



**Borsa Italiana**

<b>AVVISO</b> <b>n.23374</b>	10 Settembre 2020	MOT - EuroMOT
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Mittente del comunicato : BORSA ITALIANA

Societa' oggetto  
dell'Avviso : Carraro International S.E.

Oggetto : AMMISSIONE ALLA QUOTAZIONE ED  
AVVIO DELLA FASE DI CONCLUSIONE  
DEI CONTRATTI CONDIZIONATI  
ALL'EMISSIONE TITOLI 'CARRARO  
INTERNATIONAL S.E.'

*Testo del comunicato*

Si veda allegato.

*Disposizioni della Borsa*

Oggetto:

**AMMISSIONE ALLA QUOTAZIONE ED  
AVVIO DELLA FASE DI CONCLUSIONE DEI  
CONTRATTI CONDIZIONATI  
ALL'EMISSIONE DEL TITOLO**

Titolo:

"Carraro International 2020-2026"

Borsa Italiana S.p.A., ai sensi dell'articolo 2.4.3 del Regolamento dei Mercati, ha stabilito la procedura di quotazione del Titolo in oggetto. Ai sensi di tale procedura, con provvedimento n. LOL-004291 del 04/09/2020 Borsa Italiana ha disposto, su domanda di Carraro International S.E. (di seguito l'"Emittente"), l'ammissione alla quotazione del Titolo in oggetto e l'avvio della fase di conclusione dei contratti condizionati all'emissione del Titolo in oggetto con decorrenza dal giorno 14/09/2020 e fino al 18/09/2020 (inclusi), salvo chiusura anticipata, proroga o posticipo. Tali contratti saranno liquidati in un'unica data di regolamento stabilita il 25/09/2020 ovvero il quinto giorno successivo alla chiusura posticipata del Periodo di Distribuzione.

Successivamente alla data di chiusura del Periodo di Distribuzione, Borsa Italiana stabilirà con Avviso la data di avvio delle negoziazioni ufficiali sul MOT del Titolo, che, salvo ove diversamente richiesto dall'Emittente, coinciderà con la Data di godimento del Titolo.

**CARATTERISTICHE DEL TITOLO**

Emittente:

**Carraro International S.E.**

Garante:

Carraro S.p.A.

Valore nominale:

min 100.000.000 Euro  
max 150.000.000 Euro (salvo quanto previsto nel  
Prospetto del prestito)

Data di godimento:

25/09/2020  
(salvo chiusura posticipata, nel qual caso il quinto giorno  
successivo alla chiusura del Periodo di Distribuzione).

Data di scadenza:

25/09/2026

Rimborso:

rimborso alla pari a scadenza (salvo rimborso anticipato,  
anche parziale, come previsto nel Prospetto del prestito).

Interessi annui lordi minimi:

le obbligazioni frutteranno interessi annui lordi, pagabili  
semestralmente in via posticipata il 25 marzo e il 25  
settembre di ogni anno a partire dal 25 marzo 2021, pari  
al tasso minimo del 3,25% del valore nominale del  
prestito.  
Il tasso di interesse definitivo verrà comunicato con  
Avviso successivo.

**DESCRIZIONE DELLA FASE DI CONCLUSIONE DEI CONTRATTI**  
**CONDIZIONATI ALL'EMISSIONE DEL TITOLO**

Prezzo fisso dei contratti condizionati:	100%
Prezzo di regolamento dei contratti condizionati (Prezzo di Emissione):	100%
Periodo di Distribuzione:	dal 14/09/2020 al 18/09/2020 (inclusi), salvo chiusura anticipata, proroga o posticipo.
Data di regolamento dei contratti condizionati conclusi nel Periodo di distribuzione:	25/09/2020 (salvo chiusura posticipata, nel qual caso il quinto giorno successivo alla chiusura del Periodo di Distribuzione).
Operatore aderente al mercato incaricato alla distribuzione:	EQUITA SIM S.P.A. (codice operatore IT1505)
Proposte di negoziazione inseribili dagli altri operatori:	esclusivamente ordini in acquisto senza limite di prezzo (market order) o con limite di prezzo (limit order) che deve essere pari al Prezzo di Emissione. Gli ordini, per i quali non è previsto un numero massimo che ciascun operatore può inserire, devono essere immessi con parametri <i>Fill-or-Kill</i> (FOK), <i>Immediate or Cancel</i> (IOC) o DAY. Solo gli ordini con limite di prezzo e con modalità di esecuzione DAY permarranno sul book anche in caso di temporanea assenza dell'operatore incaricato alla distribuzione; viceversa gli ordini senza limite di prezzo e gli ordini con limite di prezzo con parametri FOK o IOC, in caso di temporanea assenza dell'operatore incaricato alla distribuzione, risulteranno cancellati.
Modalità di distribuzione:	unica fase di mercato a negoziazione continua dalle 9.00 alle 17.30 (non è prevista la fase di asta di apertura).
Tagli:	1.000 EUR
Importo minimo di negoziazione:	1.000 EUR
Importo massimo singolo ordine:	1.000.000 Euro in acquisto.
CODICI:	ISIN XS2215041513 Instrument ID 871785
Denominazione:	CARRARO INT TF ST26 CALL EUR
Mercato e comparto di negoziazione:	Borsa - Mercato telematico delle obbligazioni (MOT), segmento EuroMOT, 'classe euro-obbligazioni, ABS, titoli di emittenti esteri e altri titoli di debito'. I contratti condizionati conclusi nel Periodo di Distribuzione non sono garantiti da Cassa di Compensazione e Garanzia.
EMS:	25.000

## **DISPOSIZIONI DELLA BORSA ITALIANA**

Borsa Italiana dispone l'ammissione alla quotazione del prestito "Carraro International 2020-2026" (ISIN XS2215041513) e l'avvio della fase di conclusione dei contratti condizionati all'emissione del Titolo in oggetto sul comparto obbligazionario (MOT) dal giorno 14/09/2020 e fino al 18/09/2020 (inclusi), salvo chiusura anticipata, proroga o posticipo.

Allegato: Prospetto del prestito



## Carraro International S.E.

(a European company (société européenne) duly organised and validly existing under the laws of the European Union and the Republic of Italy)

€[•]

[•] per cent. Senior Unsecured Notes due 2026

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 25 September 2020 (the “**Issue Date**”) between €100,000,000 (the “**Minimum Offer Amount**”) and €150,000,000 (the “**Maximum Offer Amount**”) fixed rate senior unsecured notes due 2026 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, 25 September 2026, at a minimum rate of 3.25 per cent. per annum (the “**Minimum Interest Rate**”) payable semi-annually in arrear on 25 September and 25 March each year, commencing on 25 March 2021. 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 purchased and cancelled, the Notes will be redeemed at their principal amount on 25 September 2026. 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 and 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 25 September 2023, the Issuer may redeem the Notes in whole or in part from time to time at the redemption prices specified in the Interest Rate, Yield and Redemption Prices Notice, as defined below. 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**”) comprises a prospectus for the purposes of Article 6.3 of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). 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 (“**CSSF**”) (the “**CSSF**”) in its capacity as competent authority under the Luxembourg Act dated 16 July 2019 relating to prospectuses for securities (*Loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières*) (the “**Luxembourg Prospectus Law**”), for the approval of this Prospectus for the purposes of the Prospectus Regulation. 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 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (“**MiFID II**”).

The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuers in accordance with Article 6(4) of the Luxembourg Prospectus Law. Pursuant to the Luxembourg Prospectus Law, the CSSF is not competent to approve prospectuses for the offering to the public or for the admission to trading on regulated markets of money market instruments having a maturity at issue of less than 12 months. This Prospectus has been approved as a prospectus by the CSSF, as competent authority under the Prospectus Regulation. The CSSF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of either of the Issuer, the Guarantor or the quality of the Notes that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the Notes.

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 25 of the Prospectus Regulation 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 MiFID II. Borsa Italiana has admitted the Notes to listing on the MOT with order n. LOL-004291 dated 4 September 2020. 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.

This Prospectus is valid for a period of twelve months after its approval. The validity ends upon expiration of 4 September 2021. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when this Prospectus is no longer valid.

The interest rate of the Notes (which shall not be less than the Minimum Interest Rate), the yield and the redemption prices 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, Yield and Redemption Prices 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 10 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: XS2215041513; Common Code: 221504151.

PLACEMENT AGENT  
EQUITA SIM

Prospectus dated 4 September 2020

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## SUMMARY

*This summary constitutes the general description of the offering programme for the purposes of Article 7 of Regulation (EU) 2017/1129 (the “Prospectus Regulation”) and includes the key information that investors need in order to understand the nature and the risks of the Issuer, the Guarantor and the Notes, and is to be read together with the other parts of this Prospectus to aid prospective investors when considering whether to invest in the Notes.*

### Section A – Introduction and warnings

<b>Introduction to the Notes</b>	The Notes are debt securities issued by Carraro International S.E. (the “ <b>Issuer</b> ” or “ <b>Carraro International</b> ”) on or about 25 September 2020 (the “ <b>Issue Date</b> ”) of between €100,000,000 (the “ <b>Minimum Offer Amount</b> ”) and €150,000,000 (the “ <b>Maximum Offer Amount</b> ”) fixed rate senior unsecured notes due 2026 with a denomination of €1,000 (the “ <b>Notes</b> ”) (the “ <b>Offering</b> ”). The Issuer’s legal entity identifier (“ <b>LEI</b> ”) number is 529900Q1IS0EMFQKI046. Carraro S.p.A. (the “ <b>Guarantor</b> ” or “ <b>Carraro</b> ”) 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 “ <b>Guarantee</b> ”). The International Securities Identification Number (“ <b>ISIN</b> ”) for the Notes is XS2215041513 and the Common Code is 221504151. This prospectus (the “ <b>Prospectus</b> ”) is dated 4 September 2020.
<b>Who is issuing the Notes?</b>	The Issuer is a European company ( <i>société européenne</i> ) duly organised and validly existing under the laws of the European Union and the Republic of Italy (“ <b>Italy</b> ”), with its registered office at Via Olmo, 37, 35011, Campodarsego, Italy and registered with the Companies Register of Padua ( <i>Registro delle Imprese di Padova</i> ) under registration number and fiscal code 92198680289. The Issuer’s telephone number is +39 049 9219111. The Issuer is a wholly owned subsidiary of the Guarantor. The Issuer’s LEI number is 529900Q1IS0EMFQKI046.
<b>Who is the offeror?</b>	The Notes are being offered by the Issuer. For information regarding the Issuer please refer to information disclosed under “ <i>Who is issuing the Notes?</i> ” above.
<b>Who is the competent authority approving the Prospectus?</b>	Application has been made to the <i>Commission de Surveillance du Secteur Financier</i> of the Grand Duchy of Luxembourg (the “ <b>CSSF</b> ”) for the approval of this Prospectus for the purposes of the Prospectus Regulation. The Prospectus was approved by the CSSF on 4 September 2020. The business address of the CSSF is 283 Route d’Arlon, 1150 Luxembourg, Grand Duchy of Luxembourg. CSSF’s telephone number is +352 2625 11. 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 “ <b>Official List</b> ”) and to be admitted to trading on the Luxembourg Stock Exchange’s regulated market (the “ <b>Market</b> ”). Furthermore, the Issuer has requested the CSSF to provide the competent authority in Italy, <i>Commissione Nazionale per le Società e la Borsa</i> (“ <b>CONSOB</b> ”) with a certificate of approval pursuant to Article 25 of the Prospectus Regulation attesting that this Prospectus has been drawn up in accordance with the Luxembourg Prospectus Law. Application has been made to Borsa Italiana S.p.A. (“ <b>Borsa Italiana</b> ”) for the Notes to be admitted to listing and trading on the Borsa Italiana’s regulated <i>Mercato delle Obligazioni Telematico</i> market (the “ <b>MOT</b> ”). Borsa Italiana has admitted the Notes to listing on the MOT with order n. LOL-004291 dated 4 September 2020.
<b>Warnings</b>	This summary should be read as an introduction to the Prospectus. Any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole by prospective investors. Investors could lose all or part of their invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Notes. The Issuer has not prepared a key information document (within the meaning of Regulation (EU) No 1286/2014 (the “ <b>PRIIPs Regulation</b> ”).

### Section B – Key Information on the Issuer

<b>Who is the Issuer of the Notes?</b>	<p>The Issuer is a European company (<i>société européenne</i>) duly organised and validly existing under the laws of the European Union and the Republic of Italy (“<b>Italy</b>”), with its registered office at Via Olmo, 37, 35011, Campodarsego, Italy and registered with the Companies Register of Padua (<i>Registro delle Imprese di Padova</i>) under registration number and fiscal code 92198680289. The Issuer is a wholly owned subsidiary of the Guarantor. The Issuer’s legal entity identifier (“<b>LEI</b>”) number is 529900Q1IS0EMFQKI046.</p> <p>The Issuer main activity is to perform the financial management and treasury functions of the Group, and provide 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. Following the Reorganisation of the Group, the Issuer holds equity investments in the Group’s foreign subsidiaries.</p> <p>The Issuer is a wholly owned subsidiary of, and is controlled by, the Guarantor.</p> <p>The Directors of the Issuer are Enrico Carraro, Enrico Gomiero, Tomaso Carraro, Sergio Marusso, Francesco Secchieri, Francesco Sabattini and Fabrizio Pinato. Within the Board of Directors is established a –supervisory board whose members are Francesco Secchieri (Chairman of the Supervisory Board), Francesco Sabattini and Fabrizio Pinato.</p> <p>The current auditors of the Issuer are Deloitte &amp; Touche S.p.A. of Via N. Tommaseo, 78/C int.3, 35131, Padua, Italy. Deloitte &amp; Touche S.p.A. 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 (<i>Associazione</i></p>
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Nazionale Revisori Contabili), the Italian association of auditing firms.

**What is the key financial information regarding the Issuer?**

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 2018 and 2019 incorporated by reference in this Prospectus.

**ISSUER INCOME STATEMENT OVERVIEW**

(amounts in Euro thousands)

	31.12.2019	31.12.2018
	Audited	Audited
<b>A) REVENUES FROM SALES</b>		
1) Products	-	-
2) Services	344	436
3) Other revenues	-	-
<b>TOTAL REVENUES FROM SALES</b>	<b>344</b>	<b>436</b>
<b>B) OPERATING COSTS</b>		
1) Purchases of goods and materials	-	-
2) Services	817	1,068
3) Use of third-party goods and services	-	44
4) Personnel costs	264	307
5) Amortisation, depreciation and impairment of assets	69	12
6) Changes in inventories	-	-
7) Provision for risks and other liabilities	-	-
8) Other income and expenses	232	326
9) Internal construction	-	-
<b>TOTAL OPERATING COSTS</b>	<b>1,382</b>	<b>1,757</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>-1,038</b>	<b>-1,321</b>
<b>C) GAINS/(LOSSES) ON FINANCIAL ASSETS</b>		
10) Income and expenses from equity investments	5,408	9,442
11) Other financial income	8,151	9,859
12) Financial costs and expenses	-7,509	-8,427
13) Net gains/(losses) on foreign exchange	-1	-2
14) Value adjustments of financial assets	-2,234	-492
15) Income (charges) from hyperinflation	-	-
<b>NET GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>3,815</b>	<b>10,380</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>2,777</b>	<b>9,059</b>
15) Current and deferred income taxes	-45	24
<b>NET PROFIT/(LOSS)</b>	<b>2,822</b>	<b>9,035</b>

**ISSUER BALANCE SHEET OVERVIEW**

(amounts in Euro thousands)

	31.12.2019	31.12.2018
	Audited	Audited
<b>NON-CURRENT ASSETS</b>	<b>127,900</b>	<b>133,801</b>
<b>CURRENT ASSETS</b>	<b>71,095</b>	<b>73,127</b>
<b>TOTAL ASSETS</b>	<b>198,995</b>	<b>206,928</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>18,552</b>	<b>25,861</b>
<b>NON-CURRENT LIABILITIES</b>	<b>176,759</b>	<b>176,487</b>
<b>CURRENT LIABILITIES</b>	<b>3,684</b>	<b>4,580</b>
<b>TOTAL LIABILITIES</b>	<b>180,443</b>	<b>181,067</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>198,995</b>	<b>206,928</b>

**ISSUER CASH FLOW STATEMENTS OVERVIEW**

(amounts in Euro thousands)

	31.12.2019	31.12.2018
	Audited	Audited
Cash flows from operating activities	4,281	9,990



	Cash flows from Investing activities	3,356	-27
	Cash flows from financing activities	16,888	-19,758
	<b>Total cash flows for the period</b>	<b>24,525</b>	<b>-9,795</b>
	<b>Opening cash and cash equivalents</b>	<b>13,211</b>	<b>23,006</b>
	<b>Closing cash and cash equivalents</b>	<b>37,736</b>	<b>13,211</b>
<b>What are the key risks that are specific to the Issuer?</b>	<p>1. <b>Key risks specific to the Issuer as a treasury centre for the Group</b> - The Issuer is a treasury centre for the Group and, following the Reorganisation of the Group (as described below), will hold equity investments in the Group's foreign subsidiaries. The Issuer relies upon distributions from its current and future Group subsidiaries and upon receivables towards certain Group subsidiaries arising from intercompany loans to service and repay the Notes.</p> <p>2. <b>Risks relating to the Reorganisation and the Transfer</b> - The Issuer's board of directors resolved upon the transfer of its registered office from Italy to Luxembourg to benefit, in the interest of the whole Group, from market opportunities in terms of access to the international credit market and from the presence in Luxembourg of the main sector operators and institutions. 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.</p>		

