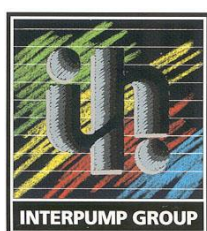


Interim Board of Directors' Report for Q1 2022



Interpump Group S.p.A. and subsidiaries

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This document can be accessed on the Internet at:

www.interpumpgroup.it

Interpump Group S.p.A.

Registered office in S. Ilario d'Enza (Reggio Emilia), Via Enrico Fermi 25

Paid-up Share Capital: EUR 56,617,232.88

Reggio Emilia Companies Register - Tax Code 11666900151

Board of Directors

Fulvio Montipò
Chairman and Chief Executive Officer

Giovanni Tamburi (b)
Deputy Chairman

Fabio Marasi
Executive Director

Claudio Beretti
Non-Executive Director

Angelo Busani (a) (c)
Independent Director

Antonia Di Bella
Independent Director

Marcello Margotto (b)
Independent Director
Lead Independent Director

Federica Menichetti (a) (b) (c)
Independent Director

Stefania Petruccioli
Independent Director

Paola Tagliavini (a), (c)
Independent Director

Board of Statutory Auditors

Anna Maria Allievi
Chairman

Roberta De Simone
Statutory Auditor

Mario Tagliaferri
Statutory Auditor

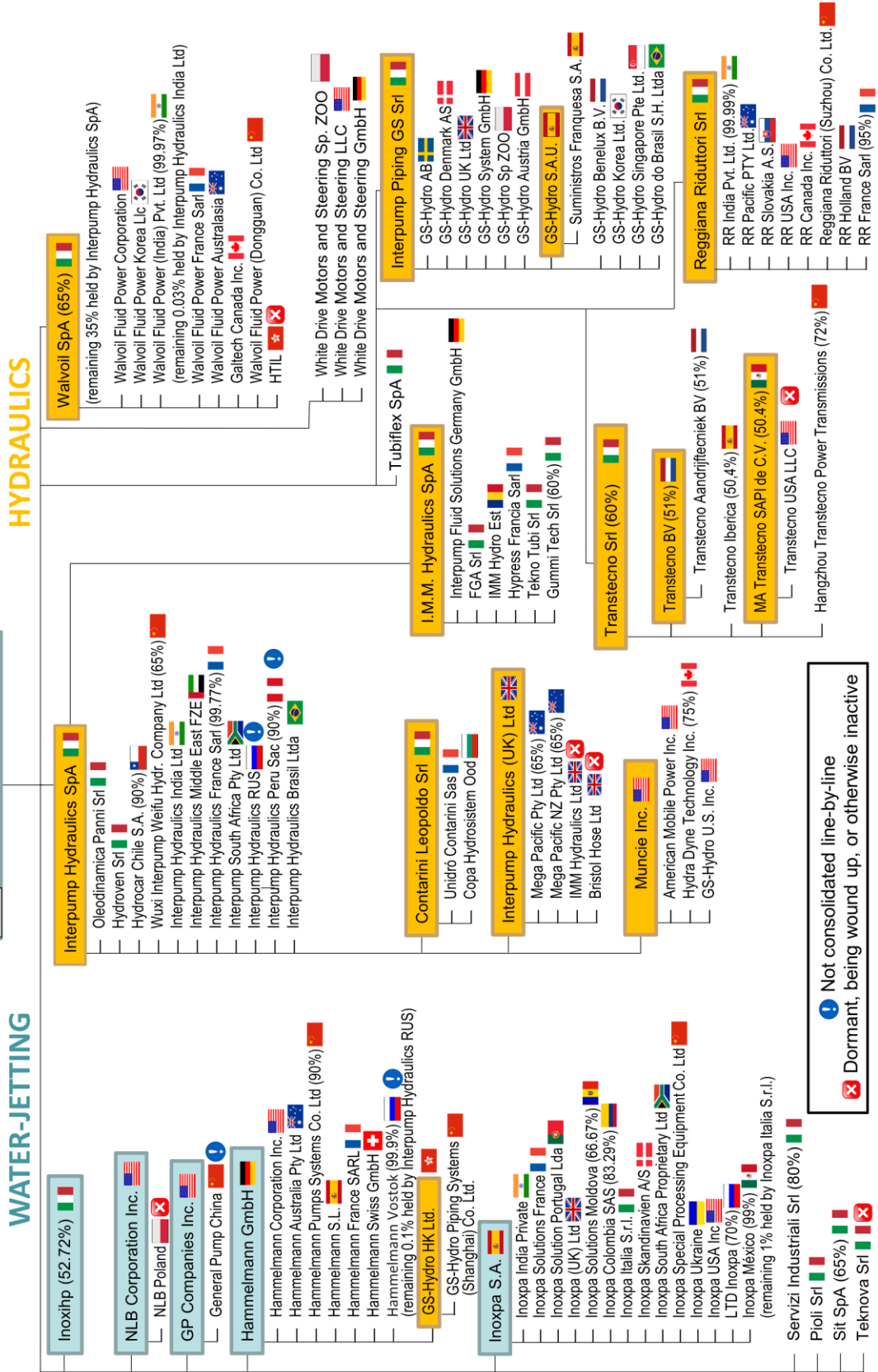
Independent Auditors

EY S.p.A.

- (a) Member of the Audit, Risks and Sustainability Committee*
- (b) Member of the Remuneration Committee and Appointments Committee*
- (c) Member of the Related Party Transactions Committee*

Group Structure

as at 31/03/2022
all holdings 100% unless otherwise specified



⚠ Dormant, being wound up, or otherwise inactive

Interim Board of Directors' Report

**Directors' remarks on performance
in Q1 2022**

PERFORMANCE INDICATORS

The Group uses several alternative measures that are not identified as accounting parameters in the framework of IFRS standards, to allow better evaluation of the trend of economic operations and the Group's financial position. Such indicators are also tools that assist the directors in identifying operating trends and in making decisions on investments, resource allocation and other business matters. Therefore, the measurement criterion applied by the Group may differ from the criteria adopted by other groups and hence may not be comparable with them. Such alternative performance indicators are constituted exclusively starting from the Group's historical data and measured in compliance with the matters established by the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by Consob with communication no. 92543 of 3 December 2015. These indicators refer only to performance in the period illustrated in this Interim Board of Directors' Report and the comparative periods and not to expected performance and must not be taken to replace the indicators required by the reference accounting standards (IFRS). Finally, the alternative indicators are processed with continuity and using uniform definition and representation for all the periods for which financial information is included in this Interim Board of Directors' Report.

The performance indicators used by the Group are defined as follows:

- **Earnings/(Losses) before interest and tax (EBIT):** Net sales plus Other operating income less Operating costs (Cost of sales, Distribution costs, General and administrative expenses, and Other operating costs);
- **Earnings/(Losses) before interest, tax, depreciation and amortization (EBITDA):** EBIT plus depreciation, amortization, writedowns and provisions;
- **Net financial position:** the sum of Loans obtained and Bank borrowing less Cash and cash equivalents;
- **Net financial indebtedness:** the sum of the Net financial position and debts for the acquisition of investments;
- **Capital expenditure (CAPEX):** the sum of investment in property, plant and equipment and intangible assets, net of divestments;
- **Free cash flow:** the cash flow available for the Group, defined as the difference between the cash flow of operating activities and the cash flow for investments in tangible and intangible fixed assets;
- **Capital employed:** calculated as the sum of shareholders' equity and net financial position, including debts for the acquisition of equity investments;
- **Return on capital employed (ROCE):** $EBIT / \text{Capital employed}$;
- **Return on equity (ROE):** $\text{Net profit} / \text{Shareholders' equity}$.

The Group's income statement is prepared by functional area (also called the "cost of sales" method). This form is deemed to be more representative than its "type of expense" counterpart, which is nevertheless included in the notes to the Annual Financial Report. The chosen form, in fact, complies with the internal reporting and business management methods.

The cash flow statement was prepared using the indirect method.

Consolidated income statements for Q1

(€/000)	<u>2022</u>	<u>2021</u>
Net sales	488,680	375,569
Cost of sales	(317,955)	(239,071)
Gross industrial margin	170,725	136,498
<i>% on net sales</i>	<i>34.9%</i>	<i>36.3%</i>
Other operating income	7,554	5,542
Distribution expenses	(36,844)	(29,844)
General and administrative expenses	(47,830)	(38,739)
Other operating costs	(960)	(1,769)
EBIT	92,645	71,688
<i>% on net sales</i>	<i>19.0%</i>	<i>19.1%</i>
Financial income	6,724	5,060
Financial charges	(9,142)	(4,157)
Equity method contribution	164	69
Profit for the year before taxes	90,391	72,660
Income taxes	(24,323)	(18,873)
Consolidated profit for the year	66,068	53,787
<i>% on net sales</i>	<i>13.5%</i>	<i>14.3%</i>
Attributable to:		
Shareholders of Parent	65,405	53,092
Minority shareholders of subsidiaries	663	695
Consolidated profit for the period	66,068	53,787
EBITDA	114,209	91,471
<i>% on net sales</i>	<i>23.4%</i>	<i>24.4%</i>
Shareholders' equity	1,374,560	1,223,415
Net financial position	530,259	229,786
Debts for the acquisition of equity investments	81,197	61,971
Capital employed	1,986,016	1,515,172
ROCE	4.7%	4.7%
ROE	4.8%	4.4%
Basic earnings per share	0.616	0.497

EVENTS OCCURRING IN THE QUARTER

2021 saw significant recovery of the world economy following relaxation of the restrictive measures linked to the pandemic and thanks to the rapid expansion of vaccination campaigns. This recovery was also supported by national plans supporting the development of infrastructure, energy transition and digitalization projects. The strong recovery in economic activity was accompanied by a sharp spike in inflation, largely induced by the increase in energy and commodity prices, as well as by constant supply chain interruptions.

