospectus for any such offers, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Placement Agent; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or the Placement Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

## GENERAL INFORMATION

### Authorisation

1. The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 18 January 2018 and the guarantee of the Notes was authorised by a resolution of the board of directors of the Guarantor passed on 18 January 2018.

### Expenses related to Admission to Trading

2. The total expenses related to the admission to trading of the Notes are expected to amount to €6,100 in respect of the admission to trading of the Notes on the Luxembourg Stock Exchange and an amount ranging between €7,500 and €18,000 (depending on the size of the Offering) in respect of the admission to trading of the Notes on the MOT.

### Listing and Admission to Trading

3. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and admitted to trading on Luxembourg Stock Exchange's regulated market.

Application has also been made to list the Notes on the regulated MOT segment of Borsa Italiana. Borsa Italiana has admitted the Notes to listing and trading on the regulated MOT segment with order n. LOL-003807 dated 22 January 2018. The Trading Start Date will be set by Borsa Italiana, and shall correspond to the settlement date of the purchase agreements with respect to the Notes and the Issue Date. See "*Sale and Offer of the Notes—Offering of the Notes—Technical Details of the Offering*".

### Legal and Arbitration Proceedings

4. Other than as described in the section "Legal Proceedings", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware) which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer and the Group.

### Significant/Material Change

5. Since 31 December 2016 there has been no material adverse change in the prospects of the Issuer, the Guarantor or the Group. Save as set out in "*Information About the Group - Recent Developments*", since 30 September 2017 there has been no significant change in the financial or trading position of the Issuer. Save as set out in "*Information About the Group - Recent Developments*", since 30 September 2017 there has been no significant change in the financial or trading position of the Guarantor or the Group.

### Auditors

6. The current Auditors of the Issuer are Deloitte Audit S.à r.l. ("**Deloitte Luxembourg**"), whose registered office is at 560, rue de Neudorf, L-2220 Luxembourg. Deloitte Luxembourg is registered under No. 40 in the Register of Independent Auditors held by the Commission Surveillance du Secteur Financier pursuant to Article 12 of the Law of 23 July 2016 concerning the audit profession and the relevant implementing regulations and is also a member of IRE (*Institut des réviseurs d'entreprises*), the Luxembourgish association of auditing firms.

The independent Auditors' appointment by the Issuer was conferred for the period by the shareholders' meeting held on 30 May 2017 and will expire on the date of the shareholders' meeting convened to approve the Issuer's financial statements for the financial year ended 31 December 2017.

The Auditors of the Issuer from the years ended 31 December 2013 to 31 December 2015 are A3T Audit S.A. ("A3T S.A."), whose registered office is at 44, boulevard Grande Duchesse Charlotte, L-1330 Luxembourg.

A3T S.A. Luxembourg. is registered under No. 128 in the Register of Independent Auditors held by the Commission Surveillance du Secteur Financier pursuant to Article 12 of the Law of 23 July 2016 concerning the audit profession and the relevant implementing regulations and is also a member of IRE (Institut des réviseurs d'entreprises), the Luxembourg association of auditing firms.

The independent Auditor's appointment by the Issuer was conferred for the period by the shareholders' meeting held on 21 May 2014 and expired on 5 May 2017.

7. The current Auditors of the Guarantor are Deloitte & Touche S.p.A. ("**Deloitte Italy**"), whose registered office is at Via Tortona 25, Milan, Italy. Deloitte is registered under No. 132587 in the Register of Independent Auditors held by the Ministry of Economy and Finance pursuant to Legislative Decree No. 39 of 27 January 2010 and the relevant implementing regulations and is also a member of ASSIREVI (*Associazione Nazionale Revisori Contabili*), the Italian association of auditing firms.

The independent Auditors' appointment by the Guarantor was conferred for the period by the shareholders' meeting held on 15 April 2016 and will expire on the date of the shareholders' meeting convened to approve the Guarantor's financial statements for the financial year ending 31 December 2024.

8. The reports of the auditors of the Issuer and the Guarantor are included or incorporated in this Prospectus in the form and context in which they are included or incorporated, with the consent of the relevant auditors who have authorised the contents of that part of this Prospectus.

## **Documents on Display**

9. Physical or electronic copies of the following documents (together, where appropriate, with English translations thereof) may be inspected during normal business hours at the offices of the Principal Paying Agent at The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, for 12 months from the date of this Prospectus:
  - (a) the memorandum and articles of association (*statuto*) of each of the Issuer and the Guarantor;
  - (b) this Prospectus;
  - (c) the Paying Agency Agreement and the Trust Deed (including the Guarantee);
  - (d) the 2015 Audited Issuer Financial Statements;
  - (e) the 2016 Audited Issuer Financial Statements;
  - (f) the 2015 Audited Consolidated Financial Statements; and
  - (g) the 2016 Audited Consolidated Financial Statements.

In addition, the full year financial statements of the Issuer are published on the website of the Group at <https://www.carraro.com/en> and the Guarantor publishes its interim and full year consolidated financial statements on its website at <https://www.carraro.com/en>.

### **Clearing Systems**

10. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS1747134564 and the common code is 174713456. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

### **Material Contracts**

11. The Issuer, the Guarantor and the companies forming part of the Group have not entered into any contracts in the last two years outside the ordinary course of their business which could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to holders of the Notes or the Guarantor's ability to meet its obligations under the Guarantee.

### **Potential Conflicts of Interest**

12. The Placement Agent and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions (including, without limitation, the provision of loan facilities) with, and may perform services for, the Issuer, the Guarantor and their respective affiliates in the ordinary course of business.
13. In addition, in the ordinary course of their business activities, the Placement Agent and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or the Issuer's or the Guarantor's affiliates or any entity related to the Notes. The Placement Agent and its affiliates that have a lending relationship with the Issuer or the Guarantor routinely hedge their credit exposure to the Issuer or the Guarantor, as the case may be, consistent with their customary risk management policies. Typically, the Placement Agent and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's or the Guarantor's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Placement Agent and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In particular, the Placement Agent will receive a commission (as further described in "*Sale and Offer of the Notes*").

### **Yield**

14. On the basis of the issue price of the Notes of 100 per cent. of their principal amount and a Minimum Interest Rate of 3.00 per cent. per annum, the gross real yield of the Notes is a minimum of 3.00 per cent. on an annual basis. The final yield will be set out in the Interest Rate and Yield Notice (see "*Sale and Offer of the Notes – Disclosure of the Results of the Offering*"). The yield indicated in this paragraph is calculated, and the final yield set out in the Interest Rate and Yield

Notice will be calculated, as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

**Legend Concerning US Persons**

15. The Notes and any Coupons appertaining thereto will bear a legend to the following effect: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.

**Post-issuance Information**

16. The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

**ANNEX 1**  
**SEPTEMBER 2017 INTERIM UNAUDITED CONSOLIDATED FINANCIAL REPORT**  
**OF THE GROUP**

**CARRARO S.p.A.**

Registered office in Campodarsego, Padua (Italy) – Via Olmo 37

Share Capital 41,452,543.60 Euros, fully paid-up.

Tax Code/VAT Registration Number and

In the Padua Companies Register 00202040283

R.E.A. no. 84033

## INTERIM CONSOLIDATED FINANCIAL REPORT OF THE CARRARO GROUP AS AT 30 SEPTEMBER 2017

### GENERAL INFORMATION

#### BOARD OF DIRECTORS

In office until approval of the 2017 financial statements  
(Appointments, Shareholders' Meeting of 23/03/2015)

<b>ENRICO CARRARO</b>	Chairman
<b>TOMASO CARRARO</b>	Deputy Chairman
<b>ALBERTO NEGRI</b>	Chief Executive Officer
<b>FABIO BUTTIGNON (1) (2)</b>	Director *
<b>RICCARDO ARDUINI</b>	Director
<b>MARINA MANNA (1) (2) (3)</b>	Director *
<b>MARINA PITTINI (1) (2)</b>	Director *

(1) Members of the Auditing and Risk Committee

(2) Members of the Appointments and Remuneration Committee

(3) Members of the Supervisory Board

\* Independent directors

#### BOARD OF STATUTORY AUDITORS

In office until approval of the 2017 financial statements  
(Appointments, Shareholders' Meeting of 23/03/2015)

<b>SAVERIO BOZZOLAN</b>	Chairman
<b>STEFANIA CENTORBI</b>	Regular Auditor
<b>ANDREA CORTELLAZZO</b>	Regular Auditor
<b>BARBARA CANTONI</b>	Alternate Auditor
<b>GIANMARCO MILANATO</b>	Alternate Auditor

#### INDEPENDENT AUDITORS

from 2016 to 2024

**Deloitte & Touche S.p.A.**

#### PARENT COMPANY

**Finaid S.p.A.**

Under the terms and for the purposes of Consob Communication no. 97001574 of 20 February 1997, we state that:

The Chairman, Mr. Enrico Carraro and the Chief Executive Officer, Mr. Alberto Negri, have been given severally powers of legal representation and use of the corporate signature in relations with third parties and in court; they carry out their work within the limits of the powers conferred on them by the Board of Directors in the meeting of 27 March 2015, in accordance with applicable legal constraints, in terms of matters which cannot be delegated by the Board of Directors and of responsibilities reserved for the Board itself, as well as the principles and limits provided for in the Company's Code of Conduct.

## CONSOLIDATED INCOME STATEMENT

<i>(amounts in Euro thousands)</i>	NOTES	30/09/2017	<i>of which non- recurring</i>	30/09/2016	<i>of which non- recurring</i>
<b>A) REVENUES FROM SALES</b>					
1) Products		433,399		450,923	
2) Services		6,280		11,364	
3) Other revenues		11,129		6,067	
<b>TOTAL REVENUES FROM SALES</b>	<b>1</b>	<b>450,808</b>		<b>468,354</b>	
<b>B) OPERATING COSTS</b>					
1) Purchases of goods and materials		304,404		268,665	
2) Services		67,768		72,644	
3) Use of third-party goods and services		956		1,548	
4) Personnel costs		71,028		73,951	
5) Amortisation, depreciation and impairment of assets		15,648		17,248	
5.a) depreciation of property, plant and equipment		12,535		13,599	
5.b) amortisation of intangible fixed assets		2,507		2,947	
5.c) impairment of fixed assets		362		450	
5.d) impairment of receivables		244		252	
6) Changes in inventories		-35,984		16,423	
7) Provision for risks and other liabilities		5,116	1,100	8,761	4,351
8) Other income and expenses		-6,718	-3,420	-3,549	
9) Internal construction		-1,286		-3,897	
<b>TOTAL OPERATING COSTS</b>	<b>2</b>	<b>420,932</b>		<b>451,794</b>	
<b>OPERATING PROFIT/(LOSS)</b>		<b>29,876</b>		<b>16,560</b>	
<b>C) GAINS/(LOSSES) ON FINANCIAL ASSETS</b>					
10) Income and expenses from equity investments		-		-206	
11) Other financial income		2,196		1,465	
12) Financial costs and expenses		-9,128		-10,544	
13) Net gains/(losses) on foreign exchange		-1,194		-1,568	
14) Value adjustments of financial assets		-1,838		-	
<b>NET GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>3</b>	<b>-9,964</b>		<b>-10,853</b>	
<b>PROFIT/(LOSS) BEFORE TAXES</b>		<b>19,912</b>	<b>2,320</b>	<b>5,707</b>	<b>-4,351</b>
15) Current and deferred income taxes	<b>4</b>	7,199	1,197	6,478	-
<b>NET PROFIT/(LOSS)</b>		<b>12,713</b>		<b>-771</b>	
16) Minority interests		1	-	1	-
<b>GROUP CONSOLIDATED PROFIT/(LOSS)</b>		<b>12,714</b>	<b>1,123</b>	<b>-770</b>	<b>-4,351</b>
<b>EARNINGS (LOSSES) PER SHARE</b>					
	<b>5</b>				
- basic, for the profit for the period attributable to ordinary shareholders of the parent company		€ 0.22		-€ 0.02	
- diluted, for the profit for the period attributable to ordinary shareholders of the parent company		€ 0.22		-€ 0.02	

**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**

(amounts in Euro thousands)

**30/09/2017    30/09/2016**

<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>	<b>12,713</b>	<b>-771</b>
<b>Other income components that could be recognised in the income statement in subsequent periods:</b>		
Change in cash flow hedge reserve	-451	76
Translation exchange differences	-5,398	-3,942
Taxes on other comprehensive income components	129	-19
<b>Total other income components that could be recognised in the income statement in subsequent periods:</b>	<b>-5,720</b>	<b>-3,885</b>
<b>Other income components that will not be recognised in the income statement in subsequent periods:</b>		
Change in the provision for discounting employee benefits	395	-590
Taxes on other comprehensive income components	-325	162
<b>Total other income components that will not be recognised in the income statement in subsequent periods:</b>	<b>70</b>	<b>-428</b>
<b>OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF TAX EFFECTS</b>	<b>-5,650</b>	<b>-4,313</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>7,063</b>	<b>-5,084</b>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the parent company	7,064	-5,083
Profit/(loss) pertaining to minorities	-1	-1
<b>Total comprehensive income for the period</b>	<b>7,063</b>	<b>-5,084</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(amounts in Euro thousands)</i>	NOTES	30/09/2017	31/12/2016
A) NON-CURRENT ASSETS			
1) Property, plant and equipment	6	139,871	150,849
2) Intangible fixed assets	7	59,713	61,117
3) Real estate investments	8	695	695
4) Equity investments in associated companies and joint venture	9	21,502	18,561
5) Financial assets	10	11,094	10,616
5.1) Loans and receivables		10,901	10,508
5.2) Other financial assets		193	108
6) Deferred tax assets	11	20,474	21,781
7) Trade receivables and other receivables	12	4,462	3,551
7.1) Trade receivables		-	-
7.2) Other receivables		4,462	3,551
<b>TOTAL NON-CURRENT ASSETS</b>		<b>257,811</b>	<b>267,170</b>
B) CURRENT ASSETS			
1) Closing inventory	13	123,080	90,665
2) Trade receivables and other receivables	12	111,097	72,916
2.1) Trade receivables		76,562	50,637
2.2) Other receivables		34,535	22,279
3) Financial assets	10	6,393	7,711
3.1) Loans and receivables		5,488	5,871
3.2) Other financial assets		905	1,840
4) Cash and cash equivalents	14	55,782	47,753
4.1) Cash		116	96
4.2) Bank current accounts and deposits		55,666	47,657
4.3) Other cash and cash equivalents		-	-
<b>TOTAL CURRENT ASSETS</b>		<b>296,352</b>	<b>219,045</b>
<b>TOTAL ASSETS</b>		<b>554,163</b>	<b>486,215</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(amounts in Euro thousands)</i>	NOTES	30/09/2017	31/12/2016
A) SHAREHOLDERS' EQUITY	<b>15</b>		
1) Share Capital		41,453	23,915
2) Other Reserves		39,332	46,972
3) Profits/(Losses) brought forward		-	-
4) Other IAS/IFRS reserves		105	427
5) Provision for discounting employee benefits		-334	-404
6) Foreign currency translation reserve		-20,492	-15,094
7) Result for the period pertaining to the group		12,714	-9,087
GROUP SHAREHOLDERS' EQUITY		72,778	46,729
8) Minority interests		-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>72,778</b>	<b>46,729</b>
B) NON-CURRENT LIABILITIES			
1) Financial liabilities	<b>16</b>	143,757	159,783
1.1) Bonds		-	-
1.2) Loans		143,651	159,666
1.3) Other financial liabilities		106	117
2) Trade payables and other payables	<b>17</b>	539	646
2.1) Trade payables		-	-
2.2) Other payables		539	646
3) Deferred tax liabilities	<b>11</b>	2,980	2,117
4) Provision for employee benefits/retirement		10,280	10,697
4.1) Provision for severance indemnity		10,128	9,865
4.2) Provision for retirement benefits		152	832
5) Provisions for risks and liabilities	<b>20</b>	5,045	4,711
5.1) Provision for warranties		3,241	2,117
5.2) Provision for legal claims		56	56
5.3) Provision for restructuring and reversion		-	-
5.4) Other provisions		1,748	2,538
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>162,601</b>	<b>177,954</b>
C) CURRENT LIABILITIES			
1) Financial liabilities	<b>16</b>	84,039	88,448
1.1) Bonds		-	-
1.2) Loans		83,505	87,896
1.3) Other financial liabilities		534	552
2) Trade payables and other payables	<b>17</b>	211,824	151,442
2.1) Trade payables		183,665	129,087
2.2) Other payables		28,159	22,355
3) Current taxes payables	<b>18</b>	9,163	6,473
4) Provisions for risks and liabilities	<b>20</b>	13,758	15,169
4.1) Provision for warranties		8,390	8,870
4.2) Provision for legal claims		930	1,335
4.3) Provision for restructuring and reversion		2,640	2,418
4.4) Other provisions		1,798	2,546
<b>TOTAL CURRENT LIABILITIES</b>		<b>318,784</b>	<b>261,532</b>
<b>TOTAL LIABILITIES</b>		<b>481,385</b>	<b>439,486</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>554,163</b>	<b>486,215</b>