## Section C – Key Information on the Notes

<b>What are the main features of the securities?</b>	<p>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 €100 million aggregate principal amount of the Notes (the “<b>Minimum Offer Condition</b>”), the Issuer is expected to issue on or about 25 September 2020, between a minimum of €100,000,000 and a maximum of €150,000,000 (the “<b>Maximum Offer Amount</b>”) at a minimum of 3.25 per cent. (the “<b>Minimum Interest Rate</b>”) per annum senior unsecured notes due 2026 (the “<b>Notes</b>”). The Maximum Offer Amount may be reduced by the Issuer prior to 25 September 2020 at 09:00 (CET). The Notes will constitute direct, unconditional and unsecured obligations of the Issuer bearing fixed interest. The ISIN for the Notes are: ISIN: XS2215041513 and Common Code: 221504151.</p> <p><i>Ranking</i> - Pursuant to the Terms and Conditions of the Notes (the “<b>Conditions</b>”), the Notes constitute direct, unconditional and (subject to Condition 5 (<i>Negative pledge</i>)) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves.</p> <p><i>Transferability</i> - 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.</p> <p><i>Negative Pledge</i> - The Conditions contain a negative pledge pursuant to which neither the Issuer nor the Guarantor 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 first securing the Notes equally.</p> <p><i>Limitation on Indebtedness</i> - The 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 Noteholders and Couponholders 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><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 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>Interest</i> - Interest on the Notes will accrue at a fixed rate not less than the Minimum Interest Rate (as defined below) per annum starting from the Issue Date, payable semi-annually in arrear on 25 September and 25 March of each year commencing on 25 March 2021. The final interest rate will be set out in a notice, which will be filed with the CSSF (as defined 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 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 purchased and cancelled, the Notes will mature on 25 September 2026.</p> <p><i>Indication of yield</i> - The yield of the Notes will be a minimum of 3.25 per cent. per annum.</p> <p><i>Early Redemption at the Option of the Issuer</i> - At any time on or after 25 September 2023, the Issuer may redeem the Notes, in whole or in part and from time to time, at the redemption prices which will be set out in the Interest Rate, and Yield and Redemption Prices Notice (See “<i>Disclosure of the Interest Rate, Yield, Redemption Prices and Results of the Offering</i>” under the sub-section “<i>Under which conditions and timetable can I invest in this security?</i>” below)</p>
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	<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 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>																																																																																																																																		
<b>Where will the securities be traded?</b>	Application has 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> "). Application has also 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-004291 dated 4 September 2020.																																																																																																																																		
<b>Is there a guarantee attached to the securities?</b>	<p>The Notes will have the benefit of the Guarantee given by the Guarantor. The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. 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> <p>The Guarantor is a joint stock company (<i>società per azioni</i>) governed by the laws of Italy, with its registered office and operational headquarters at Via Olmo, 37, 35011, Campodarsego, Italy and registered in the Companies Register of Padua (Registro delle Imprese di Padova) under registration number and fiscal code 00202040283. The Guarantor's LEI number is 815600F3EC59FFEC6594.</p> <p>The following tables set out selected financial information relating to the Guarantor. The information below has been extracted from (i) the audited consolidated financial statements of the Guarantor as of and for the years ended 31 December 2018 and 2019, (ii) the semi-annual unaudited consolidated financial statements of the Guarantor as of and for the six months ended 30 June 2020, each of the statements under (i) and (ii) incorporated by reference in this Prospectus; and (iii) the semi-annual unaudited consolidated financial statements of the Guarantor as of and for the six months ended 30 June 2019.</p> <p><b>CONSOLIDATED INCOME STATEMENT OVERVIEW</b></p> <p>(amounts in Euro thousands)</p> <table border="1"> <thead> <tr> <th></th> <th><b>31.12.2019</b></th> <th><b>31.12.2018</b></th> <th><b>30.06.2020</b></th> <th><b>30.06.2019</b></th> </tr> <tr> <th></th> <th><b>Audited</b></th> <th><b>Audited</b></th> <th><b>Unaudited</b></th> <th><b>Unaudited</b></th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>A) REVENUES FROM SALES</b></td> </tr> <tr> <td>1) Products</td> 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Purchases of goods and materials	344,266	381,727	133,451	186,209	2) Services	77,751	96,018	33,614	42,889	3) Use of third-party goods and services	84	1,059	48	92	4) Personnel costs	91,835	92,895	44,101	48,209	5) Amortisation, depreciation and impairment of assets	20,235	20,623	10,318	10,054	6) Changes in inventories	-6,635	489	-3,900	-1,456	7) Provision for risks and other liabilities	7,359	6,188	1,415	2,703	8) Other income and expenses	-8,111	-5,601	-3,723	-3,780	9) Internal construction	-469	-567	-237	-215	<b>TOTAL OPERATING COSTS</b>	<b>526,315</b>	<b>592,831</b>	<b>215,087</b>	<b>284,705</b>	<b>OPERATING PROFIT/(LOSS)</b>	<b>22,531</b>	<b>31,284</b>	<b>826</b>	<b>17,002</b>	<b>C) GAINS/(LOSSES) ON FINANCIAL ASSETS</b>					10) Income and expenses from equity investments	280	1,517	-	-	11) Other financial income	934	2,136	590	442	12) Financial costs and expenses	-10,790	-12,786	-6,238	-5,310	13) Net gains/(losses) on foreign exchange	74	-1,377	-99	-187	14) Value adjustments of 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<b>NET GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-12,095</b>	<b>-12,738</b>	-5,429	<b>-7,495</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>10,436</b>	<b>18,546</b>	-4,603	<b>9,507</b>
15) Current and deferred income taxes	1,640	5,374	-926	3,358
<b>NET PROFIT/(LOSS)</b>	<b>8,796</b>	<b>13,172</b>	-3,677	<b>6,149</b>
16) Minority interests	675	985	-78	528
<b>GROUP CONSOLIDATED PROFIT/(LOSS)</b>	<b>8,121</b>	<b>12,187</b>	<b>-3,755</b>	<b>5,621</b>

#### CONSOLIDATED BALANCE SHEET OVERVIEW

(amounts in Euro thousands)

	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>Audited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Unaudited</b>
NON-CURRENT ASSETS	245,874	247,686	239,781	248,355
CURRENT ASSETS	295,623	274,161	348,374	272,019
<b>TOTAL ASSETS</b>	<b>541,497</b>	<b>521,847</b>	<b>588,155</b>	<b>520,374</b>
SHAREHOLDERS' EQUITY	73,304	77,074	65,698	72,716
NON-CURRENT LIABILITIES	209,625	202,919	264,214	210,542
CURRENT LIABILITIES	258,568	241,854	258,243	237,116
<b>TOTAL LIABILITIES</b>	<b>468,193</b>	<b>444,773</b>	<b>522,457</b>	<b>447,658</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>541,497</b>	<b>521,847</b>	<b>588,155</b>	<b>520,374</b>

#### CONSOLIDATED CASH FLOW STATEMENTS OVERVIEW

(amounts in Euro thousands)

	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>Audited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Cash flows from operating activities	65,707	17,938	-23,228	23,047
Cash flows from Investing activities	-21,104	-13,496	-4,798	-12,462
Cash flows from financing activities	-4,005	-16,990	93,545	-584
<b>Total cash flows for the period</b>	<b>40,598</b>	<b>-12,548</b>	<b>65,519</b>	<b>10,001</b>
<b>Opening cash and cash equivalents</b>	<b>35,617</b>	<b>48,868</b>	<b>76,120</b>	<b>35,617</b>
Exchange changes in cash and cash equivalents	-95	-703	-836	11
<b>Closing cash and cash equivalents</b>	<b>76,120</b>	<b>35,617</b>	<b>140,803</b>	<b>45,629</b>

#### CONSOLIDATED OTHER FINANCIAL INFORMATION OVERVIEW

(amounts in Euro thousands)

	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>Audited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Consolidated EBITDA	42,660	51,858	11,108	27,040
Consolidated Adjusted EBITDA	43,961	54,045	11,123	27,159
Net Consolidated Financial Position	133,851	165,150	160,811	165,499
Net Consolidated Financial Position of Operations	123,617	156,581	149,609	155,125

**What are the key risks that are specific to the Guarantor?**

**Risks relating to the Guarantor's ability to meet its payment obligations under the Guarantee**- 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.

**What are the key risks that are specific to the Group as a whole?**

- Risks relating to the financial performance of the Group** - After a growth in 2018 the Group's revenues and profits declined for the financial year ended 31 December 2019. 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. Furthermore, the Group's consolidated statement of financial position includes significant intangible assets, which could become impaired;
- Risks relating to the Group's 2017-2021 Business Plan and future business operations** - The Group's ability to successfully execute its 2017-2021 business plan and implement its strategy, including its new investment phase (see "Information about the Group - Strategy"), is not assured. Furthermore, the Group may be unable to successfully integrate or achieve the expected benefits from current or future acquisitions or joint ventures;
- Risks relating to the Group's indebtedness** - The Group has significant outstanding indebtedness, which may limit its ability to obtain additional funding and may limit its financial and operating flexibility;

	<p>4. <b>Risks relating to the Group’s business model and client base</b> - A meaningful percentage of the Group’s revenues is concentrated among a small number of clients, and the Group relies upon a limited number of suppliers of materials and could suffer shortages if these suppliers were to interrupt the supply or increase their prices. Furthermore, the Group relies upon 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.</p> <p>5. <b>Risks relating to the sector in which the Group operates.</b> In particular, 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.</p>
<p><b>What are the key risks that are specific to the Notes?</b></p>	<p>1. <b>Risk Relating to the specific characteristics of the Notes</b> - The Notes are fixed rate unsecured securities and their market price may be affected by fluctuations in market interest rates. Furthermore, 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;</p> <p>2. <b>Risks relating to the specific characteristics of the Guarantee</b> - 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. Furthermore, enforcing rights as a Noteholder or under the Guarantee across multiple jurisdictions may be difficult;</p> <p>3. <b>Risks relating to the terms of the Offering</b> - 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;</p> <p>4. <b>Risks relating to the tax treatment of the Notes and risks related to change of law and administrative practice</b> - Payments made to non-resident entities without an Italian permanent establishment to which the Notes are effectively connected may be subject to Italian withholding taxes or deduction of taxes. Furthermore, future changes to law or administrative practice may affect the application of the Terms and Conditions of the Notes;</p> <p>5. <b>Risks relating to the fact that the Notes are not rated</b> - The Notes are not rated and credit ratings may not reflect all risks;</p> <p>6. <b>Risks relating to the primary market of the Notes</b> - 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.</p>

**Section D – Key Information on the offer of the Notes to the public and/or admission to trading on a regulated market**

<p><b>Under which conditions and timetable can I invest in this security?</b></p>	<p><i>Offering of the Notes</i></p> <p>The Offering is addressed to the general public in Luxembourg and Italy and to qualified investors (as defined in the Prospectus Regulation) 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>”) in its capacity as competent authority under the Luxembourg Act dated 16 July 2019 relating to prospectuses for securities (<i>Loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières</i>) (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 25 of the Prospectus Regulation.</p> <p><i>Offering Period</i></p> <p>The Offering will open on 14 September 2020 at 09:00 (CET) and will expire on 18 September 2020 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 pursuant to Article 23 of the Prospectus Regulation).</p> <p><i>Pricing Details</i></p> <p>The Notes will be issued at a price of 100.00 per cent. of their principal amount. The Minimum Interest Rate of the Notes is 3.25 per cent. per annum.</p> <p><i>Disclosure of the Interest Rate, Yield, Redemption Prices 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), the final yield and the redemption prices (which will be 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). The interest rate of the Notes (which shall not be less than the Minimum Interest Rate), the yield and the redemption prices will be set out in the Interest Rate, and Yield and Redemption Prices Notice, which will be filed with the CSSF and published on the website of the Guarantor (<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 notice, which will be filed with the CSSF and published on the website of the Guarantor <a href="https://www.carraro.com/bonds/">https://www.carraro.com/bonds/</a>), the website of the Luxembourg Stock Exchange</p>
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	<p>(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.</p> <p><i>Conditions of the Offering</i></p> <p>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.</p> <p><i>Technical Details of the Offering</i></p> <p>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. 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. 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. 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. 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.</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. 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. 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. Payments and transfers of the Notes will be settled through Euroclear and Clearstream, Luxembourg. 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.</p>
<p><b>Why is this prospectus being produced?</b></p>	<p>The Issuer intends to use the net proceeds from the Offering for general corporate purposes, including potential acquisitions (see “<i>Information about the Group - Strategy</i>”), and towards refinancing existing indebtedness.</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. 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>

## **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 SPECIFICALLY TO THE ISSUER AND TO THE GUARANTOR**

#### ***1. Key risks specific to the Issuer as a treasury centre for the Group***

The Issuer is a treasury centre for the Group and, following the Reorganisation of the Group, will hold equity investments in the Group's foreign subsidiaries. The Issuer relies upon distributions from its current and future Group subsidiaries and upon receivables towards certain Group subsidiaries arising from intercompany loans to service and repay the Notes.

The Issuer intends to service and repay the Notes out of the dividends to be received from its current and future Group subsidiaries or out of the payments to be collected under certain intercompany loans. The Issuer's ability to service and repay the Notes therefore depends on the ability of its Group subsidiaries to distribute dividends and on the ability of the Group subsidiaries to repay in full any intercompany loans extended to them by the Issuer. In the event that any Group subsidiary fails to distribute dividends or fails to repay the intercompany loans extended to them by the Issuer, the Issuer may not be able to meet its obligations under the Notes when due.

#### ***2. Risks relating to the Reorganisation and the Transfer***

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

The Issuer is a *société européenne* ("SE") pursuant to EU Regulation 2157/2001 and EU Directive 2001/86/EC. The relevant legal framework of a SE is based on the location of the Issuer's registered office and its seat of central administration.

The Issuer's board of directors resolved upon the transfer of its registered office from Italy to Luxembourg to benefit, in the interest of the whole Group, from market opportunities in terms of access to the international credit market and from the presence in Luxembourg of the main sector operators and institutions, as further described in "*Information about the Group - Recent Developments – Group Reorganisation*". The Issuer expects the Transfer to be completed and effective by the end of 2020.

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 be situated at 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 registered office (*siège statutaire*) and its head office (*administration centrale*) in Luxembourg, will be considered as a resident of the Grand Duchy of Luxembourg, also for Luxembourg tax purposes. The Issuer will comply with all factual requirements described above in a manner sufficient to ensure its Luxembourg existence and domicile following the Transfer, as required by the Luxembourg Companies Law and by the EU Regulation 2157/2001, which sets forth that the registered office of an SE shall be located in the same member State as its head office.

#### *Potential impact on applicable laws*

*Corporate implications:* Although the Issuer believes that it will comply with the Luxembourg Companies' Law and with all factual requirements described above in a manner sufficient to ensure, following the Transfer, its Luxembourg existence and domicile and its power and authority to execute and perform all relevant obligations under the Notes, as well as the Issuer expects that its corporate residency will be solely in Luxembourg, the Issuer can provide no assurance with respect to the fact that the effectiveness of the Issuer's existence and domicile in Luxembourg will never be challenged by any competent authority following the Transfer. It is difficult notably to predict the legal consequences if Luxembourg law were deemed not to apply to the Issuer. The Luxembourg Public Prosecutor (*Procureur d'État*) may request the Luxembourg District Court (*Tribunal d'Arrondissement*) to declare that a commercial company that is governed by the Luxembourg law is dissolved and order its liquidation, if the company pursues activities that are contrary to criminal law or the company seriously contravenes the provisions of the Luxembourg Commercial Code (*Code de commerce*) or of the laws governing commercial companies, including the ones concerning the right of establishment.

*Luxembourg Tax Implication:* After the Transfer, from a Luxembourg tax law perspective – according to Article 159 of the Luxembourg Tax Law - the Issuer will be considered for tax purposes as a resident of the Grand Duchy of Luxembourg from the moment that its registered office (*siège statutaire*) is fixed in the Grand Duchy of Luxembourg (the "**Day of Establishment**"). As the Transfer is expected to be completed before the end of 2020, from a Luxembourg perspective the company will be considered as a Luxembourg tax resident for the period from the Day of Establishment to the end of 2020 and for the subsequent tax years as long as the company will keep its registered office (*siège statutaire*) or its central administration (*administration centrale*) in the Grand Duchy of Luxembourg.

*Italian Tax implications:* Before the transfer of the legal headquarters, which is planned for early November 2020, Carraro International 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 registered at 15, Rue Des Bains - 1212 Luxembourg on 2 May 2018. Following the Transfer, provided that the Issuer does not have the legal headquarters, the place of management or the main purpose of its business in Italy for most of the tax year, the Issuer expects that from 2021 it will no longer be resident in Italy for tax purposes and its tax residency will be solely in Luxembourg.

Until the Issuer is resident for tax purposes in Italy, payments on the Notes will be subject to Italian taxation. After ceasing to be resident for tax purposes in Italy, the Issuer expects that payments on the Notes will only be subject to Luxembourg tax laws, except for payments by the Issuer to investors resident in Italy for tax purposes and payments by the Guarantor both of which will remain subject to Italian tax laws, in addition to Luxembourg tax laws.