Q1 2022 confirms these positive trends, also in light of strong growth in demand following the excellent performance of the prior year, with results supported also by the ability to implement pricing policies capable of easing pressure on costs caused by inflationary trends. Another noteworthy aspect is the limited exposure towards the countries involved in the fighting in Ukraine. In Q1 2022 the Interpump Group recorded sales of €4.7m to customers in Russia and Ukraine, while accounts receivable stood at €1.8m at 31/03/2022.

In this context, marked by disruptive factors of this nature, Interpump Group continued to achieve excellent results both in terms of sales and profitability.

Sales reached €488.7m, rising by 30.1% with respect to Q1 2021, when the amount recorded was €375.6m. A breakdown by business sector reveals a 36.9% rise in sales in the Hydraulic Sector and a 13.6% rise in the Water Jetting Sector compared to Q1 2021.

EBITDA stood at €114.2m or 23.4% of sales, reflecting growth of 24.9%. In Q1 2021 EBITDA was booked at €91.5m (24.4% of sales).

Faced with procurement difficulties, throughout the three-month period the Group continued with the policy of increasing stock levels that started in 2021. Consequently, considering also the massive investments planned and launched in the interim, *free cash flow* in Q1 2022 was booked at €5.8m versus the €40.8m of Q1 2021. The net financial position (NFP) was €530.3m, a figure that reflects spending of €49.3m to purchase treasury shares.

Net profit for Q1 2022 was €66.1m (€53.8m in Q1 2021), an increase of 22.8%.

Compared to Q1 2021, in 2021 the three White Drive companies acquired in October 2021 were consolidated, as was Berma S.r.l., acquired in November 2021 and then absorbed by Reggiana Riduttori as from 1 January 2022.

NET SALES

Net sales for Q1 2022 totalled €488.7m, 30.1% higher than in the equivalent period in 2021 when the amount was €375.6m (+15.5% a parità di area di consolidamento e +12,6% anche a parità di cambio).

Sales by business sector and geographical area were as follows:

Q1 2022

(€/000)	<u>Italy</u>	<u>Rest of Europe</u>	<u>North America</u>	<u>Far East and Oceania</u>	<u>Rest of the World</u>	<u>Total</u>
Hydraulics	68,133	135,617	92,818	38,093	30,188	364,849
Water-Jetting	<u>12,740</u>	<u>40,856</u>	<u>45,212</u>	<u>13,770</u>	<u>11,253</u>	<u>123,831</u>
Consolidated	<u>80,873</u>	<u>176,473</u>	<u>138,030</u>	<u>51,863</u>	<u>41,441</u>	<u>488,680</u>

Q1 2021

Hydraulics	53,853	93,252	58,685	33,113	27,982	266,885
Water-Jetting	<u>10,395</u>	<u>39,197</u>	<u>35,946</u>	<u>15,357</u>	<u>7,789</u>	<u>108,684</u>
Consolidated	<u>64,248</u>	<u>132,449</u>	<u>94,631</u>	<u>48,470</u>	<u>35,771</u>	<u>375,569</u>

2022/2021 percentage changes

Hydraulics	+26.5%	+45.4%	+58.2%	+15.0%	+7.9%	+36.7%
Water-Jetting	+22.6%	+4.2%	+25.8%	-10.3%	+44.5%	+13.9%
Total	+25.9%	+33.2%	+45.9%	+7.0%	+15.9%	+30.1%

Changes at constant perimeter are as follows:

2022/2021 percentage changes

Hydraulics	+19.7%	+19.6%	+19.3%	+5.2%	+4.0%	+16.1%
Water-Jetting	+22.6%	+4.2%	+25.8%	-10.3%	+44.5%	+13.9%
Total	+20.2%	+15.1%	+21.7%	+0.3%	+12.8%	+15.5%

PROFITABILITY

The cost of sales accounted for 65.1% of turnover (63.7% in Q1 2021). Production costs, which totalled €128.4m (€95.6m in Q1 2021, which however did not include the costs of the three White Drive companies and of Berma), accounted for 26.3% of sales (25.5% in the equivalent period of 2021). Production costs at constant perimeter totalled 25.4% of sales (25.5% in Q1 2021). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €189.6m (€143.5m in the equivalent period of 2021, which however did not include the costs of the three White Drive companies and Berma). The incidence of purchase costs including the change in inventories was 38.8% compared to 38.2% in Q1 2021.

Distribution costs at constant perimeter were 15.3% higher (+12.1% net also of exchange differences) with respect to Q1 2021, with an unchanged incidence on sales.

General and administrative expenses at constant perimeter rose by 10.2% with respect to Q1 2021 (+7.8% net also of exchange differences), while their incidence on sales fell by 0.5 percentage points.

Total payroll costs were €104.2m (€86.3m in Q1 2021, which however did not include the costs of the three White Drive companies and Berma). Payroll costs at constant perimeter rose by 8.5% to €93.7m due to an increase in the per capita cost of 5.0% and an increase of 243 in the average headcount. The average total number of Group employees in Q1 2022 was 8,663 (7,654 at constant perimeter) compared to 7,411 in Q1 2021. The increase in average headcount in Q1 2022 breaks down as follows net of the newly acquired companies: +138 in Europe, +27 in the US and + 78 in the Rest of the World. Also, the Group has 1,477 temporary staff (1,014 in 2021) for a total cost of €8.6m (€5.0m in 2021).

EBITDA totalled €114.2m (23.4% of sales) compared to the €91.5m of Q1 2021, which accounted for 24.4% of sales. The following table sets out EBITDA by business sector:

	<i>Q1 2022</i>	<i>% on</i>	<i>Q1 2021</i>	<i>% on</i>	<i>Increase/ Decrease</i>
	<u>€/000</u>	<u>sales*</u>	<u>€/000</u>	<u>sales*</u>	
Hydraulics	79,191	21.7%	60,487	22.6%	+30.9%
Water-Jetting	<u>35,018</u>	28.0%	<u>30,984</u>	28.2%	+13.0%
Total	<u>114,209</u>	23.4%	<u>91,471</u>	24.4%	+24.9%

* = Total sales include sales to other Group companies, while the sales analyzed previously are exclusively those external to the Group (see Note 2 in the explanatory notes). Accordingly, for consistency, the percentage is calculated on total sales rather than on those reported previously.

EBIT stood at €92.6m (19.0% of sales) compared to the €71.7m of Q1 2021 (19.1% of sales), reflecting an increase of 29.2%.

The tax rate for the period was 26.9% (26.0% in Q1 2021).

Net profit for Q1 2022 was €66.1m (€53.8m in Q1 2021), reflecting an increase of 22.8%. Basic earnings per rose from EUR 0.497 in Q1 2021 to EUR 0.616 in Q1 2022.

Capital employed increased from €1,912.4m at 31 December 2021 to €1,986.0m at 31 March 2022, mainly due to the increase in working capital caused primarily by the need to adjust inventory levels, as mentioned above. Unannualized ROCE was 4.7% (4.7% also in Q1 2021). Unannualized ROE was 4.8% (4.4% in Q1 2021).

CASH FLOW

The change in net indebtedness breaks down as follows:

	2022 €/000	2021 €/000
Opening net financial position	(494,924)	(269,500)
Net opening financial position of companies consolidated for the first time	-	(161)
Adjusted opening net financial position	(494,924)	(269,661)
Cash flows from operating activities	108,848	84,900
Payment of finance lease instalments (principal)	(4,900)	(4,731)
Cash flow generated (absorbed) by the management of commercial working capital	(70,437)	(27,827)
Cash flow generated (absorbed) by other current assets and liabilities	(3,027)	3,178
Capital expenditure on property, plant and equipment	(22,778)	(14,483)
Proceeds from the sale of tangible fixed assets	344	1,160
Increase in other intangible assets	(1,555)	(1,333)
Financial income received	98	140
Other	(811)	(219)
Free cash flow	5,782	40,785
Acquisition of investments, including received debt and net of treasury shares assigned	(122)	(5,271)
Dividends paid	(357)	(685)
Purchase of treasury shares	(49,350)	-
Proceeds from the sale of treasury shares to stock option beneficiaries	8,017	66
Payment of finance lease instalments (principal)	4,900	4,731
Principal portion of new leasing contracts arranged	(4,731)	(1,848)
Remeasurement and early close-out of leasing contracts	59	830
Change in other financial assets	(3)	(41)
Net cash generated (used)	(35,805)	38,567
Exchange differences	470	1,308
Closing net financial position	(530,259)	(229,786)

Net liquidity generated by operations totalled €108.8m (€84.9m in Q1 2021), reflecting an increase of 28.2%. *Free cash flow* was €5.8m (€40.8m in Q1 2021) The decrease is due to higher expenditure and the rise in working capital mainly due to the need to increase inventory levels on the heels of the major rise in sales.