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>(amounts in Euro thousands)</i>	Share Capital	Other reserves			Provision for discounting employee benefits	Reserve cash flow hedge	Foreign currency translation reserve	Profit/(Loss) for the period	Equity of Group	Minority interests	Total
		Capital reserves	Other reserves	Treasury stock acquired							
<b>Balance as at 01/01/2016</b>	<b>23,915</b>	<b>49,330</b>	<b>-16,276</b>	<b>-6,666</b>	<b>297</b>	<b>169</b>	<b>-13,489</b>	<b>-8,915</b>	<b>28,365</b>	<b>2,658</b>	<b>31,023</b>
<b>Comprehensive income for the period</b>					<b>-428</b>	<b>57</b>	<b>-3,942</b>	<b>-770</b>	<b>-5,083</b>	<b>-1</b>	<b>-5,084</b>
<b>Transactions with shareholders:</b>											
Future capital increase reserves		34,000							<b>34,000</b>		<b>34,000</b>
Allocation of 2015 results			-8,915				8,915		-		-
Treasury share purchase				-					-		-
Change in consolidation scope			-1,319	-	-13	1	-	-	<b>-1,331</b>	<b>-2,657</b>	<b>-3,988</b>
Other changes			-7						-7	-	-7
<b>Total transactions of the period</b>	<b>-</b>	<b>34,000</b>	<b>-10,241</b>	<b>-</b>	<b>-13</b>	<b>1</b>	<b>-</b>	<b>8,915</b>	<b>32,662</b>	<b>-2,657</b>	<b>30,005</b>
<b>Balance as at 30/09/2016</b>	<b>23,915</b>	<b>83,330</b>	<b>-26,517</b>	<b>-6,666</b>	<b>-144</b>	<b>227</b>	<b>-17,431</b>	<b>-770</b>	<b>55,944</b>	<b>-</b>	<b>55,944</b>

<i>(amounts in Euro thousands)</i>	Share Capital	Other reserves			Provision for discounting employee benefits	Reserve cash flow hedge	Foreign currency translation reserve	Profit/(Loss) for the period	Equity of Group	Minority interests	Total
		Capital reserves	Other reserves	Treasury stock acquired							
<b>Balance as at 01/01/2017</b>	<b>23,915</b>	<b>81,971</b>	<b>-28,333</b>	<b>-6,666</b>	<b>-404</b>	<b>427</b>	<b>-15,094</b>	<b>-9,087</b>	<b>46,729</b>	<b>-</b>	<b>46,729</b>
<b>Comprehensive income for the period</b>					<b>70</b>	<b>-322</b>	<b>-5,398</b>	<b>12,714</b>	<b>7,064</b>	<b>-1</b>	<b>7,063</b>
<b>Transactions with shareholders:</b>											
Share capital increase	17,538								<b>17,538</b>		<b>17,538</b>
Share premium reserve and capital increase expenses		1,447							<b>1,447</b>		<b>1,447</b>
Allocation of 2016 results			-9,087				9,087		-		-
Treasury share purchase				-					-		-
Change in consolidation scope										1	1
Other changes									-		-
<b>Total transactions of the period</b>	<b>17,538</b>	<b>1,447</b>	<b>-9,087</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,087</b>	<b>18,985</b>	<b>1</b>	<b>18,986</b>
<b>Balance as at 30/09/2017</b>	<b>41,453</b>	<b>83,418</b>	<b>-37,420</b>	<b>-6,666</b>	<b>-334</b>	<b>105</b>	<b>-20,492</b>	<b>12,714</b>	<b>72,778</b>	<b>-</b>	<b>72,778</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(amounts in Euro thousands)</i>	NOTES	30/09/2017	30/09/2016
Group profit / loss for the period	15	12,714	-770
Third party profit / loss for the period		-1	-1
Taxes accruing in the period		7,199	6,478
<b>Profit/(loss) before taxes</b>		<b>19,912</b>	<b>5,707</b>
Depreciation of property, plant and equipment	2	12,535	13,599
Amortisation of intangible fixed assets	2	2,507	2,947
Impairment of fixed assets	2	362	450
Provisions for risks	2	5,116	8,761
Provisions for employee benefits	2	3,265	3,386
Net gains/(losses) on foreign exchange	3	1,194	1,568
Income and expenses from equity investments		-	206
Net adjustments of financial assets		1,959	-
Other non-monetary income and expenses		-3,420	-
<b>Cash flows before changes in Net Working Capital</b>		<b>43,430</b>	<b>36,624</b>
Changes in inventory	13	-35,984	16,423
Changes in trade receivables and other receivables	12	-43,916	-11,940
Changes in trade payables and other payables	17	65,674	-7,661
Use of receivables/payables for deferred taxation	11	1,189	2,240
Use of funds for employee benefits		-3,521	-3,934
Changes in provision for risks	20	-5,536	-8,753
Change in other financial assets and liabilities		-58	-790
Tax payments	4	-3,059	-4,512
<b>Cash flows from operating activities</b>		<b>18,219</b>	<b>17,491</b>
Investments in Property, Plant and Equipment		-6,981	-5,650
Disinvestments and other movements in property, plant and equipment		914	307
Investments in Intangible fixed assets		-1,317	-4,083
Disinvestments and other movements in Intangible fixed assets		-15	-95
Equity investments/divestments	9	-4,900	-
<b>Cash flows from Investing activities</b>		<b>-12,299</b>	<b>-9,521</b>
Change in financial assets	10	1,468	3,058
Change in financial liabilities	16	-16,228	-32,627
Change in Share Capital	15	6,460	-
Share premium reserve contribution	15	13,368	-
Payment future capital increase account	15	-	34,000
Treasury share purchase	15	-	-
Other movements of shareholders' equity	15	-1,245	-3,808
<b>Cash flows from financing activities</b>		<b>3,823</b>	<b>623</b>
<b>Total cash flows for the period</b>		<b>9,743</b>	<b>8,593</b>
<b>Opening cash and cash equivalents</b>		<b>47,753</b>	<b>70,758</b>
Exchange changes in cash and cash equivalents		-1,714	-1,412
<b>Closing cash and cash equivalents</b>		<b>55,782</b>	<b>77,939</b>

## EXPLANATORY AND SUPPLEMENTARY NOTES

### 1. Introduction

Preparation of the Interim Consolidated Financial Report as at 30 September 2017 of Carraro S.p.A. and subsidiaries (hereinafter also "Carraro Group"), for the period running from 1 January 2017 to 30 September 2017 is authorised by resolution taken by the Board of Directors on 18 December 2017.

Carraro S.p.A. is a joint-stock company registered in Italy at the Padua Companies Register and controlled by Finaid S.p.A.

Carraro S.p.A. is not subject to management and coordination activities under the terms of Art. 2497 *et seq* of the Italian Civil Code.

The controlling shareholder Finaid S.p.A. does not perform any activity of management and coordination in relation to Carraro, and in particular:

- Finaid is a purely financial holding;
- Finaid does not issue any directions to Carraro;
- the Finaid Board of Directors does not approve Carraro's strategic plans or business plans nor does it "interfere" regularly in its operations; and
- there are no relationships of a commercial or financial nature between Finaid and Carraro.

This interim consolidated financial report as at 30 September 2017 is presented in Euros, as this is the currency in which most of the group's operations are conducted. The foreign companies are included in the interim consolidated financial report in accordance with the principles described in the notes that follow.

Amounts in these financial statements are given in thousand Euro, while amounts in the notes are indicated in million Euro.

The Carraro Group companies are principally engaged in the manufacture and marketing of drive systems developed for agricultural tractors, construction equipment, material moving machinery, light commercial vehicles and automobiles, and electronic control and power systems.

The Carraro Group is organised into two CGUs (Cash Generating Units): Carraro Drive Tech and Agritalia.

### Reporting criteria and accounting principles

The consolidated annual financial statements are drawn up in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board ("IASB") and homologated by the European Union in accordance with Regulation no. 1606/2002 and with the provisions issued in implementing Art. 9 of Italian Legislative Decree no. 38/2005. This interim consolidated financial report has been drawn up in abridged form in compliance with IAS 34 "Interim Financial Reporting". As such, it does not include all the information required by the consolidated annual financial statements; it must be read together with the consolidated annual financial statements drawn up for the year ended on 31 December 2016.

In preparing this interim consolidated financial report as at 30 September 2017, drawn up in accordance with IAS 34 "Interim Financial Reporting" the same accounting standards have been used as adopted in preparing the condensed consolidated interim financial statements as at 30 June 2017.

The interim consolidated financial report as at 30 September 2017 has been prepared on the assumption of business continuity.

## **2. Structure and content of the interim consolidated financial report as at 30 September 2017**

This interim consolidated financial report as at 30 September 2017 has been prepared in accordance with the revised International Accounting Standards (IAS/IFRS) ratified by the European Union and to this end the figures of financial statements of the consolidated subsidiary companies have been reclassified and adjusted appropriately.

This document contains a number of “alternative performance indicators” not envisaged by the IFRS accounting standards: EBITDA (understood as the sum of operating profit/(loss), amortization, depreciation and impairment of fixed assets); EBIT (understood as operating profit/(loss) in the income statement); NET FINANCIAL POSITION OF OPERATIONS (ESMA net financial 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, adjusting, where applicable, non-current receivables and financial assets). EBIT and EBITDA can also be adjusted in order to take into account any exceptional items occurred during the period.

### **2.1 Format of the consolidated financial statements**

With regard to the format of consolidated accounting schedules, the Company opted to present the following accounting statements.

#### ***Income Statement***

Items on the consolidated income statement are classified by their nature.

#### ***Statement of Comprehensive Income***

The statement of comprehensive income includes items of income and costs that are not posted on the period income statement, as required or permitted by the IFRSs, such as changes to the cash flow hedge reserve, changes to the reserve for employee benefits - actual gains and losses, changes to the translation reserve and the result of financial assets available for sale.

#### ***Statement of financial position***

The consolidated interim statement of financial position is presented with separate disclosure of Assets, Liabilities and Shareholders' Equity.

Assets and Liabilities are illustrated in the Consolidated Financial Statements according to their classification as current and non-current.

#### ***Statement of Changes in Shareholders' Equity***

The statement of changes in shareholders' equity is presented in accordance with the requirements of the international accounting standards, showing the comprehensive income for the period and all changes generated from transactions with shareholders.

#### ***Statement of Cash Flows***

The consolidated statement of cash flows illustrates the changes in cash and cash equivalents (as presented in the statement of financial position) divided by cash generating area in accordance with the “indirect method”, as permitted by IAS 7.

#### ***Accounting statements of transactions with related parties (Consob regulation 15519)***

With reference to the reporting of related-party transactions in the financial statements, provided for in Consob Resolution 15519 of 27 July 2006, balances of a significant amount are specifically indicated, to facilitate understanding of the assets and liabilities, financial position and results of the group, in the table of paragraph 8 below devoted to related party transactions.

**2.2 Content of the interim consolidated financial report as at 30 September 2017****Consolidation scope**

The interim consolidated financial report as at 30 September 2017 of the Carraro Group includes the financial statements of Carraro S.p.A. and companies it directly or indirectly controls.

The definition of a subsidiary is consistent with that given in the Carraro Group's annual financial statements as at 31 December 2016.

The following companies are consolidated using the line-by-line method:

Name	Based in	Currency	Nominal value Share capital	Group stake
<b>Parent company:</b>				
Carraro S.p.A.	Campodarsego (Padua)	EUR	41,452,544	
<b>Italian subsidiaries:</b>				
Carraro Drive Tech S.p.A.	Campodarsego (Padua)	EUR	30,102,365	100.00%
Siap S.p.A.	Maniago (Pordenone)	EUR	14,500,000	100.00%
<b>Foreign subsidiaries:</b>				
Carraro International S.A.	Luxembourg	EUR	39,318,000	100.00%
Carraro Deutschland GmbH	Hattingen (Germany)	EUR	10,507,048	100.00%
Carraro Technologies India Pvt. Ltd.	Pune (India)	INR	18,000,000	100.00%
Carraro Argentina S.A.	Haedo (Argentina)	ARS	105,096,503	99.95%
Carraro China Drive System	Qingdao (China)	CNY	168,103,219	100.00%
Carraro India Ltd.	Pune (India)	INR	568,515,380	100.00%
Carraro North America Inc.	Norfolk (USA)	USD	1,000	100.00%
Fon S.A.	Radomsko (Poland)	PLN	-	98.64%
Carraro Drive Tech Do Brasil	Santo André (State of Sao Paulo)	BRL	18,835,789	100.00%
Mini Gears Inc	Virginia Beach (USA)	USD	8,910,000	100.00%
Gear World North America Inc.	Virginia Beach (USA)	USD	20,000	100.00%
Mini Gears Property	Virginia Beach (USA)	USD	20,000	100.00%

Associated companies and joint venture are consolidated using the net equity method as better defined in the following paragraph "*measurement criteria and accounting standards*".

The following companies are consolidated using the net equity method:

Name	Based in	Currency	Nominal value Share capital	Shareholding of the Group
<b>Associated companies:</b>				
O&K Antriebstechnik GmbH	Hattingen (Germany)	EUR	4,000,000	45.00%
Elettronica Santerno S.p.A.	Campodarsego (Padua)	EUR	4,412,000	49.01%
<b>Joint Venture:</b>				
Agriming Agriculture Equipment Co. Ltd.	Shandong (China)	EUR	10,000,000	49.00%

**Changes in the consolidation area and other operations of company reorganisation**

On 5 June 2017, the capital increase was completed, already approved on 27 June 2016 and subscribed for the amount of 34 million Euros by the shareholders Finaid SpA and Julia Dora Koranyi Arduini on 29 June 2016, with the further contribution of 20 million Euros from the market, as better defined in the Note 15. The offer was fully subscribed.

On 22 June 2017, an agreement was signed between Carraro International S.A. and Shandong Juming Machinery Co. Ltd. for the incorporation of the joint venture Agriming Agriculture Equipment Co. Ltd., with total capital of 10 million Euros. This agreement envisages that the shareholding of Carraro International S.A. is 49%, as better defined in the Note 9.

**3. Consolidation criteria and accounting standards****3.1 Consolidation criteria**

The figures are consolidated using the line by line method, that is assuming the entire amount of the assets, liabilities, costs and earnings of the individual companies, regardless of the stock held in the company.

Foreign subsidiaries are consolidated using financial statement formats in line with the layout adopted by the parent company and compiled in accordance with common accounting standards, as applied for Carraro S.p.A.

The carrying amount of consolidated equity interests, held by Carraro S.p.A. or by other companies within the consolidation scope, was offset by the relevant amount of shareholders' equity in the subsidiary companies.

The possible amount of shareholders' equity and the net profit/(loss) of these third-party shareholders are shown in the Consolidated Statement of Financial Position and Income Statement respectively.

Payable and receivables, income and expenditure and all operations undertaken between the companies included within the consolidation scope have been eliminated, including dividends distributed within the Group.

Profits not yet realised and capital gains and losses deriving from operations between companies of the Group have also been eliminated.

Intra-group losses that indicate impairment are recognised in the consolidated financial statements.

Balances in foreign currencies have been converted into Euros using the exchange rate of the end of the period for assets and liabilities, historical exchange rates for shareholders' equity items and average exchange rates in the period for the income statement.

Exchange differences resulting from this conversion method are shown in a specific shareholders' equity item entitled "Foreign currency translation reserve".

The exchange rates applied for the translation of balances presented in foreign currencies were as follows:

Currency	Average exchange 01.01.17 30.09.17	Exchange as at 30.09.17	Average exchange 01.01.16 30.09.16	Exchange as at 30.09.16
Indian Rupee	72.645	77.069	74.916	74.366
Polish Zloty	4.265	4.304	4.358	4.319
US Dollar	1.114	1.181	1.116	1.116
Chinese Renminbi	7.577	7.853	7.347	7.446
Argentine Peso	18.125	20.663	16.233	17.022
South African Rand	-	-	16.683	15.524
Brazilian Real	3.535	3.764	3.956	3.621

### 3.2 Accounting standards and measurement criteria

#### ***IFRS accounting standards, amendments and interpretations adopted since 1 January 2017:***

Since the entry into force of new IFRS accounting standards, amendments and interpretations as from 1 January 2017 is not envisaged, the Group has prepared the interim consolidated financial report as at 30 September 2017 using the same accounting standards adopted for the consolidated financial statements as at 31 December 2016.

#### ***IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted in advance by the Group as at 30 September 2017:***

##### ***IFRS 15 – Revenue from Contracts with Customers:***

Published on 28 May 2014 and supplemented with further clarifications published on 12 April 2016, it is intended to replace the standards IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services.

The standard establishes a new revenue recognition model to be applied to all customer contracts except those falling within the scope of other IAS/IFRS standards such as leases, insurance contracts and financial instruments. The key steps for revenue recognition according to the new model are:

- identification of the contract with the customer;
- identification of the contract performance obligations;
- price determination;
- allocation of the price to the performance obligations of the contract;
- revenue recognition criteria when the entity meets each performance obligation.

The standard will apply from 1 January 2018 but early application is allowed. The amendments to IFRS 15, Clarifications to IFRS 15 - Revenue from Contracts with Customers, published by the IASB on 12 April 2016, have not yet been endorsed by the European Union. It is not possible to provide a reasonable estimate of the effect until the Group has completed a detailed analysis of customer contracts.

##### ***IFRS 9 – Financial instruments:***

On 24 July 2014, the IASB published the final version. The document includes the results of the IASB project to replace IAS 39. The new standard must be applied to the financial statements beginning on or after 1 January 2018.

The standard introduces new criteria for the classification and valuation of financial assets and liabilities. In particular, for financial assets, the new standard uses a single approach based on financial instrument management methods and on the characteristics of the contractual cash flows of such financial assets in order to determine their valuation criterion, replacing the various rules provided for by IAS 39. For financial liabilities, on the other hand, the main change regards the accounting treatment of the changes in fair value of a financial liability designated as a financial liability valued at fair value through the income statement, if these changes are due to changes in the creditworthiness of the issuer of such liability. According to the new standard, these changes must be recognised in the "Other comprehensive income" table and no longer in the income statement.