For further details see “*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. Whether the Issuer is resident in Luxembourg for tax purposes is largely a matter of fact based on all circumstances, rather than a question of law. However, the Issuer intends to set up and maintain its management and organisational structure in such a manner that the Issuer should be deemed to be resident in Luxembourg for tax purposes. Because this analysis is highly factual and may depend on future changes in the management and organisational structure, there can be no assurance regarding the final determination of the tax residency of the Issuer.

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*”.

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 Italy to any other Member State of the European Union in accordance with Article 8 of EU Regulation 2157/2001. 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. During the two-month period, creditors of the SE may oppose against the transfer, according to Article 8 of EU Regulation 2157/2001. 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 will be made available (free of charge) at least one month before the shareholders’ general meeting at the registered office of the SE. Before the issuance of a certificate by a court, notary or other competent authority of the Member State where the SE has its registered office prior to the transfer, confirming the completion of the acts and formalities to be accomplished before the transfer, the SE shall ensure that, in respect of any liabilities arising prior to the publication of the transfer proposal, the interests of creditors and holders of other rights towards the SE (including those of public bodies) have been adequately protected in accordance with requirements laid down by the Member State where the SE has its registered office prior to the transfer. In accordance with Article 8 of the EU Regulation 2157/2001, the new registration in the other Member State may not be effected until the above certificate has been submitted, and evidence produced that the formalities required for its registration in the new Member State have been completed. The transfer of an SE’s registered office and the consequent amendment of its bylaws shall take effect on the date on which the SE is registered in the new Member State. When the SE’s new registration has been effected, the registry for its new registration shall notify the registry for its old registration. Deletion of the old registration shall be effected on receipt of that notification, but not before. On publication of an SE’s new registration, the new registered office may be relied on as against third parties. However, as long as the deletion of the SE’s 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 SE proves that such third parties were aware of the new registered office. An SE may not transfer its registered office if proceedings for winding up, liquidation, insolvency or suspension of payments or other similar proceedings have been brought against it. The Luxembourg Companies Law contains provisions that are strictly in line with the provisions of Article 8 of the EU Regulation 2157/2001 that are mentioned in this paragraph.

As at the date of the Prospectus the Issuer is in the process of transferring its registered office from Italy to Luxembourg, but there are no restrictions on the Issuer preventing it from transferring its registered office to another jurisdiction. However, no assurance can be given as to whether the Transfer may affect the Issuer's 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***

Following the Transfer the Issuer will have its registered office and will be subject to Luxembourg laws, but no assurance can be given as to whether its "centre of main interests" will not be deemed – by any competent authority – to be in another country. The Guarantor is incorporated and has 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 Italy (before the Transfer) or Luxembourg (after the Transfer) would be considered as jurisdictions in which such "centre of main interests" is located and if such proceedings would be opened, respectively, in Italy (before the Transfer) or Luxembourg (after the Transfer). 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.

**3. *Interest Rate and Hedging Risks***

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.

A significant proportion of the Issuer's indebtedness bears fixed rate interest. A rise in interest rates will not 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.

However, for the residual portion of indebtedness which bears a floating rate, 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 a 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.

#### **4. Risks relating to the Guarantor's ability to meet its payment obligations under the Guarantee**

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, save for treasury functions and holding functions for the foreign subsidiaries of the Group which will be carried out by the Issuer. 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 AS A WHOLE**

#### **1. Risks relating to the financial performance of the Group**

After a growth in 2018 the Group's revenues and profits declined for the financial year ended 31 December 2019. 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 financial year ended 31 December 2019 the Group's revenues and profits declined compared to previous year, mainly as a result of a declining customer demand as the Group's traditional and new markets felt the effect of a general slow-down in the global economy after two years of sustained growth and of a certain geopolitical tension.

Despite the actions carried out to date, and the future strategy of the Group, if the Group's financial statements as at 31 December 2020 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 at 31 December 2019, the carrying amount of intangible assets on its consolidated statement of financial position was €52.5 million, representing 9.7 per cent. of the Group's total assets.

This carrying amount includes €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 2019 and for the financial period ended on 30 June 2020, the Group recorded no impairments with 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.

## **2. *Risks relating to the Group's 2017-2021 Business Plan and future business operations***

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

The Group's 2017-2021 Business Plan (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 in 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 as a result of events affecting the Group that may not be foreseeable or quantifiable, in whole or in part, as of the date hereof, such as the COVID-19 pandemic (see "*Risks associated with the COVID-19 pandemic*" below), 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 and growth through external acquisitions which may result in short-term costs without generating any current net revenues and which may, therefore, 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 future acquisitions or joint ventures.***

The Group intends to pursue a number of significant acquisitions or joint ventures in the future (see "*Information about the Group – Strategy*" below). 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 be successful in carrying out acquisitions or joint ventures and, even if it is successful, 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 acquisitions or joint ventures. 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.

Furthermore, even when the Group has been able to identify a target, any assessments of its merits are inherently uncertain and are, *inter alia*, subject to a number of estimates and assumptions regarding profitability, growth, interest rates and business valuations which are in turn based on a limited set of information, generally obtained through the customary due diligence exercise. All such evaluations, estimates and assumptions may prove to be incorrect or incomplete. Such assessments and estimates may differ significantly from actual circumstances and developments. Furthermore, even following the completion of this activity, the Group may not be able to identify all the critical aspects relating to the target company and the future risks that could arise from the transaction, or to accept unfavorable conditions or relations in view of the overall benefits expected from the transaction (for example, by acquiring financial contracts containing more onerous commitments and covenants than those typically negotiated by the Group). In addition, such transactions may expose the Group to risks associated with liabilities and/or disputes arising from the previous operations of the acquired companies or businesses. After the acquisition of a target company, the Group may also face unexpected problems or other issues, for example, capital losses and/or non-existence of assets or the occurrence of liabilities not found in the course of due diligence activity. If the Guarantor or the Group cannot recover such amounts under the indemnity provisions of the relevant acquisition agreement, or it is not otherwise able to recover the full amount of the damages it may suffer, this would have a material adverse effect on the Group's business, results of operations and financial condition, as well as on its reputation, with potential negative effects also on the market price of the shares.

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.

### **3. *Risks relating to exchange rate fluctuations***

#### ***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.

### **4. *Risks relating to the Group's indebtedness***

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

As at 31 December 2019, the Group had an aggregate of €123.6 million of net consolidated Financial Position of Operations, and its equity was €73.3 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.

##### **5. *Risks relating to the Group's business model and client base***

###### ***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 2019, the Group's top five and ten clients accounted for 60 per cent. and 70 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 upon 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 wide 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 upon 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.

**6. *Risks relating to the Group's internal management, employment structure and facilities***

***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.

## **7. Risks relating to the sector in which the Group operates**

***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.

***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 horse power, the Group has experienced quality issues often associated with the introduction of 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 with adequate 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 properly performing products with adequate quality level meeting 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 original equipment manufacturers (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 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.***

**8. *Risks relating to macro-economic factors which may have a material adverse impact on the Group***

***Risks associated with the COVID-19 pandemic***

The recent outbreak of a new coronavirus (named COVID-19 ("COVID-19")) that was first detected in China in December 2019, was declared a pandemic by the World Health Organization (WHO) on 11 March 2020. This pandemic is now having, and may have for an unforeseeable period of time, significant health, social and economic consequences worldwide.

In addition to the worsening of the global macroeconomic scenario and the risk of deterioration of the credit profile of a considerable number of countries (including Italy), the above-mentioned pandemic has already led to significant slowdowns in many business activities due to the significant adverse impact on global supply chains, tourism revenues, commodity prices, capital flows and demand, and financial markets.

The ultimate severity and related consequences of COVID-19 is causing significant uncertainty in both domestic and global financial markets and could have an impact on the business environment as well as on the legal, tax and regulatory framework (particularly further to certain legislative measures adopted by national governments).

At present, it is not possible for the Group to reliably calculate the impact of COVID-19 on its targets for the remainder of 2020 and beyond, however the potential impact of COVID-19 on the Group's facilities, suppliers and customers and therefore on its operations are highly uncertain. Such potential 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.

In addition, the current Covid-19 pandemic has exacerbated the volatility of the markets and has had a materially adverse impact on the global supply chain. In carrying out its activities, the Group is exposed to the risk that a sudden surge of contagions may lead to further lockdowns that can impact the profitability. While the Group is continuing to monitor and assess the evolution of the pandemic and its macroeconomic effects, significant uncertainty remains around the ultimate severity of the Covid-19 outbreak.

***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.

**9. *Risks relating to changes in law and regulations***

***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 V standard and the "Mother Regulation" (EU Regulation no. 167/2013) (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 the "Organisational, Management and Control Model" designed to prevent the commission of the offences contemplated in Italian Legislative Decree No. 231/2001 which governs enterprise liability under Italian law (hereinafter also the "**Model**"). (See "*Information about the Group – The Anti-Corruption Compliance System*"). Such offences include, among others, corruption crimes in particular bribery of a public official and also bribery among private individuals, fraud crimes, fraud against the State or other public entity and false company statements. However, no assurance can be provided that the Organisational, Management and Control Model 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 Organisational, Management and Control Model). 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 model, but all are subject to guidelines based on the objectives of the Program. 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, strict 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 that imposes more stringent data protection requirements and provides for greater penalties for non-compliance. 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.

***10. Risks relating to intellectual property rights***

***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**

### **1. Risk Relating to the specific characteristics of the Notes**

#### ***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 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 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.

***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.

### ***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.

## **2. Risks relating to the specific characteristics of the Guarantee**

***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.

***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 Italy and, after the the transfer of its registered office, 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.

**3. Risks relating to the terms of the Offering**

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*”.

**4. Risks relating to the tax treatment of the Notes and risks related to change of law and administrative practice**

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

All payments in respect of the 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 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**”) or withholding pursuant to 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 the Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of the 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.

***Italian withholding taxes or deduction may be applicable on amounts paid by the Guarantor***

Payments made by the Guarantor to the Noteholders may be subject to Italian withholding taxes or deductions of taxes. 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 prior to 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.

## **5. Risks relating to the fact that the Notes are not rated**

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.

## **6. Risks related to the primary market of the Notes**

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

*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.

### ***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.

***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.

**7. Risks relating to the secondary market of the Notes**

***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 Notes may have no established trading market***

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.

**8. Risks relating to exchange rates 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 2018 and 31 December 2019 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 non-consolidated financial statements are referred to in this Prospectus as the “**2018 Audited Issuer Non-Consolidated Financial Statements**” and the “**2019 Audited Issuer Non-Consolidated Financial Statements**” respectively.

The audited consolidated financial statements of the Group as of and for the years ended 31 December 2018 and 31 December 2019 incorporated by reference in this Prospectus have been prepared in accordance with IFRS. These audited consolidated financial statements are referred to in this Prospectus as the “**2018 Audited Guarantor Consolidated Financial Statements**” and the “**2019 Audited Guarantor Consolidated Financial Statements**” respectively.

The interim unaudited consolidated financial statements of the Group as of and for the six months ended 30 June 2020 incorporated by reference in this Prospectus have been prepared in accordance with IFRS applicable to interim financial reporting (IAS 34), endorsed by the European Union. These unaudited financial statements are referred to in this Prospectus as the “**2020 Unaudited Guarantor Consolidated Semi-Annual Financial Statements**”.

Financial data of the Guarantor included in this Prospectus has been derived from the 2019 Audited Guarantor Consolidated Financial Statements and the 2020 Unaudited Guarantor Consolidated Semi-Annual Financial Statements. The financial information as at and for the periods ended 31 December 2018 and 30 June 2019 included in this Prospectus has been taken respectively from the comparative information included in the 2019 Audited Guarantor Consolidated Financial Statements, and in the 2020 Unaudited Guarantor Consolidated Semi-Annual Financial Statements.

Financial data of the Issuer included in this Prospectus has been derived from the 2019 Audited Issuer Non-Consolidated Financial Statements. The financial information as at and for the periods ended 31 December 2018 included in this Prospectus has been taken from the comparative information included in the 2019 Audited Issuer Non-Consolidated Financial Statements.

### 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 earnings before tax taxes and financial income and expenses, with no adjustments;

“**EBITDA**”, which means the sum of operating profit/(loss) of the income statement, amortisation, depreciation and impairment 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 2018 Audited Guarantor Consolidated Financial Statements, the 2019 Audited Guarantor Consolidated Financial Statements and the 2020 Unaudited Guarantor Consolidated Semi-Annual Financial Statements;
- (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.

## **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 1(4) of the Prospectus Regulation (a “**Public Offer**” and together, “**Public Offers**”) in the Grand Duchy of Luxembourg and the Republic of Italy (each a “**Public Offer Jurisdiction**” and together, the “**Public Offer Jurisdictions**”). Any person making or intending to make a Public 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 5(1) of the Prospectus Regulation (Retail Cascades)*” below.

### **CONSENT GIVEN IN ACCORDANCE WITH ARTICLE 5(1) OF THE PROSPECTUS REGULATION (RETAIL CASCADES)**

#### **Consent**

In the context of any Public Offer of Notes, the Issuer and the Guarantor accept responsibility, in each of the Public Offer Jurisdictions, for the content of this Prospectus in relation to any person (an “**Investor**”) who purchases any Notes in a Public 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 Public 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 Public 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.**

**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 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 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.

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, Yield and Redemption Prices 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 legally binding language of this Prospectus, according to Article 27 of the Prospectus Regulation, 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.

## 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 2018 Audited Issuer Non-Consolidated Financial Statements;
- (b) the 2019 Audited Issuer Non-Consolidated Financial Statements;
- (c) the Carraro Group Annual Report 2018 including the 2018 Audited Guarantor Consolidated Financial Statements;
- (d) the Carraro Group Annual Report 2019 including the 2019 Audited Guarantor Consolidated Financial Statements; and
- (e) the 2020 Unaudited Guarantor Consolidated Semi-Annual Financial Statements.

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

- (i) [https://www.carraro.com/storage/app/uploads/public/5cb/eb8/f46/Carraro\\_International\\_Financial\\_Report\\_31122018\\_\\_5cbeb8f460c1e198168211.pdf](https://www.carraro.com/storage/app/uploads/public/5cb/eb8/f46/Carraro_International_Financial_Report_31122018__5cbeb8f460c1e198168211.pdf) as to the 2018 Audited Issuer Non-Consolidated Financial Statements;
- (ii) [https://www.carraro.com/storage/app/uploads/public/5e8/4b0/049/carraro\\_international\\_se\\_financial\\_report\\_31122019\\_\\_5e84b0049ce4a457319509.pdf](https://www.carraro.com/storage/app/uploads/public/5e8/4b0/049/carraro_international_se_financial_report_31122019__5e84b0049ce4a457319509.pdf) as to the 2019 Audited Issuer Non-Consolidated Financial Statements;
- (iii) [https://www.carraro.com/storage/app/uploads/public/5f1/9ad/69a/carraro\\_annual\\_report\\_2018\\_en\\_\\_5f19ad69a305c057985378.pdf](https://www.carraro.com/storage/app/uploads/public/5f1/9ad/69a/carraro_annual_report_2018_en__5f19ad69a305c057985378.pdf) as to the 2018 Audited Guarantor Consolidated Financial Statements;
- (iv) [https://www.carraro.com/storage/app/uploads/public/5f2/acf/fee/annual\\_report\\_2019\\_en\\_\\_5f2acffee83fd299431217.pdf](https://www.carraro.com/storage/app/uploads/public/5f2/acf/fee/annual_report_2019_en__5f2acffee83fd299431217.pdf) as to the 2019 Audited Guarantor Consolidated Financial Statements; and
- (v) [https://www.carraro.com/storage/app/uploads/public/5f3/3d4/288/relazione\\_finanziaria\\_semestrale\\_30062020\\_eng\\_firmata\\_\\_5f33d428874d1800587479.pdf](https://www.carraro.com/storage/app/uploads/public/5f3/3d4/288/relazione_finanziaria_semestrale_30062020_eng_firmata__5f33d428874d1800587479.pdf) as to the 2020 Unaudited Guarantor Consolidated Semi-Annual 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 23 of the Prospectus Regulation, 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>2018 Audited Issuer Non-Consolidated Financial Statements</b>	<b>Page(s)</b>
Directors' report on operations	1-15
Financial statements	16-22
Explanatory and supplementary notes to the accounts	23-57
Audit Report	58-62

<b>2019 Audited Issuer Non-Consolidated Financial Statements</b>	<b>Page(s)</b>
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Directors' report on operations	1-18
Financial statements	19-25
Explanatory and supplementary notes to the accounts	26-60
Audit Report	61-63

**Carraro Group Annual Report 2018 including the 2018 Audited Guarantor Consolidated Financial Statements** **Page(s)**

Consolidated income statement	108
Consolidated comprehensive interim income statement	109
Consolidated interim statement of financial position	109-110
Statement of changes in consolidated shareholders' equity	111
Consolidated statement of cash flows	112
Explanatory and supplementary notes to the consolidated accounts as at 31 December 2018	113-179
Independent auditors' report pursuant to art. 14 of Legislative Decree no. 39 of 27 January 2010 and article 10 of the EU Regulation 537/2014	196-200

**Carraro Group Annual Report 2019 including the 2019 Audited Guarantor Consolidated Financial Statements** **Page(s)**

Consolidated income statement	107
Consolidated comprehensive interim income statement	108
Consolidated interim statement of financial position	108-109
Statement of changes in consolidated shareholders' equity	110
Consolidated statement of cash flows	111
Explanatory and supplementary notes to the consolidated accounts as at 31 December 2019	112-178
Independent auditors' report pursuant to art. 14 of Legislative Decree no. 39 of 27 January 2010 and article 10 of the EU Regulation 537/2014	195-199

**2020 Unaudited Guarantor Consolidated Semi-Annual Financial Statements** **PDF Page(s)**

Consolidated income statement	3
Consolidated interim statement of financial position	4
Analysis of net working capital	5
Structure of the Carraro Group	6-10
Summary of the first half	11-15

Economic and equity data	16-19
Performance and results of the Carraro Group Business Areas	20-36
Condensed consolidated interim financial statements of the Carraro Group	37-43
Explanatory and supplementary notes	44-74
Report on review of the half-yearly condensed consolidated financial statements	75

Any information which is not contained within the page numbers of the documents specified above is not incorporated by reference in this Prospectus and is either not relevant to investors or is 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.