Net indebtedness, including payables and commitments, determined in accordance with ESMA guidance 32-382-1138 and included in Consob notice no. 5/21, comprises:

	31/03/2022 €/000	31/12/2021 €/000	31/03/2021 €/000	01/01/2021 €/000
Cash and cash equivalents	293,376	349,015	357,923	343,170
Payables to banks (advances and STC amounts)	(13,338)	(7,760)	(12,704)	(10,592)
Interest-bearing financial payables (current portion)	(240,644)	(232,213)	(182,510)	(181,603)
Interest-bearing financial payables (non-current portion)	(569,653)	(603,966)	(392,495)	(420,475)
<i>Net financial position</i>	(530,259)	(494,924)	(229,786)	(269,500)
Commitments for the acquisition of investments	(81,197)	(77,794)	(61,971)	(62,686)
Total net indebtedness	(611,456)	(572,718)	(291,757)	(332,186)

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totalled €25.4m, of which €-0.4m through the acquisition of equity investments (€19.2m in Q1 2021, of which €1.8m through the acquisition of equity investments). The additions during the year are analyzed in the following table.

€/000	<u>Q1 2022</u>	<u>Q1 2021</u>
Increases for the purchase of fixed assets used in the production process	20,508	12,582
Increases for machinery rented to customers	608	2,939
Leased assets	<u>4,731</u>	<u>1,848</u>
<i>Capex</i>	25,847	17,369
Increases through the acquisition of equity investments	<u>(426)</u>	<u>1,811</u>
Total increases in the year	<u>25,421</u>	<u>19,180</u>

The increases in 2022 include €10.3m invested in land and buildings (€4.7m in Q1 2021).

The difference with respect to the expenditure recorded in the cash flow statement is due to the timing of payments.

Capital expenditure in property, plant and equipment stood at €1.6m (€1.4m in Q1 2021).

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

The transactions entered into with related parties, including intercompany transactions, cannot be defined as either atypical or unusual, as they are carried out in the ordinary course of business between Group companies. They are settled on arm's-length conditions, taking into account the characteristics of the assets transferred and services rendered. Information on transactions carried out with related parties is given in Note 9 of the Interim Board of Directors' Report at 31 March 2022.

CHANGES IN GROUP STRUCTURE IN Q1 2022

With effect from 1 January 2022 Berma S.r.l. was absorbed by Reggiani Riduttori S.r.l.

EVENTS OCCURRING AFTER THE END OF Q1 2022

The Shareholders' Meeting of Interpump Group S.p.A., held on 29 April 2022, approved the 2021 financial statements and distribution of a dividend of EUR 0.28 per share. The meeting also:

- approved the Remuneration policy report pursuant to art. 123 (3) of Decree 58/98;
- approved the remuneration of the directors for 2022;
- approved a new 2022-2024 incentive plan,
- authorised the Board of Directors, for the period of eighteen months starting from the date of the shareholders' resolution, to purchase treasury stock up to the maximum number of shares permitted by law at the maximum unit price of EUR 85.0, and to sell treasury stock already purchased or that will be acquired in the future in execution of said authorisation;
- approved, in an extraordinary session, several amendments to the articles of association described in the directors' illustrative report to the Shareholders' Meeting.

No atypical or unusual transactions occurred after the end of Q1 2022 that would require mention in this report or call for changes to the consolidated financial statements at 31 March 2022.

Sant'Ilario d'Enza (RE), 13 May 2022

For the Board of Directors
Fulvio Montipò
Chairman and Chief Executive Officer

Carlo Banci, the manager responsible for drafting the company's accounting documents, declares - pursuant to art. 154-bis, para. 2, of the Consolidated Financial Services Act - that the accounting disclosures in this document correspond to the contents of the underlying documents, the accounting books and the accounting entries.

Sant'Ilario d'Enza (RE), 13 May 2022

Carlo Banci
Manager responsible for drafting
the company's accounting documents

Financial statements and notes

Consolidated statement of financial position

(€/000)		<i>Notes</i>	<i>31/03/2022</i>	<i>31/12/2021</i>
ASSETS				
Current assets				
Cash and cash equivalents			293,376	349,015
Trade receivables			399,952	361,913
Inventories	3		567,941	515,958
Tax receivables			29,949	27,876
Other current assets			23,954	20,766
Total current assets			1,315,172	1,275,528
Non-current assets				
Property, plant and equipment	4		620,713	613,715
Goodwill	1		767,943	767,413
Other intangible assets			44,341	44,212
Other financial assets			2,227	2,250
Tax receivables			3,570	2,327
Deferred tax assets			64,432	63,658
Other non-current assets			2,314	2,183
Total non-current assets			1,505,540	1,495,758
Assets held for sale			1,460	1,460
Total assets			2,822,172	2,772,746

(€/000)	<u>Notes</u>	<u>31/03/2022</u>	<u>31/12/2021</u>
LIABILITIES			
Current liabilities			
Trade payables		293,096	285,212
Payables to banks		13,338	7,760
Interest-bearing financial payables (current portion)		240,644	232,213
Tax liabilities		51,717	34,669
Other current liabilities		124,266	116,747
Provisions for risks and charges		4,738	4,694
Total current liabilities		<u>727,799</u>	<u>681,295</u>
Non-current liabilities			
Interest-bearing financial payables		569,653	603,966
Liabilities for employee benefits		24,113	23,937
Deferred tax liabilities		49,355	48,207
Tax liabilities		1,734	1,764
Other non-current liabilities		61,868	60,885
Provisions for risks and charges		13,090	13,028
Total non-current liabilities		<u>719,813</u>	<u>751,787</u>
Total liabilities		<u>1,447,612</u>	<u>1,433,082</u>
SHAREHOLDERS' EQUITY			
	5		
Share capital		55,136	55,327
Legal reserve		11,323	11,323
Share premium reserve		26,113	66,472
Remeasurement reserve for defined benefit plans		(8,170)	(8,170)
Translation reserve		16,407	6,013
Other reserves		1,262,639	1,197,234
Group shareholders' equity		<u>1,363,448</u>	<u>1,328,199</u>
Non-controlling interests		11,112	11,465
Total shareholders' equity		<u>1,374,560</u>	<u>1,339,664</u>
Total shareholders' equity and liabilities		<u>2,822,172</u>	<u>2,772,746</u>

Consolidated income statements for Q1

(€/000)	<i>Notes</i>	<u>2022</u>	<u>2021</u>
Revenues		488,680	375,569
Cost of sales		(317,955)	(239,071)
Gross industrial margin		170,725	136,498
Other operating income		7,554	5,542
Distribution expenses		(36,844)	(29,844)
General and administrative expenses		(47,830)	(38,739)
Other operating costs		(960)	(1,769)
EBIT		92,645	71,688
Financial income	6	6,724	5,060
Financial charges	6	(9,142)	(4,157)
Adjustment of the value of investments carried at equity		164	69
Profit for the year before taxes		90,391	72,660
Income taxes		(24,323)	(18,873)
Consolidated profit for the period		66,068	53,787
Attributable to:			
Shareholders of Parent		65,405	53,092
Minority shareholders of subsidiaries		663	695
Consolidated profit for the period		66,068	53,787
Basic earnings per share	7	0.616	0.497
Diluted earnings per share	7	0.610	0.492

Comprehensive consolidated income statements for Q1

(€/000)	<u>2022</u>	<u>2021</u>
Consolidated profit (A)	66,068	53,787
Other comprehensive income which will subsequently be reclassified to consolidated profit or loss		
<i>Gains (losses) on translating the financial statements of foreign companies</i>	<i>10,532</i>	<i>17,934</i>
<i>Profits (Losses) of companies carried at equity</i>	<i>(230)</i>	<i>29</i>
<i>Applicable taxes</i>	<i>—</i>	<i>—</i>
Total other consolidated income (losses) which will subsequently be reclassified in consolidated profit for the period, net of the tax effect (B)	<u>10,302</u>	<u>17,963</u>
Comprehensive consolidated profit for the period (A) + (B)	<u>76,370</u>	<u>71,750</u>
Attributable to:		
Shareholders of Parent	75,799	70,715
Minority shareholders of subsidiaries	571	1,035
Consolidated comprehensive income for the year	<u>76,370</u>	<u>71,750</u>