With reference to impairment, the new standard requires that the estimate of losses on receivables be made on the basis of the expected losses model (and not on the incurred losses model used by IAS 39) using supporting information, available without unreasonable burden or effort, which includes historical, current and prospective data. The standard envisages that this impairment model is applied to all financial instruments, i.e. to financial assets valued at amortised cost, to those valued at fair value through other comprehensive income, to receivables deriving from rental contracts and to trade receivables.

Finally, the standard introduces a new hedge accounting model to meet the requirements of IAS 39 that were sometimes considered too stringent and unsuitable to reflect company risk management policies. The main innovations of the document concern:

- the increase in the types of transactions eligible for hedge accounting, also including the risks of non-financial assets/liabilities eligible to be managed with hedge accounting;
- the change in the way forward contracts and options are accounted when included in a hedge accounting relationship in order to reduce the volatility of the income statement;
- changes to the effectiveness test by replacing the current methods based on the 80-125% parameter with the principle of "economic relationship" between hedged item and hedging instrument; moreover, an assessment of the retrospective efficacy of the hedging relationship will no longer be required.

The greater flexibility of the new accounting rules is offset by additional disclosure requirements on the company's risk management activities. It is not possible to provide a reasonable estimate of the effect until the Group has completed a detailed analysis.

**IFRS standards, amendments and interpretations not yet endorsed by the European Union:****IFRS 16 – Leases:**

On 13 January 2016, the IASB published IFRS 16 - Leases which is intended to replace IAS 17 - Leases, as well as the interpretations IFRIC 4 Determining Whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of an asset for distinguishing lease contracts from service contracts, identifying as discriminating factors: identification of the asset, the right to replace the same, the right to obtain substantially all of the economic benefits arising from the use of the asset and the right to direct the use of the asset underlying the contract.

The standard establishes a single model of recognition and valuation of lease contracts for the lessee which entails recognising the asset covered by the lease, also operating lease, under assets with an offsetting financial payable, while also providing the possibility of not recognising as leases contracts which refer to "low-value assets" and leases with a contract term less than or equal to 12 months. On the contrary, the standard does not include significant changes for lessors.

The standard is applicable as from 1 January 2019 but early application is allowed only for companies that have implemented IFRS 15 - Revenue from Contracts with Customers. The Directors expect that application of IFRS 16 may have a significant impact on the accounting treatment of lease contracts and on the related disclosures in the Group consolidated financial statements. Nevertheless, it is not possible to provide a reasonable estimate of the effect until the Group has completed a detailed analysis of the related contracts.

**Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses:**

On 19 January 2016, the IASB published the document "Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)" which contains amendments to IAS 12. The document is intended to provide some clarification on the inclusion of deferred tax assets on unrealised losses upon the occurrence of certain circumstances and on the estimated taxable income for future years. These amendments, published by the IASB in January 2016 and applicable from 1 January 2017, not yet having been approved by the European Union, have not been adopted by the Group as at 30 September 2017. At the moment, the directors are considering the possible impacts of these changes on the Group consolidated financial statements.

**Amendments to IAS 7: Disclosure Initiative:**

On 29 January 2016, the IASB published the document "Disclosure Initiative (Amendments to IAS 7)" which contains amendments to IAS 7. The document aims to provide some clarification to improve disclosures on financial liabilities. In particular, the changes require a disclosure that enables users of the financial statements to understand the changes in liabilities arising from financing operations, including changes resulting from monetary movements and changes resulting from non-monetary movements. The changes do not envisage a specific format to be used for the disclosure. Nevertheless, the changes introduced require an entity to provide a reconciliation of the opening balance and the closing balance for liabilities arising from financial transactions. Presentation of comparative information relating to prior years is not required. These amendments, published by the IASB in January 2016 and applicable from 1 January 2017, not yet having been approved by the European Union, have not been adopted by the Group as at 30 September 2017. At the moment, the directors are considering the possible impacts of these changes on the Group consolidated financial statements.

**Amendments to IFRS 2: Classification and measurement of share-based payment transactions:**

On 20 June 2016, the IASB published the document "Classification and measurement of share-based payment transactions (Amendments to IFRS 2)" which contains the amendments to IFRS 2. The amendments provide some clarification with regard to the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of changes to the terms and conditions of a share-based payment which alter their classification from cash-settled to equity-settled. The changes will apply from 1 January 2018 but early application is allowed. At the moment, the directors are considering the possible impacts of these changes on the Group consolidated financial statements.

**Annual Improvements to IFRSs: 2014-2016 Cycle:**

On 8 December 2016, the IASB published the document "Annual Improvements to IFRSs: 2014-2016 Cycle" which incorporates the amendments to certain standards as part of the annual improvement process of the same. The main changes concern:

- IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice*. The amendment clarifies that the option for a venture capital organization or other entity with such qualification (such as a mutual fund or similar entity), in order to measure investments in associates and joint ventures measured at fair value through profit or loss (rather than by applying the net equity method) must be carried out for each investment at the time of initial recognition. This amendment applies from 1 January 2018.
- IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*. The amendment clarifies the scope of IFRS 12 specifying that the information required by the standard, except for that provided for in paragraphs B10-B16, applies to all equity interests that are classified as held for sale, held for distribution to shareholders or as discontinued operations in accordance with IFRS 5. This amendment is applicable from 1 January 2017 but, since it has not yet been approved by the European Union, it was not adopted by the Group as at 30 September 2017.

At the moment, the directors are considering the possible impacts of these changes on the Group consolidated financial statements.

***IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration:***

On 8 December 2016, the IASB published the document “Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)”. The interpretation aims to provide guidelines for foreign exchange transactions if they are recognized under non-cash advances or down payments, prior to recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction and, as a result, the spot exchange rate to be used when there are foreign currency transactions in which the payment is made or received in advance.

The interpretation clarifies that the transaction date is the earlier of:

- the date on which the advance payment or down payment received are entered in the accounts of the entity; and
- the date on which the asset, cost or revenue (or part of the same) is entered in the accounts (with resulting reversal of the advance payment or down payment received).

If there are several advance payments or receipts, a transaction date must be identified for each of them. IFRIC 22 is applicable from 1 January 2018, but earlier application is allowed. At the moment, the directors are considering the possible impacts of these changes on the Group consolidated financial statements.

***Amendments to IAS 40: Transfers of Investment Property:***

On 8 December 2016, the IASB published the document “Transfers of Investment Property (Amendments to IAS 40)” which contains amendments to IAS 40. These changes clarify the transfer of a property to, or from, property investment. In particular, an entity must reclassify a property among, or from, property investments only when there is evidence that there has been a change of use of the property. This change must be attributed to a specific event that occurred and must not therefore be limited to a change of intention on the part of the management of an entity. These changes will apply from 1 January 2018 but early application is allowed. At the moment, the directors are considering the possible impacts of these changes on the Group consolidated financial statements.

***IFRIC Interpretation 23: Uncertainty over Income Tax Treatments:***

On 7 June 2017, the IASB published the interpretative document IFRIC 23 – Uncertainty over Income Tax Treatments. The document addresses the issue of uncertainty about the tax treatment to be adopted on income taxes.

The document envisages that uncertainties in the determination of tax liabilities or assets are reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure requirements, but emphasises that the entity will have to determine whether it will be necessary to provide information on the management's considerations and the uncertainty inherent in the accounting of the tax, in accordance with IAS 1.

The new interpretation applies from 1 January 2019, but early application is permitted. At the moment, the directors are considering the possible impacts of these changes on the Group consolidated financial statements.

***Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture:***

On 11 September 2014, the IASB published an amendment to IFRS 10 and IAS 28 *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10.

According to IAS 28, the gain or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for a share in the capital of the latter is limited to the share in the joint venture or associate held by the other investors extraneous to the transaction. In contrast, IFRS 10 requires the recording of the entire gain or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling stake in the same, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The changes introduced provide that in the case of a sale/contribution of an asset or a subsidiary to a joint venture or associate, the extent of the gain or loss to be recognised in the financial statements of the seller/contributor depends on whether or not the assets or subsidiary sold/contributed constitute a business, in the sense of IFRS 3. In the event that the assets or subsidiary sold /contributed represent a business, the entity must recognise the gain or loss on the entire investment previously held; while, if not, the share of the gain or loss on the stake still held by the entity must be eliminated. At the moment, the IASB has suspended application of this amendment. At the moment, the directors are considering the possible impacts of these changes on the Group consolidated financial statements.

### 3.3 Business Combinations and Goodwill

Business combinations are accounted for according to the purchase method. This requires the recognition at fair value of the identifiable assets (including intangible fixed assets previously not recognised) and identifiable liabilities (including potential liabilities and excluding future restructuring) of the business acquired.

The goodwill acquired through a business combination is initially measured at cost, represented by the amount by which the cost of the business combination exceeds the share attributable to the Group of the net fair value of the identifiable assets, liabilities and potential liabilities (of the business acquired). In order to analyse appropriateness, goodwill acquired in a merger is allocated at the date of acquisition, to the individual cash generating units of the Group or to groups of cash generating units, which should benefit from the synergies of the combination, irrespective of whether other Group assets or liabilities are allocated to such units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level, within the Group, at which the goodwill is monitored for internal management purposes; and
- is no larger than the business segments identified on the basis of the Group's primary or secondary schedule of presentation of the segment reporting, determined on the basis of the indications of IFRS 8 "Operating Segments".

When the goodwill represents part of a cash generating unit (or group of cash generating units) and part of the asset internal to that unit is transferred, the goodwill associated with the asset transferred is included in the carrying amount of the asset in order to determine the profit or loss generated by the transfer. Goodwill transferred in such cases is calculated on the basis of the values relating to the asset transferred and of the portion of the unit maintained in existence.

When the transfer concerns a subsidiary, the difference between the selling price and the net assets plus the accumulated translation differences and goodwill is recognised in the income statement.

### 3.4 Acquisitions of additional equity interests after achieving control

IAS 27 Revised states that, once control of an entity has been obtained, transactions in which the controlling entity buys or sells further minority interests without affecting the control exercised over the subsidiary are transactions with owners and therefore must be recognised in shareholders' equity. It follows that the carrying amount of the controlling and the minority interests must be adjusted to reflect the change in the equity investment in the subsidiary and any difference between the amount of the adjustment made to the minority interests and the fair value of the price paid or received in this transaction is recognised directly in shareholders' equity and is attributed to the owners of the parent company. There will be no adjustments to the value of goodwill and profits or losses recognised in the income statement. Any ancillary expenses deriving from these transactions, moreover, must be recognised in shareholders' equity in accordance with the provisions of IAS 32, paragraph 35.

Previously, in the absence of a specific Standard or Interpretation on the subject, in the case of acquisition of minority interests in companies already controlled, the Carraro Group had adopted the Parent Entity Extension Method, which involved recognition of the difference between the purchase price and the carrying amounts of assets and liabilities under the item Goodwill. In the case of sale of minority interests without loss of control, instead, the Group recognised the difference between the carrying amount of the assets and liabilities sold and the sales price in the income statement.

### 3.5 Intra-group transactions

As regards related-party transactions, including intra-group transactions, said transactions cannot be qualified as atypical or unusual, and are part of the normal operations of Group companies. Said transactions take place in market conditions, considering the characteristics of the goods and services provided.

Information on related-party transactions, including the information required by Consob Communication of 28 July 2006, is given in section 8.

#### 4. Reporting by business and geographic segment

Information on Operating Segments is given on the basis of the internal reporting provided to the highest operating decision-making level.

For operational purposes, the Group manages and controls its business on the basis of the type of products supplied. In November 2016, control of the Santerno Business Area was sold, the results of which were therefore recognised in the financial statements using the line-by-line consolidation method up to that month while subsequently it was consolidated with the net equity method.

Two operating segments were identified, corresponding to the following Business Areas:

- Carraro Drive Tech (*Transmission systems and components*): specialised in the design, manufacture and sale of transmission systems (axles, transmissions and planetary drives) mainly for agricultural and construction equipment, and also markets a wide range of components and gears for very diverse sectors, from the automotive industry to light power tools, material handling, agricultural applications and construction equipment;
- Carraro Divisione Agritalia (*Vehicles*): designs and manufactures special tractors (from 60 to 100 hp) on behalf of third parties and under its own brand.

The item “unallocated items” brings together the Groups operations not allocated to the two operating segments, and comprises the central holding and management activities of the Carraro Group.

The Management examines separately the results achieved by the operating segments in order to take decisions on the allocation of resources and on assessment of the results.

##### 4.1 Business segments

The most significant information by business segment is presented in the tables below, with comparisons for 30 September 2017 and 30 September 2016.

##### a) economic data

<b>30/09/2017</b> (amounts in Euro thousands)	<b>Drive Tech</b>	<b>Agritalia</b>	<b>Elettronica Santerno</b>	<b>Eliminations and items not allocated</b>	<b>Consolidated Total</b>
<b>Revenues from sales</b>	<b>368,439</b>	<b>103,155</b>	-	<b>-20,786</b>	<b>450,808</b>
Sales to third parties	348,628	100,471	-	229	449,328
Related sales	1,336	-	-	144	1,480
Sales between divisions	18,475	2,684	-	-21,159	-
<b>Operating costs</b>	<b>340,413</b>	<b>98,570</b>	-	<b>-18,051</b>	<b>420,932</b>
Purchases of goods and materials	221,178	103,417	-	-20,191	304,404
Services	55,086	10,739	-	1,943	67,768
Use of third-party goods and services	13,482	-	-	-12,526	956
Personnel costs	51,601	9,348	-	10,079	71,028
Amortization, depreciation and impairment of assets	12,248	1,119	-	2,281	15,648
Changes in inventories	-9,515	-26,678	-	209	-35,984
Provisions for risks	3,183	1,504	-	429	5,116
Other income and expenses	-6,591	-327	-	200	-6,718
Internal construction	-259	-552	-	-475	-1,286
<b>Operating profit/(loss)</b>	<b>28,026</b>	<b>4,585</b>	-	<b>-2,735</b>	<b>29,876</b>

**30/09/2016***(amounts in Euro thousands)*

	Drive Tech	Agritalia	Elettronica Santerno	Eliminations and items not allocated	Consolidated Total
<b>Revenues from sales</b>	<b>357,108</b>	<b>97,210</b>	<b>32,622</b>	<b>-18,586</b>	<b>468,354</b>
Sales to third parties	337,538	94,023	32,620	-21	464,160
Related sales	3,931	-	-	263	4,194
Sales between divisions	15,639	3,187	2	-18,828	-
<b>Operating costs</b>	<b>341,918</b>	<b>90,897</b>	<b>36,240</b>	<b>-17,261</b>	<b>451,794</b>
Purchases of goods and materials	208,447	63,619	14,136	-17,537	268,665
Services	53,183	11,241	6,179	2,041	72,644
Use of third-party goods and services	13,198	-	292	-11,942	1,548
Personnel costs	49,806	9,072	5,431	9,642	73,951
Amortisation, depreciation and impairment of assets	12,821	1,237	1,280	1,910	17,248
Changes in inventories	1,665	5,885	9,009	-136	16,423
Provisions for risks	6,359	1,377	378	647	8,761
Other income and expenses	-3,305	-100	-47	-97	-3,549
Internal construction	-256	-1,434	-418	-1,789	-3,897
<b>Operating profit/(loss)</b>	<b>15,190</b>	<b>6,313</b>	<b>-3,618</b>	<b>-1,325</b>	<b>16,560</b>

**b) Other information**

<b>30/09/2017</b>	Drive Tech	Agritalia	Elettronica Santerno	Eliminations and items not allocated	Consolidated Total
Investments ( <i>Euros/000</i> )	6,623	897	-	778	8,298
Workforce as at 30/09	2,646	306	-	155	3,107

<b>30/09/2016</b>	Drive Tech	Agritalia	Elettronica Santerno	Eliminations and items not allocated	Consolidated Total
Investments ( <i>Euros/000</i> )	5,065	1,475	490	2,704	9,734
Workforce as at 30/09	2,649	252	124	161	3,186

**4.2 Geographic segments**

The Group's industrial operations are located in various areas of the world: Italy, North and South America, Asia (India and China).

The Group's sales, deriving from the manufacturing carried out in the above areas are achieved equally with customers in Europe, Asia and the Americas.

**a) activity**

The following table illustrates the book values of current and non-current assets according to the primary geographic areas of manufacture.

<i>(amounts in Euro thousands)</i>	<b>30/09/2017</b>		<b>31/12/2016</b>	
	<b>CURRENT ASSETS</b>	<b>NON-CURRENT ASSETS</b>	<b>CURRENT ASSETS</b>	<b>NON-CURRENT ASSETS</b>
Italy	210,623	371,015	176,143	391,078
Other E.U. countries	73,858	101,131	57,133	117,221
North America	310	-1	618	58
South America	23,556	8,950	24,433	10,329
Asia (India, China)	99,015	51,656	84,597	57,056
Non-E.U. countries	-	-	3,708	29
<i>Eliminations and items not allocated</i>	-111,010	-274,940	-127,587	-308,601
<b>Total</b>	<b>296,352</b>	<b>257,811</b>	<b>219,045</b>	<b>267,170</b>

**b) investments**

The table below illustrates the value of investments in the primary geographic areas of manufacture.