## OVERVIEW OF FINANCIAL INFORMATION

Set out below is an overview of the Issuer Income Statement and Issuer Balance Sheet derived from the 2018 Audited Issuer Non-Consolidated Financial Statements and the 2019 Audited Issuer Non-Consolidated Financial Statements, which are each incorporated by reference in this Prospectus, and an overview of the Consolidated Income Statement and Consolidated Balance Sheet of the Group derived from the 2018 Audited Guarantor Consolidated Financial Statements, from the 2019 Audited Guarantor Consolidated Financial Statements and from the 2020 Unaudited Guarantor Consolidated Semi-Annual Financial Statements, which are each incorporated by reference in this Prospectus, as well as from the 2019 Unaudited Guarantor Consolidated Semi-Annual Financial Statements. 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 has been extracted from and should be read in conjunction with, and is qualified in its entirety by reference to, the 2018 Audited Issuer Non-Consolidated Financial Statements, the 2019 Audited Issuer Non-Consolidated Financial Statements, the 2018 Audited Guarantor Consolidated Financial Statements, the 2019 Audited Guarantor Consolidated Financial Statements and the 2020 Unaudited Guarantor Consolidated Semi-Annual Financial Statements. 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*”.

## ISSUER BALANCE SHEET OVERVIEW

<i>(amounts in Euro thousands)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>Audited</b>	<b>Audited</b>
<b>A) NON-CURRENT ASSETS</b>		
1) Property, plant and equipment	34	-
2) Intangible fixed assets	-	-
3) Real estate investments	-	-
4) Investments	39,608	45,117
5) Financial assets	88,225	88,653
5.1) <i>Loans and receivables</i>	87,163	87,563
5.2) Other financial assets	1,062	1,090
6) Deferred tax assets	22	-
7) Trade receivables and other receivables	11	31
7.1) <i>Trade receivables</i>	-	-
7.2) <i>Other receivables</i>	11	31
<b>TOTAL NON-CURRENT ASSETS</b>	<b>127,900</b>	<b>133,801</b>
<b>B) CURRENT ASSETS</b>		
1) Closing inventory	-	-
2) Trade receivables and other receivables	194	152
2.1) <i>Trade receivables</i>	-	15
2.2) <i>Other receivables</i>	194	137
3) Financial assets	33,165	59,764
3.1) <i>Loans and receivables</i>	32,835	59,461
3.2) <i>Other financial assets</i>	330	303
4) Cash and cash equivalents	37,736	13,211
4.1) <i>Cash</i>	-	-
4.2) <i>Bank current accounts and deposits</i>	37,736	13,211
4.3) <i>Other cash and cash equivalents</i>	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>71,095</b>	<b>73,127</b>
<b>TOTAL ASSETS</b>	<b>198,995</b>	<b>206,928</b>
<b>A) SHAREHOLDERS' EQUITY</b>		
1) Share Capital	13,500	13,500
2) Other Reserves	2,230	1,779
3) Profits/(Losses) brought forward	-	1,547
4) Cash flow hedge reserve	-	-
5) Provision for discounting employee benefits	-	-
6) Foreign currency translation reserve	-	-
7) Profit/loss for the year pertaining to the group	2,822	9,035
<b>GROUP SHAREHOLDERS' EQUITY</b>	<b>18,552</b>	<b>25,861</b>
8) Minority interests	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>18,552</b>	<b>25,861</b>
<b>B) NON-CURRENT LIABILITIES</b>		
1) Financial liabilities	176,759	176,452
1.1) <i>Bonds</i>	176,707	176,141
1.2) <i>Loans</i>	11	-
1.3) <i>Other financial liabilities</i>	41	311
2) Trade payables and other payables	-	-
2.1) <i>Trade payables</i>	-	-
2.2) <i>Other payables</i>	-	-
3) <i>Deferred tax liabilities</i>	-	35
4) Provision for employee benefits/retirement	-	-
5) Provisions for risks and liabilities	-	-

<i>5.1) Provision for warranties</i>	-	-
<i>5.2) Provision for legal claims</i>	-	-
<i>5.3) Provision for restructuring and reconversion</i>	-	-
<i>5.4) Other provisions</i>	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>176,759</b>	<b>176,487</b>
<b>C) CURRENT LIABILITIES</b>		
1) Financial liabilities	3,033	3,676
<i>1.1) Bonds</i>	-	-
<i>1.2) Loans</i>	86	8
<i>1.3) Other financial liabilities</i>	2,947	3,668
2) Trade payables and other payables	597	601
<i>2.1) Trade payables</i>	524	317
<i>2.2) Other payables</i>	73	284
3) Current taxes payables	54	303
4) Provisions for risks and liabilities	-	-
<i>4.1) Provision for warranties</i>	-	-
<i>4.2) Provision for legal claims</i>	-	-
<i>4.3) Provision for restructuring and reconversion</i>	-	-
<i>4.4) Other provisions</i>	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,684</b>	<b>4,580</b>
<b>TOTAL LIABILITIES</b>	<b>180,443</b>	<b>181,067</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>198,995</b>	<b>206,928</b>

## ISSUER INCOME STATEMENT OVERVIEW

(amounts in Euro thousands)

	31.12.2019 Audited	31.12.2018 Audited
<b>A) REVENUES FROM SALES</b>		
1) Products	-	-
2) Services	344	436
3) Other revenues	-	-
<b>TOTAL REVENUES FROM SALES</b>	<b>344</b>	<b>436</b>
<b>B) OPERATING COSTS</b>		
1) Purchases of goods and materials	-	-
2) Services	817	1,068
3) Use of third-party goods and services	-	44
4) Personnel costs	264	307
5) Amortisation, depreciation and impairment of assets	69	12
5.a) depreciation of property, plant and equipment	54	-
5.b) amortisation of intangible fixed assets	-	12
5.c) impairment of fixed assets	-	-
5.d) impairment of receivables	15	-
6) Changes in inventories	-	-
7) Provision for risks and other liabilities	-	-
8) Other income and expenses	232	326
9) Internal construction	-	-
<b>TOTAL OPERATING COSTS</b>	<b>1,382</b>	<b>1,757</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>-1,038</b>	<b>-1,321</b>
<b>C) GAINS/(LOSSES) ON FINANCIAL ASSETS</b>		
10) Income and expenses from equity investments	5,408	9,442
11) Other financial income	8,151	9,859
12) Financial costs and expenses	-7,509	-8,427
13) Net gains/(losses) on foreign exchange	-1	-2
14) Value adjustments of financial assets	-2,234	-492
15) Income (charges) from hyperinflation	-	-
<b>NET GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>3,815</b>	<b>10,380</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>2,777</b>	<b>9,059</b>
15) Current and deferred income taxes	-45	24
<b>NET PROFIT/(LOSS)</b>	<b>2,822</b>	<b>9,035</b>

## ISSUER CASH FLOW STATEMENTS OVERVIEW

(amounts in Euro thousands)

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>Audited</b>	<b>Audited</b>
Cash flows from operating activities	4,281	9,990
Cash flows from Investing activities	3,356	-27
Cash flows from financing activities	16,888	-19,758
<b><i>Total cash flows for the period</i></b>	<b>24,525</b>	<b>-9,795</b>
<b>Opening cash and cash equivalents</b>	<b>13,211</b>	<b>23,006</b>
<b>Closing cash and cash equivalents</b>	<b>37,736</b>	<b>13,211</b>

## CONSOLIDATED BALANCE SHEET OVERVIEW

(amounts in Euro thousands)

	31.12.2019	31.12.2018	30.06.2020	30.06.2019
	Audited	Audited	Unaudited	Unaudited
<b>A) NON-CURRENT ASSETS</b>				
1) Property, plant and equipment	158,785	150,721	152,339	154,792
2) Intangible fixed assets	52,544	54,701	51,159	53,495
3) Real estate investments	695	695	695	695
4) Investments	1,506	7,248	1,619	5,037
5) Financial assets	7,774	8,656	9,046	7,845
5.1) Loans and receivables	6,562	7,397	6,523	6,742
5.2) Other financial assets	1,212	1,259	2,523	1,103
6) Deferred tax assets	20,389	20,714	20,284	21,058
7) Trade receivables and other receivables	4,181	4,951	4,639	5,433
7.1) Trade receivables	-	-	-	-
7.2) Other receivables	4,181	4,951	4,639	5,433
<b>TOTAL NON-CURRENT ASSETS</b>	<b>245,874</b>	<b>247,686</b>	<b>239,781</b>	<b>248,355</b>
<b>B) CURRENT ASSETS</b>				
1) Closing inventory	123,212	118,409	125,022	119,875
2) Trade receivables and other receivables	94,243	116,816	80,177	103,488
2.1) Trade receivables	58,315	78,904	41,924	69,192
2.2) Other receivables	35,928	37,912	38,253	34,296
3) Financial assets	2,048	3,319	2,372	3,027
3.1) Loans and receivables	1,456	2,854	1,081	2,452
3.2) Other financial assets	592	465	1,291	575
4) Cash and cash equivalents	76,120	35,617	140,803	45,629
4.1) Cash	72	81	76	82
4.2) Bank current accounts and deposits	76,048	35,536	140,727	45,547
4.3) Other cash and cash equivalents	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>295,623</b>	<b>274,161</b>	<b>348,374</b>	<b>272,019</b>
<b>TOTAL ASSETS</b>	<b>541,497</b>	<b>521,847</b>	<b>588,155</b>	<b>520,374</b>
<b>A) SHAREHOLDERS' EQUITY</b>				
1) Share Capital	41,453	41,453	41,453	41,453
2) Other Reserves	7,756	14,894	11,752	14,668
3) Profits/(Losses) brought forward	-	-	-	-30
4) Cash flow hedge reserve	113	20	-51	95
5) Provision for discounting employee benefits	284	418	165	98
6) Foreign currency translation reserve	6,476	-1,274	6,961	1,871
7) Profit/loss for the year pertaining to the group	8,121	12,187	-3,755	5,621
<b>GROUP SHAREHOLDERS' EQUITY</b>	<b>64,203</b>	<b>67,698</b>	<b>56,525</b>	<b>63,776</b>
8) Minority interests	9,101	9,376	9,173	8,940
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>73,304</b>	<b>77,074</b>	<b>65,698</b>	<b>72,716</b>
<b>B) NON-CURRENT LIABILITIES</b>				
1) Financial liabilities	194,096	186,379	249,329	193,970
1.1) Bonds	176,707	176,141	176,995	176,402
1.2) Loans	17,368	10,234	72,334	17,568
1.3) Other financial liabilities	21	4	-	-

2) Trade payables and other payables	115	270	88	166
2.1) <i>Trade payables</i>	-	-	-	-
2.2) <i>Other payables</i>	115	270	88	166
3) <i>Deferred tax liabilities</i>	1,899	2,411	1,211	2,732
4) Provision for employee benefits/retirement	9,769	9,656	9,746	10,013
5) Provisions for risks and liabilities	3,746	4,203	3,840	3,661
5.1) <i>Provision for warranties</i>	2,989	3,304	3,109	2,795
5.2) <i>Provision for legal claims</i>	56	56	56	56
5.3) <i>Provision for restructuring and reconversion</i>	-	-	-	-
5.4) <i>Other provisions</i>	701	843	675	810
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>209,625</b>	<b>202,919</b>	<b>264,214</b>	<b>210,542</b>
<b>C) CURRENT LIABILITIES</b>				
1) Financial liabilities	17,861	18,037	54,924	20,213
1.1) <i>Bonds</i>	-	-	-	-
1.2) <i>Loans</i>	15,067	14,937	51,513	17,321
1.3) <i>Other financial liabilities</i>	2,794	3,100	3,411	2,892
2) Trade payables and other payables	219,247	198,230	183,382	195,130
2.1) <i>Trade payables</i>	150,169	160,888	117,885	157,579
2.2) <i>Other payables</i>	69,078	37,342	65,497	37,551
3) Current taxes payables	5,331	7,864	3,542	5,438
4) Provisions for risks and liabilities	16,129	17,723	16,395	16,335
4.1) <i>Provision for warranties</i>	13,317	10,943	12,487	11,970
4.2) <i>Provision for legal claims</i>	461	851	500	954
4.3) <i>Provision for restructuring and reconversion</i>	1,483	1,668	1,378	1,356
4.4) <i>Other provisions</i>	868	4,261	2,030	2,055
<b>TOTAL CURRENT LIABILITIES</b>	<b>258,568</b>	<b>241,854</b>	<b>258,243</b>	<b>237,116</b>
<b>TOTAL LIABILITIES</b>	<b>468,193</b>	<b>444,773</b>	<b>522,457</b>	<b>447,658</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>541,497</b>	<b>521,847</b>	<b>588,155</b>	<b>520,374</b>

## CONSOLIDATED INCOME STATEMENT OVERVIEW

(amounts in Euro thousands)

	31.12.2019	31.12.2018	30.06.2020	30.06.2019
	Audited	Audited	Unaudited	Unaudited
<b>A) REVENUES FROM SALES</b>				
1) Products	532,548	601,966	208,246	293,174
2) Services	3,926	5,413	2,920	1,419
3) Other revenues	12,372	16,736	4,747	7,114
<b>TOTAL REVENUES FROM SALES</b>	<b>548,846</b>	<b>624,115</b>	<b>215,913</b>	<b>301,707</b>
<b>B) OPERATING COSTS</b>				
1) Purchases of goods and materials	344,266	381,727	133,451	186,209
2) Services	77,751	96,018	33,614	42,889
3) Use of third-party goods and services	84	1,059	48	92
4) Personnel costs	91,835	92,895	44,101	48,209
5) Amortisation, depreciation and impairment of assets	20,235	20,623	10,318	10,054
<i>5.a) depreciation of property, plant and equipment</i>	<i>16,866</i>	<i>15,258</i>	<i>8,612</i>	<i>8,355</i>
<i>5.b) amortisation of intangible fixed assets</i>	<i>3,348</i>	<i>3,748</i>	<i>1,674</i>	<i>1,642</i>
<i>5.c) impairment of fixed assets</i>	<i>-85</i>	<i>1,568</i>	<i>-4</i>	<i>41</i>
<i>5.d) impairment of receivables</i>	<i>106</i>	<i>49</i>	<i>36</i>	<i>16</i>
6) Changes in inventories	-6,635	489	-3,900	-1,456
7) Provision for risks and other liabilities	7,359	6,188	1,415	2,703
8) Other income and expenses	-8,111	-5,601	-3,723	-3,780
9) Internal construction	-469	-567	-237	-215
<b>TOTAL OPERATING COSTS</b>	<b>526,315</b>	<b>592,831</b>	<b>215,087</b>	<b>284,705</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>22,531</b>	<b>31,284</b>	<b>826</b>	<b>17,002</b>
<b>C) GAINS/(LOSSES) ON FINANCIAL ASSETS</b>				
10) Income and expenses from equity investments	280	1,517	-	-
11) Other financial income	934	2,136	590	442
12) Financial costs and expenses	-10,790	-12,786	-6,238	-5,310
13) Net gains/(losses) on foreign exchange	74	-1,377	-99	-187
14) Value adjustments of financial assets	-2,234	-1,205	113	-2,211
15) Income (charges) from hyperinflation	-359	-1,023	205	-229
<b>NET GAINS/(LOSSES) ON FINANCIAL ASSETS</b>	<b>-12,095</b>	<b>-12,738</b>	<b>-5,429</b>	<b>-7,495</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>10,436</b>	<b>18,546</b>	<b>-4,603</b>	<b>9,507</b>
15) Current and deferred income taxes	1,640	5,374	-926	3,358
<b>NET PROFIT/(LOSS)</b>	<b>8,796</b>	<b>13,172</b>	<b>-3,677</b>	<b>6,149</b>
16) Minority interests	675	985	-78	528
<b>GROUP CONSOLIDATED PROFIT/(LOSS)</b>	<b>8,121</b>	<b>12,187</b>	<b>-3,755</b>	<b>5,621</b>



## CONSOLIDATED CASH FLOW STATEMENTS OVERVIEW

(amounts in Euro thousands)

	31.12.2019	31.12.2018	30.06.2020	30.06.2019
	Audited	Audited	Unaudited	Unaudited
Cash flows from operating activities	65,707	17,938	-23,228	23,047
Cash flows from Investing activities	-21,104	-13,496	-4,798	-12,462
Cash flows from financing activities	-4,005	-16,990	93,545	-584
<b>Total cash flows for the period</b>	<b>40,598</b>	<b>-12,548</b>	65,519	10,001
<b>Opening cash and cash equivalents</b>	<b>35,617</b>	<b>48,868</b>	<b>76,120</b>	<b>35,617</b>
Exchange changes in cash and cash equivalents	-95	-703	-836	11
<b>Closing cash and cash equivalents</b>	<b>76,120</b>	<b>35,617</b>	<b>140,803</b>	<b>45,629</b>

## CONSOLIDATED OTHER FINANCIAL INFORMATIONS OVERVIEW

<i>(amounts in Euro thousands)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>Audited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Consolidated EBITDA	42,660	51,858	11,108	27,040
Consolidated Adjusted EBITDA	43,961	54,045	11,123	27,159
Net Consolidated Financial Position	133,851	165,150	160,811	165,499
Net Consolidated Financial Position of Operations	123,617	156,581	149,609	155,125

## CAPITALISATION

The following table sets forth the Guarantor's net financial position of operations, total shareholders' equity and total capitalisation as of 31 December 2019 on an actual basis, without giving effect to (i) the net proceeds of the issue of the Notes, expected between approximately €100,000,000 and €150,000,000 (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 and estimated amount of Proceeds*".