Consolidated cash flow statements for Q1

(€/000)	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Profit before taxes	92,058	72,660
Adjustments for non-cash items:		
Losses (gains) on the sale of fixed assets	(1,821)	(3,092)
Amortization and depreciation, impairment and reinstatement of assets	21,449	18,826
Costs recognised in the income statement relative to stock options that do not involve monetary outflows for the Group	783	583
Losses (profits) from investments	(164)	(69)
Net change in risk funds and allocations to provisions for benefits to employees	243	265
Expenditures for tangible assets to be leased	(608)	(2,939)
Proceeds from the disposal of leased tangible assets	3,437	4,583
Net financial charges (revenues)	752	(903)
	116,129	89,914
(Increase) decrease in trade receivables and other current assets	(39,461)	(37,848)
(Increase) decrease in inventories	(47,326)	(11,419)
Increase (decrease) in trade payables and other current liabilities	13,323	24,618
Interest paid	(1,032)	(1,088)
Realised exchange differences	(143)	784
Taxes paid	(6,106)	(4,710)
Net cash from operating activities	35,384	60,251
Cash flows from investing activities		
Payments for the purchase of investments, net of cash received and net of treasury shares assigned	(122)	(4,082)
Capital expenditure on property, plant and equipment	(22,778)	(14,483)
Proceeds from the sale of tangible fixed assets	344	1,160
Increase in intangible assets	(1,555)	(1,333)
Financial income received	98	140
Other	(663)	(230)
Net cash (used in) investing activities	(24,676)	(18,828)
Cash flows from financing activities		
Disbursements (repayments) of loans	(26,930)	(26,523)
Dividends paid	(357)	(685)
Disbursements for purchase of treasury shares	(49,350)	-
Proceeds from the sale of treasury shares to stock option beneficiaries	8,017	66
Change in other financial assets	(3)	(41)
Payment of finance lease instalments (principal)	(4,900)	(4,731)
Net cash generated by financing activities	(73,523)	(31,914)
Net increase (decrease) in cash and cash equivalents	(62,815)	9,509

Interim Board of Directors' Report at 31 March 2022 - Interpump Group

(€/000)	<i>2022</i>	<i>2021</i>
Net increase (decrease) in cash and cash equivalents	(62,815)	9,509
Translation differences for cash held by non-EU companies	1,598	3,059
Opening cash and cash equivalents of companies consolidated on a line-by-line basis for the first time	-	73
Cash and cash equivalents at the beginning of the year	341,255	332,578
Cash and cash equivalents at the end of the year	280,038	345,219

Cash and cash equivalents consist of the following:

	31/03/2022 €/000	31/12/2021 €/000
Cash and cash equivalents as per the consolidated statement of financial position	293,376	349,015
Bank payables (overdrafts and subject to collection advances)	<u>(13,338)</u>	<u>(7,760)</u>
Cash and cash equivalents as per the cash flow statement	<u>280,038</u>	<u>341,255</u>

Consolidated statement of changes in shareholders' equity

(€/000)	Share capital	Legal reserve	Share premium reserve	Remeasurement reserve for defined benefit plans	Translation reserve	Other reserves	Group shareholders ' equity	Non- controlling interests	Total
<i>At 1 January 2021</i>	55,462	11,323	78,693	(8,217)	(27,215)	1,029,529	1,139,575	10,402	1,149,977
Recognition in income statement of fair value of stock options granted and exercisable	-	-	583	-	-	-	583	-	583
Sale of treasury stock to the beneficiaries of stock options	3	-	63	-	-	-	66	-	66
Assignment of treasury shares as payment for equity investments	39	-	3,036	-	-	-	3,075	-	3,075
Dividends paid (minority interests)	-	-	-	-	-	-	-	(647)	(647)
Dividends declared (attributable to non-controlling interests)	-	-	-	-	-	-	-	(1,304)	(1,304)
Winding up of subsidiaries	-	-	-	-	-	-	-	(85)	(85)
Comprehensive profit (loss) for Q1 2021	-	-	-	-	17,623	53,092	70,715	1,035	71,750
<i>Balances at 31 March 2021</i>	55,504	11,323	82,375	(8,217)	(9,592)	1,082,621	1,214,014	9,401	1,223,415
Recognition in income statement of fair value of stock options granted and exercisable	-	-	3,803	-	-	-	3,803	-	3,803
Purchase of treasury shares	(218)	-	(22,179)	-	-	-	(22,397)	-	(22,397)
Sale of treasury stock to the beneficiaries of stock options	26	-	622	-	-	-	648	-	648
Assignment of treasury shares as payment for equity investments	15	-	1,851	-	-	-	1,866	-	1,866
Purchase of residual interests in subsidiaries	-	-	-	-	-	(425)	(425)	(240)	(665)
Winding up of subsidiaries	-	-	-	-	-	-	-	3	3
Dividends paid	-	-	-	-	-	(27,382)	(27,382)	(1,427)	(28,809)
Dividends resolved	-	-	-	-	-	(370)	(370)	1,304	934
Comprehensive profit (loss) for April-December 2021	-	-	-	47	15,605	142,790	158,442	2,424	160,866
<i>Balances at 31 December 2021</i>	55,327	11,323	66,472	(8,170)	6,013	1,197,234	1,328,199	11,465	1,339,664
Recognition in income statement of fair value of stock options granted and exercisable	-	-	783	-	-	-	783	-	783
Purchase of treasury shares	(515)	-	(48,835)	-	-	-	(49,350)	-	(49,350)
Sale of treasury stock to the beneficiaries of stock options	324	-	7,693	-	-	-	8,017	-	8,017
Dividends declared (attributable to non-controlling interests)	-	-	-	-	-	-	-	(924)	(924)
Comprehensive profit (loss) for Q1 2022	-	-	-	-	10,394	65,405	75,799	571	76,370
<i>Balances at 31 March 2022</i>	55,136	11,323	26,113	(8,170)	16,407	1,262,639	1,363,448	11,112	1,374,560

Notes to the consolidated financial statements

General information

Interpump Group S.p.A. is a company domiciled in Sant'Ilario d'Enza (Reggio Emilia, Italy) and incorporated under Italian law. The company is listed on the Milan stock exchange in the STAR segment.

The Group manufactures and markets high and very high-pressure plunger pumps, very high-pressure systems, power take-offs, hydraulic cylinders, valves and directional controls, hydraulic lines and fittings, orbital motors, power steering systems, reduction units and other hydraulic products. The Group has production facilities in Italy, the US, Germany, Poland, China, India, France, Portugal, Brazil, Bulgaria, Romania, Canada and South Korea.

Sales are not affected by any significant degree of seasonality.

The consolidated financial statements include Interpump Group S.p.A. and its directly or indirectly controlled subsidiaries (hereinafter "the Group").

The consolidated financial statements at 31 March 2022 were approved by the Board of Directors on this day (13 May 2022).

This Interim Board of Directors' Report was been prepared on a basis consistent with prior years, international practice, the principle of market transparency and Borsa Italiana Notice no. 7587 dated 21 April 2016. As part of the requirements for maintaining a STAR listing, this notice requires the publication of interim reports on operations, regardless of any regulatory changes.

This interim board of directors' report is not subject to auditing.

Basis of preparation

The consolidated financial statements at 31 March 2022 were drawn up in compliance with international accounting standards (IAS/IFRS) for interim financial statements. The tables were prepared in compliance with IAS 1, while the notes were prepared in condensed form in application of the faculty provided by IAS 34 and therefore they do not include all the information required for annual financial statements drafted in compliance with IFRS standards. Therefore, the consolidated financial statements at 31 March 2022 should be consulted together with the consolidated financial statements for the year ending 31 December 2021.

The accounting principles and criteria adopted in the interim financial statements at 31 March 2022 may conflict with IFRS provisions in force on 31 December 2022 due to the effect of future orientations of the European Commission with regard to the approval of international accounting standards or the issue of new standards, interpretations or implementing guidelines by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee (IFRIC).

Preparation of interim financial statements in compliance with IAS 34 - Interim Financial Reporting calls for judgments, estimates, and assumptions that have an effect on assets, liabilities, costs and revenues and on information regarding contingent assets and liabilities at the reporting date. We draw your attention to the fact that estimates may differ from the effective results, the magnitude of which will only be known in the future. In addition, some measurement processes, notably those that are more complex, such as the determination of impairment losses on non-current assets, are generally only performed in a comprehensive manner at the time of preparing

the annual financial statements, when all the necessary information is available, except in cases in which evidence of impairment exists, when the immediate measurement of any losses in value is required. Likewise, the actuarial valuations require to determine the liability for employee benefits are normally made when preparing the annual financial statements.

The consolidated financial statements are presented in thousands of euro. The financial statements are prepared using the cost method, with the exception of financial instruments, which are measured at fair value.