<i>(amounts in Euro thousands)</i>	<b>30/09/2017</b>	<b>30/09/2016</b>
Italy	6,134	10,594
Other E.U. countries (Germany, Poland)	-	-
North America	-	-
South America	315	340
Asia (India, China)	2,216	2,472
Non-E.U. countries	-	-
<i>Eliminations and items not allocated</i>	-367	-3,672
<b>Total</b>	<b>8,298</b>	<b>9,734</b>

**5. Non-recurring operations**

As at 30 September 2017, there are non-recurring transactions related to the gain recognised by the subsidiary Carraro Argentina S.A. amounting to 3.4 million Euros for the disposal of the remaining owned industrial area and to the restructuring costs of the group for a total of 1.1 million Euros relating to the downsizing of the workforce in Argentina.

<b>30/09/2017</b>	<b>PROVISIONS FOR RISKS AND LIABILITIES</b>	<b>OTHER INCOME AND EXPENSES</b>	<b>EBIT</b>	<b>TAXES</b>	<b>NET</b>
<i>(amounts in Euro thousands)</i>					
Carraro Argentina S.A.	1,100	-3,420	-2,320	1,197	-1,123
<b>Total</b>	<b>1,100</b>	<b>-3,420</b>	<b>-2,320</b>	<b>1,197</b>	<b>-1,123</b>

**6. Notes and comments****Revenues and costs****A) Revenues from sales (Note 1)**

<i>(amounts in Euro thousands)</i>	<b>30/09/2017</b>	<b>30/09/2016</b>
SALES OF PRODUCTS	434,782	452,253
SALES RETURNS	-1,383	-1,330
<i>1) PRODUCTS</i>	<i>433,399</i>	<i>450,923</i>
WORK ON CONTRACT	1,579	1,420
OTHER SERVICES	694	4,106
REVENUES FROM PROGRESS ON ORDERS	4,007	5,838
<i>2) SERVICES</i>	<i>6,280</i>	<i>11,364</i>
OTHER GOODS	10,508	5,308
OTHER REVENUES	621	759
CUSTOMER DISCOUNTS	-	-
<i>3) OTHER REVENUES</i>	<i>11,129</i>	<i>6,067</i>
<b>TOTAL REVENUES FROM SALES</b>	<b>450,808</b>	<b>468,354</b>

**B) Operating costs (Note 2)**

<b>OPERATING COSTS</b>	<b>30/09/2017</b>	<b>30/09/2016</b>
<i>(amounts in Euro thousands)</i>		
1) PURCHASES OF GOODS AND MATERIALS	304,404	268,665
2) SERVICES	67,768	72,644
3) USE OF THIRD-PARTY GOODS AND SERVICES	956	1,548
4) PERSONNEL COSTS	71,028	73,951
5) AMORTISATION, DEPRECIATION AND IMPAIRMENT OF ASSETS	15,648	17,248
6) CHANGES IN INVENTORIES	-35,984	16,423
7) PROVISION FOR RISKS AND OTHER LIABILITIES	5,116	8,761
8) OTHER INCOME AND EXPENSES	-6,718	-3,549
9) INTERNAL CONSTRUCTION	-1,286	-3,897
<b>Total</b>	<b>420,932</b>	<b>451,794</b>

The changes in the income statement are significantly affected by the change in the Scope of Consolidation of 2016, in particular the exit of the subsidiary Elettronica Santerno S.p.A. whose results until November 2016 were recognised as part of the various income statement items of the Carraro Group.

EBITDA at 30 September 2017 amounted 45.280 million Euros, an increase of 34.9% compared to 33.556 million Euros at 30 September 2016.

<i>(amounts in Euro thousands)</i>	<b>30/09/2017</b>	<b>30/09/2016</b>
<b>EBITDA</b>	<b>45,280</b>	<b>33,556</b>
<b>ADJUSTED EBITDA</b>	<b>42,960</b>	<b>37,907</b>

Adjusted EBITDA will take account of transactions not related to ordinary operations, referred to restructuring activities concerning Carraro Argentina, detailed as follow:

<i>(valori in migliaia di Euro)</i>	<b>30/09/2017</b>	<b>30/09/2016</b>
<b>EBITDA</b>	<b>45,280</b>	<b>33,556</b>
Non ordinary costs/(incomes)	-2,320	4,351
of which:		
Provisions for risks	1,100	4,351
Other income and expenses	-3,420	-
<b>ADJUSTED EBITDA</b>	<b>42,960</b>	<b>37,907</b>

### **C) Net income from financial assets (note 3)**

<b>GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>30/09/2017</b>	<b>30/09/2016</b>
<i>(amounts in Euro thousands)</i>		
10) INCOME AND EXPENSES FROM EQUITY INVESTMENTS	-	-206
11) OTHER FINANCIAL INCOME	2,196	1,465
12) FINANCIAL COSTS AND EXPENSES	-9,128	-10,544
13) NET GAINS/(LOSSES) ON FOREIGN EXCHANGE	-1,194	-1,568
14) ADJUSTMENTS OF FINANCIAL ASSETS	-1,838	-
<b>Total</b>	<b>-9,964</b>	<b>-10,853</b>

Net financial expenses amounted to 6.9 million Euros (1.5% of turnover) compared to 9.1 million Euros (1.9% of turnover) as at 30 September 2016, with a decrease of 23.65%.

The exchange differences as at 30 September 2017 were negative at 1.194 million Euros (negative at 1.568 million Euros as at 30 September 2016).

Value adjustments to financial assets mainly refer to the economic effect of the equity method valuation of Elettronica S.p.A.

### **Income taxes (note 4)**

<b>INCOME TAXES</b>	<b>30/09/2017</b>	<b>30/09/2016</b>
<i>(amounts in Euro thousands)</i>		
CURRENT TAXES	7,212	3,449
TAX CONSOLIDATION EXPENSE AND INCOME	-	-
TAXES FROM PREVIOUS YEARS	-1,140	865
DEFERRED TAXES	1,127	2,164
PROVISION FOR TAX RISKS RELATIVE TO DIRECT TAXES	-	-
<b>Total</b>	<b>7,199</b>	<b>6,478</b>

#### Current taxes

Taxes on the income of Italian companies are calculated at 24%, for IRES (corporation tax), and at 3.90% for IRAP (regional business tax) on the respective taxable income for the period. Taxes for the other foreign companies are calculated at the rates in force in the various countries.

#### Tax consolidation expense and income

Carraro S.p.A., Carraro Drive Tech S.p.A., SIAP S.p.A. and Carraro International SA adhere to the tax consolidation area of the parent company Carraro S.p.A. The option is valid for the three years 2015-2017. The charges/income deriving from the transfer of the IRES taxable base are booked under current taxes.

Deferred taxes

These are set aside on the temporary differences between the carrying amount of the assets and liabilities and the corresponding tax value, on the consolidation entries and on the tax losses carried forward to the extent that it is probable that there will be adequate future tax profits for which such losses can be utilised in a reasonably short period of time. For further details see note 11.

**Group earnings or losses per share** (Note 5)

Basic earnings (losses) per share are calculated by dividing the net earnings (net losses) for the year attributable to the company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year.

<i>(amounts in Euro thousands)</i>	<b>30/09/2017</b>	<b>30/09/2016</b>
<b>Results</b>		
Earnings (Losses) for the purposes of calculating basic earnings per share	12,714	-770
Diluting effect deriving from potential ordinary shares	-	-
Earnings (Losses) for the purposes of calculating diluted earnings per share	12,714	-770
	<b>30/09/2017</b>	<b>30/09/2016</b>

**Number of shares**

Weighted average number of ordinary shares for calculating:

basic earnings (losses) per share:	57,817,082	43,362,812
diluted earnings (losses) per share:	57,817,082	43,362,812
Basic earnings (losses) per share (Euros):	0.22	-0.02
Diluted earnings (losses) per share (Euros):	0.22	-0.02

**Property, plant and equipment** (note 6)

These items present a net balance of 139.871 million Euros compared with 150.849 million Euros in the previous period.

The breakdown by category is as follows:

<b>Items</b> <i>(amounts in Euro)</i>	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Industrial equipment</b>	<b>Other assets</b>	<b>Investments in progress and deposits</b>	<b>Total</b>
Historical cost	76,010	181,636	103,404	14,587	3,116	378,753
Provisions for amortisation and depreciations	-24,360	-112,318	-79,153	-12,073	-	-227,904
<b>Net as at 31/12/2016</b>	<b>51,650</b>	<b>69,318</b>	<b>24,251</b>	<b>2,514</b>	<b>3,116</b>	<b>150,849</b>
Historical cost	74,645	178,573	102,661	14,540	2,883	373,302
Provisions for amortisation and depreciations	-24,865	-115,591	-80,658	-12,317	-	-233,431
<b>Net as at 30/09/2017</b>	<b>49,780</b>	<b>62,982</b>	<b>22,003</b>	<b>2,223</b>	<b>2,883</b>	<b>139,871</b>

**Intangible fixed assets** (Note 7)

These items present a net balance of 59.713 million Euros compared with 61.117 million Euros in the previous period.

The breakdown is as follows:

<b>Items</b> <i>(amounts in Euro)</i>	<b>Goodwill</b>	<b>Development costs</b>	<b>Royalties and patents</b>	<b>Licences and Trademarks</b>	<b>Invest. in prog. and deposits</b>	<b>Other intangible assets</b>	<b>Total</b>
Historical cost	56,619	7,701	1,088	26,718	8,573	-	100,699
Provisions for amortisation and depreciations	-19,825	-3,449	-984	-15,324	-	-	-39,582

<b>Net as at 31/12/2016</b>	<b>36,794</b>	<b>4,252</b>	<b>104</b>	<b>11,394</b>	<b>8,573</b>	-	<b>61,117</b>
Historical cost	56.619	7,701	1,133	26,369	9,859	-	101.681
Provisions for amortisation and depreciations	-19.825	-4,359	-1,017	-16,767	-	-	-41.968
<b>Net as at 30/09/2017</b>	<b>36,794</b>	<b>3,342</b>	<b>116</b>	<b>9,602</b>	<b>9,859</b>	-	<b>59,713</b>

**Real estate investments** (Note 8)

These present a net balance of 0.7 million Euro, unchanged compared to 31 December 2016, and relate to civil property owned by Carraro S.p.A. and Siap S.p.A.

**Equity investments** (Note 9)**Equity investments in associated companies and joint venture**

As at 30 September 2017, the Carraro Group has a holding of 16.552 million Euros, equal to 45%, in the associated company O&K Antriebstechnik GmbH.

The carrying amount is the fair value determined at the date of loss of control according to the provisions of IFRS 10 subsequently adjusted based on the equity criterion, taking account of profits and losses attributable to the Carraro Group in application of the agreements signed with the majority shareholder on 30 December 2015.

Again at 30 September 2017, as a result of the investment agreement with Enertronica S.p.A., the Group holds an associate holding in Elettronica Santerno S.p.A. of 27.36% equal to 0.026 million Euros via Carraro S.p.A. and a holding of 21.65% equal to 0.021 million Euros via Carraro International S.A. The carrying amount is the fair value determined at the date of loss of control according to the provisions of IFRS 10 subsequently adjusted based on the equity criterion, taking account of profits and losses attributable to the Carraro Group.

In addition, the Group holds an equity investment in the joint venture Agriming Agriculture Equipment Co. Ltd. of 49%, equal to 4.9 million Euros, through Carraro International S.A.

**Financial assets** (note 10)

<i>(amounts in Euro thousands)</i>	<b>30/09/2017</b>	<b>31/12/2016</b>
Loans to related parties	5,663	5,663
Loans to third parties	5,238	4,845
<b>LOANS AND RECEIVABLES</b>	<b>10,901</b>	<b>10,508</b>
Available for sale	87	96
Other financial assets	106	12
<b>OTHER FINANCIAL ASSETS</b>	<b>193</b>	<b>108</b>
<b>NON-CURRENT FINANCIAL ASSETS</b>	<b>11,094</b>	<b>10,616</b>
With related parties	2,500	2,500
With third parties	2,988	3,371
<b>LOANS AND RECEIVABLES</b>	<b>5,488</b>	<b>5,871</b>
Fair value of derivatives	405	1,234
Other financial assets	500	606
<b>OTHER FINANCIAL ASSETS</b>	<b>905</b>	<b>1,840</b>
<b>CURRENT FINANCIAL ASSETS</b>	<b>6,393</b>	<b>7,711</b>

**Non-current loans and receivables**

Non-current loans and receivables include the medium/long-term portion (4.89 million Euros) of the receivable from Argentine real estate companies to which the land and buildings related to the production plant of Carraro Argentina in two successive moments were sold. This item also includes the medium-/long-term portion (0.34 million Euros) of the receivable due from FON SKB sp. Z.o.o. acquired by the subsidiary FON relative to the sale of the activity during 2011. Non-current related party loans and receivables refer to the medium/long-term portion of 5.66 million Euros of the loan to Elettronica Santerno S.p.A..

Values of these receivables approximate their fair value.

**Other non-current financial assets**

These include minority shareholdings and guarantee deposits.

**Current loans and receivables**

These mainly refer to the 2.45 million Euros of the current portion of the financial receivable from Argentine real estate companies to which the land and buildings related to the production plant of Carraro Argentina in two successive moments were sold.

**Other current financial assets**

This item includes "cash flow hedge" derivatives for 0.4 million Euros. The amount refers to the fair value calculated as at 30/09/2017 of current instruments on currencies. Profits or losses deriving from hedging instruments are recognised in the statement of comprehensive income and accumulated in a specific shareholders' equity reserve for the efficient part, while the remaining (inefficient) portion is recognised in the income statement.

**Deferred tax assets and liabilities** (note 11)

The carrying amount of net deferred tax assets recognised as at 30 September 2017 was 17.5 million Euros (19.7 million Euros as at 31 December 2016).

**Trade receivables and other receivables** (Note 12)

<i>(amounts in Euro thousands)</i>	<b>30/09/2017</b>	<b>31/12/2016</b>
<b>NON CURRENT TRADE RECEIVABLES</b>	-	-
With third parties	4,462	3,551
<b>OTHER NON-CURRENT RECEIVABLES</b>	<b>4,462</b>	<b>3,551</b>
<b>NON-CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES</b>	<b>4,462</b>	<b>3,551</b>
With related parties	2,820	3,170
With third parties	73,742	47,467
<b>CURRENT TRADE RECEIVABLES</b>	<b>76,562</b>	<b>50,637</b>
With related parties	809	809
With third parties	33,726	21,470
<b>OTHER CURRENT RECEIVABLES</b>	<b>34,535</b>	<b>22,279</b>
<b>CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES</b>	<b>111,097</b>	<b>72,916</b>

Related party receivables refer to the credit from tax consolidation vis-a-vis the parent company Finaid S.p.A. and to transactions with O&K Antriebstechnik GmbH, Elettronica Santerno S.p.A. and Santerno subsidiaries.

**Closing inventory (Note 13)**

<b>Items</b> <i>(amounts in Euro thousands)</i>	<b>30/09/2017</b>	<b>31/12/2016</b>
Raw materials	90,006	65,286
Work in progress and semi-finished products	34,370	25,350
Finished products	16,590	17,889
Goods in transit	557	266
<b>Total inventories</b>	<b>141,523</b>	<b>108,791</b>
Provision for impairment of inventories	-18,443	-18,126
<b>Total inventories</b>	<b>123,080</b>	<b>90,665</b>

**Cash and cash equivalents (Note 14)**

<i>(amounts in Euro thousands)</i>	<b>30/09/2017</b>	<b>31/12/2016</b>
CASH	116	96
BANK CURRENT ACCOUNTS AND DEPOSITS	55,666	47,657
OTHER LIQUID FUNDS OR EQUIVALENT ASSETS	-	-
<b>TOTAL</b>	<b>55,782</b>	<b>47,753</b>

As at 30 September 2017, there are no restrictions on cash and cash equivalents in Carraro Group companies.

**Shareholders' equity (note 15)**

<i>(amounts in Euro thousands)</i>	<b>30/09/2017</b>	<b>31/12/2016</b>
1) Share Capital	41,453	23,915
2) Other Reserves	39,332	46,972
3) Profits/(Losses) brought forward	-	-
4) Other IAS/IFRS reserves	105	427
5) Termination benefit discounting reserve	-334	-404
6) Foreign currency translation reserve	-20,492	-15,094
7) Result for the period pertaining to the group	12,714	-9,087
<b>GROUP SHAREHOLDERS' EQUITY</b>	<b>72,778</b>	<b>46,729</b>
8) Minority interests	-	-
<b>TOTAL</b>	<b>72,778</b>	<b>46,729</b>

The Carraro S.p.A. Shareholders' Meeting of 31 March 2017 resolved to carry forward the loss of Carraro S.p.A. for 2016 amounting to 1,437,173 Euros.

The Share Capital is set at 41,452,543.60 Euros, fully paid up, divided into 76,442,194 ordinary shares with nominal value of 0.52 Euros each and 3,274,236 class B shares with a nominal value of 0.52 Euros each.

Compared to the previous year, the share capital was increased following the capital increase completed on 5 June 2017, which led to the issue of 33,726,630 new shares (30,452,394 ordinary and 3,274,236 type B) for a total value of 17,537,848 Euros (of which 6,460,152 Euros paid during the first half of 2017).

Both categories of shares issued by the company (ordinary shares and B shares) do not give a fixed dividend.

No other financial instruments which assign equity and investment rights have been issued.