<i>(€ in thousands)</i>	<b>31 December 2019</b>
Current Net financial position	-60,245
Non-Current Net financial position	194,096
<b>Total Net financial position(A)</b>	<b>133,851</b>
Share capital	41,453
Reserves	14,629
Net income	8,121
Minority interest	9,101
<b>Total shareholders' equity (B)</b>	<b>73,304</b>
<b>Total Capitalisation (A+B)</b>	<b>207,155</b>

## TERMS AND CONDITIONS OF THE NOTES

The €[●] [●] per cent. Notes due 25 September 2026 (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 25 September 2020 (the “**Issue Date**”) and are subject to, and have the benefit of, a trust deed dated 25 September 2020 (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 shareholders’ meeting of the Issuer passed on 3 September 2020 and the guarantee of the Notes was authorised by a resolution of the board of directors of the Guarantor passed on 3 September 2020. 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 Wall, 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 Republic of Italy and, after the Transfer, the the Grand Duchy of Luxembourg, 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 Grand Duchy of Luxembourg;
- (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:** Starting from the year ending 31 December 2021 and 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 4:1 for the year ending 31 December 2021 and 3.5:1 starting from the year ending 31 December 2022 onward, 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 starting from 31 December 2021 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 and the Guarantor or any of their 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 Guarantor to a Subsidiary of the Guarantor or Indebtedness of a Subsidiary of the Guarantor to the Guarantor or another Subsidiary of the Guarantor for so long as such Indebtedness is held by a Subsidiary of the Guarantor or the Guarantor; *provided that* any Indebtedness of the Guarantor or any Subsidiary of the Guarantor is unsecured and subordinated, pursuant to a written agreement, to the Issuer's and the Guarantor's obligations under the Notes;
- (vi) 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;
- (vii) Refinancing Indebtedness;
- (viii) Indebtedness of the Issuer and its Subsidiaries in respect of any customary cash management, cash pooling or netting or setting off arrangements;
- (ix) 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

- (x) 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 its audited annual consolidated financial statements as of and for the year ended 31 December 2021 and in any event by no later than 30 June 2022;

“**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;

“**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 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 25 September and 25 March in each year, commencing on 25 March 2021 (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 25 March 2021, will be in respect of the period from and including the Issue Date to but excluding 25 March 2021 (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 25 September and 25 March in any year to but excluding the next 25 September and 25 March 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 25 September 2026. 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 25 September 2023, 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>
2023	[●]% <sup>1</sup>
2024	[●]% <sup>2</sup>
2025 and thereafter	[●]% <sup>3</sup>

- (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

<sup>1</sup> Principal amount of the Notes on the date fixed for redemption plus 50% of the rate of interest

<sup>2</sup> Principal amount of the Notes on the date fixed for redemption plus 25% of the rate of interest

<sup>3</sup> Principal amount of the Notes on the date fixed for redemption plus 12.5% of the rate of interest

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 present or former 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 not included in the list of countries set forth in D.M. 4 September 1996 (as, or as may subsequently be, amended or supplemented) which allow for a satisfactory exchange of information with the Italian tax 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 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 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 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 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 or the Guarantor; or

- (g) **Cessation of business:** the Issuer or the Guarantor 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 one of either (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 prior to a Change in Registered Office:** 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. For as long as there is no Change in Registered Office, 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 470-3 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.

In accordance with the Italian law, and until a Change of Registered Office has taken place, 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) **Meetings of Noteholders following a Change in Registered Office:** 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. The provisions of Articles 470-3 to 470-19 of the Luxembourg law on commercial companies of 10 August 1915, as amended, are excluded.

Following a Change in Registered Office, such a meeting may be convened by Noteholders holding not less than 10 per cent in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons present holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on, the Notes, (iii) to change the currency of payment of the Notes or the Coupons, or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee, in which case the necessary quorum will be one or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an

Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (c) **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.
- (d) **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.
- (e) **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.
- (f) **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. Prior to a Change of Registered Office, Condition 13(a) (Meetings of Noteholders) and the provisions of Schedule 3A 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. Both prior to or after a Change of Registered Office, 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 “**Eurosystem**”), 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 Eurosystem operations if the NGN form is used.

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

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 depository 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 depository 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.

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 AND ESTIMATED AMOUNT OF PROCEEDS**

The Issuer expects the gross proceeds of the Offering will be between €100,000,000 and €150,000,000. The estimated total expenses of the Offering will be between €2,000,000 and €2,500,000 (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 for general corporate purposes, including potential acquisitions (see "*Information about the Group - Strategy*"), and towards refinancing existing indebtedness.



## INFORMATION ABOUT THE GROUP

### GENERAL

#### *The Issuer*

Carraro International S.E. (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, on 21 December 2017, was transformed into a *société européenne* (“**SE**”), governed by European Regulation no. 2157/2001 (the “**Regulation 2157/2001**”). Effective from 16 April 2018, Carraro International’s registered office was transferred from the Grand Duchy of Luxembourg to the Republic of Italy, in Via Olmo 37, 35011 Campodarsego (PD) – Italy and its telephone number is +39 049 9219111. The Issuer’s legal entity identifier (“**LEI**”) is 529900Q1IS0EMFQKI046. The Issuer is registered with the Companies Register of Padua (*Registro delle Imprese di Padova*) under registration number and fiscal code 92198680289. The Issuer operates under the legislation of Italy. Following the Change of Registered Office, the Issuer will operate under the legislation of Luxembourg.

On 27 July 2020, the board of directors of the Issuer approved the project for the transfer of its registered office from the territory of Republic of Italy to the Grand Duchy of Luxembourg according to Regulation 2157/2001 and to the relevant provisions of the Italian law. See “*Reorganisation*” below.

Currently, 69% of the indebtedness of the Issuer is represented by the €180,000,000 3.50 per cent. Senior Unsecured Notes due 31 January 2025 issued by the Issuer on 7 February 2018 and guaranteed by Carraro S.p.A. (ISIN: XS1747134564) (the “**Existing Notes**”), 19% of the indebtedness by a loan granted by European Investment Bank and the remaining 12% by loans granted by a pool of banks.

As at the date of this Prospectus, the issued share capital of the Issuer amounts to €13,500,000, represented by 13,500 shares with a nominal value of €1,000 each and the Issuer’s entire share capital is held by the Guarantor (as defined below).

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

Following the conclusion of the Transfer (as defined and further described in “*Group Reorganisation*” below), 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) to participate in equity investment, in whatever form, in companies registered in Luxembourg or abroad, acquiring securities and other interest by means of equity investment, contributions, subscriptions, underwriting, call options or other, including the acquisition of patents, trademarks and licences, their management and optimisation and all operations related directly or indirectly with the company's corporate

purpose. The company may also contract loans in any form, with or without collateral, in any currency, and notably by way of the issue of ordinary or subordinated debt, with subscription warrants or convertible, in the form of bearer bonds or other;

- (b) to lend support, accord all forms of credit, stand surety, in any form and in any currency, and exercise any activity whose object is cash pooling, management and coverage of exchange and interest rate risk and the coordination of the financial activities of the group, to and for the companies in which it holds a direct or indirect share of equity or a direct or indirect interest, or companies dependent on or directly or indirectly affiliated to the group of which the company itself is a part, including the parent company, either by drawing on its own funds or by borrowing from the same group companies or from the parent company, or using funds raised through any kind of loan contracted by the company;
- (c) to conduct, through its subsidiaries or branch offices located in foreign countries, any kind of business involving the purchase, sale or commercialisation of products related to the mechanical and electronic industry, and any kind of business involving the provision of services, commercial support, marketing, research, engineering and technical assistance connected with or complementary to the former;
- (d) to conduct commercial, financial, security- and property-related operations directly or indirectly connected with its corporate purpose or likely to facilitate the pursuit thereof.

The Issuer performs the financial management and treasury functions of the Group (as defined below), 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 currently also a financial vehicle through which the Guarantor controls some of the Guarantor's foreign commercial subsidiaries, while for an overview of the Issuer following the Transfer, see "*Reorganisation*" below.

### ***The Guarantor***

Carraro S.p.A. (the "**Guarantor**" or "**Carraro**") was incorporated on 6 December 1960 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 LEI number is 815600F3EC59FFEC6594. 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 operates under the legislation of Italy.

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 of the date of this Prospectus, the issued share capital of the Guarantor amounts to €41,452,543.60, represented by no. 79,716,430 ordinary shares with a nominal value of €0.52 each.

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 *Mercato Telematico Azionario* of the Italian 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 Business*” 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 8 plants, 4 R&D centres and approximately 3,000 employees, as of the date of this Prospectus Carraro sees itself as an important partner in the power transmission field of the main manufacturers of agriculture and construction machinery.

The Group recently implemented the following transactions which management believes have increased its capital base, reduced its fixed cost structure and rationalised its manufacturing footprint:

- (i) in early 2018 the production unit in Poggiofiorito was converted into a logistics hub for the handling of spare parts;
- (ii) in July 2018 Carraro Deutschland GmbH transferred its registered office to Italy and changed its company name in Carraro Germania S.r.l;
- (iii) in November 2018 the Group completed the sale of the whole remaining stake in O&K Antriebstechnik GmbH;
- (iv) in November 2018 the Group contributed in kind its minority stake in Elettronica Santerno S.p.A. subscribing for a capital increase in Enertronica S.p.A. (which subsequently merged with Elettronica Santerno S.p.A.);
- (v) in February 2020 Carraro Germania S.r.l. was merged into Carraro.

In addition, in June 2020 the Group resolved upon the interruption of the activities of Carraro Drive Tech do Brasil Comércio e Indústria de Sistemas Automotivos Ltda (“**Carraro do Brasil**”) plant due to the current negative

outlook on the local market. Carraro do Brasil's assets will be therefore liquidated and the ongoing trade relationship with suppliers will be allocated to other companies belonging to the Group. Such procedure is expected to be completed by the end of 2020.

## Strategy

The Group's key strategic pillars are:

1. Growth: size is a success factor in order to achieve the necessary efficiency – in purchasing, production and R&D – to defend, strengthen and widen Carraro's Market Position.
2. Technology & Innovation: the R&D programme is aimed at allowing the Group to focus on higher value-added and innovative products such as new hi-tech transmissions and widening the driveline and tractors product range. Electrification of the products and digitalisation of the whole organisation are necessary to new e-mobility technology and demand for innovation.
3. R&D: the Group plans to invest more than €100 million in R&D in the period 2020-2022 after having invested over approximately €200 million in R&D over the last ten years, the new R&D programs 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 new platforms of specialised tractors for vineyards and orchards and an acceleration in product development. The new tractors would be sold to third parties and also under Carraro's proprietary brand. 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 aimed at developing products able to satisfy local client bases across the globe. The Group is also developing a range of hybrid and full electrical powertrains for agriculture and construction equipment vehicles. Management believes that the R&D investments are vital to bring new products, new solutions and new services to the market in order to improve the Group's competitiveness, as well as to identify new processes able to maximise production efficiencies. See "*Research and Development*".
4. Efficiency: Continuous improvement activities and strategic investments in industrial processes and footprint allows Carraro to maintain its competitiveness and resilience to exogenous shocks through the lowering of the break-even point. Further verticalisation will be included in order to gather service flexibility and margin improvement.
5. Clients: a longstanding relationship with key clients is an important driver of the Group's success. The Group is pursuing a "local for local" model in order to stay close to its clients across the globe, and be able to respond to their requirements. Customer intimacy is a fundamental pillar of our strategy and allows for the understanding of each client's requirements and adapting the Group's products and services as appropriate. See "*Production and Sales – Key Clients*".

Management aims to achieve the first and second key strategic pillars through a new investment phase sustained and accelerated by potential external acquisitions. In more detail, the "Growth" pillar aims to sustain the expansion of the Group in different markets which are compatible with the Group's business. The "Technology & Innovation" pillar, which is interlinked with the "Growth" pillar, is also intended to accelerate the development of technology driven products for high value applications such as electrification and other complementary technologies. In particular, the Group is currently evaluating potential targets that have shown a solid track record over recent years and with which Management believes potential synergies both in terms of sales as well as market and industrial optimisation can be achieved. In terms of the potential mergers and acquisitions pipeline, as at the date of this Prospectus the Group is currently evaluating and performing preliminary analyses on companies located in South-East Asia, North America, Northern Europe and Southern Europe with total revenues ranging between approximately Euro 10 and more than 200 million.

In September 2017, the Group presented its 2017-2021 Business Plan to the market and is currently reviewing such 2017-2021 Business Plan in order to reflect the relevant updates in relation to the new investment phase as mentioned above.

## **Recent Developments**

### ***Automotive business***

In December 2019 the Carraro Group entered into a strategic agreement with Ineos Automotive Ltd. for an overall value of €420 million over a period of ten years, for the supply of front and rear axles for the new off-road car “Grenadier”, which will be marketed starting from 2021.

Management believes this agreement to be a first but important step to expand the Carraro Group's presence across the automotive sector, which has great potential of development and which is a sector in which the Carraro Group has only been marginally present in the past.

It is also expected that the experience gained in such an ambitious and technically challenging project due to the very high technological requirements of the component destined for Ineos Automotive Ltd. will have positive effects not only on the production and marketing of special axles for commercial vehicles, minivans and off-road vehicles, but also with respect to the Group's traditional sectors, for example, agricultural and construction equipment.

The project is currently undergoing the last phase of development and validation of prototypes, which are prior to moving to series production.

### ***Group Reorganisation***

On 27 July 2020 the board of directors of Carraro International approved the project for the transfer of the registered office from the territory of the Republic of Italy to the Grand Duchy of Luxembourg according to Regulation 2157/2001 and to the relevant provisions of the Italian law (the “**Transfer Project**” and the “**Transfer**”) and on 28 July 2020 the Transfer Project was published.

The transfer of the registered office of a 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, a resolution of the shareholders’ meeting of a 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 be entitled to examine, and may challenge, the Transfer Project.

Consequently, the Issuer’s shareholders’ meeting called to approve the Transfer is expected to take place on or about 29 October 2020.

Pursuant to article 5 of Regulation 2157/2001, the protection of the company's shareholders in case of transfer of the company’s registered office given by Italian law to ensure adequate protection of the interests of minority shareholders is given by the right of withdrawal. However, such considerations are not relevant in the Issuer’s case because the Issuer has a sole shareholder, Carraro. While the protection of the creditors of the SE transferring its registered office predating the publication of the Transfer Project provided for in Article 8 of Regulation 2157/2001 is given on the basis that such creditors have the right to object within 60 days from the publication of the Transfer Project and the related entry in the relevant Companies’ Register for the constitution of security for matured or unmatured claims, if such creditors believe that the Transfer may jeopardise the general lien of such creditors or impede the enforcement of their claims, in accordance with article 2503 of the Italian Civil Code. The Court shall reject any such application, in the event that a 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 its 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.

According to the prevailing scholars interpretation, creditors are not entitled to remedies other than those described above and would not be entitled to apply for the suspension or the annulment of the Transfer of the registered offices of the SE.

An Italian 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 carried out prior to

the Transfer. Thereafter, the formal process of deregistering the SE from the Italian relevant companies' register will need to be completed.

According to the relevant provisions of the Luxembourg law, the transfer of an SE's registered office and the consequent amendments to its by-laws take effect on the date on which the SE is registered in the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*)., Therefore, based on the current timetable as at the date of this Prospectus, the Issuer expects that the transfer of its registered office in the Grand Duchy of Luxembourg will be effective by the end of 2020.

The Transfer is part of a larger Group reorganisation plan put in place by the parent company Carraro aimed at further supporting international growth, that directly involves its affiliates Carraro Drive Tech S.p.A. ("**Carraro Drive Tech**"), Carraro Drive Tech Italia S.p.A. ("**Carraro Drive Tech Italia**") and Carraro International (the "**Reorganisation**").

Namely, following the Reorganisation, Carraro Drive Tech Italia will take over Italian equity investments and the Italian business while the Issuer's assets will include international equity investments of the Group, thereby, aiming to pursue greater clarity and efficiency from an organisational and managerial perspective.