Accounting standards

The accounting standards adopted are those described in the consolidated financial statements at 31 December 2021, with the exception of those adopted as from 1 January 2022 as described hereunder, and they were uniformly applied to all Group companies and all periods presented.

a) Accounting standards, amendments and interpretations in force from 1 January 2022 and adopted by the Group

- *Amendments to IFRS 3 - "Business combinations"*. On 14 May 2020, the IASB published this amendment that updates the references made to the IAS Conceptual Framework, without making any changes to the accounting for business combinations.
- *Amendments to IAS 16 - "Property, Plant and Equipment: Proceeds before Intended Use"*. The IASB published this amendment in May 2020, prohibiting entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling products made while bringing that item to the location or for the time necessary for it to become capable of operating in the manner intended by management. Instead, the entity must recognise the proceeds from selling such items, and the cost of producing them, in profit or loss.
- *Annual Improvements 2018-2020 Cycle*. On 14 May 2020 the IASB published a series of amendments, comprising:
 - *Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter"*. As part of its annual improvements to IFRS standards 2018-2020, the IFRS has published an amendment to IFRS 1 that permits a subsidiary applying paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the latter's date of transition to IFRSs. This amendment also applies to associates and joint ventures that elect to apply paragraph D16(a) of IFRS 1.
 - *Amendment to IFRS 9 "Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities"*. As part of its annual improvements to IFRS standards 2018--2020, the IFRS has published an amendment to IFRS 9 that clarifies which fees an entity includes when assessing whether the conditions of a new or amended financial liability are substantially different to those of the original financial liability. These fees only include those paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on behalf of the other. The entity will apply this amendment to those financial liabilities that are amended or exchanged subsequent to the start of the financial year in which it is applied for the first time.
 - *Amendments to IAS 37 - "Onerous Contracts - Costs of Fulfilling a Contract"*. In May 2020, the IASB published amendments to IAS 37 to specify what costs must be considered by an entity when assessing whether a contract is onerous or loss-making. The amendment calls for application of the directly related cost approach. Costs that

relate directly to a contract for the supply of goods or services include both the incremental fulfillment costs and the costs directly attributable to the contractual activities. General and administrative expenses are not directly attributable to a contract and are excluded, unless they are explicitly rechargeable to the counterparty under the terms of the contract.

b) New accounting standards and amendments not yet applicable and not adopted early by the Group

- *Amendments to IAS 1 – “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*. The IASB published this amendment on 23 January 2020 in order to clarify the presentation of liabilities in the statement of financial position. In particular, the amendment clarifies that:
 - the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period and, in particular, on the right to defer payment for at least 12 months;
 - classification is not influenced by expectations regarding decisions by the entity to exercise its right to defer the payment of a liability;
 - payment refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The new amendment is applicable from 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact of this amendment on the existing situation.

- *Amendments to IAS 1 “Presentation of Financial Statements and IFRS Practice Statement 2 “Disclosure of Accounting policies”*. The IASB published an amendment to this standard on 12 February 2021 in order to help companies to decide which accounting policies to disclose in their financial statements. The amendment applies to reporting periods beginning on or after 1 January 2023. Early application is allowed.
- *Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates”*. The IASB published an amendment to this standard on 12 February 2021 in order to introduce a new definition of accounting estimate and clarify the distinction between changes in accounting estimates, changes in accounting policies and corrections of errors. The amendment applies to reporting periods beginning on or after 1 January 2023. Early application is allowed.
- *Amendments to “IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”*. On 7 May 2021 IASB published an amendment to this standard, which requires companies to recognise deferred tax assets and liabilities on specific transactions that, at the time of initial booking, give rise to equivalent timing differences (taxable and deductible) – for example, see transactions related to leasing contracts.
- *Amendments to “IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information”*. The IASB published this amendment to the transitional instructions for IFRS 17 on 9 December 2021. The amendment gives insurers an option for the purpose of improving the meaningfulness of the information to be provided to investors on initial application of the new standard.
The amendment applies to reporting periods beginning on or after 1 January 2023. Early application is allowed.

Notes to the consolidated financial statements at 31 March 2022

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1. Scope of consolidation and goodwill

The perimeter of consolidation at 31 March 2022 includes the Parent company and the following subsidiaries:

<i>Companies</i>	<i>Head office</i>	<i>Share capital €/000</i>	<i>Sector</i>	<i>% held at 31/03/2022</i>
GP Companies Inc.	Minneapolis (USA)	1,854	Water-Jetting	100.00%
Hammelmann GmbH	Oelde (Germany)	25	Water-Jetting	100.00%
Hammelmann Australia Pty Ltd (1)	Melbourne (Australia)	472	Water-Jetting	100.00%
Hammelmann Corporation Inc (1)	Miamisburg (USA)	39	Water-Jetting	100.00%
Hammelmann S. L. (1)	Zaragoza (Spain)	500	Water-Jetting	100.00%
Hammelmann Pumps Systems Co Ltd (1)	Tianjin (China)	871	Water-Jetting	90.00%
Hammelmann France S.a.r.l. (1)	Etrichè (France)	50	Water-Jetting	100.00%
Hammelmann Swiss GmbH (1)	Dudingén (Switzerland)	89	Water-Jetting	100.00%
Inoxihp S.r.l.	Nova Milanese (MI)	119	Water-Jetting	52.72%
NLB Corporation Inc.	Detroit (USA)	12	Water-Jetting	100.00%
NLB Poland Corp. Sp. Z.o.o. (2) (inoperative)	Warsaw (Poland)	-	Water-Jetting	100.00%
Inoxpa S.A.	Banyoles (Spain)	23,000	Water-Jetting	100.00%
Inoxpa India Private Ltd (3)	Pune (India)	6,779	Water-Jetting	100.00%
Inoxpa Solutions France (3)	Gleize (France)	2,071	Water-Jetting	100.00%
Improved Solutions Unipessoal Ltda (Portugal) (3)	Vale de Cambra (Portugal)	760	Water-Jetting	100.00%
Inoxpa (UK) Ltd (3)	Eastbourne (UK)	1,942	Water-Jetting	100.00%
Inoxpa Solutions Moldova (3)	Chisinau (Moldova)	317	Water-Jetting	66.67%
Inoxpa Colombia SAS (3)	Bogotá (Colombia)	133	Water-Jetting	83.29%
Inoxpa Italia S.r.l. (3)	Mirano (VE)	100	Water-Jetting	100.00%
Inoxpa Skandinavien A/S (3)	Horsens (Denmark)	134	Water-Jetting	100.00%
Inoxpa South Africa Proprietary Ltd (3)	Gauteng (South Africa)	104	Water-Jetting	100.00%
Inoxpa Special Processing Equipment Co. Ltd (3)	Jianxing (China)	1,647	Water-Jetting	100.00%
Inoxpa Ukraine (3)	Kiev (Ukraine)	113	Water-Jetting	100.00%
Inoxpa USA Inc. (3)	Santa Rosa (USA)	1,426	Water-Jetting	100.00%
INOXPA LTD (Russia) (3)	Podolsk (Russia)	1,435	Water-Jetting	70.00%
Inoxpa Mexico S.A. de C.V. (3)	Mexico City (Mexico)	309	Water-Jetting	100.00%
Pioli S.r.l.	Reggio Emilia (RE)	10	Water-Jetting	100.00%
Servizi Industriali S.r.l.	Ozzano Emilia (BO)	100	Water-Jetting	80.00%
SIT S.p.A.	S. Ilario d'Enza (RE)	105	Water-Jetting	65.00%
Teknova S.r.l. (in liquidation)	Reggio Emilia (RE)	28	Water-Jetting	100.00%
Interpump Hydraulics S.p.A.	Calderara di Reno (BO)	2,632	Hydraulic	100.00%
Contarini Leopoldo S.r.l. (4)	Lugo (RA)	47	Hydraulic	100.00%
Unidro Contarini S.a.s. (5)	Barby (France)	8	Hydraulic	100.00%
Copa Hydrosystem Ood (5)	Troyan (Bulgaria)	3	Hydraulic	100.00%
Hydrocar Chile S.A. (4)	Santiago (Chile)	129	Hydraulic	90.00%
Hydroven S.r.l. (4)	Tezze sul Brenta (VI)	200	Hydraulic	100.00%
Interpump Hydraulics Brasil Ltda (4)	Caxia do Sul (Brazil)	15,126	Hydraulic	100.00%
Interpump Hydraulics France S.a.r.l. (4)	Ennery (France)	76	Hydraulic	99.77%
Interpump Hydraulics India Private Ltd (4)	Hosur (India)	682	Hydraulic	100.00%
Interpump Hydraulics Middle East FZE (4)	Dubai (UAE)	326	Hydraulic	100.00%
Interpump South Africa Pty Ltd (4)	Johannesburg (South Africa)	-	Hydraulic	100.00%