As at 30 September 2017 no new treasury shares were purchased. The overall investment therefore amounts to 6.666 million Euros.

**Other reserves**

The item "Other reserves" of 39.332 million Euros, includes reserves of Carraro S.p.A. relating to profits not distributed or carried forward and others as follows:

- 63.42 million Euros relating to the Carraro S.p.A. share premium reserve;

- 4.761 million Euros relating to the Carraro S.p.A. legal reserve;
- less 8.755 million Euros relating to the extraordinary reserve and retained earnings of Carraro S.p.A.;
- less 6.666 million Euros for deduction of the reserve corresponding to own share purchased by Carraro S.p.A.;
- less 13.428 million Euros arising from the reduction in the shareholders' equities of consolidated companies with respect to the corresponding carrying amounts of equity investments and consolidation adjustments.

As of 30 September 2017, the total amount, compared to the previous year, from the increase in the share capital amounts to 19,828 million Euros of which 6,460 million Euros of share capital increase and 13,367 million Euros of share premium reserve. It also be noted that the other reserves include the costs, for the increase in share capital described above, for a total amount of 2,213 million Euros, of which 0,9 million Euros incurred during the period ended 30 September 2017.

#### Other IAS/IFRS reserves

This includes the values arising from application of the criterion prescribed for cash flow hedging of 0.11 million Euros.

#### Provision for discounting employee benefits

This reserve, which is negative amounting to 0.33 million Euros, includes Employee benefit actuarial gains/losses, as provided for by IAS 19 Revised.

#### Foreign currency translation reserve

This reserve, which is negative amounting to 20.49 million Euros, is used to record exchange differences arising from conversion to Euros of the financial statements of foreign subsidiaries.

It should be noted that, as required by IAS 1 Revised paragraph 83, the movements in the period of the foreign currency translation reserve were recognised in the statement of comprehensive income, as detailed below:

<i>(amounts in Euro thousands)</i>	31/12/2016	Changes in the Statement of Comprehensive Income	Changes by area	30/09/2017
Exchange reserve of the parent company's shareholders	-15,094	-5,398	-	-20,492
Exchange reserve of minority interests	-	-	-	-
<b>Effect of the translation reserve on the statement of comprehensive income</b>	<b>-15,094</b>	<b>-5,398</b>	-	<b>-20,492</b>

#### Financial liabilities (note 16)

The classification of the financial liabilities as at 30/09/2017 and 31/12/2016 is indicated.

<i>(amounts in Euro thousands)</i>	30/09/2017	31/12/2016
<i>MEDIUM/LONG-TERM LOANS</i>	143,651	159,666
<b>NON-CURRENT FINANCIAL LIABILITIES</b>	<b>143,651</b>	<b>159,666</b>
<i>OTHER NON-CURRENT FINANCIAL LIABILITIES</i>	106	117
<b>OTHER NON-CURRENT FINANCIAL LIABILITIES</b>	<b>106</b>	<b>117</b>
<b>NON-CURRENT FINANCIAL LIABILITIES</b>	<b>143,757</b>	<b>159,783</b>
<i>MEDIUM-/LONG-TERM LOANS – short-term portion</i>	23,024	23,438
<i>SHORT-TERM LOANS</i>	60,481	64,458
<b>CURRENT FINANCIAL LIABILITIES</b>	<b>83,505</b>	<b>87,896</b>
<i>FAIR VALUE OF INTEREST RATE DERIVATIVES</i>	-	-
<i>FAIR VALUE OF EXCHANGE RATE DERIVATIVES</i>	-	281
<i>OTHER CURRENT FINANCIAL LIABILITIES</i>	534	271
<b>OTHER CURRENT FINANCIAL LIABILITIES</b>	<b>534</b>	<b>552</b>
<b>CURRENT FINANCIAL LIABILITIES</b>	<b>84,039</b>	<b>88,448</b>

Interim Financial Report as at 30 September 2017

A breakdown of medium- and long-term financial debts (shown at nominal value), inclusive of the portion expiring before the end of the year, amounting to a total of 167.822 million Euros, is presented below.

COMPANY	LENDER	Short-term portion as at 30/09/2017	Md/lg- term portion as at 30/09/2017	EXPIRY	RATE	RATE TYPE	CURREN CY
<i>(amounts in Euro thousands)</i>							
Carraro China Drive System	Bank of Communications	2,795	904	Oct-18	5.23%	variable	CNY
Carraro China Drive System	Agricultural Bank	1,184	2,610	Mar-20	5.23%	variable	CNY
Carraro India	Exim	701	-	Jun-18	12.00%	variable	INR
Carraro India	Idbi Bank	134	2,541	Jun-23	3.75%	variable	EURO
Carraro India	Idbi Bank	340	2,849	Mar-24	10.67%	variable	INR
Carraro India	Axis	597	1,492	Mar-21	11.40%	variable	INR
Carraro India	Siemens Financial	24	-	Nov-17	13.00%	variable	INR
Carraro India	Siemens Financial	40	-	Feb-18	12.97%	variable	INR
Carraro Drivetech do Brasil	Bradesco Financ	4	-	Apr-18	21.19%	variable	BRL
Carraro Argentina	HSBC	1	-	Oct-17	11.50%	variable	ARS
Carraro Argentina	HSBC	6	4	May-19	11.50%	variable	ARS
Carraro Argentina	HSBC	6	15	Sep-20	11.50%	variable	ARS
Carraro International	BPV Finance	1,576	13,899	Dec-22	3.93%	variable	EURO
Carraro International	MPS	538	4,743	Dec-22	3.23%	variable	EURO
Carraro International	MPS	339	2,993	Dec-22	3.23%	variable	EURO
Carraro International	Pool of banks	6,516	57,487	Dec-22	3.23%	variable	EURO
Carraro International	Pool of banks (revolving)	3,584	31,617	Dec-22	3.23%	variable	EURO
Carraro S.p.A.	MPS	1,309	11,550	Dec-22	3.23%	variable	EURO
Carraro S.p.A.	Cassa Risparmio di Bolzano	1,143	1,190	Jun-19	3.40%	variable	EURO
Carraro S.p.A.	Selmabipiemme Leasing	8	27	Mar-22	1.57%	variable	EURO
SIAP	De Lage Landen	119	226	Jun-20	3.75%	fixed	EURO
SIAP	Albaleasing	69	27	Jan-19	2.94%	variable	EURO
SIAP	Albaleasing	177	144	Jul-19	2.94%	variable	EURO
SIAP	Credit Agricole Leasing	27	-	Jun-18	3.42%	variable	EURO
SIAP	Credit Agricole Leasing	68	20	Dec-18	3.42%	variable	EURO
SIAP	Fraer Leasing	25	82	Nov-21	1.42%	variable	EURO
SIAP	Fraer Leasing	25	86	Jan-22	1.42%	variable	EURO
SIAP	Fraer Leasing	65	230	Feb-22	1.42%	variable	EURO
Carraro Drive Tech S.p.A.	Banca Pop.Verona	1,138	10,043	Dec-22	3.16%	variable	EURO
Carraro Drive Tech S.p.A.	Fraer Leasing	91	223	Feb-21	1.42%	variable	EURO
Carraro Drive Tech S.p.A.	Fraer Leasing	36	135	May-22	1.42%	variable	EURO
<b>TOTAL</b>		<b>22,685</b>	<b>145,137</b>				

Medium- and long-term financial debts are indicated below according to the year of expiry.

<b>Year of expiry</b>	
<i>(amounts in Euro thousands)</i>	
2017 (4th quarter)	6,274
2018	28,446
2019	29,456
2020	33,090
2021	31,333
2022	38,366
2023	739
2024	118
<b>Total financial debts at nominal value</b>	<b>167,822</b>
amortised cost effect and exchange delta	-1,147
<b>Total financial debts</b>	<b>166,675</b>

The net financial position is broken down below:

<b>Net financial position</b>	<b>30/09/2017</b>	<b>31/12/2016</b>	<b>30/09/2016</b>
<i>(amounts in Euro thousands)</i>			
Non-current loans payable	-143,651	-159,666	-167.631
Current loans payable	-83,505	-87,896	-110.879
Other non-current financial liabilities	-106	-117	174
Other current financial liabilities	-534	-271	-677
<b>Financial liabilities:</b>	<b>-227,796</b>	<b>-247,950</b>	<b>-279.013</b>
Current loans and receivables	5,488	5,871	4.701
Other current financial assets	500	606	617
<b>Financial assets:</b>	<b>5,988</b>	<b>6,477</b>	<b>5.318</b>
Cash	116	96	113
Bank current accounts and deposits	55,666	47,657	77.826
<b>Cash and cash equivalents:</b>	<b>55,782</b>	<b>47,753</b>	<b>77.939</b>
<b>Net financial position (*)</b>	<b>-166,026</b>	<b>-193,720</b>	<b>-195.756</b>
Non-current loans and receivables	10,901	10,508	5.420
Other non-current financial assets	106	12	-242
<b>Net financial position of operations</b>	<b>-155,019</b>	<b>-183,200</b>	<b>-190.578</b>
of which payables / (receivables):			
- non-current	-132,750	-149,263	-162.279
- current	-22,269	-33,937	-28.299

(\*) Net financial debt drawn up in accordance with the framework provided for by Recommendation ESMA/2013/319

The Carraro Group has available short term banking credit facilities for a total of 159.569 million Euros, 60.480 million Euros used. These facilities may be used for current account overdrafts and short-term loans.

Medium- and long-term bank credit facilities amount to a total of 188.310 million Euros, against 167.822 million Euros are used (medium- and long-term portion and portion due within the year).

**Fair Value**

The fair value of medium- and long-term financial liabilities, taking account of the fact that these are almost exclusively for variable-rate funding and that the terms renegotiated with the banking counterparties are in line with the average levels for the market and the segment – even considering the residual volatility of the markets and the relative uncertainty in identifying “reference” conditions – as measured is not significantly different overall from the carrying amounts.

**Trade payables and other payables** (note 17)

<i>(amounts in Euro thousands)</i>	<b>30/09/2017</b>	<b>31/12/2016</b>
<b>NON-CURRENT TRADE PAYABLES</b>	-	-
With third parties	539	646
<b>OTHER NON-CURRENT PAYABLES</b>	<b>539</b>	<b>646</b>
<b>TRADE PAYABLES AND OTHER NON-CURRENT PAYABLES</b>	<b>539</b>	<b>646</b>
With related parties	185	2,143
With third parties	183,480	126,944
<b>CURRENT TRADE PAYABLES</b>	<b>183,665</b>	<b>129,087</b>
With related parties	90	90
With third parties	28,069	22,265
<b>OTHER CURRENT PAYABLES</b>	<b>28,159</b>	<b>22,355</b>
<b>TRADE PAYABLES AND OTHER CURRENT PAYABLES</b>	<b>211,824</b>	<b>151,442</b>

**Current taxes payables** (note 18)

<i>(amounts in Euro thousands)</i>	<b>30/09/2017</b>	<b>31/12/2016</b>
<b>Current taxes payables</b>	<b>9,163</b>	<b>6,473</b>

**Number of employees**

The number of employees refers only to the fully consolidated companies and is divided into the following categories:

<b>Employees</b>	<b>31/12/2016</b>	<b>Changes</b>	<b>30/09/2017</b>
Executives	25	-	25
Clerical staff	661	-6	655
Factory workers	2,006	1	2,007
Temporary workers	287	133	420
<b>Total</b>	<b>2,979</b>	<b>128</b>	<b>3,107</b>

**Provision for risks and liabilities** (note 20)

The item can be broken down as follows:

<i>(amounts in Euro thousands)</i>	<b>Opening situation</b>	<b>Increases</b>	<b>Decreases</b>	<b>Reclassification</b>	<b>Exchange-rate adjustments</b>	<b>Closing situation</b>
<b>Non-current portion</b>						
1) WARRANTY	2,117	-	-	1,124	-	3,241
2) COSTS OF LEGAL CLAIMS	56	-	-	-	-	56
3) RESTRUCTURING AND CONV.	-	-	-	-	-	-
4) OTHER PROVISIONS	2,538	271	-755	-	-306	1,748
<b>TOTAL</b>	<b>4,711</b>	<b>271</b>	<b>-755</b>	<b>1,124</b>	<b>-306</b>	<b>5,045</b>
<b>Current portion</b>						
1) WARRANTY	8,870	3,938	-3,215	-1,124	-79	8,390
2) COSTS OF LEGAL CLAIMS	1,335	71	-390	-	-86	930
3) RESTRUCTURING AND CONV.	2,418	1,100	-741	-	-137	2,640
4) OTHER PROVISIONS	2,546	1,439	-2,141	-	-46	1,798
<b>TOTAL</b>	<b>15,169</b>	<b>2,904</b>	<b>-2,843</b>	<b>-1,124</b>	<b>-348</b>	<b>13,758</b>

From the product warranty reserve, 3.215 million Euros was used for customer claims accepted and the reserve was increased by 3.938 million Euros on the basis of the expected warranty costs which will be incurred in relation to sales made.

The use of the costs of legal claims provision relates to personnel disputes.

The restructuring provision allocated as at 30 September 2017, concerning the reorganisation and restructuring of the Carraro Group, has been used for an amount of 0.741 million Euros.

**7. Commitments and risks**

No significant events occurred as worthy of note.

**8. Transactions with related parties** (note 21)

The Carraro Group is controlled directly by Finaid S.p.A., which as at 30/09/2017 held 35.3949% of the shares outstanding.

Carraro S.p.A. and all Italian subsidiaries, as well as Carraro International S.A., are included in the tax consolidation area of the parent company Carraro S.p.A. The charges/income deriving from the transfer of the IRES taxable base are booked under current taxes.

Other receivables and payables include, *inter alia*, the tax consolidation balances with the parent company Finaid S.p.A.

The transactions between Carraro S.p.A. and its subsidiaries which are affiliated entities of Carraro S.p.A., were eliminated in the consolidated financial statements and are not pointed out in these notes.

The details of the transactions between Carraro Group and other affiliated companies according to principle IAS 24 and Consob requirements, are indicated below.

<b>Related parties</b>	<b>Financial and commercial transactions</b>			<b>Economic transactions</b>		
	Financial assets	Trade receivables and other receivables	Trade payables and other payables	Sales revenues	Operating costs	Other financial income
Finaid S.r.l.	-	853	90	9	-	-
O&K Antriebstechnik GmbH	-	916	74	1,378	433	-
Elettronica Santerno S.p.A.	8,163	1,109	110	-	1	28
Elettronica Santerno Ind. e Com. Ltd.	-	112	-	58	-	-
Santerno South Africa Pty Ltd	-	115	-	-	-	-
Santerno USA	-	524	-	35	-	3
<b>TOTAL</b>	<b>8,163</b>	<b>3,629</b>	<b>274</b>	<b>1,480</b>	<b>434</b>	<b>31</b>

**10. Events subsequent to the reporting date.**

Nothing to report.

The Chairman  
  
Enrico Carraro

## REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL REPORT

**To the Board of Directors of  
CARRARO S.p.A.**

### Introduction

We have reviewed the accompanying consolidated interim financial report of Carraro S.p.A. and subsidiaries (the "Carraro Group"), which comprises the statement of financial position balance sheet as of September 30, 2017 and the income statement, the comprehensive income statement, the statement of changes in consolidated shareholders' equity and the statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory and supplementary notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of consolidated interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

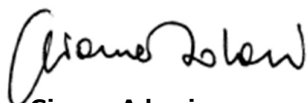
### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial report as at September 30, 2017 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

### Other Matter

Figures related to the period ended as of September 30, 2016 have been examined by us solely for the purposes of expressing our conclusion on the consolidated interim financial report as at September 30, 2017.

DELOITTE & TOUCHE S.p.A.



**Gianna Adami**  
Partner

Padua, Italy  
January 15, 2018

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Palermo Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220.00 i.v.  
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 172039 | Partita IVA IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo [www.deloitte.com/about](http://www.deloitte.com/about).

© Deloitte & Touche S.p.A.

**ANNEX 2**  
**ISSUER AUDITED STATEMENT OF CASH FLOWS**

**BASIS OF ACCOUNTING OF THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED  
DECEMBER 31, 2014**

Carraro International S.E. (formerly Carraro International S.A.), ("the Company") prepares its annual accounts in compliance with the legal requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg. The accounting principles and valuation criteria are defined and implemented by the Board of Directors, apart from those stipulated by the Law of August 10, 1915.

The Company is part of the Carraro Group (the "Group") and included in its consolidated financial statements.

The annual accounts as at and for the year ended December 31, 2014 have been audited and the audit report was signed on May 8, 2015.

The attached statement of cash flows has been prepared by using the balance sheet as at December 31, 2014 and the profit and loss account for the years then ended, which were prepared by the Company in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts as described above.

The Financial Information is prepared for the purpose of meeting the requirements of Article 20.1 of Annex 1 of EU Regulation (EC) 809/2004 as regard to information to be included in prospectuses. As a result, they may not be suitable for another purpose.

For further information, one may refer to the audited published annual accounts of the Company, for the year ended December 31, 2014.

This statement of cash flows is not part of a full set of the IFRS financial statements, nor has the Company ever published a full set of IFRS financial statements.

The Company. presented the attached statement of cash flows in Euro.

The Company has used the following principles for the purpose of presentation and classification in this statement of cash flows, which are consistent with the basis of presentation and classification principles applied for the Group consolidated statement of cash flows:

- Cash flows are inflows and outflows of cash and cash equivalents. Cash may comprise cash on hand and demand deposits.
- Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities.