As last step of the Reorganisation, the Transfer will be carried out with the aim of benefitting, in the whole Group's interest, from market opportunities in terms of access to the international credit market and from the presence in Luxembourg of the main sector operators and institutions. The main objective is to optimise the Group's operations in an international context, through more effective management of related costs to the benefit of the income statement and, in the medium term, to be able to adapt quickly and effectively to financial market changes, also through a direct presence in the area where the changes occur.

Initially, Carraro has envisaged that the Reorganisation would be structured through the following interconnected transactions:

- (a) the simplified partial demerger of Carraro International with the assignment of the Existing Notes and related financial assets to the parent company Carraro (the "**CINT Demerger**") and the consequent substitution by Carraro of Carraro International as issuer of the Existing Bond (the "**Substitution**");
- (b) the partial, non-proportional (so-called asymmetric) demerger of Carraro Drive Tech with the "Drivetech Italia" business unit assigned to the newly incorporated company Carraro Drive Tech Italia (the "**CDT Demerger**");
- (c) the merger by way of incorporation of Carraro Drive Tech, as resulting from the Demerger, into Carraro International (the "**Merger**"); and
- (d) the Transfer.

On 11 May 2020, Carraro, Carraro Drive Tech, Carraro Drive Tech Italia and the Issuer adopted the relevant resolutions concerning the Reorganisation.

Following the above-mentioned resolutions, Carraro and the Issuer decided not to complete the CINT Demerger and, consequently, the Substitution, in line with the conclusions reached as a result of more recent economic financial analyses.

In reaching such decision not to complete the CINT Demerger, Carraro and the Issuer took into consideration both current macro-economic factors and commercial factors relating to the Existing Notes, which resulted in the decision that the Substitution was no longer necessary and that instead, Carraro International's transfer to Luxembourg (including as issuer of the Existing Notes) would have a potentially beneficial impact on the marketability of the Existing Notes. As a result, Carraro International and Carraro adopted the resolutions in relation to the cancellation of the CINT Demerger on 20 July 2020.

After the 60-day period during which creditors were entitled to challenge the Demerger and the Merger expired and no challenges in relation to them were received during such period from creditors, the deed of CDT Demerger and the deed of Merger were signed on 21 July 2020.

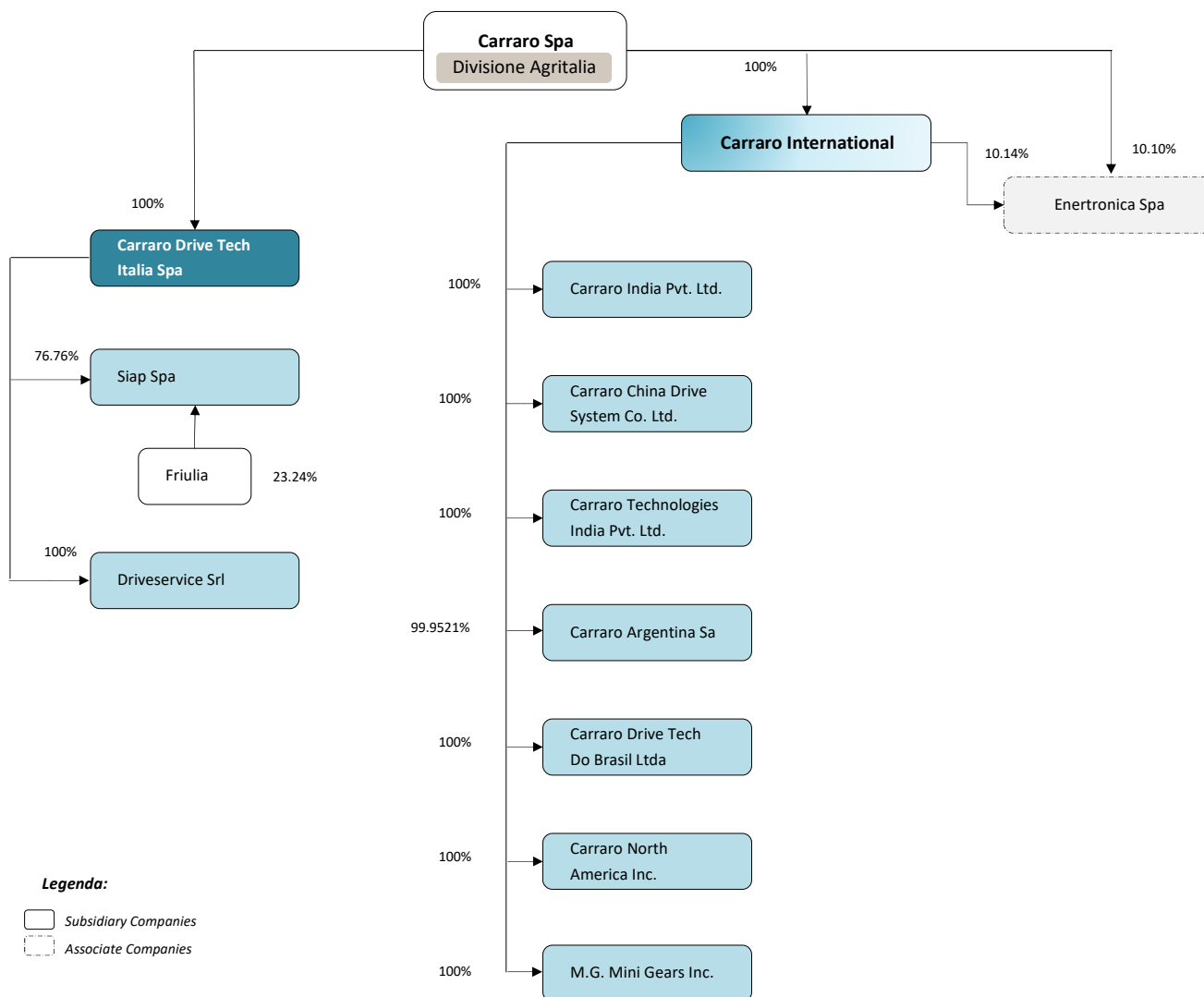
The CDT Demerger and the Merger are effective from 1 August 2020, while the Transfer is expected to be effective by the end of 2020.

### 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 14 subsidiaries, one of which is the Issuer.

### Group Structure

The following diagram sets out, in simplified form, Group's corporate structure as of the date of this Prospectus:



### 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 80 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 10 per cent. of the Group's revenues in 2019).

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, and 90 per cent. of them are tractors and the remaining ones are a broad range of harvesting and other specialised machinery. Sales of products (other than spare parts) in this segment made up approximately 44 per cent. of the Group's revenues in 2019.

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.

Since 2017 the demand for agricultural vehicles has increased, partially 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 may face a more limited growth while emerging markets may still offer interesting growth opportunities, although China's introduction of new regulations relating to emissions and reduction of subsidies seem to have contributed recently to the demand slowdown in its region.

#### *Construction*

After 2 years of double-digit growth, 2018 was the most recent historical peak year for sales of construction equipment vehicles worldwide. In 2019 the market faced a slight volume decline globally, with sharp differences of trend in the different areas of the world. In the last years the segment is facing a better performance for compact machinery, rather than for larger machinery. The Group's sales of products (other than spare parts) in this segment made up approximately 36 per cent. of the Group's revenues in 2019.

The mature markets such as Western Europe, North America and Japan, are gradually focusing the demand of compact equipment to specialised machinery (compact wheel loaders, mini-excavators) because of their higher productivity in the small construction works and in civil maintenance activities. Mature markets are also characterised by the ever-increasing importance of rental companies as large purchasers of machinery.

Strong demand increases were recorded in 2017 and 2018 globally, there including Europe, North America, China and India. On the contrary, the stagnation of investments in the construction sectors severely impacted the new construction vehicle demand in Turkey and in South America. Broadly the same trend continued in 2019 with progressive softening of the demand in all areas in the second part of the year.

The Group is one of the leading producers of 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 gross domestic product and historically has been a relatively stable and predictable market. Sales of products (other than spare parts) in this segment made up approximately 4.8 per cent. of the Group's revenues in 2019. 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 coordinating role in 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 on 31 December 2019, the Group's total revenues and EBITDA were €548.85 million and €42.66 million, respectively (compared to €624.12 million and €51.86 million, respectively, for 2018). The Group's business is divided into two principal business areas, Carraro Drive Tech ("**Carraro Drive Tech Business**"), which specialises in the manufacturing and marketing of transmission systems, and Carraro Agritalia ("**Carraro Agritalia Business**"), which specialises in the design of specialist tractors for orchards and vineyards and in general tractors of between 60 and 100 horsepower.

### *Carraro Drive Tech Business*

The Carraro Drive Tech Business represents the Group's core business. For the year ended on 31 December 2019, total revenues and EBITDA for the Carraro Drive Tech Business were €435.81 million (net of intra-group revenues) and €41.54 million, respectively (compared to €495.44 million and €49.98 million, respectively, for 2018), representing 79.4 per cent. and 97.4 per cent. of the Group's total revenues (net of intra-group revenues) and EBITDA for 2019, respectively (compared to 79.4 per cent. and 96.4 per cent., respectively, for 2018). 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 Business are provided by Carraro S.p.A..

Carraro Drive Tech Business has a global industrial platform as follows.

In Italy, Carraro Drive Tech Business operates through Carraro Drive Tech Italia and its subsidiaries in the following production and logistic sites (Campodarsego is operated by Carraro Drive Tech Italia while Maniago is operated by SIAP S.p.A. and Poggiofiorito by Driveservice S.r.l.):

- (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.
- (b) Maniago (Pordenone, Italy): specialised 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 and automotive sector.
- (c) Poggiofiorito (Chieti, Italy): in early 2018 this production site was converted into the Group's Italian logistics centre. See "*History and Overview*" above.

Outside Italy, Carraro Drive Tech Business operates through the subsidiaries of Carraro International SE in the following production sites:

- (a) 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).
- (b) Qingdao (Qingdao, China): this production site covers 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.
- (c) Haedo (Buenos Aires, Argentina): this production site specialises in axles and transmissions for off-road applications (tractors and earthmoving machinery).
- (d) Caxias do Sul (Rio Grande do Sul, Brazil): this production site specialises in axles for off-road applications (tractors and earthmoving machinery). Management expects to close this site by the end of 2020. See “*History and Overview*” above.

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 Business***

The Carraro 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 on 31 December 2019, total revenues and EBITDA for the Carraro Agritalia Business were €112.51 million (net of intra-group revenues) and €3.05 million, respectively (compared to €127.16 million and €2.90 million, respectively, for 2018), representing 20.5 per cent. and 20.37 per cent. of the Group’s total revenues (net of intra-group revenues) and EBITDA for 2019, respectively (compared to 7.15 per cent. and 5.59 per cent., respectively, for 2018). Carraro Agritalia Business 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 horse power) mainly for third parties and, to a limited extent, under its own brand.

The key clients for the Carraro Agritalia Business as at the date hereof are the companies operating under the 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.

### **Production and sales**

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

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*” below).

### ***Suppliers***

The Group’s raw materials and semi-processed raw materials purchases accounted for approximately 73 per cent. of sales in 2019. 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, such process consists in meeting certain quality requirements which are periodically monitored (see also “*Competitive Strengths*” below). 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 most 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*” below), 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 original equipment manufacturers 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 has framework agreements with most of 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 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 ten clients for the two years ended 31 December 2018 and 2019 accounted for approximately 70% of total revenues, with the top three clients accounting for over 40% of total revenues.

### ***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, efficiency 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 in developing new products complying with changing regulation (see "*Regulation*" below) and maintaining efficiency in production processes to manage costs.

Since 2015, all R&D activities (including testing) related to the Carraro Drive Tech Business and the Carraro Agritalia Business 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 Carraro Drive Tech Business are carried out outside of this business area and recorded as services provided by the Guarantor, whereas the Carraro Agritalia Business R&D activities are within the Carraro Agritalia Business area as Carraro Agritalia Business is a division of the Guarantor.

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*

In the developed markets, new machines are bought to replace the existing ones based on demonstrable advantages in productivity together with lower energy consumption. In those markets it is also mandatory to comply with stringent regulations for emissions and machine safety, which require significant investments starting from the development phase. For developing markets the requirements are instead still mostly driven by robustness and accessible first purchase cost.

The Group has developed new product solutions in line with different market demands, spanning from simple mechanical transmissions with manual control, to more complex ones, powershift and power shuttle or continuous variable transmissions fully electronically controlled. Further efforts have been spent by the Group in increasing its internal R&D capabilities in the electronic control development both for its complete vehicle and its powertrain systems.

Carraro R&D is also focusing significant resources in the development of complete powertrain solutions for mild hybrid, plug-in hybrid and battery electrical vehicle for both agriculture and construction equipment vehicles.

In the agriculture sector the Group continues to extend its transaxle range for tractors from 40 to 250 horse power, adopting the design modularity to address the more advanced solutions and the ones using more “frugal” technology, maintaining among them as much as possible the part commonality to obtain the best balance between cost and performances.

In the construction machinery the Group has extended its coverage of vehicle applications developing different powertrain architectures based on new hydrostatic, torque converter or electrical transmissions. The most significant construction equipment applications for Carraro include: backhoe loaders, telescopic handlers, wheel loaders, wheel excavators, soil compactors. Thanks to the complete powertrain electronic control based on the Carraro electronic control unit with dedicated and proprietary software, this new generation of transmissions improves vehicle productivity and reduces energy consumption, therefore emissions.

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

The Group is gradually extending to its whole off-highway axle range a new design based on the modularity and scalability approach. This evolution will enable to further maximize the part synergies granting cost optimisation, as well as to minimise the development cost with the use of identical architecture from the small axles to the large ones. Using such module commonality concept will be easier and more cost effective to obtain all the required axle configurations and new options for both the agriculture and construction vehicle applications, serving in that way the Group’s original equipment manufacturer customers.

#### *Tractors*

The tractor business division has developed complete powertrain platforms (powertrain is the combination of transmission and engine) for specialised tractors from 75 to 110 horse power, which allows the Group to improve synergies in product development by increasing efficiency and reducing complexity.

Carraro Agritalia is also proceeding with an extension of its range: in higher power specialized tractors (up to 120 horse power) and lower power (between 50 and 75 horse power) tractors, as well as developing different types of tractors, such as specialised compact tractors and alpine utility tractors. All those new tractors are using the new complete drivetrain developed by Carraro Group with improved electronic control and connectivity capability.

### **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 processes, 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; ISO 9001 / 2015; ISO 14001 / 2015; IATF 16949 / 2016.

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*” below). 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 2019, the Group saw an increase in recorded accidents of 50 per cent. compared to 2018.

## EMPLOYEES

As at 30 June 2020, the Group employed 3,016 workers (of which 1,451 in Italy, 1,277 in India, 196 in China, 73 in Argentina and 19 in other locations).

The following table shows a breakdown of the Group companies’ employees by category as at, respectively, 30 June 2019 and 30 June 2020.

Employees	As at 30 June 2019	As at 30 June 2020
Executives.....	26	25
Clerical staff.....	689	716
Factory workers.....	2,076	1,940
Temporary workers.....	405	335
<b>Total.....</b>	<b>3,196</b>	<b>3,016</b>

As referred to under “History and Overview” above, in 2018 the Poggiofiorito plant was converted into a logistic hub, with the related retraining and requalification of the workers, by 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 and Carraro Drive Tech.

## 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 2019:

Company	Property	Use	Size (sqm)	Net book value	
				Land	Buildings
				<i>(€ thousand)</i>	
Carraro S.p.A.....	Campodarsego (PD), via Olmo n. 37 35011	Production	115,785		
	Campodarsego (PD), via Olmo n. 37 35011	Office	4,392	14,853	12,821
	Rovigo (RO), viale del Lavoro n. 1 45100	Production	25,400		
	Rovigo (RO), via Achille Grandi n. 25 14100	Sales	6,624	—	5,515
	Gorizia (GO), via Brigata Casale n. 70 34170	Sales	19,938	439	219
Carraro Drive Tech Italia S.p.A.....	Poggiofiorito (CH), Contrada Mortella n. 64 66030	Production	30,192	555	3,614
Siap S.p.A.....	Maniago (PN), via Monfalcone n. 4 35085	Production	90,673	1,276	6,025
Carraro India Pvt. Ltd. ....	Pune (India), B2/3 MICD Ranjangoan	Production	52,373	1,580	4,159
Carraro China Drives Systems Co. Ltd.....	No.5, Ronghai 4th Road, Jihongtan Subdistrict, Chengyang District, Qingdao, Shandong Province, PRC	Production	65,293	182	5,128

The following table sets out the properties leased by the Group as at 31 December 2019:

Company	Property	Use	Term	Annual Rent <sup>(1)</sup>
				<i>(€ thousand)</i>
Carraro Drive Tech do Brasil Inc.....	Caxias do Sul (Brasile), Rua Gilberto de Zorzi, 380	Production	01/04/14 – 31/03/20 – renews annually	71
Carraro Technologies Pvt Ltd...	Pune (India), Gaspac Building Beta 1, Viman Nagar, 41100	Office	09/09/16 – 09/03/21	125
Carraro North America Inc .....	Sandy Springs (Stati Uniti), Northridge Pavillion, 1301 & 1303 Hightower Trail, GA 30350 <sup>(2)</sup>	Office	01/04/20 – 31/03/21	15
Carraro International S.E. ....	Luxembourg, 15 Rue de Bains	Office	01/01/09 – renews annually	25

Company	Property	Use	Term	Annual Rent <sup>(1)</sup>
Carraro Argentina S.A.	Valentin Gomez 577 – 1706 Haedo – Buenos Aires – Argentina	Production	01/05/2017 – 30/04/2023	129

Notes:

- (1) for foreign companies, the values of the annual rents have been changed into Euro from the local value, by applying the relevant exchange rate as at 31 December 2019.
- (2) The rental agreement with Carraro North America Inc has been entered into in April 2020.