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<u>Companies</u>	<u>Head office</u>	<u>Share capital €/000</u>	<u>Sector</u>	<u>% held at 31/03/2022</u>
Interpump Hydraulics (UK) Ltd. (4)	Kidderminster (United Kingdom)	13	Hydraulic	100.00%
Mega Pacific Pty Ltd (6)	Newcastle (Australia)	335	Hydraulic	65.00%
Mega Pacific NZ Pty Ltd (6)	Mount Maunganui (New Zealand)	557	Hydraulic	65.00%
Muncie Power Prod. Inc. (4)	Muncie (USA)	784	Hydraulic	100.00%
American Mobile Power Inc. (7)	Fairmount (USA)	3,410	Hydraulic	100.00%
Hydra Dyne Tech Inc (7)	Ingersoll (Canada)	80	Hydraulic	75.00%
Oleodinamica Panni S.r.l. (4)	Tezze sul Brenta (VI)	2,000	Hydraulic	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (4)	Wuxi (China)	2,095	Hydraulic	65.00%
IMM Hydraulics S.p.A. (4)	Atessa (Switzerland)	520	Hydraulic	100.00%
Hypress France S.a.r.l. (8)	Strasbourg (France)	162	Hydraulic	100.00%
Interpump Fluid Solutions Germany GmbH (8)	Meinerzhagen (Germany)	52	Hydraulic	100.00%
IMM Hydro Est (8)	Catcau Cluj Napoca (Romania)	3,155	Hydraulic	100.00%
FGA S.r.l. (8)	Fossacesia (CH)	10	Hydraulic	100.00%
Innovativ Gummi Tech S.r.l. (8)	Ascoli Piceno (AP)	1,700	Hydraulic	60.00%
Tekno Tubi S.r.l. (8)	Terre del Reno (FE)	100	Hydraulic	100.00%
Tubiflex S.p.A.	Orbassano (TO)	515	Hydraulic	100.00%
Walvoil S.p.A.	Reggio Emilia	7,692	Hydraulic	100.00%
Walvoil Fluid Power Corp. (9)	Tulsa (USA)	137	Hydraulic	100.00%
Walvoil Fluid Power (India) Pvt. Ltd. (9)	Bangalore (India)	4,803	Hydraulic	100.00%
Walvoil Fluid Power Korea Llc. (9)	Pyeongtaek (South Korea)	453	Hydraulic	100.00%
Walvoil Fluid Power France S.a.r.l. (9)	Vritz (France)	10	Hydraulic	100.00%
Walvoil Fluid Power Australasia (9)	Melbourne (Australia)	7	Hydraulic	100.00%
Galtech Canada Inc. (9)	Terrebonne, Quebec (Canada)	76	Hydraulic	100.00%
HTIL (9)	Hong Kong	98	Hydraulic	100.00%
Walvoil Fluid Power (Dongguan) Co., Ltd (9)	Dongguan (China)	3,720	Hydraulic	100.00%
Reggiana Riduttori S.r.l.	S. Polo d'Enza (RE)	6,000	Hydraulic	100.00%
RR USA Inc. (12)	Boothwyn (USA)	1	Hydraulic	100.00%
RR Canada Inc. (12)	Vaughan (Canada)	1	Hydraulic	100.00%
RR Holland BV (12)	Oosterhout (Netherlands)	19	Hydraulic	100.00%
RR France S.a.r.l. (12)	Thouare sur Loire (France)	400	Hydraulic	95.00%
RR Slovakia A.S. (12)	Zvolen (Slovakia)	340	Hydraulic	100.00%
RR Pacific Pty Ltd (12)	Victoria (Australia)	249	Hydraulic	100.00%
RR India Pvt. Ltd (12)	New Delhi (India)	52	Hydraulic	99.99%
Reggiana Riduttori (Suzhou) Co. Ltd (12)	Suzhou (China)	200	Hydraulic	100.00%
Transtecno S.r.l.	Anzola dell'Emilia (BO)	100	Hydraulic	60.00%
Hangzhou Transtecno Power Transmissions Co. Ltd (13)	Hangzhou (China)	575	Hydraulic	72.00%
Transtecno Iberica the Modular Gearmotor S.A. (13)	Gava (Spain)	94	Hydraulic	50.40%
MA Transtecno S.A.P.I. de C.V. (13)	Apodaca (Mexico)	124	Hydraulic	50.40%
Transtecno USA LLC (15)	Miami (USA)	3	Hydraulic	100.00%
Transtecno BV (13)	Amersfoort (Netherlands)	18	Hydraulic	51.00%
Transtecno Aandrijftechniek (Netherlands) (14)	Amersfoort (Netherlands)	-	Hydraulic	51.00%
White Drive Motors and Steering Sp zoo	Wroclaw (Poland)	33,254	Hydraulic	100.00%
Write Drive and Steering GmbH	Parchim (Germania)	33,595	Hydraulic	100.00%
Write Drive Motors and Steering, LLC	Hopkinsville (USA)	46,328	Hydraulic	100.00%
Interpump Piping GS S.r.l.	Reggio Emilia	10	Hydraulic	100.00%
GS-Hydro Singapore Pte Ltd (10)	Singapore	624	Hydraulic	100.00%
GS-Hydro Korea Ltd. (10)	Busan (South Korea)	1,892	Hydraulic	100.00%

Interim Board of Directors' Report at 31 March 2022 – Interpump Group

<u>Companies</u>	<u>Head office</u>	<u>Share capital €/000</u>	<u>Sector</u>	<u>% held at 31/03/2022</u>
GS-Hydro Piping Systems (Shanghai) Co. Ltd. (11)	Shanghai (China)	2,760	Hydraulic	100.00%
-Hydro Benelux B.V. (10)	Barendrecht (Netherlands)	18	Hydraulic	100.00%
GS-Hydro Austria GmbH (10)	Pashing (Austria)	40	Hydraulic	100.00%
GS-Hydro Sp Z O O (Poland) (10)	Gdynia (Poland)	1,095	Hydraulic	100.00%
GS Hydro Denmark AS (10)	Kolding (Denmark)	67	Hydraulic	100.00%
GS-Hydro S.A.U (Spain) (10)	Las Rozas (Spain)	90	Hydraulic	100.00%
Suministros Franquesa S.A. (16)	Lleida (Spain)	160	Hydraulic	100.00%
GS-Hydro U.S. Inc. (7)	Houston (USA)	9,903	Hydraulic	100.00%
GS-Hydro do Brasil Sistemas Hidraulicos Ltda (10)	Rio de Janeiro (Brazil)	252	Hydraulic	100.00%
GS-Hydro System GmbH (Germany) (10)	Witten (Germany)	179	Hydraulic	100.00%
GS- Hydro UK Ltd (10)	Aberdeen (United Kingdom)	5,095	Hydraulic	100.00%
GS-Hydro Ab (Sweden) (10)	Kista (Sweden)	120	Hydraulic	100.00%
GS-Hydro Hong Kong Ltd (1)	Hong Kong	1	Hydraulic	100.00%
IMM Hydraulics Ltd (dormant) (6)	Kidderminster (United Kingdom)	-	Hydraulic	100.00%
Bristol Hose Ltd (dormant) (6)	Bristol (United Kingdom)	-	Hydraulic	100.00%

(1) = controlled by Hammelmann GmbH

(2) = controlled by NLB Corporation Inc. .

(3) = controlled by Inoxpa S.A.

(4) = controlled by Interpump Hydraulics S.p.A.

(5) = controlled by Contarini Leopoldo S.r.l.

(6) = controlled by Interpump Hydraulics (UK) Ltd.

(7) = controlled by Muncie Power Prod. Inc

(8) = controlled by IMM Hydraulics S.p.A.

(9) = controlled by Walvoil S.p.A.

The other companies are controlled by Interpump Group S.p.A.

(10) = controlled by Interpump Piping GS S.r.l.

(11) = controlled by GS Hydro Hong Kong Ltd

(12) = controlled by Reggiana Riduttori S.r.l.

(13) = controlled by Transtecno S.r.l.

(14) = controlled by Transtecno B.V.

(15) = controlled by MA Transtecno S.A.P.I. de C.V. .

(16) = controlled by GS Hydro S.A.U.

Compared to Q1 2021, in 2022 the three White Drive companies acquired in October 2021 were consolidated, as was Berma S.r.l., acquired in November 2021 and then absorbed by Reggiana Riduttori as from 1 January 2022.

The minority quotaholder of Inoxihp S.r.l. is entitled to dispose of its holdings starting from the approval of the 2025 financial statements up to the 2035 financial statements, on the basis of the average results of the company in the last two financial statements for the years ended before the exercise of the option. The minority shareholder of Mega Pacific Pty Ltd and of Mega Pacific NZ Pty Ltd is entitled and required to sell its shares within 90 days of 29 July 2021, based on the results of the financial statements prepared immediately prior to exercise of the option. The option was exercised, and the exercise price was set on 6 May 2022. The closing of the shares acquisition operation will occur in the coming weeks. This interim board of directors' report describes the adjustment of the debt in relation to the price agreed for exercise of the option. The minority shareholder of Inoxpa Solution Moldova is entitled to dispose of its holdings from October 2020, based on the most recent statement of financial position of that company. The minority shareholder of Hydra Dyne has the right and obligation to dispose of its holdings starting from approval of the 2023 financial statements based on the average of the results for the two years prior to exercise of the option. The minority quotaholder of Transtecno S.r.l. is entitled and required to dispose of its holdings during 2022 or during 2024, based on the results for the year prior to that in which the option is exercised. Furthermore, Interpump Group S.p.A. is required to purchase the residual 20% interest in Servizi Industriali S.r.l., commencing from 2024.

In compliance with the requirements of IFRS 10 and IFRS 3, Inoxihp, Inoxpa, Solution Moldova, Hydra Dyne, Transtecno and Servizi Industriali were fully consolidated, recording a payable representing an estimate of the present value of the exercise price of the options measured with reference to company's business plan. Any changes in the above payable identified within 12 months of the date of acquisition, as a result of additional or better information, will be recorded as an adjustment of goodwill, while any changes emerging more than 12 months after the date of acquisition will be recognised in the income statement.

Investments in other companies, including subsidiaries, that have not been consolidated due to their insignificance are measured at fair value.