The cash flow classification used by the Company may not be comparable to similarly titled measures of other companies and should not be considered as a substitute for analysis of our operating, investing and financing activities.

*Operating activities*

Operating activities are activities that are not investing or financing activities. Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the company. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss.

The Company reports cash flows from operating activities using the method whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

*Investing activities*

Investing activities consist of acquisition and disposal of tangible and intangible assets and equity investments.

*Financing activities*

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company and changes in loans granted to subsidiaries of the Group.

*Non-cash transactions*

Operating, investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows.

*Cash and cash equivalents*

The Company has included in the cash and cash equivalents the current accounts held with banks. None of these amounts are encumbered in any way.

**STATEMENT OF CASH FLOWS**

(amounts in Euro)

**31.12.2014**

Profit/(loss) for the year pertaining to the Issuer	389,816
Tax recorded in the Profit & Loss	235,476
<b>Profit/(loss) before taxes</b>	<b>625,292</b>
Amortisation of intangible fixed assets	176,877
Net adjustments of financial assets	11,263
<b>Cash flows before changes in Net Working Capital</b>	<b>813,433</b>
Changes in trade receivables and other receivables	53,595
Changes in trade payables and other payables	-172,395
Tax payments	-53,250
<b>Cash flows from operating activities</b>	<b>641,382</b>
Investments in plant, property and equipment and real estate investments	-
Disinvestments and other movements in property, plant and equipment	-
Investments in intangible assets	-
Disinvestments and other movements in intangible assets	-175,930
Equity investments/divestments	-4,014,433
<b>Cash flows from Investing activities</b>	<b>-4,190,362</b>
Change in financial assets	32,733,693
Change in financial liabilities	-23,947,132
Dividends deliberated	-400,000
Other equity movements	-
<b>Cash flows from financing activities</b>	<b>8,386,561</b>
<b>Total cash flows for the year</b>	<b>4,837,581</b>
<b>Opening cash and cash equivalents</b>	<b>15,278,104</b>
<b>Closing cash and cash equivalents</b>	<b>20,115,685</b>

Carraro International S.E.  
(formerly Carraro Internatioanl S.A.)

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014  
AND REPORT OF RÉVISEUR D'ENTREPRISES AGRÉÉ**

15, Rue des Bains  
L-1212 Luxembourg  
R.C.S. Luxembourg : B 68 721

## TABLE OF CONTENTS

	Pages
- Report of the <i>réviseur d'entreprises agréé</i> in accordance with International Standards of Auditing 805	2-3
- Statement of cash flows for the year ended December 31, 2014	4
- Basis of accounting of the statement of cash flows for the year ended December 31, 2014	5-6

To the Board of Directors of  
Carraro International S.E.  
(formerly Carraro Internatioanl S.A.)  
15, Rue des Bains  
L-1212 Luxembourg

## Report of the Réviseur d'Entreprises Agréé

### Opinion

We have audited the statement of cash flows of Carraro International S.E. (the "Company") for the year ended December 31, 2014 and the notes to the statement of cash flows, including a summary of significant accounting policies (together the "financial information").

In our opinion, the financial information presents fairly, in all material respects, the statement of cash flows for the year ended December 31, 2014 in accordance with the accounting policies described in the notes attached to the statement of cash flows relevant to preparing such financial information.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the the "Responsibilities of "Réviseur d'Entreprises Agréé for the Audit of the financial information" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the special purpose accounts in Luxembourg, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate in accordance to provide a basis for our opinion.

### Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to the accounting policies in the notes, which describe the basis of accounting used in preparing the statement of cash flows. This Financial Information is prepared for the purposes of meeting the requirements of Article 20.1 of Annex 1 of EU Regulation (EC) 809/2004 as regard to information to be included in prospectuses. As a result, the Financial Informatin may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Information

The Board of Directors is responsible for the preparation and fair presentation of the financial information in accordance with the accounting policies as described in the notes attached to the statement of cash flows relevant to preparing such financial information, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this special purpose accounts. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of the Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represents the underlying transaction and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**A3T S.A.**  
*Cabinet de révision Agréé*



Andréas TARTORAS  
Partner

January 15, 2018

**STATEMENT OF CASH FLOWS**

(amounts in Euro)

**31.12.2014**

Profit/(loss) for the year pertaining to the Issuer	389,816
Tax recorded in the Profit & Loss	235,476
<b>Profit/(loss) before taxes</b>	<b>625,292</b>
Amortisation of intangible fixed assets	176,877
Net adjustments of financial assets	11,263
<b>Cash flows before changes in Net Working Capital</b>	<b>813,433</b>
Changes in trade receivables and other receivables	53,595
Changes in trade payables and other payables	-172,395
Tax payments	-53,250
<b>Cash flows from operating activities</b>	<b>641,382</b>
Investments in plant, property and equipment and real estate investments	-
Disinvestments and other movements in property, plant and equipment	-
Investments in intangible assets	-
Disinvestments and other movements in intangible assets	-175,930
Equity investments/divestments	-4,014,433
<b>Cash flows from Investing activities</b>	<b>-4,190,362</b>
Change in financial assets	32,733,693
Change in financial liabilities	-23,947,132
Dividends deliberated	-400,000
Other equity movements	-
<b>Cash flows from financing activities</b>	<b>8,386,561</b>
<b>Total cash flows for the year</b>	<b>4,837,581</b>
<b>Opening cash and cash equivalents</b>	<b>15,278,104</b>
<b>Closing cash and cash equivalents</b>	<b>20,115,685</b>

The accompanying notes form an integral part of this Financial Information

**BASIS OF ACCOUNTING OF THE STATEMENT OF CASH FLOWS FOR THE YEAR  
ENDED DECEMBER 31, 2014**

Carraro International S.E. (formerly Carraro International S.A.), ("the Company") prepares its annual accounts in compliance with the legal requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg. The accounting principles and valuation criteria are defined and implemented by the Board of Directors, apart from those stipulated by the Law of August 10, 1915.

The Company is part of the Carraro Group (the "Group") and included in its consolidated financial statements.

The annual accounts as at and for the year ended December 31, 2014 have been audited and the audit report was signed on May 8, 2015.

The attached statement of cash flows has been prepared by using the balance sheet as at December 31, 2014 and the profit and loss account for the years then ended, which were prepared by the Company in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts as described above.

The Financial Information is prepared for the purpose of meeting the requirements of Article 20.1 of Annex 1 of EU Regulation (EC) 809/2004 as regard to information to be included in prospectuses. As a result, they may not be suitable for another purpose.

For further information, one may refer to the audited published annual accounts of the Company, for the year ended December 31, 2014.

This statement of cash flows is not part of a full set of the IFRS financial statements, nor has the Company ever published a full set of IFRS financial statements.

The Company. presented the attached statement of cash flows in Euro.

The Company has used the following principles for the purpose of presentation and classification in this statement of cash flows, which are consistent with the basis of presentation and classification principles applied for the Group consolidated statement of cash flows:

- Cash flows are inflows and outflows of cash and cash equivalents. Cash may comprise cash on hand and demand deposits.
- Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities.

The cash flow classification used by the Company may not be comparable to similarly titled measures of other companies and should not be considered as a substitute for analysis of our operating, investing and financing activities.

*Operating activities*

Operating activities are activities that are not investing or financing activities. Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the company. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss.

The Company reports cash flows from operating activities using the method whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

*Investing activities*

Investing activities consist of acquisition and disposal of tangible and intangible assets and equity investments.

*Financing activities*

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company and changes in loans granted to subsidiaries of the Group.

*Non-cash transactions*

Operating, investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows.

*Cash and cash equivalents*

The Company has included in the cash and cash equivalents the current accounts held with banks. None of these amounts are encumbered in any way.

**BASIS OF ACCOUNTING OF THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED  
DECEMBER 31, 2015**

Carraro International S.E. (formerly Carraro International S.A.), ("the Company") prepares its annual accounts in compliance with the legal requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg. The accounting principles and valuation criteria are defined and implemented by the Board of Directors, apart from those stipulated by the Law of August 10, 1915.

The Company is part of the Carraro Group (the "Group") and included in its consolidated financial statements.

The annual accounts as at and for the year ended December 31, 2015 have been audited and the audit report was signed on June 24, 2016.

The attached statement of cash flows has been prepared by using the balance sheet as at December 31, 2015 and the profit and loss account for the years then ended, which were prepared by the Company in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts as described above.

The Financial Information is prepared for the purpose of meeting the requirements of Article 20.1 of Annex 1 of EU Regulation (EC) 809/2004 as regard to information to be included in prospectuses. As a result, they may not be suitable for another purpose.

For further information, one may refer to the audited published annual accounts of the Company, for the year ended December 31, 2015.

This statement of cash flows is not part of a full set of the IFRS financial statements, nor has the Company ever published a full set of IFRS financial statements.

The Company. presented the attached statement of cash flows in Euro.

The Company has used the following principles for the purpose of presentation and classification in this statement of cash flows, which are consistent with the basis of presentation and classification principles applied for the Group consolidated statement of cash flows:

- Cash flows are inflows and outflows of cash and cash equivalents. Cash may comprise cash on hand and demand deposits.
- Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities.

The cash flow classification used by the Company may not be comparable to similarly titled measures of other companies and should not be considered as a substitute for analysis of our operating, investing and financing activities.

*Operating activities*

Operating activities are activities that are not investing or financing activities. Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the company. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss.

The Company reports cash flows from operating activities using the method whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

*Investing activities*

Investing activities consist of acquisition and disposal of tangible and intangible assets and equity investments.

*Financing activities*

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company and changes in loans granted to subsidiaries of the Group.

*Non-cash transactions*

Operating, investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows.

*Cash and cash equivalents*

The Company has included in the cash and cash equivalents the current accounts held with banks. None of these amounts are encumbered in any way.

**STATEMENT OF CASH FLOWS**

(amounts in Euro)

**31.12.2015**

Profit/(loss) for the year pertaining to the Issuer	-26,463,600
Tax recorded in the Profit & Loss	1,705,817
<b>Profit/(loss) before taxes</b>	<b>-24,757,783</b>
Amortisation of intangible fixed assets	12,518
Net adjustments of financial assets	25,684,270
<b>Cash flows before changes in Net Working Capital</b>	<b>939,006</b>
Changes in trade receivables and other receivables	-131,515
Changes in trade payables and other payables	-432,814
Tax payments	-165,531
<b>Cash flows from operating activities</b>	<b>209,145</b>
Investments in plant, property and equipment and real estate investments	-
Disinvestments and other movements in property, plant and equipment	-
Investments in intangible assets	-
Disinvestments and other movements in intangible assets	-
Equity investments/divestments	-8,985,070
<b>Cash flows from Investing activities</b>	<b>-8,985,070</b>
Change in financial assets	11,593,501
Change in financial liabilities	4,978,198
Dividends deliberated	-200,000
Other equity movements	-
<b>Cash flows from financing activities</b>	<b>16,371,700</b>
<b>Total cash flows for the year</b>	<b>7,595,774</b>
<b>Opening cash and cash equivalents</b>	<b>20,115,685</b>
<b>Closing cash and cash equivalents</b>	<b>27,711,459</b>

Carraro International S.E.  
(formerly Carraro Internatioanl S.A.)

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015 AND  
REPORT OF RÉVISEUR D'ENTREPRISES AGRÉÉ**

15, Rue des Bains  
L-1212 Luxembourg  
R.C.S. Luxembourg : B 68 721

## TABLE OF CONTENTS

	Pages
- Report of the <i>réviseur d'entreprises agréé</i> in accordance with International Standards of Auditing 805	2-3
- Statement of cash flows for the year ended December 31, 2015	4
- Basis of accounting of the statement of cash flows for the year ended December 31, 2015	5-6

To the Board of Directors of  
Carraro International S.E.  
(formerly Carraro Internatioanl S.A.)  
15, Rue des Bains  
L-1212 Luxembourg

## Report of the Réviseur d'Entreprises Agréé

### Opinion

We have audited the statement of cash flows of Carraro International S.E. (the "Company") for the year ended December 31, 2015 and the notes to the statement of cash flows, including a summary of significant accounting policies (together the "financial information").

In our opinion, the financial information presents fairly, in all material respects, the statement of cash flows for the year ended December 31, 2015 in accordance with the accounting policies described in the notes attached to the statement of cash flows relevant to preparing such financial information.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the the "Responsibilities of "Réviseur d'Entreprises Agréé for the Audit of the financial information" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the special purpose accounts in Luxembourg, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate in accordance to provide a basis for our opinion.

### Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to the accounting policies in the notes, which describe the basis of accounting used in preparing the statement of cash flows. This Financial Information is prepared for the purposes of meeting the requirements of Article 20.1 of Annex 1 of EU Regulation (EC) 809/2004 as regard to information to be included in prospectuses. As a result, the Financial Informatin may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Information

The Board of Directors is responsible for the preparation and fair presentation of the financial information in accordance with the accounting policies as described in the notes attached to the statement of cash flows relevant to preparing such financial information, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Information**

Our objectives are to obtain reasonable assurance whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this special purpose accounts. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of the Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represents the underlying transaction and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scoping and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**A3T S.A.**  
*Cabinet de révision Agréé*



Andréas TARTORAS  
Partner

January 15, 2018

STATEMENT OF CASH FLOWS

<i>(amounts in Euro)</i>	<b>31.12.2015</b>
Profit/(loss) for the year pertaining to the Issuer	-26,463,600
Tax recorded in the Profit & Loss	1,705,817
<b><i>Profit/(loss) before taxes</i></b>	<b>-24,757,783</b>
Amortisation of intangible fixed assets	12,518
Net adjustments of financial assets	25,684,270
<b><i>Cash flows before changes in Net Working Capital</i></b>	<b>939,006</b>
Changes in trade receivables and other receivables	-131,515
Changes in trade payables and other payables	-432,814
Tax payments	-165,531
<b><i>Cash flows from operating activities</i></b>	<b>209,145</b>
Investments in plant, property and equipment and real estate investments	-
Disinvestments and other movements in property, plant and equipment	-
Investments in intangible assets	-
Disinvestments and other movements in intangible assets	-
Equity investments/divestments	-8,985,070
<b><i>Cash flows from Investing activities</i></b>	<b>-8,985,070</b>
Change in financial assets	11,593,501
Change in financial liabilities	4,978,198
Dividends deliberated	-200,000
Other equity movements	-
<b><i>Cash flows from financing activities</i></b>	<b>16,371,700</b>
<b><i>Total cash flows for the year</i></b>	<b>7,595,774</b>
<b><i>Opening cash and cash equivalents</i></b>	<b>20,115,685</b>
<b><i>Closing cash and cash equivalents</i></b>	<b>27,711,459</b>

The accompanying notes form an integral part of this Financial Information

**BASIS OF ACCOUNTING OF THE STATEMENT OF CASH FLOWS FOR THE YEAR  
ENDED DECEMBER 31, 2015**

Carraro International S.E. (formerly Carraro International S.A.), ("the Company") prepares its annual accounts in compliance with the legal requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg. The accounting principles and valuation criteria are defined and implemented by the Board of Directors, apart from those stipulated by the Law of August 10, 1915.

The Company is part of the Carraro Group (the "Group") and included in its consolidated financial statements.

The annual accounts as at and for the year ended December 31, 2015 have been audited and the audit report was signed on June 24, 2016.

The attached statement of cash flows has been prepared by using the balance sheet as at December 31, 2015 and the profit and loss account for the years then ended, which were prepared by the Company in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts as described above.

The Financial Information is prepared for the purpose of meeting the requirements of Article 20.1 of Annex 1 of EU Regulation (EC) 809/2004 as regard to information to be included in prospectuses. As a result, they may not be suitable for another purpose.

For further information, one may refer to the audited published annual accounts of the Company, for the year ended December 31, 2015.

This statement of cash flows is not part of a full set of the IFRS financial statements, nor has the Company ever published a full set of IFRS financial statements.

The Company. presented the attached statement of cash flows in Euro.

The Company has used the following principles for the purpose of presentation and classification in this statement of cash flows, which are consistent with the basis of presentation and classification principles applied for the Group consolidated statement of cash flows:

- Cash flows are inflows and outflows of cash and cash equivalents. Cash may comprise cash on hand and demand deposits.
- Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities.

The cash flow classification used by the Company may not be comparable to similarly titled measures of other companies and should not be considered as a substitute for analysis of our operating, investing and financing activities.

*Operating activities*

Operating activities are activities that are not investing or financing activities. Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the company. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss.

The Company reports cash flows from operating activities using the method whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

*Investing activities*

Investing activities consist of acquisition and disposal of tangible and intangible assets and equity investments.

*Financing activities*

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company and changes in loans granted to subsidiaries of the Group.

*Non-cash transactions*

Operating, investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows.

*Cash and cash equivalents*

The Company has included in the cash and cash equivalents the current accounts held with banks. None of these amounts are encumbered in any way.

**BASIS OF ACCOUNTING OF THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED  
DECEMBER 31, 2016**

Carraro International S.E. (formerly Carraro International S.A.), ("the Company") prepares its annual accounts in compliance with the legal requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg. The accounting principles and valuation criteria are defined and implemented by the Board of Directors, apart from those stipulated by the Law of August 10, 1915.

The Company is part of the Carraro Group (the "Group") and included in its consolidated financial statements.

The annual accounts as at and for the year ended December 31, 2016 have been audited and the audit report was signed on May 30, 2017.