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 usable within the Group. The following table sets out the fixed assets of the Group and details of amortisation and depreciation as at 31 December 2018 and 2019.

Items	Land and buildings	Plant and machinery	Industrial equipment	Other assets in progress	Investments in progress and deposits	Total
<i>(€ thousands)</i>						
Historical cost.....	77,878	198,328	103,699	11,975	10,024	401,904
Provisions for amortisation and depreciations	-26,533	-136,052	-79,283	-9,315	—	-251,183
Net as at 31.12.2018 .....	51,345	62,276	24,416	2,660	10,024	150,721
<b>Movements in 2019:</b>						
Increases .....	753	8,814	6,982	1,808	4,460	22,817
Decreases .....	-40	154	-96	-104	-	-89
Capitalisation .....	6,040	4,436	418	313	-11,207	-
Hyperinflation effect in Argentina.....	308	636	1,130	861	-	2,935
Depreciation and amortisation .....	-1,799	-8,551	-5,381	-1,135	-	-16,866
Reclassification.....	-	-443	373	87	-17	-
Write-downs .....	-	69	-	22	-	85
Foreign exchange translation difference	-4	-548	-149	-53	-64	-818
<b>Net as at 31.12.2019 .....</b>	<b>56,603</b>	<b>66,843</b>	<b>27,687</b>	<b>4,459</b>	<b>3,193</b>	<b>158,785</b>
<b>Made up of:</b>						
Historical cost.....	84,947	197,309	113,396	14,984	3,192	413,738
Provisions for amortisation and depreciations	-28,344	-130,466	-85,709	-10,435	1	-254,953



## **Regulation**

The Group's equipment operations must meet increasingly stringent engine emission reduction standards, including the European Union's Stage V standard and the "Mother Regulation" (EU Regulation no. 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 has introduced the new standards for emissions of earth moving machineries to be sold in Europe starting from 2019, while the "Mother Regulation" (EU Regulation no. 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.

## **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.

## **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, a claim has been raised 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 31 December 2019 to be possible for a total of €8.6 million and as at 30 June 2020 for a total of €8.5 million. Considering the estimated degree of risk, it was not considered necessary to allocate a risk provision.

## **Material Financings of the Group**

Carraro International's liquidity risk is mainly connected to the sourcing and maintenance of adequate funding to support the Group's industrial operations and its ability to provide that funding through cash flow. The raising of funds, consistent with the latest 2017-2021 Business Plan, is intended to finance both working capital and investments in R&D and innovation, as well as investments in fixed assets necessary to ensure sufficient and technologically advanced production capacity. This requirement is directly proportional to the trend in customer orders and the resulting trend in the volume of business, and also to the Group's efforts in directing its research and innovation. The management of finance, the need to fulfill funding requirements and to guarantee adequate cash

flow for the Group, is the responsibility of Carraro International whose objective is to manage the available resources as efficiently as possible:

- in December 2019, a 7-year loan agreement for €50 million was signed with the European Investment Bank to support around 50% of the Group's research and development projects. This loan, disbursed in January 2020, will guarantee to the Carraro Group the support of its research and innovation activities, allowing investments of over €30 million per year over the next three years, aimed at electrification and hybridisation of off-highway vehicles, development of highly efficient transmission systems and evolution of the Group's information infrastructure with a 4.0 approach, capable of supporting both product design and industrialisation, speeding up processes, preventing errors and maximising automation;
- in September 2019 Carraro International signed a loan agreement with San Paolo IMI Bank Luxembourg for RCF line of credit of €10 million, whose final expiry date is 30 June 2023, to support medium-term working capital needs;
- In July 2020 Carraro signed a long-term loan agreement with Cassa Depositi e Prestiti and guaranteed by Sace S.p.A. for €35 million, with a 2 year grace period and a 4 year amortisation period pursuant to the Italian Law Decree No. 23 of 8 April 2020, as amended from time to time (the “**Liquidity Decree**”).
- Between July 2020 and August 2020 Carraro, Carraro Drive Tech (now Carraro Drive Tech Italia) and Siap S.p.A. signed three long-term loan agreements with Banca del Fucino, guaranteed by MedioCredito for €5 million each (totalling €15 million), with a 2 year grace period and 4 year amortising period pursuant to the Liquidity Decree.
- Between July 2020 and August 2020 other Italian lenders have approved, by resolutions of their respective internal bodies, the granting to Carraro of a series of additional long-term facilities guaranteed by Sace S.p.A. and totalling approximately €55 million, each with 2 year grace periods and 4 year amortisation periods pursuant to the Liquidity Decree. As at the date of this Prospectus, the above is subject to final contractual negotiations and Carraro expects to draw from such credit facilities by the end of September 2020.

Furthermore, Carraro International provides financial, treasury and consulting services to subsidiaries, affiliates and to Carraro, in accordance with the approved policies and the strategic needs of the Carraro Group. The Issuer in particular, works to provide financial resources to the Carraro Group's European companies, whereas the Asian and South American companies source their funds from the local markets, utilising the strategic consulting services provided by Carraro International. In addition, Carraro International coordinates the factoring activities of the Italian operating companies and the exchange rate risk hedging policies for all Group companies.

## **Material contracts of the Group**

Other than the financing agreements described under “Material Financings of the Group” above, no material contracts are currently in place.

None of the framework agreements currently in place with clients include minimum purchase obligations for the latter; these agreements set forth only the reciprocal commitments of the parties in the context of a commercial relationship governed by purchase orders.

## **Management**

### **The Issuer**

### **Corporate Governance**

The Issuer has adopted a “two-tier” system of corporate governance, based on an organisational model involving shareholders' meetings, a board of directors, a supervisory board and independent auditors.

### **Board of directors**

In accordance with its by-laws, the Issuer is managed by a board of directors composed of at least three members. A supervisory board forms part of the board of directors, which is comprised of three independent directors and performs the control functions, with specific reference to the duties that the current regulations assign to the control body. The supervisory body is entrusted with all the powers, including those of inspection and reporting to the authorities, in accordance with applicable laws and supervisory regulations. The current members of the board of directors and supervisory board were appointed by a resolution of the Issuer's shareholders at a meeting held on 16 April 2018, and will hold office until the approval of the Issuer's financial statements for the financial year ended on 31 December 2020.

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	Chairman	Padua, 17 April 1962
Enrico Gomiero	C.E.O.	Padua, 27 October 1958
Tomaso Carraro	Vice-chairman	Padua, 23 April 1966
Sergio Marusso	Director	Venice, 19 July 1965
Francesco Secchieri	Director - Chairman of the Supervisory Board	Treviso, 14 January 1962
Francesco Sabattini	Director - Supervisor	Concordia sulla Secchia (MN), 25 July 1950
Fabrizio Pinato	Director - Supervisor	Padova, 20 April 1963

The following table sets out the principal activities performed by the members of the board of directors outside the Issuer and the Guarantor.

<b>Name</b>	<b>Company</b>	<b>Office</b>
Enrico Carraro	FINAID S.p.A.	Shareholder
	FINAID S.p.A.	Director
	Confindustria Veneto	Chairman
	Confindustria Veneto SIAV Spa	Chairman
	Fondazione il Campiello	Chairman
	Fondazione Nordest	Director
	Fondazione Francesco e Chiara Carraro	Chairman
Enrico Gomiero	Tecnostrutture S.r.l.	Director
	Fondazione Francesco e Chiara Carraro	Director
Tomaso Carraro	FINAID S.p.A.	Shareholder
	FINAID S.p.A.	Chief Executive Officer
Francesco Secchieri	Aghito Zambonini S.p.A.	Alternate Auditor
	Andrea Del Vecchio Soluzioni Esclusive S.r.l.	Sole Auditor
	Antonio Carraro S.p.A.	Statutory Auditor
	Arenaparts S.p.A.	Alternate Auditor
	F.lli Guerriero S.r.l.	Alternate Auditor
	FINAID S.p.A.	Statutory Auditor

	Granziero S.r.l.	Alternate Auditor
	Mafin S.r.l.	Sole Internal Auditor
	Marini Ermenegildo S.p.A..	Statutory Auditor
	Officine Grafiche Muzzio S.p.A.	Statutory Auditor
	Pascoli S.p.A.	Alternate Auditor
	Sauro S.r.l.	Alternate Auditor
	Sindal S.p.A.	Statutory Auditor
Francesco Sabattini	Acquario S.a.s. di Davanzo Lucia	Shareholder
	A.Ge.Con. S.r.l.	Sole Director and Sole Shareholder
	Aghito Zambonini S.p.A.	Chairman of the Board of Internal Statutory Auditors
	Bonaiti S.p.A.	Statutory Auditor
	Carraro Drive Tech Italia S.p.A.	Chairman of the Board of Internal Statutory Auditors
	Colorfin S.r.l.	Sole Internal Statutory Auditor
	Deroma S.p.A. _ commissariata - in amm.ne straordinaria dal 2015	Statutory Auditor
	F.lli Guerriero S.r.l.	Statutory Auditor
	FINAID S.p.A.	Chairman of the Board of Internal Statutory Auditors
	Granziero S.p.A.	Chairman of the Board of Internal Statutory Auditors
	Gruppo Stabila-stabilimenti italiani laterizi spa commissariata - in amm.ne straordinaria dal 2015	Statutory Auditor
	Marini Ermenegildo S.p.A.	Chairman of the Board of Internal Statutory Auditors
	Officine Grafiche Muzzio S.p.A.	Chairman of the Board of Internal Statutory Auditors
	Sauro S.r.l.	Chairman of the Board of Internal Statutory Auditors
	Siap S.p.A.	Statutory Auditor
	SIAV S.p.A.	Statutory Auditor
	Unicolor S.p.A.	Statutory Auditor
Fabrizio Pinato	Arbisia S.r.l.	Sole Internal Auditor
	Arenaparts S.p.A.	Alternate Auditor
	Bonvecchiati S.p.A.	Alternate Auditor
	Carraro Drive Tech Italia S.p.A.	Statutory Auditor
	FINAID S.p.A.	Statutory Auditor
	Granziero S.p.A.	Statutory Auditor
	Idroelettriche Riunite S.p.A.	Alternate Auditor
	Officine Grafiche Muzzio S.p.A.	Alternate Auditor

Parco Scientifico e Tecnologico Galileo S.c.p.A.	Statutory Auditor
Pascoli S.p.A.	Chairman of the Board of Internal Statutory Auditors
Prosdocimi G.M. S.p.A.	Statutory Auditor
Sanypet S.p.A.	Statutory Auditor
Sauro S.r.l.	Statutory Auditor
Siap S.p.A.	Chairman of the Board of Internal Statutory Auditors
Steba S.r.l.	Sole Internal Auditor

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The business address of each of the Issuer's current board of directors members is the registered office of the Carraro International S.E., Via Olmo 37, 35011 Campodarsego (PD), Italy.

The business address of each member of the Issuer's supervisory board is Studio Mocellini, P.tta Sartori 18, Padova, Italy.

The Issuer deems to comply with all applicable Italian laws relating to corporate governance.

As at the date hereof, the abovementioned members of the board of directors of the Issuer, including supervisory board members, 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 3 to 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 bylaws (collectively, the "**Board of Statutory Auditors**").

The Board of Statutory Auditors is responsible for monitoring (i) the Guarantor's compliance with the law and bylaws, as well as compliance with proper management principles in carrying out the Guarantor's activities; (ii) the process of financial disclosure and the adequacy of the Guarantor'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 bylaws comply 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 managed by a Board of Directors composed of nine members. The current members of the Board of Directors were appointed by a resolution of the Guarantor's shareholders at a meeting held on 14 May 2018, and will hold office until the approval of the Guarantor's financial statements for the financial year ended 31 December 2020.

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
Virginia Carraro	Non Executive Director	Padua, 30 August 1988
Enrico Gomiero	Executive Director and Chief Financial Officer	Padua, 27 October 1958

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

<b>Name</b>	<b>Company</b>	<b>Office</b>
Enrico Carraro	FINAID S.p.A.	Shareholder
	FINAID S.p.A.	Director
	Confindustria Veneto	Chairman
	Confindustria Veneto SIAV Spa	Chairman
	Fondazione il Campiello	Chairman
	Fondazione Nordest	Director
	Fondazione Francesco e Chiara Carraro	Chairman
Tomaso Carraro	FINAID S.p.A.	Shareholder
	FINAID S.p.A.	Chief Executive Officer
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
	Balaton Empreendimentos Ltda	Director
	CPE Companhia de Participacoes e Empreendimentos	Director
	EPE Empresa de Participações e Empreendimentos S.A.	Director
	Bamburi Importadora e Locadora de Veiculos Nauticos Ltda	Director
Fabio Buttignon	3B S.p.A.	Chairman of the Board of

		Directors
	Banca IMI S.p.A.	Director
	Benetton Group S.r.l.	Director
	Lotto S.p.A.	Director
	Electrolux Italia S.p.A.	Statutory Auditor
	Electrolux Professional S.p.A.	Statutory Auditor
	SIT S.p.A.	Director
	Stevanato Group S.p.A.	Director
	Aquafil S.p.A.	Statutory Auditor
	Legor Group S.p.A.	Director
	Valentino S.p.A.	Director
	Salgaim Ecologic S.p.A.	Chairman of the Board of Statutory Auditors
Marina Manna	BLM S.p.A.	Chairman of the Board of Internal Statutory Auditors
	SINLOC - Sistema Iniziative Locali S.p.A.	Chairman of the Board of Internal Statutory Auditors
	Fondazione Istituto di Ricerca Pediatria Città della Speranza	Chairman of the Board of Internal 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
	FPT Industrie S.p.A.	Statutory Auditor
	Nice Group S.p.A.	Statutory Auditor
	Fonderie Pandolfo S.p.A.	Statutory Auditor
	Laboratorio Morsetto S.r.l.	Statutory Auditor
	Veneto Logistica S.r.l.	Sole Internal Auditor
	Carel Industries S.p.A.	Director
	BusItalia Veneto S.p.A.	Director
	Cavour S.r.l.	Sole Director
	Aquafil S.p.A.	Alternate Auditor
	Munari F.lli S.p.A.	Alternate Auditor
	Tiche S.p.A.	Alternate Auditor
	Multichimica S.p.A.	Alternate Auditor
	Adige-Sys S.p.A.	Alternate Auditor
Marina Pittini	Fondazione Pietro Pittini	Chairman
	Fondazione Antonveneta	Director
	Credito Cooperativo Friuli S.c.	Director
	Consorzio Friuli Formazione	Chairman
	Biovalley Investment S.p.A.	Director

	Biovalley Investments Partner S.r.l.	Director
	Delfino S.r.l.	Chairman
Enrico Gomiero	Tecnostrutture Srl	Director
	Fondazione Francesco e Chiara Carraro	Director
Virginia Carraro	—	—

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 14 May 2018, and will hold office until the approval of the Guarantor's financial statements for the financial year ended 31 December 2020. 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>
Carlo Pesce	Chairman	San Martin (Argentina), 8 March 1951
Stefania Centorbi	Effective Auditor	Venice, 3 November 1969
Saverio Bozzolan	Effective Auditor	Padua, 2 April 1967
Barbara Cantoni	Alternate Auditor	Padua, 1 October 1962
Gabriele Andreola	Alternate Auditor	Venezia, 2 November 1959

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

<b>Name</b>	<b>Company</b>	<b>Office</b>
Carlo Pesce	Zignago Servizi S.r.l.	Sole Auditor
	Pometon S.p.A.	Statutory Auditor
	Ca' Maiol Società Agricola S.r.l.	Statutory Auditor
	BLM S.p.A.	Chairman
	Adige S.p.A.	Chairman
	Adige sys S.p.A.	Chairman
	Cantina Mesa S.r.l.	Chairman of the Board of Statutory Auditors
	Banca di credito Cooperativo Di Venezia, Padova e Rovigo – Banca Annia Società Cooperativa	Chairman of the Board of Statutory Auditors
	ACB Group S.p.A.	Director
	Nice Group S.p.A.	Chairman of the Board of Statutory Auditors
	Vetri Speciali S.p.A.	Statutory Auditor



	Finkappa S.r.l.	Chairman of the Board of Statutory Auditors
	Zignago Vetro “Polska” ( <i>ex huta szkła “czechy” polska akcyjna</i> )	Supervisory Board Member
	Fondazione di Venezia	Auditor
	Zignago Vetro S.p.A.	Statutory Auditor
	Zignago Holding S.p.A.	Chairman of the Board of Statutory Auditors
	S.m. Tenimenti Pile e Lamole e Vistarenni e San Disdagio S.r.l. Società Agricola	Statutory Auditor
	Immobiliare tre b S.r.l.	Sole Director
	Eurospital S.p.A.	Chairman of the Board of Statutory Auditors
	Probest Service S.p.A.	Statutory Auditor
	Ceu – Centro Esposizioni Ucimu S.p.A.	Statutory Auditor
	Santa Margherita e Kettmeir e Cantine Torresella S.p.A.	Statutory Auditor
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
	Euronda S.p.A.	
	Allnex Italy S.r.l.	Statutory Auditor
Saverio Bozzolan	Banca Annia S.C.	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.	Statutory Auditor
	European Accounting Association (BE)	Member of the Board and Management Committee
Barbara Cantoni	Stazione sperimentale per l’industria delle pelli e delle materie concianti S.r.l.	Alternate Auditor
	O.M.S. – S.p.A. Officine Meccaniche Specializzate	Independent Auditor
	LPM S.p.A.	Chairman of the Board of Statutory Auditors
	Montini F.lli S.p.A.	Chairman of the Board of

		Statutory Auditors
	Alpi S.r.l.	Sole Director
	Henderson S.r.l.	Statutory Auditor
	F.lli Magro S.r.l.	Statutory Auditor
	Beeez Advertising S.r.l.	Liquidator
Gabriele Andreola	Ance – Associazione Costruttori Edili ed Affini di Venezia e Area Metropolitana	Accounting Supervisor
	Barovier & Toso Vetriere Artistiche Riunite S.r.l.	Statutory Auditor
	Eurospital S.p.A.	Statutory Auditor
	Fin.Ve.Cos S.r.l.	Director
	Finkappa S.r.l.	Statutory Auditor
	C.E.U. Centro Esposizioni Ucima S.p.A.	Alternate Auditor
	Pellegrini S.p.A.	Alternate Auditor
	Probest Service S.p.A.	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 14 May 2018, in accordance with the provisions of the corporate governance code (*Codice di Autodisciplina*), Carraro’s Board of Directors resolved to establish the following committees:

- Control, Risk and Sustainability Committee; and
- Appointments and Remuneration Committee.