Changes in goodwill were as follows in 2022:

<i>Company:</i>	Balance at 31/12/2021	Increases (Decreases) in the year	Changes due to foreign exchange differences	Balance at 31/03/2022
Water-Jetting	213,645	-	810	214,455
Hydraulics	<u>553,768</u>	<u>(1,406)</u>	<u>1,126</u>	<u>553,488</u>
<i>Total goodwill</i>	<u>767,413</u>	<u>(1,406)</u>	<u>1,936</u>	<u>767,943</u>

The decreases in Q1 2022 refer to price adjustments for the acquisition of White Drive.

2. Business sector information

Business sector information is supplied with reference to the operating sectors. We also present the information required by IFRS by geographical area. The information provided about business sectors reflects the Group's internal reporting structure.

The values of components or products transferred between sectors are the effective sales price between Group companies, which correspond to the selling prices applied to the best customers.

Sector information includes directly attributable costs and costs allocated on the basis of reasonable estimates. The holding costs, i.e. remuneration of directors and statutory auditors of the parent company and functions of the Group's financial management, control and internal auditing department, and also consultancy costs and other related costs were booked to the sectors on the basis of sales.

Business sectors

The Group comprises the following business sectors:

Water-Jetting Sector. This sector is mainly composed of high and very high-pressure pumps and pumping systems used in a wide range of industrial sectors for the conveyance of fluids. High pressure plunger pumps are the main component of professional pressure washers. These pumps are also utilized for a broad range of industrial applications including car wash installations, forced lubrication systems for machine tools, and inverse osmosis systems for water desalination plants. Very high-pressure pumps and systems are used for cleaning surfaces, ships, various types of pipes, and also for removing machining burr, cutting and removing cement, asphalt, and paint coatings from stone, cement and metal surfaces, and for cutting solid materials. The Sector also includes high pressure homogenizers, mixers,

agitators, piston pumps, valves, centrifugal separators and other machines produced mainly for the food processing industry and also used in the chemicals and cosmetics sectors.

Hydraulic Sector. Includes the production and sale of power take-offs, hydraulic cylinders, pumps, spool valves, general hydraulic valves, hydraulic lines and fittings, reduction units, motori orbitali, sistemi di *steering* (idroguide) ed other hydraulic products. Power take-offs are mechanical units used to transmit energy from the engine or gearbox of an industrial vehicle in order to drive, via hydraulic components, its various applications. These products, combined with other hydraulic components (spool valves, controls, etc.) allow the execution of special functions such as lifting tipping bodies, operating truck-mounted cranes and operating mixer trucks. Hydraulic cylinders are components of the hydraulic system of various vehicle types employed in a wide range of applications depending on the type. Front-end and underbody cylinders (single acting) are fitted mainly on industrial vehicles in the building construction sector, while double acting cylinders are employed in a range of applications: earthmoving machinery, agricultural machinery, cranes and truck cranes, waste compactors, etc. The hydraulic hoses and fittings are designed for use in a broad range of hydraulic systems and also for very high pressure water systems. The reduction units are mechanical power train components used in many industrial sectors including agriculture, material handling, mining, heavy industry, marine & offshore, elevating work platforms, forestry, sugar refineries. I motori orbitali sono utilizzati sui veicoli industriali, nel settore delle costruzioni, nelle macchine movimento terra e macchine agricole. Il Gruppo inoltre progetta e realizza sistemi piping nei settori industriale, navale e offshore.

Interpump Group business sector information
(Amounts shown in €/000)

Q1

	Hydraulics		Water-Jetting		Elimination entries		Interpump Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Net sales external to the Group	364,849	266,885	123,831	108,684			488,680	375,569
Sales between sectors	882	198	1,066	1,237	(1,948)	(1,435)	-	-
Total net sales	365,731	267,083	124,897	109,921	(1,948)	(1,435)	488,680	375,569
Cost of sales	(251,635)	(180,779)	(68,269)	(59,731)	1,949	1,439	(317,955)	(239,071)
Gross industrial margin	114,096	86,304	56,628	50,190	1	4	170,725	136,498
<i>% on net sales</i>	<i>31.2%</i>	<i>32.3%</i>	<i>45.3%</i>	<i>45.7%</i>			<i>34.9%</i>	<i>36.3%</i>
Other operating income	5,540	3,785	2,196	1,915	(182)	(158)	7,554	5,542
Distribution expenses	(23,128)	(17,902)	(13,791)	(11,997)	75	55	(36,844)	(29,844)
General and administrative expenses	(32,801)	(24,822)	(15,135)	(14,016)	106	99	(47,830)	(38,739)
Other operating costs	(832)	(1,271)	(128)	(498)	-	-	(960)	(1,769)
EBIT	62,875	46,094	29,770	25,594	-	-	92,645	71,688
<i>% on net sales</i>	<i>17.2%</i>	<i>17.3%</i>	<i>23.8%</i>	<i>23.3%</i>			<i>19.0%</i>	<i>19.1%</i>
Financial income	5,536	3,832	1,468	1,564	(280)	(336)	6,724	5,060
Financial charges	(7,741)	(3,186)	(1,681)	(1,307)	280	336	(9,142)	(4,157)
Dividends	-	-	-	150	-	(150)	-	-
Equity method contribution	212	52	(48)	17	-	-	164	69
Profit for the year before taxes	60,882	46,792	29,509	26,018	-	(150)	90,391	72,660
Income taxes	(16,884)	(12,475)	(7,439)	(6,398)	-	-	(24,323)	(18,873)
Consolidated profit for the year	43,998	34,317	22,070	19,620	-	(150)	66,068	53,787
Attributable to:								
Shareholders of Parent	43,443	33,748	21,962	19,494	-	(150)	65,405	53,092
Minority shareholders of subsidiaries	555	569	108	126	-	-	663	695
Consolidated profit for the period	43,998	34,317	22,070	19,620	-	(150)	66,068	53,787
Further information required by IFRS 8								
Amortization, depreciation and write-downs	16,203	13,675	5,246	5,151	-	-	21,449	18,826
Other non-monetary costs	621	1,211	746	696	-	-	1,367	1,907

Financial position
(Amounts shown in €/000)

	<u>Hydraulics</u>		<u>Water-Jetting</u>		<u>Elimination entries</u>		<u>Interpump Group</u>	
	<u>31 March 2022</u>	<u>31 December 2021</u>	<u>31 March 2022</u>	<u>31 December 2021</u>	<u>31 March 2022</u>	<u>31 December 2021</u>	<u>31 March 2022</u>	<u>31 December 2021</u>
Assets by sector	1,875,582	1,785,883	754,500	743,742	(102,746)	(107,354)	2,527,336	2,422,271
Assets held for sale	1,460	1,460	-	-	-	-	1,460	1,460
Assets of the sector (A)	1,877,042	1,787,343	754,500	743,742	(102,746)	(107,354)	2,528,796	2,423,731
Cash and cash equivalents							293,376	349,015
Total assets							2,822,172	2,772,746
Liabilities of the sector (B)	507,004	481,717	138,522	136,986	(102,746)	(107,354)	542,780	511,349
Debts for the acquisition of equity investments							81,197	77,794
Payables to banks							13,338	7,760
Interest-bearing financial payables							810,297	836,179
Total liabilities							1,447,612	1,433,082
Total assets, net (A-B)	1,370,038	1,305,626	615,978	606,756	-	-	1,374,560	1,912,382
Further information required by IFRS 8								
Investments measured using carried at equity	464	529	407	434	-	-	871	963
Non-current assets other than financial assets and deferred tax assets	1,060,020	1,053,327	378,861	376,523	-	-	1,438,881	1,429,850

The Q1 comparison of the Hydraulic Sector at constant perimeter is as follows:

	<u>2022</u>	<u>2021</u>
Net sales external to the Group	309,965	266,885
Sales between sectors	882	198
Total net sales	310,847	267,083
Cost of sales	(211,939)	(180,779)
Gross industrial margin	98,908	86,304
<i>% on net sales</i>	<i>31.8%</i>	<i>32.3%</i>
Other operating income	5,380	3,785
Distribution expenses	(20,708)	(17,902)
General and administrative expenses	(27,677)	(24,822)
Other operating costs	(831)	(1,271)
EBIT	55,072	46,094
<i>% on net sales</i>	<i>17.7%</i>	<i>17.3%</i>
Financial income	4,236	3,832
Financial charges	(6,421)	(3,186)
Equity method contribution	212	52
Profit for the year before taxes	53,099	46,792
Income taxes	(15,264)	(12,475)
Consolidated profit for the year	37,835	34,317
Attributable to:		
Shareholders of Parent	37,280	33,748
Minority shareholders of subsidiaries	555	569
Consolidated profit for the period	37,835	34,317

There were no perimeter changes of the Water Jetting Sector between 2022 and 2021.

Q1 cash flows by business sector are as follows:

€/000	Hydraulics		Water-Jetting		Consolidated	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cash flows from:						
Operating activities	11,680	38,513	23,704	21,738	35,384	60,251
Investing activities	(15,872)	(13,602)	(8,804)	(5,226)	(24,676)	(18,828)
Financing activities	(5,514)	(2,732)	(68,009)	(29,182)	(73,523)	(31,914)
Consolidated	<u>(9,706)</u>	<u>22,179</u>	<u>(53,109)</u>	<u>(12,670)</u>	<u>(62,815)</u>	<u>9,509</u>

Investing activities of the Hydraulic Sector include outlays of €36k for the acquisition of equity investments (€2,875k in Q1 2021). Investing activities of the Water Jetting Sector include outlays of €86k for the acquisition of equity investments (€1,207k in Q1 2021).