The attached statement of cash flows has been prepared by using the balance sheet as at December 31, 2016 and the profit and loss account for the year then ended, which were prepared by the Company in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts as described above.

The Financial Information is prepared for the purpose of meeting the requirements of Article 20.1 of Annex 1 of EU Regulation (EC) 809/2004 as regard to information to be included in prospectuses. As a result, they may not be suitable for another purpose.

For further information, one may refer to the audited published annual accounts of the Company, for the year ended December 31, 2016.

This statement of cash flows is not part of a full set of the IFRS financial statements, nor has the Company ever published a full set of IFRS financial statements.

The Company presented the attached statement of cash flows in Euro.

The Company has used the following principles for the purpose of presentation and classification in this statement of cash flows, which are consistent with the basis of presentation and classification principles applied for the Group consolidated statement of cash flows:

- Cash flows are inflows and outflows of cash and cash equivalents. Cash may comprise cash on hand and demand deposits.
- Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities.

The cash flow classification used by the Company may not be comparable to similarly titled measures of other companies and should not be considered as a substitute for analysis of our operating, investing and financing activities.

*Operating activities*

Operating activities are activities that are not investing or financing activities. Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the company. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss.

The Company reports cash flows from operating activities using the method whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

*Investing activities*

Investing activities consist of acquisition and disposal of tangible and intangible assets and equity investments.

*Financing activities*

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company and changes in loans granted to subsidiaries of the Group.

*Non-cash transactions*

Operating, investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows.

*Cash and cash equivalents*

The Company has included in the cash and cash equivalents the current accounts held with banks. None of these amounts are encumbered in any way.

**STATEMENT OF CASH FLOWS**

(amounts in Euro)

**31.12.2016**

Profit/(loss) for the year	Profit/(loss) for the year pertaining to the Issuer	-6,424,986
Tax recorded in the Profit & Loss		18,250
<b>Profit/(loss) before taxes</b>		<b>-6,406,737</b>
Amortisation of intangible fixed assets		12,552
Net adjustments of financial assets		10,897,892
<b>Cash flows before changes in Net Working Capital</b>		<b>4,503,708</b>
Changes in trade receivables and other receivables		65,519
Changes in trade payables and other payables		80,280
Tax payments		-927,022
<b>Cash flows from operating activities</b>		<b>3,722,485</b>
Investments in plant, property and equipment and real estate investments		-
Disinvestments and other movements in property, plant and equipment		-
Investments in intangible assets		-
Disinvestments and other movements in intangible assets		-
Equity investments/divestments		-
<b>Cash flows from Investing activities</b>		<b>-</b>
Change in financial assets		8,021,062
Change in financial liabilities		-25,135,811
Dividends deliberated		-
Other equity movements		-
<b>Cash flows from financing activities</b>		<b>-17,114,748</b>
<b>Total cash flows for the year</b>		<b>-13,392,264</b>
<b>Opening cash and cash equivalents</b>		<b>27,711,459</b>
<b>Closing cash and cash equivalents</b>		<b>14,319,196</b>

**Carraro International S.E.**  
**(formerly Carraro International S.A.)**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016**  
**AND REPORT OF RÉVISEUR D'ENTREPRISES AGRÉÉ**

**Registered office:**

15, Rue des Bains

L-1212 Luxembourg

**R.C.S. Luxembourg : B 68 721**

## TABLE OF CONTENTS

	Pages
- Report of the <i>réviseur d'entreprises agréé</i> in accordance with International Standards of Auditing 805	2-3
- Statement of cash flows for the year ended December 31, 2016	4
- Basis of accounting of the statement of cash flows for the year ended December 31, 2016	5-6

To the Board of Directors of  
Carraro International S.E.  
(formerly Carraro International S.A.)  
15, Rue des Bains  
L-1212 Luxembourg

Deloitte Audit  
Société à responsabilité limitée  
560, rue de Neudorf  
L-2220 Luxembourg  
B.P. 1173  
L-1011 Luxembourg  
Tel: +352 451 451  
www.deloitte.lu

## Report of the Réviseur d'Entreprises Agréé

### Opinion

We have audited the statement of cash flows of Carraro International S.E. (the "Company") for the year ended December 31, 2016 and the notes attached to the statement of cash flows, including a summary of significant accounting policies (together the "financial information").

In our opinion, the financial information presents fairly, in all material respects, the statement of cash flows for the year ended December 31, 2016 in accordance with the accounting policies described in the notes attached to the statement of cash flows relevant to preparing such financial information.

### Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the financial information" section of our report. We are also independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the statement of cash flows in Luxembourg, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate in accordance to provide a basis for our opinion.

### Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to the notes attached to the statement of cash flows, which describe the basis of accounting used in preparing the financial information. This financial information is prepared for the purposes of meeting the requirements of Article 20.1 of Annex 1 of EU Regulation (EC) 809/2004 as regard to information to be included in prospectuses. As a result, the financial information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### Responsibilities of the Board of Directors and Those Charged with Governance for the financial information

The Board of Directors is responsible for the preparation and fair presentation of the financial information in accordance with the accounting policies as described in the notes attached to the statement of cash flows relevant to preparing such financial information, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the financial information

The objectives of our audit are to obtain reasonable assurance whether the financial information as a whole is free from material misstatement, whether due to fraud or error, to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represents the underlying transaction and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Deloitte Audit, *Cabinet de Révision Agréé*



Marco Crosetto, *Réviseur d'Entreprises Agréé*  
Partner

January 15, 2018

STATEMENT OF CASH FLOWS

(amounts in Euro)

31.12.2016

Profit/(loss) for the year	-6,424,986
Tax recorded in the Profit & Loss	18,250
<b>Profit/(loss) before taxes</b>	<b>-6,406,737</b>
Amortisation of intangible fixed assets	12,552
Net adjustments of financial assets	10,897,892
<b>Cash flows before changes in Net Working Capital</b>	<b>4,503,708</b>
Changes in trade receivables and other receivables	65,519
Changes in trade payables and other payables	80,280
Tax payments	-927,022
<b>Cash flows from operating activities</b>	<b>3,722,485</b>
Investments in plant, property and equipment and real estate investments	-
Disinvestments and other movements in property, plant and equipment	-
Investments in intangible assets	-
Disinvestments and other movements in intangible assets	-
Equity investments/divestments	-
<b>Cash flows from Investing activities</b>	<b>-</b>
Change in financial assets	8,021,062
Change in financial liabilities	-25,135,811
Dividends deliberated	-
Other equity movements	-
<b>Cash flows from financing activities</b>	<b>-17,114,748</b>
<b>Total cash flows for the year</b>	<b>-13,392,264</b>
<b>Opening cash and cash equivalents</b>	<b>27,711,459</b>
<b>Closing cash and cash equivalents</b>	<b>14,319,196</b>

The accompanying notes form an integral part of this financial information

**BASIS OF ACCOUNTING OF THE STATEMENT OF CASH FLOWS FOR THE YEAR  
ENDED DECEMBER 31, 2016**

Carraro International S.E. (formerly Carraro International S.A.), ("the Company") prepares its annual accounts in compliance with the legal requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg. The accounting principles and valuation criteria are defined and implemented by the Board of Directors, apart from those stipulated by the Law of August 10, 1915.

The Company is part of the Carraro Group (the "Group") and included in its consolidated financial statements.

The annual accounts as at and for the year ended December 31, 2016 have been audited and the audit report was signed on May 30, 2017.

The attached statement of cash flows has been prepared by using the balance sheet as at December 31, 2016 and the profit and loss account for the year then ended, which were prepared by the Company in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts as described above.

The financial information is prepared for the purpose of meeting the requirements of Article 20.1 of Annex 1 of EU Regulation (EC) 809/2004 as regard to information to be included in prospectuses. As a result, they may not be suitable for another purpose.

For further information, one may refer to the audited published annual accounts of the Company, for the year ended December 31, 2016.

This statement of cash flows is not part of a full set of the IFRS financial statements, nor has the Company ever published a full set of IFRS financial statements.

The Company presented the attached statement of cash flows in Euro.

The Company has used the following principles for the purpose of presentation and classification in this statement of cash flows, which are consistent with the basis of presentation and classification principles applied for the Group consolidated statement of cash flows:

- Cash flows are inflows and outflows of cash and cash equivalents. Cash may comprise cash on hand and demand deposits.
- Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities.

The cash flow classification used by the Company may not be comparable to similarly titled measures of other companies and should not be considered as a substitute for analysis of our operating, investing and financing activities.

*Operating activities*

Operating activities are activities that are not investing or financing activities. Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the company. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss.

The Company reports cash flows from operating activities using the method whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

*Investing activities*

Investing activities consist of acquisition and disposal of tangible and intangible assets and equity investments.

*Financing activities*

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company and changes in loans granted to subsidiaries of the Group.

*Non-cash transactions*

Operating, investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows.

*Cash and cash equivalents*

The Company has included in the cash and cash equivalents the current accounts held with banks. None of these amounts are encumbered in any way.

**ANNEX 3**  
**SEPTEMBER 2017 INTERIM UNAUDITED ISSUER FINANCIAL REPORT**

**Carraro International S.A.**

**Société Anonyme**

**Annual accounts**

**as at September 2017**

15, rue des Bains

L-1212 Luxembourg

**R.C.S. Luxembourg : B 68 721**

## **CARRARO INTERNATIONAL S.A.**

The interim financial year 2017 closes with a gain of EUR 10,183,058.05 compared to a loss of EUR loss of EUR 6,424,986.28 as at December 31, 2016 and to a gain of EUR 4,752,383.65 as at September 30, 2016.

### **Financing activity**

During 2017 the Company pursued its financing activity, as provided for by its corporate object, according to its policy aimed to profitability and to financial support to the companies of the Group. In this framework, the agreements for the loans granted to affiliated undertakings have been amended in order to align their maturity to the financial needs of the counterparties (from short term to medium/long term) It is important to stress that, even though the Company registered a loss for the year (mainly due to extraordinary value adjustments on participations), the financial activity performed by the Company shows profitable returns.

With reference to art. 100 of the Law of August 10, 1915 on commercial companies, as the net assets of the Company fall below three-quarters of the corporate capital of the Company, the Board of directors convened a General Meeting of Shareholders on January 13<sup>th</sup>, 2017 where Shareholders decided the continuation of the Company's business.

### **Important events**

Nothing to highlighted.

### **Research and Development activity**

No research and development activity was carried out during the current financial year.

### **Acquisition of own shares**

During the current financial period, the Company did not acquire any of its own shares.

### **Subsequent events having an impact on the Annual Accounts as at December 31, 2016**

No subsequent events occurred which may have an impact on the Annual Accounts 2016.

## BALANCE SHEET

Financial interim as at 30/09/2017 ( in EUR )

Previous Year from 01/01/2016 to 31/12/2016 ( in EUR )

ASSET	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>	-	-	-
I. Subscribed capital not called	-	-	-
II. Subscribed capital called but unpaid	-	-	-
<b>B. Formation expenses</b>	-	-	-
<b>C. Fixed assets</b>	-	43,765,592.83	39,740,175.24
I. Intangible assets	-	15,639.07	25,001.94
1. Cost of development	-	-	-
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	-	15,639.07	25,001.94
a) acquired for valuable consideration and need not be shown under C.I.3	Note 3	15,639.07	25,001.94
b) created by the undertaking itself	-	-	-
3. Goodwill, to the extent that it was acquired for valuable consideration	-	-	-
4. Payment on account and intangible assets under development	-	-	-
II. Tangible assets	-	-	-
1. Land and buildings	-	-	-
2. Plant and machinery	-	-	-
3. Other fixtures and fitting, tools and equipment	-	-	-

4.	Payment on account and tangible assets in the course of construction	-	-	-
III.	Financial assets	-	43,749,953.76	39,715,173.30
1.	Shares in affiliated undertakings	Note 4	43,719,811.52	39,685,031.06
2.	Loans to affiliated undertakings	-	-	-
3.	Participating interests	-	-	-
4.	Loans to undertakings with which the undertaking is linked by virtue of participating interests	-	-	-
5.	Investments held as fixed assets	Note 5	30,142.24	30,142.24
6.	Other loans	-	-	-
<b>D.</b>	<b>Current assets</b>	-	119,467,579.48	121,664,535.76
I.	Stocks	-	-	-
1.	Raw materials and consumables	-	-	-
2.	Work in progress	-	-	-
3.	Finished goods and goods for resale	-	-	-
4.	Payments on account	-	-	-
II.	Debtors	-	87,361,018.23	107,345,340.26
1.	Trade debtors	-	-	-
a)	becoming due and payable within one year	-	-	-
b)	becoming due and payable after more than one year	-	-	-
2.	Amounts owed by affiliated undertakings	Note 6	87,009,739.91	107,145,571.14
a)	becoming due and payable within one year		29,776.886.49	30,482,717.72
b)	becoming due and payable after more than one year	-	57,232,853.42	76,662,853.42

3.	Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	-	-	-
	a) becoming due and payable within one year	-	-	-
	b) becoming due and payable after more than one year	-	-	-
4.	Other debtors	-	351,278.32	199,769.12
	a) becoming due and payable within one year	Note 7	351,278.32	199,769.12
	b) becoming due and payable after more than one year	-	-	-
III.	Investments	-	-	-
1.	Shares in affiliated undertakings	-	-	-
2.	Own shares	-	-	-
3.	Other investments	-	-	-
IV.	Cash at bank and in hand	-	32,106,561.25	14,319,195.50
<b>E.</b>	<b>Prepayments</b>	Note 8	1,037,435.73	1,499,564.05
	<b>TOTAL (ASSETS)</b>		<b>164,270,608.04</b>	<b>162,904,275.05</b>

<b>CAPITAL, RESERVES AND LIABILITIES</b>
--

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>	Note 9	18,630,291.26	8,447,233.21
I. Subscribed capital	-	39,318,000.00	39,318,000.00
II. Share premium account	-	-	-
III. Revaluation reserve	-	-	-
IV. Reserves	-	2,009,952.01	2,009,952.01
1. Legal reserve	-	1,214,402.01	1,214,402.01
2. Reserve for own shares	-	-	-
3. Reserves provided for by the articles of association	-	-	-
4. Other reserves, including the fair value reserve	-	795,550.00	795,550.00
a) other available reserves	-	-	-
b) other non available reserves	-	795,550.00	795,550.00
V. Profit or loss brought forward	-	-32,880,718.80	-26,455,732.52
VI. Profit or loss for the financial year	-	10,183,058.05	-6,424,986.28
VII. Interim dividends	-	-	-
VIII. Capital investment subsidies	-	-	-
<b>B. Provisions</b>	-	465,692.92	645,432.63
1. Provisions for pensions and similar obligations	-	-	-
2. Provisions for taxation	Note 10	465,692.92	645,432.63
3. Other provisions	-	-	-
<b>C. Creditors</b>	-	144,829,557.83	153,235,461.67
1. Debenture loans	-	-	-
a) Convertible loans	-	-	-
i) becoming due and payable within	-	-	-

	one year			
	ii) becoming due and payable after more than one year	-	-	-
b)	Non convertible loans	-	-	-
	i) becoming due and payable within one year	-	-	-
	ii) becoming due and payable after more than one year	-	-	-
2.	Amounts owed to credit institutions	Note 11	144,419,247.57	152,469,070.09
	a) becoming due and payable within one year	-	33,249,210.20	32,914,605.64
	b) becoming due and payable after more than one year	-	111,170,037.37	119,554,464.45
3.	Payments received on account of orders in so far as they are shown separately as deductions from stocks	-	-	-
	a) becoming due and payable within one year	-	-	-
	b) becoming due and payable after more than one year	-	-	-
4.	Trade creditors	-	-	-
	a) becoming due and payable within one year	-	-	-
	b) becoming due and payable after more than one year	-	-	-
5.	Bills of exchange payable	-	-	-
	a) becoming due and payable within one year	-	-	-
	b) becoming due and payable after more than one year	-	-	-
6.	Amounts owed to affiliated undertakings	-	13,370.13	394,734.23
	a) becoming due and payable within one year	Note 12	13,370.13	394,734.23

	b) becoming due and payable after more than one year	-	-	-
7.	Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	-	-	-
	a) becoming due and payable within one year	-	-	-
	b) becoming due and payable after more than one year	-	-	-
8.	Other creditors	-	396,940.13	371,657.35
	a) Tax authorities	Note 13	154,559.98	147,417.42
	b) Social security authorities	Note 13	13,827.98	13,356.47
	c) Other creditors	-	228,552.17	210,883.46
	i) becoming due and payable within one year	Note 14	228,552.17	210,883.46
	ii) becoming due and payable after more than one year	-	-	-
<b>D.</b>	<b>Deferred income</b>	-	345,066.03	576,147.54
	<b>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</b>		<b>164,270,608.04</b>	<b>162,904,275.05</b>

Financial Interim from 01/01/2017 to 30/09/2017 (in EUR)

Previous Year from 01/01/2016 to 30/09/2016 (in EUR)

<b>PROFIT AND LOSS ACCOUNT</b>
--------------------------------

	Reference(s)	Current year	Previous year
<b>1. Net turnover</b>	15	167,531.14	198,252.02
<b>2. Variation in stocks of finished goods and in work in progress</b>	-	-	-
<b>3. Work performed by the undertaking for its own purposes and capitalised</b>	-	-	-
<b>4. Other operating income</b>	16	12,101.04	10,457.11
<b>5. Raw materials and consumables and other external expenses</b>	-	728,556.69	2,716,752.13
a) Raw materials and consumables	-	1,921.21	2,237.20
b) Other external expenses	17	726,635.48	2,714,514.93
<b>6. Staff costs</b>	18	189,010.89	161,586.45
a) Wages and salaries	-	171,893.08	147,190.18
b) Social security costs	-	17,117.81	14,396.27
i) relating to pensions	-	-	-
ii) other social security costs	-	17,117.81	14,396.27
c) Other staff costs	-	-	-
<b>7. Value adjustments</b>	-	9,362.87	9,268.29
a) in respect of formation expenses and of tangible and intangible fixed assets	-	9,362.87	9,268.29
b) in respect of current assets	-	-	-
<b>8. Other operating expenses</b>	-	60,574.64	123,087.60
<b>9. Income from participating interests</b>	-	11,329,757.50	4,941,561.86
a) derived from affiliated undertakings	19	11,329,757.50	4,941,561.86

	b) other income from participating interests	-	-	-
<b>10.</b>	<b>Income from other investments and loans forming part of the fixed assets</b>	-	4,298,280.40	5,796,472.39
	a) derived from affiliated undertakings	20	4,298,280.40	5,796,472.39
	b) other income not included under a)	-	-	-
<b>11.</b>	<b>Other interest receivable and similar income</b>	21	28,411.16	1,316,098.16
	a) derived from affiliated undertakings	-	25,489.00	1,316,098.16
	b) other interest and similar income	-	2,922.16	-
<b>12.</b>	<b>Share of profit or loss of undertakings accounted for under the equity method</b>	-	-	-
<b>13.</b>	<b>Value adjustments in respect of financial assets and of investments held as current assets</b>	-	865,219.54	-
<b>14.</b>	<b>Interest payable and similar expenses</b>	22	3,600,298.56	4,499,763.42
	a) concerning affiliated undertakings	-	3,600,298.56	4,499,763.42
	b) other interest and similar expenses	-	-	-
<b>15.</b>	<b>Tax on profit or loss</b>	-	200,000.00	-
<b>16.</b>	<b>Profit or loss after taxation</b>	-	10,183,058.05	4,752,383.65
<b>17.</b>	<b>Other taxes not shown under items 1 to 16</b>	-	-	-
<b>18.</b>	<b>Profit or loss for the financial year</b>	-	10,183,058.05	4,752,383.65

## **1. GENERAL INFORMATION**

Carraro International S.A. (the “Company”) is a Luxembourg company incorporated on February 10, 1999 as a “Société Anonyme” and subject to the general company law.