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

##### *Control, Risk and Sustainability Committee*

The Control, Risk and Sustainability 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 Control, Risk and Sustainability 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 Control, Risk and Sustainability Committee also supports the Director responsible for sustainability (Chief CSR Officer) and the Board of Directors in determining the degree of compatibility of the risk profile of the Company with sustainable business management in the medium to long term in line with the strategic objectives identified.

In addition, together with the Chief CSR Officer, it:

- ensures that regulatory developments and laws related to sustainability are precisely implemented, interpreted and assessed in terms of potential business impact;
- monitors and evaluates sustainability policies aimed at creating sustainable value over time;
- monitors sustainability issues related to the Guarantor's business and management of relations with stakeholders;
- defines and proposes to the Chief CSR Officer and the Board of Directors the guidelines on sustainability and monitors compliance with the principles of conduct and the policies adopted on the matter by the Guarantor and its subsidiaries;
- assists the Chief CSR Officer and the Board of Directors in drafting, examining and approving the annual non-financial statement;
- monitors international initiatives and industry trends (players/competitors) related to sustainability in order to formulate recommendations on the guidelines to be adopted in terms of sustainability, in line with industry best practices.

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, the Chief CSR Officer or other executives whose attendance 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 them 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 and human resources, department and the Chief Executive Officer or other executives whose attendance 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), computer crimes, crimes relating to receiving stolen goods, money laundering and utilisation of money, goods or benefits of unlawful origins, organised crime, crimes relating to fraudulent use or

exploitation of trademarks, patents and distinctive labels, crimes relating to the employment of illegal workers, crimes against industry and commerce, crimes of copyright infringement, crimes relating to the employment of illegal workers and crimes against the individual) 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 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 at the date of this Prospectus, each of the Guarantor and its main Italian subsidiaries have adopted such Model 231, which was last updated on 29 March 2018.

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 of Directors approved an anti-corruption model ("**Organisational, management and control Model**"), aiming at providing a systematic reference framework of regulatory instruments and anti-corruption policies implementing the Group's Model 231.

Accordingly, the Guarantor adopted with this organisational model its anti-corruption compliance principles 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 Organisational, management and control Model consists of the following documents and activities:

- the components of the preventative control system;
- 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 supervisory body in charge to supervise the compliance with the Model 231 by recipients of the same and the effectiveness and suitability of the Model 231 in relation to the company structure and the effective capacity to prevent crimes from being committed and to suggest amendments to the Model 231 to the Board of Directors in the case of changes to the company structure or relevant regulations;
- 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.

## Principal Shareholders of the Guarantor

As at the date of this Prospectus, the issued and fully paid-up share capital of the Guarantor is €41,452,543.60, divided into 79,716,430 ordinary shares with a nominal value of €0.52.

The Guarantor is a small medium enterprise (“SME”) pursuant to Article 1, paragraph 1, letter w-quater 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 entities having 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)
Enrico and Tomaso Carraro <i>pro-indiviso</i> <sup>(1)(2)</sup> .....	34,127,747	42.81
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 jointly controlled by Enrico and Tomaso Carraro in which they hold 55 per cent. of the share capital and the relevant voting right in ordinary Shareholder’s Meeting. Mario Carraro assigned such stake to his sons - Enrico and Tomaso - but retained the voting right in extraordinary Shareholder’s Meeting. Furthermore, 12,369,348 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 Enrico and Tomaso Carraro retain the voting rights.
- (2) of which 2,137,588 have been bequeathed by Chiara Alessandri. Enrico and Tomaso Carraro have already received title to such shareholding. As at the date of this Prospectus, the formalities to exercise the relevant voting rights are being finalised.

As at the date of this Prospectus, Enrico and Tomaso Carraro jointly exercise *de facto* control over the Guarantor.

## Voting rights and Loyalty Shares

On 15 April 2016, the shareholders' meeting of the Guarantor resolved to amend Article 5 of its articles of association, introducing the possibility for shareholders to obtain the increasing of the vote pursuant to Article 127 quinquies of the TUF, whereby the articles of association of a listed company may specify that increased voting rights may be attributed, up to a maximum of two votes, for each share belonging to the same subject for an uninterrupted period of no less than 24 months starting from the date of registration in a special list (the “**Special List**”) held for this purpose by the listed company (the “**Loyalty Shares**”). Based on this amendment resolved upon by the Guarantor’s shareholders’ meeting, each Loyalty Share has a double vote.

All major shareholders have requested the registration of their shares in the Special List at various times and, therefore, the total amount of voting rights and the percentage of rights due to each shareholder has changed over time. The Special List is constantly updated and is available on Carraro Group’s Website.

As at 6 September 2020, the voting rights situation is expected to be as follows.

Shareholder	Shares no.	Shares %	Voting Rights no.	Voting Rights %
Finaid S.p.A.	28,215,519	35.39	56,431,038	49.74
Enrico and Tomaso Carraro	5,912,228	7.42	11,424,456	10.07
Mario Carraro	600,000	0.75	600,000	0.53
Julia D. Koranyi Arduini	21,629,779	27.13	21,629,779	19.07
Treasury Shares	2,626,988	3.30	2,626,988	2.32
Listed Shares	20,731,916	26.01	20,731,916	18.27

<b>TOTAL</b>	<b>79,716,430</b>	<b>100.00</b>	<b>113,444,177</b>	<b>100.00</b>
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On 15 November 2020 the last tranche of shares registered in the Special List is expected to mature and therefore the voting rights situation will stabilize as follows.

<b>Shareholder</b>	<b>Shares no.</b>	<b>Shares %</b>	<b>Voting Rights no.</b>	<b>Voting Rights %</b>
Finaid S.p.A.	28,215,519	35.39	56,431,038	41.78
Enrico and Tomaso Carraro	5,912,228	7.42	11,424,456	8.46
Mario Carraro	600,000	0.75	600,000	0.44
Julia D. Koranyi Arduini	21,629,779	27.13	43,259,558	32.03
Treasury Shares	2,626,988	3.30	2,626,988	1.94
Listed Shares	20,731,916	26.01	20,731,916	15.35
<b>TOTAL</b>	<b>79,716,430</b>	<b>100.00</b>	<b>135,073,956</b>	<b>100.00</b>

## TAXATION

*The statements herein regarding taxation are based on the laws, and the interpretation thereof, 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. The following summary is not intended to be, nor should it construed to be, legal or tax advice. This discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. 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.*

*Payments on the Notes are subject to Italian tax laws as described under the paragraph “Italy”. Following the Transfer, provided that the Issuer does not have the legal headquarters, the place of management or the main purpose of its business in Italy for most of the tax year, the Issuer expects that from 2021 it will no longer be resident in Italy for tax purposes. Accordingly, the Issuer expects that payments on the Notes will only be subject to Luxembourg tax laws, except for payments by the Issuer to investors resident in Italy for tax purposes and payments by the Guarantor both of which will remain subject to Italian tax laws in addition to Luxembourg tax laws. See “Risk Factors – Risk Factors Relating to the Issuer - The applicability of Luxembourg law to the Issuer and its corporate actions and risks regarding substance following the Transfer”.*

*Furthermore, the tax legislation of the investor's Member State and of the issuer's country of incorporation may have an impact on the income received from the Notes.*

### 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. On the Issue Date, 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. Following the Transfer, provided that the Issuer does not have the legal headquarters, the place of management or the main purpose of its business in Italy for most of the tax year, the Issuer expects that from 2021 it will no longer be resident in Italy for tax purposes. Accordingly, the Issuer expects that payments on the Notes will no longer be subject to Italian taxation, except for payments by the Issuer to investors resident in Italy for tax purposes and payments by the Guarantor which will remain subject to Italian taxation as described in this summary. 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 authorities, 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 advisers 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 Minister of 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; or
- c) non-Italian tax resident entities.

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:

- a) an individual not engaged in an entrepreneurial activity to which the Notes are connected; or
- b) a non-commercial partnership (*società semplice*); or
- c) a professional association; or
- d) a non-commercial private or public institution (other than Italian undertakings for collective investment) or a trust not carrying out commercial activities; or
- e) 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, as subsequently amended and supplemented.

After that the Issuer ceases to be resident for tax purposes in Italy, as confirmed by Italian tax authorities (Circular No. 3/E of 26 February 2018), the long-term savings account regime will continue to apply towards the eligible Noteholders who subscribed or purchased the Notes when the Issuer was resident for tax purposes in Italy.



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

In the event that the Italian-resident Noteholders mentioned under a) and d) 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, 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's manager, 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 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 Minister 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 or non-Italian resident entities acting through a system of centralized administration of securities and

directly connected with the Department of Revenue of the Ministry of Finance (which includes Euroclear and Clearstream); 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. 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.

After that the Issuer ceases to be resident for tax purposes in Italy, the tax regime provided for by Decree 239 will continue to apply in respect of Italian resident Noteholders.

*Non-Italian resident Noteholders with no permanent establishment in Italy to which the Notes are effectively connected*

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

- a) a beneficial owner of the payment of Interest, 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, the aforementioned 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-Italian 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**”). Organisations 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-Italian 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-Italian 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*), in which the Noteholder 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 Letters No. 23/E of 1 March 2002 and No. 20/E of 27 March 2003 of the Italian tax authorities).

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 239 and in the relevant implementation rules).

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

#### *Italian-resident Noteholders*

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

Where an Italian-resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership, or (iii) a non-commercial entity, any capital gain realized by such Noteholders from the sale or redemption of the Notes would be subject to a capital gain tax (*imposta sostitutiva*, or “CGT”), provided for by Decree 461, levied at a rate of 26%.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of the Notes realized upon sale, transfer or redemption by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from any income taxation, including the 26% CGT, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016, as subsequently amended and supplemented. After that the Issuer ceases to be resident for tax purposes in Italy, as confirmed by Italian tax authorities (Circular No. 3/E of 26 February 2018), the long-term savings account regime will continue to apply towards the eligible Noteholders who subscribed or purchased the Notes when the Issuer was resident for tax purposes in Italy.

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 the Noteholders under (i) to (iii) above, to the extent that they do not opt for the non-discretionary investment portfolio regime or the discretionary investment portfolio regime, the CGT on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any offsettable capital losses) realized during any given tax year. The above mentioned Noteholders 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.

*Non-discretionary investment portfolio regime (Risparmio Amministrato Regime).* As an alternative to the tax return regime, the Noteholders under (i) to (iii) above 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:

- (a) the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediaries; and
- (b) an express election for the *risparmio amministrato* regime being made in writing in due time 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 relevant 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 to 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.

*Discretionary investment portfolio regime (Risparmio gestito regime)*. In the *risparmio gestito regime*, any capital gains realized by the Noteholders under (i) to (iii) above 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.

#### *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 or shares may be subject to a withholding tax of 26% (as applicable).

#### *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 not be subject to CGT but 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 due time (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited. As of the date of this Prospectus, the Italian tax authorities have not officially confirmed whether a multilateral trading platform qualifies for these purposes.

Capital gains realized by non-Italian 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 the 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 due time with the authorized financial intermediary appropriate documents which include, *inter alia*, a certificate of residence issued 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 the 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 same 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.

The *mortis causa* transfers of financial instruments included in a long-term savings account (*piano individuale di risparmio a lungo termine*), that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016, as subsequently amended and supplemented, are exempt from inheritance taxes.

#### ***Wealth tax—direct holding***

According to Article 19 of Law Decree No. 201 of 6 December 2011 (“**Decree 201**”), Italian resident individuals, non-commercial partnerships and non-commercial entities 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*) executed in Italy 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” (*caso d’uso*) in accordance with provisions of Article 6 of Decree No. 131 of 26 April 1986 (“**Decree 131**”), or voluntary registration or in case of cross reference (*enunciazione*) according to Article 22 of Decree 131.

### **General—payments by a guarantor**

According to a certain interpretation of applicable Italian laws, 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 related tax regime. 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.

## **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**

Please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), employment fund's contribution (*contribution au fonds pour l'emploi*), and personal income tax (*impôt sur le revenu*) generally.

### ***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 (*impôt sur la fortune*) 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 wealth 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.

## 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 €100,000,000 aggregate principal amount of the Notes (the “**Minimum Offer Amount**”) and a maximum of €150,000,000 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 €100,000,000 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 Interest Rate, Yield, Redemption Prices and 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), the final yield and the

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). The interest rate of the Notes (which shall not be less than the Minimum Interest Rate), the yield and the minimum prices will be set out in the Interest Rate, Yield and Redemption Prices 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 14 September 2020 at 09:00 (CET) (the "**Launch Date**") and will expire on 18 September 2020 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 25 September 2020. In the case of an 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 23 of the Prospectus Regulation) 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 Regulation) in Luxembourg and Italy following the approval of this Prospectus by the CSSF for the purposes of the Prospectus Regulation, and the effectiveness of the notification of this Prospectus by the CSSF to CONSOB according to Article 25 of the Prospectus Regulation.

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 and UK***

In relation to each Member State of the European Economic Area and the United Kingdom (each, a “**Relevant State**”), the Placement Agent has represented and agreed that 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 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 Regulation, and provided that the Issuer has consented in writing to use of the Prospectus for any such offers, except that it may make an offer of such Notes to the public in that Relevant State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Placement Agent; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

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 Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant 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.

## GENERAL INFORMATION

### Authorisation

1. The issue of the Notes was authorised by a resolution of the shareholders' meeting of the Issuer passed on 3 September 2020 and the guarantee of the Notes was authorised by a resolution of the board of directors of the Guarantor passed on 3 September 2020.

### Expenses related to Admission to Trading

2. The total expenses related to the admission to trading of the Notes are expected to amount to €4,200 in respect of the admission to trading of the Notes on the Luxembourg Stock Exchange and an amount ranging between €7,500 and €15,000 (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-004291 dated 4 September 2020. 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" on page 93 of this Prospectus, 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 2019 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 31 December 2019 there has been no significant change in the financial position of the Issuer. Save as set out in "*Information About the Group - Recent Developments*", since 30 June 2020 there has been no significant change in the financial performance or the financial position of the Guarantor or the Group.

### Auditors

6. The current Auditors of the Issuer and the Guarantors 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.
7. The independent Auditors' appointment by the Issuer was conferred for the period by the shareholders' meeting held on 18 July 2018 and will expire on the date of the shareholders' meeting convened to approve the Issuer's financial statements for the financial year ending 31 December 2026.



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. For so long as any Notes remain outstanding, copies of the following documents will, when published, be available for inspection at <https://www.carraro.com/en/investor-relations/carraro-international/obbligazioni-2020-2026>:
  - (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 2018 Audited Issuer Non-Consolidated Financial Statements;
  - (e) the 2019 Audited Issuer Non-Consolidated Financial Statements;
  - (f) the 2018 Audited Guarantor Consolidated Financial Statements;
  - (g) the 2019 Audited Guarantor Consolidated Financial Statements; and
  - (h) the 2020 Unaudited Guarantor Consolidated Semi-Annual 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 XS2215041513 and the common code is 221504151. 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 3.25 per cent. per annum, the gross real yield of the Notes is a minimum of 3.25 per cent. on an annual basis. The final yield will be set out in the Interest Rate, Yield and Redemption Prices Notice (see "*Sale and Offer of the Notes – Disclosure of the Results of the Interest Rate, Yield, Redemption Prices and the Offering*"). The yield indicated in this paragraph is calculated, and the final yield set out in the Interest Rate, Yield and Redemption Prices 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.

## **Websites**

15. In this Prospectus, references to websites or uniform resource locaters ("**URLs**") are inactive textual references. The contents of any such website or URL (other than the contents of the URL's contained in the section entitled "*Documents Incorporated by Reference*" which is incorporated by reference herein) shall not form part of, or be deemed to be incorporated by reference into, this Prospectus and have not been scrutinised or approved by the CSSF or the MOT.

## **Legend Concerning US Persons**

16. 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**

17. The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

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