Cash flows of Water Jetting Sector financing activities include receipts for the disposal of treasury stock to the beneficiaries of stock options in the amount of €8,017k (€66k in Q1 2021). In Q1 2022 the Water Jetting Sector recorded outlays for the acquisition of treasury shares for €49,350k (no expenditure in Q1 2021).

3. Inventories and breakdown of changes in the Allowance for inventories

	31/03/2022	31/12/2021
	€/000	€/000
Inventories gross value	612,421	558,715
Allowance for inventories	<u>(44,480)</u>	<u>(42,757)</u>
Inventories	<u>567,941</u>	<u>515,958</u>

Changes in the allowance for inventories were as follows:

	<i>Q1</i>	<i>Year</i>
	2022	2021
	€/000	€/000
Opening balances	42,757	37,566
Exchange rate difference	299	1,050
Change in consolidation basis	899	3,200
Provisions for the period	967	3,633
Releases in the year to cover losses	(442)	(1,653)
Release of excess provisions in the period	<u>-</u>	<u>(1,039)</u>
Closing balance	<u>44,480</u>	<u>42,757</u>

4. Property, plant and equipment

Purchases and disposals

In Q1 2022 Interpump Group acquired capital assets for €25,421k (€19,180k in Q1 2021, of which €1,811k through the acquisition of equity investments). Assets were divested in Q1 2022 for a net carrying value of €2,082k (€2,686k in Q1 2021). The divested assets generated a net capital gain of €1,821k (€3,092k in Q1 2021).

Contractual commitments

At 31 March 2022 the Group had contractual commitments for the purchase of tangible fixed assets totalling €7,210k (€14,536k at 31 March 2021).

5. Shareholders' equity

Share capital

Share capital comprises 108,879,294 ordinary shares with a unit par value of EUR 0.52 totaling €56,617,232.88. Share capital is recorded in the financial statements for €55,136k, because the nominal value of purchased treasury shares, net of divested shares, was deducted from share capital in compliance with the reference accounting standards. At 31 March 2022 Interpump S.p.A. held 2,848,443 treasury shares in the portfolio corresponding to 2.616% of the capital stock, acquired at an average unit cost of EUR37.67567.

Treasury shares purchased

The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. During Q1 2022 Interpump Group S.p.A. acquired 990,000 treasury shares for €49,350k (no treasury shares purchased in Q1 2021).

Treasury shares sold

In relation to stock option plans, a total of 622,200 options were exercised in Q1 2022 resulting in the receipt of €8,017k (5,100 options exercised in Q1 2021 generating receipts of

€66k). Moreover, in Q1 2022 no treasury shares were transferred as payment for equity investments (75,000 shares divested in Q1 2021).

6. Financial income and expenses

The analysis is as follows:

	2022	2021
	€/000	€/000
<u>Financial income</u>		
Interest income from liquid funds	102	140
Interest income from other assets	18	17
Foreign exchange gains	6,580	4,887
Financial income to adjust estimated debt for commitment to purchase residual interests in subsidiaries	-	2
Other financial income	<u>24</u>	<u>14</u>
Total financial income	<u>6,724</u>	<u>5,060</u>
<u>Financial charges</u>		
Interest expense on bank loans	341	352
Lease interest expense	622	551
Interest expense on put options	133	114
Financial charges to adjust estimated debt for commitment to purchase residual interests in subsidiaries	2,809	-
Foreign exchange losses	4,988	2,878
Other financial charges	<u>249</u>	<u>262</u>
Total financial charges	<u>9,142</u>	<u>4,157</u>
Total financial charges (income), net	<u>2,418</u>	<u>(903)</u>

7. Earnings per share

Basic earnings per share

Basic earnings per share are calculated as the consolidated net profit attributable to the owners of the Parent Company divided by the weighted average number of ordinary shares, as follows:

<i>Q1</i>	<u>2022</u>	<u>2021</u>
Consolidated net profit attributable to the owners of the Parent company (€/000)	<u>65,405</u>	<u>53,092</u>
Average number of shares in circulation	106,245,891	106,725,582
Basic earnings per share for the period (€)	<u>0.616</u>	<u>0.497</u>

Diluted earnings per share

Diluted earnings per share are calculated on the basis of diluted consolidated profit for the period attributable to the Parent company's shareholders, divided by the weighted average number of ordinary shares in circulation adjusted by the number of potentially dilutive ordinary shares. The calculation is as follows:

<i>Q1</i>	<u>2022</u>	<u>2021</u>
Consolidated net profit attributable to the owners of the Parent company (€/000)	<u>65,405</u>	<u>53,092</u>
Average number of shares in circulation	106,245,891	106,725,582
Number of potential shares for stock option plans (*)	<u>910,214</u>	<u>1,101,826</u>
Average number of shares (diluted)	<u>107,156,105</u>	<u>107,827,408</u>
Earnings per diluted share for the period (€)	<u>0.610</u>	<u>0.492</u>

(*) calculated as the number of shares assigned for in-the-money stock option plans multiplied by the ratio of the difference between the average share price during the period and the exercise price on the numerator, to the average share price during the period on the denominator.

8. Transactions with related parties

The Group has relations with unconsolidated subsidiaries and other related parties at arm's length conditions considered to be normal in the respective reference markets, taking account of the characteristics of the goods and services rendered. Transactions between Interpump Group S.p.A. and its consolidated subsidiaries, which are related parties of the company, were eliminated from the interim consolidated financial statements and are not detailed in these notes.

The effects on the Group's consolidated income statements for Q1 2022 and Q1 2021 are shown below:

	2022					
	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
(€/000)						
Net sales	488,680	377	-	151	528	0.1%
Cost of sales	317,955	221	-	1,574	1,795	0.6%
Other revenues	7,554	1	-	-	1	0.0%
Distribution expenses	36,844	9	-	201	210	0.6%
G&A expenses	47,830	-	-	155	155	0.3%
Financial charges	9,142	-	-	97	97	1.1%

	2021					
	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
(€/000)						
Net sales	375,569	325	-	101	426	0.1%
Cost of sales	239,071	250	-	1,853	2,103	0.9%
Distribution expenses	29,844	9	-	158	167	0.6%
G&A expenses	38,739	-	-	142	142	0.4%
Financial income	5,060	-	-	10	10	0.2%
Financial charges	4,157	-	-	126	126	3.0%

Financial charges principally relate to the discounting of the rental payables recognised pursuant to IFRS 16 and to rentals charged by related parties.

The effects on the consolidated statement of financial position at 31 March 2022 and 2021 are shown below:

(€/000)	31 March 2022					
	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	399,952	2,100	-	392	2,492	0.6%
Trade payables	293,096	164	-	1,163	1,327	0.5%
Interest-bearing financial payables (current and non-current portions)	810,297	-	-	22,415	22,415	2.8%

(€/000)	31 March 2021					
	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	308,923	1,817	-	689	2,506	0.8%
Trade payables	179,700	106	-	1,352	1,458	0.8%
Interest-bearing financial payables (current and non-current portions)	575,005	-	-	27,899	27,899	4.9%

Financial payables mainly comprise the lease liability recognised pursuant to IFRS 16 for rentals due to related parties.

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€/000)	Receivables		Revenues	
	31/03/2022	31/03/2021	2022	2021
Interpump Hydraulics Perù	1,122	1,016	106	19
General Pump China Inc.	610	481	48	13
Interpump Hydraulics Russia	<u>368</u>	<u>320</u>	<u>224</u>	<u>293</u>
<i>Total subsidiaries</i>	<u>2,100</u>	<u>1,817</u>	<u>378</u>	<u>325</u>

(€/000)	Payables		Costs	
	31/03/2022	31/03/2021	2022	2021
General Pump China Inc.	105	96	230	236
Interpump Hydraulics Perù	<u>59</u>	<u>10</u>	-	<u>23</u>
<i>Total subsidiaries</i>	<u>164</u>	<u>106</u>	<u>230</u>	<u>259</u>

Relations with associates

The Group does not hold investments in associated companies.

Transactions with other related parties

The Q1 2022 income statement includes consultancy provided by entities associated with Group directors and statutory auditors totalling €11k (€5k in Q1 2021). Consultancy costs were recognised under general and administrative expenses. Revenues from sales in Q1 2022

included revenues from sales to companies held by shareholders or directors of Group companies in the amount of €151k (€101k in Q1 2021). In addition, the cost of sales includes purchases made from companies controlled by minority shareholders or directors of Group companies for €1,453k (€1,687k in Q1 2021).

9. Disputes, Contingent liabilities and Contingent assets

The Parent company and some of its subsidiaries are directly involved in lawsuits for limited amounts. The settlement of said lawsuits is not expected to generate any significant liabilities for the Group that are not covered by the risk provisions already made. There are no substantial changes to report in relation to the disputes or contingent liabilities that were outstanding at 31 December 2021.