Its object is the holding of participations in Luxembourg and/or in foreign companies, the holding of assets in the form of a portfolio of equity and debt securities, the acquisition of any licence and in general the administration, development and management of its portfolio and assets. The company may also perform, through its foreign affiliated companies or branches, the acquisition, the sale and the commercialization of products belonging to the mechanical and electronic industry and any other commercial, marketing, research, and engineering activity referred thereto.

The Company had a commercial branch in Lugano (Switzerland) which was closed on October 31, 2015. The Lugano Branch was set up on May 2007 and was registered at the Principal Trade and Commercial Register of the “Canton Ticino” with the number CH-501.9.008.679-9. Its main object was the acquisition, the sale and the commercialization of products belong to the mechanical and electronic industry. The Lugano Branch started its activity in October 2007 but, in the context of the reorganization of the group activity, during the year 2015 it was decided to liquidate the Swiss branch.

On the basis of the criteria set out by Luxembourg law, the Company is exempted from establishing consolidated accounts for the year ended September 30, 2011. In accordance with article 314 of the law of August, 10, 1915 and the amending laws in force, the said accounts were consequently presented on an unconsolidated basis for approval by the shareholders. The Company’s accounts are included in the consolidated accounts established by its ultimate parent company Carraro SpA, an Italian company, with registered office at Via Olmo, 37, I-35011 Campodarsego (PD), Italy. Since the financial year 2006, the consolidated accounts of Carraro S.p.A. are prepared in conformity with International Financing Reporting Standards as adopted by the European Union. They are available at the registered office of the Parent Company.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company maintains its books and records in EUR and these annual accounts have been prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand Duchy of Luxembourg and more specifically in accordance with the law of December 19, 2002, as amended.

### **2.1 Basis of preparation**

The annual accounts have been prepared under the historical cost convention.

### **2.2 Intangible assets**

Intangible assets are recorded at the acquisition cost and are amortised on a straight line basis according to the estimated number of years of useful life of the assets.

### **2.3 Tangible assets**

Tangible assets are recorded at the acquisition cost and are amortised on a straight line basis according to the estimated number of years of useful life of the assets.

### **2.4 Financial assets**

Participating interests and shares in affiliated undertakings are recorded at their acquisition price. The acquisition prices include charges and expenses in connection with the acquisition.

At the end of each financial year, a provision is made on the basis of an evaluation of each individual asset, for any permanent diminution in value which is considered to be an impairment of value.

“Affiliated undertakings” are investments in companies which are controlled either directly or indirectly by Carraro Group through voting rights, the rights to remove or appoint members of the board of directors or the control of the voting rights through an agreement and include Carraro S.p.A. itself (the ultimate parent company).

## **2.5 Debtors and Non-subordinated debts**

Debtors and Non-subordinated debts are recorded at nominal value. Should a risk occur in relation to the recoverability of a specific receivable, an appropriate provision is made.

## **2.6 Prepayments and accrued income**

The commissions and fees paid by the Company prior to and during 2017 and relating to subsequent financial years in connection with the facility agreements signed by the Company with several credit institutions are recorded as prepayments. The expenses are to be amortised on a straight line basis over the duration of each facility.

## **2.7 Accruals and deferred income**

The fees received by the Company prior to and during 2017 and relating to subsequent financial years in connection with part of the medium term loans granted to affiliated undertakings and group companies are recorded as deferred income. The income is to be amortised on a straight line basis over the duration of each loan.

## **2.8 Foreign currency translation**

Transactions on currencies other than EUR are recorded at exchange rates prevailing at the transaction date.

Investments expressed in currencies other than EUR are translated into EUR at the exchange rates prevailing at the date of the transaction.

Claims and liabilities, expressed in currencies other than EUR are translated into EUR at year-end exchange rates unless the conversion would result in an unrealised exchange gain.

All unrealised and realised exchange loss and the realised exchange gain resulting from these conversions are accounted for in the profit and loss account whereas the unrealised exchange gains are not accounted for.

## **2.9 Accruals basis**

Income and expenses are recorded on the accruals basis; i.e. they are recorded in the period to which they relate independently of when they are received or paid.

## **2.10 Provisions**

Provisions for liabilities and charges are intended to cover losses or debts the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

## **2.11 Net turnover**

The net turnover comprises the amounts derived from the provision of financial services falling within the Company's ordinary activities after deductions of sales rebates and of value added tax and other taxes directly linked to the turnover.

## **3. INTANGIBLE ASSETS**

The intangible assets mainly consist of software licenses purchased for the implementation of the Group Treasury system.

## **4. FINANCIAL ASSETS - SHARES IN AFFILIATED UNDERTAKINGS**

Art. 65 paragraph (1) 2° of the law of December 19, 2002 on the register of Commerce and companies and the accounting and annual accounts of undertakings (the "Law") requires the disclosure of the amount of capital and reserves and profit and loss for the last financial year of each affiliated undertaking. In conformity with Art 67 (3) of the law these details have been omitted since the undertakings are included in consolidated accounts drawn up by the ultimate parent company (Carraro SpA) and these consolidated accounts and the related consolidated annual report and auditors' report thereon are lodged with the Luxembourg Trade Registry.

## **5. INVESTMENTS HELD AS FIXED ASSETS**

The item is represented by guarantee deposits paid by the Company in relation to the rental of an apartment and an office in Luxembourg.

## **6. AMOUNTS OWED BY AFFILIATED UNDERTAKINGS**

Amounts owed by affiliated undertakings becoming due and payable within one year amount.

## **7. OTHER DEBTORS**

This item is composed of (i) advance payments for Corporate Income Tax (CIT) and Municipal Business Tax (MBT) and (ii) other receivables.

## **8. PREPAYMENTS AND ACCRUED INCOME**

Prepayments and accrued income which mainly include the deferred commissions and fees paid by the Company to the banks.

## **9. CAPITAL AND RESERVES**

As at September 30, 2017 the subscribed capital amounts to EUR 39.318.000, and it is represented by 39.318 shares fully paid-up having a nominal amount of EUR 1.000,- each.

### Legal Reserve

In accordance with Luxembourg company law, the company is required to transfer a minimum of 5% of its net profit for each financial year to legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

## 10. PROVISIONS

As at September 30, 2017 the provisions amount to EUR 465.692,92 compared to EUR 645.432,63 as at December 31, 2016.

## 11. AMOUNTS OWED TO CREDIT INSTITUTIONS

As at September 30, 2017 the amounts owed to credit institutions are mainly composed as follow table

Original Amount	Principal Terms & Conditions of the above mentioned amounts as per existing agreements on September 30, 2017  (including new terms and conditions under the “Accordo Quadro” dated April 13, 2010 and the “Accordo di Rinegoiazione” dated May 14, 2013 and new agreement dated December 24, 2015)
<b>Unicredit Corporate Banking SpA (Italy), agent bank, and a pool of other Banks.</b>	
EUR 150 000 000 divided in:	
<u>Tranche A:</u> EUR 100 000 000	<p>Facility agreement dated May 15, 2008 of Euro 150 000 000, divided into a medium-long term loan of Euro 100 000 000 (“Tranche A”) and into a medium-long term revolving credit facility of Euro 50 000 000 (“Tranche B”), whereby Tranche A was granted to the Company mainly for the purpose of repayment by the Company of the outstanding nominal due amount of Euro 59 960 000 arising from the previous loan agreement of a maximum amount of Euro 100 000 000 signed by the Company on June 28, 2005 with MCC SpA., as agent bank, and a pool of other banks.</p> <p>Tranche A amount of Euro 100 000 000 bears interest at Euribor 6 months plus a spread as agreed with the Bank, with a repayment plan which foresees 2 six-months periods from 29.05.2011 to 29.11.2011, where only the interest have been repaid and 11 six-months periods from 29.11.2011 to 29.05.2017 for the repayment of the nominal amount of the loan and the interest.</p> <p>A new agreement was signed on 24.12.2016 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.</p>
<u>Tranche B:</u> EUR 50 000 000	<p>Tranche B of Euro 50 000 000 may be drawn down by the Company in one or more instalments during the period expiring on 29.05.2016 and corresponding to the final maturity date the revolving credit facility. The interest period of each amount drawn down by the Company shall be quarterly or half-yearly, at the option of the Company, and shall bear interest at Euribor 3-months plus a spread as agreed with the Bank respectively Euribor 6-months plus a spread agreed with the Bank, as the case may be.</p> <p>A new agreement was signed on 24.12.2016 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.</p>
<b>Banca Monte dei Paschi Siena SpA (Italy)</b>	
EUR 10 000 000	<p>Medium term loan dated February 12, 2007. The loan bears interest at Euribor 6 months plus a spread as agreed with the Bank. The repayment plan foresees 2 six-months periods from 31.03.2011 to 31.09.2011, where only the interests have been repaid and 7 six-months periods from 31.03.2012 to 31.03.2017 for the repayment of the nominal amount of the loan and the interest.</p> <p>A new agreement was signed on 24.12.2016 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.</p>
<b>Banca Monte dei Paschi Siena SpA (Italy)</b>	
EUR 15 000 000	<p>Medium term loan. The loan bears interest at Euribor 6 months plus a spread as agreed with the Bank. The repayment plan foresees 2 six-months periods from 30.06.2011 to 31.12.2011, where only the interests have been repaid and 6 six-months periods from 30.06.2012 to 30.06.2017 for the repayment of the nominal</p>

	amount of the loan and the interest.  A new agreement signed on 24.12.2016 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.
<b>Banca Popolare di Vicenza</b>	
EUR 20 000 000	Medium-term loan facility. The facility bears interest at Euribor 6 months plus a spread as agreed with the Bank. The Final maturity date of the credit facility corresponds to 31.12.2019  A new agreement was signed on 24.12.2016 and the relevant repayment dates were changed at 30.6 and 31.12 of each year. The first date of capital refund will be 30.6.2017 and the last 31.12.2022.  The Facilities was to transfer from BB Finance Irland to Banca Popolare di Vicenza Italy with an amendment contract signed in may 2017.
<b>Banca Monte dei Paschi Siena SpA (Italy)</b>	
EUR 20 000 000	Short term multicurrency facility.
<b>Cassa Veneto (Italy)</b>	
EUR 14 000 000	Short term multicurrency facility.
<b>Banca Monte dei Paschi Siena SpA (Italy)</b>	
EUR 4 900 000	Short term multicurrency facility.

At 30 June 2017, the Group covenants provided for in the agreement signed with the banks were complied with.

## 12. AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

Amounts owed to affiliated undertakings becoming due and payable after less than one year amount

## 13. OTHER CREDITORS - TAX AND SOCIAL SECURITY

As at September 30, 2017 the provisions amount to EUR 168.387,96 compared to EUR 160.773,89 as at December 31, 2016.

## 14. OTHER CREDITORS

As at September 30, 2017 the provisions amount to EUR 228.552,17 compared to EUR 210.883,46 as at December 31, 2016.

## 15. NET TURNOVER

The net turnover of an amount of EUR 167.531,14 (compared to EUR 198.252,02 as at September 30, 2016) due to the sale of services.

## 16. OTHER OPERATING INCOME

Represents mainly re invoicing of cost and expenses in accordance with services agreements entered into by the Company.

## 17. OTHER EXTERNAL EXPENSES

This caption amounting represents mainly bank expenses and commissions and professional fees.

## **18. STAFF COSTS**

The Luxembourg office has been employing 2 people in 2017 as in 2016

## **19. INCOME FROM PARTICIPATING INTERESTS**

This caption amounting is related to dividend from Subsidiaries.

## **20. INCOME FROM OTHER INVESTMENTS AND LOANS FORMING PART OF THE FIXED ASSETS**

### Derived from affiliated undertakings

The amount mainly consists of (i) commissions from affiliated undertakings on guarantees granted by the Company) and (ii) of interest, commitment fees and arrangement fees on loans granted to affiliated.

## **21. OTHER INTEREST RECEIVABLE FROM FINANCIAL CURRENT ASSETS**

This caption amounting is composed by interest from affiliated undertakings and interest on bank accounts.

## **22. INTEREST PAYABLE AND SIMILAR EXPENSES**

As at September 30, 2017 includes mainly interest on bank loans and bank overdrafts (including interest on hedging agreements) and other financial charges.

## **23. RELATED PARTIES**

As at September 30, 2017, transactions with related parties have been concluded at normal market conditions.

## **24. TAXES**

The Company is subject in Luxembourg to the general tax regulations applicable to all companies and is compliant with all its tax obligations in foreign countries.

## **25. OFF-BALANCE SHEET**

### Guarantees

The Company signed a support letter in favour of Cassa di Risparmio di Padova e Rovigo (PD), Italy, in connection with two multicurrency revolving credit facilities (i) the Short term facility and (ii) the Long term facility both granted by Intesa Intesa San Paolo – Shanghai Branch to the group company Carraro Drive Systems Co. Ltd. (RMB 55.000.000.000 correspond about EUR 7,5 million)

The Company issued a Guarantee in favour of UniCredit Banca di Roma S.p.A. – Shanghai Branch (China) in connection with a local credit facility in CNY granted by this bank to the group company Carraro China Drive Systems Co. Ltd. (EUR 10.500.000).

**REGISTERED OFFICE OF THE ISSUER**

**Carraro International S.E.**  
15, Rue des Bains  
L1212 – Luxembourg  
Grand Duchy of Luxembourg

**REGISTERED OFFICE OF THE GUARANTOR**

**Carraro S.p.A.**  
Via Olmo, 37  
35011, Campodarsego  
Italy

**PLACEMENT AGENT**

**Equita S.I.M. S.p.A.**  
Via Filippo Turati 9  
20121 Milan  
Italy

**TRUSTEE**

**Lucid Trustee Services Ltd**  
One London Wall Buildings  
London EC2M 5PG  
United Kingdom

**PRINCIPAL PAYING AGENT**

**The Bank of New York Mellon**  
One Canada Square  
London E14 5AL  
United Kingdom

**LISTING AGENT**

**The Bank of New York Mellon SA/NV, Luxembourg Branch**  
Vertigo Building - Polaris – 2-4 rue Eugène Ruppert  
L-2453 Luxembourg  
EB6-0000  
Grand Duchy of Luxembourg

**LEGAL ADVISERS**

*To the Issuer as to Italian law and Italian tax law*

**LMS Studio Legale**  
Corso Magenta, 84  
20123 Milan  
Italy

*To the Placement Agent as to English, Italian and  
Luxembourg law*

**Linklaters Studio Legale  
Associato**  
Via Broletto 9  
Milan 20121  
Italy

**Linklaters LLP**  
35 Avenue John F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

*To the Trustee as to English law*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

**AUDITORS TO THE GUARANTOR**

**Deloitte & Touche S.p.A.**

Via Tortona 25  
Milan  
Italy

**AUDITORS TO THE ISSUER**

*From the period starting from 5 May 2017 to the date of this Prospectus*

**Deloitte Audit S.à r.l.**  
560, rue de Neudorf  
L-2220 Luxembourg

*From 21 May 2014 to 5 May 2017*

**A3T Audit S.A.**  
44, boulevard Grande Duchesse Charlotte  
L-1330 Luxembourg