Interim financial report at 30 June 2018
and
Interim Board of Directors' Report for Q2 2018

Interpump Group S.p.A. and subsidiaries

Contents

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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

Paolo Marinsek
Deputy Chairman

Angelo Busani (a)
Independent Director

Antonia Di Bella
Independent Director

Franco Garilli (a), (b), (c)
Independent Director
Lead Independent Director

Marcello Margotto (b)
Independent Director

Stefania Petruccioli (a), (c)
Independent Director

Paola Tagliavini (a), (c)
Independent Director

Giovanni Tamburi (b)
Non-executive Director

Board of Statutory Auditors

Fabrizio Fagnola
Chairman

Federica Menichetti
Statutory auditor

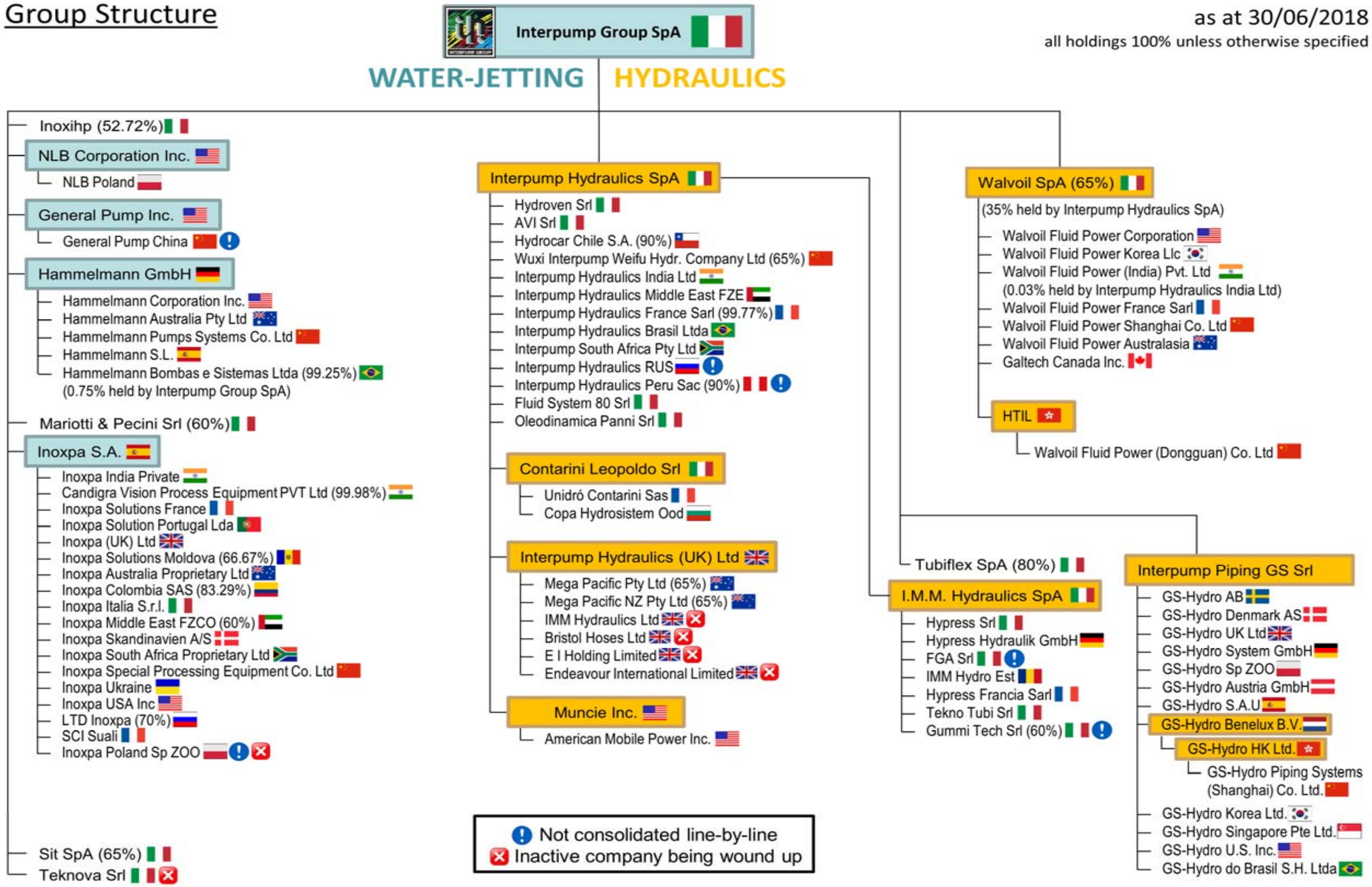
Alessandra Tronconi
Statutory auditor

Independent Auditors

EY S.p.A.

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

Group Structure



Interim Board of Directors' Report

Directors' remarks on performance in H1 2018

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 measures are also tools that can 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 criterion adopted by other groups and hence may not be comparable with it. Such alternative performance measures are constituted exclusively starting from the Group's historic 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 measures 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 measures are processed with continuity and using uniform definition and representation for all the periods for which financial information is included in this Intermediate 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 and provisions;
- **Net indebtedness (Net financial position)**: calculated as the sum of Loans obtained and Bank borrowing less Cash and cash equivalents;
- **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 / Capital employed;
- **Return on equity (ROE)**: Net profit / Shareholders' equity.

The Group's income statement is prepared by functional areas (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.

H1 consolidated income statements

(€/000)	*2018*	*2017*
Net sales	**643,428**	**558,751**
Cost of sales	(402,922)	(343,842)
Gross industrial margin	**240,506**	**214,909**
% on net sales	*37.4%*	*38.5%*
Other operating revenues	9,474	8,113
Distribution costs	(58,894)	(52,558)
General and administrative expenses	(67,868)	(63,099)
Other operating costs	(1,557)	(1,372)
EBIT	**121,661**	**105,993**
% on net sales	*18.9%*	*19.0%*
Financial income	5,631	6,286
Financial expenses	(8,732)	(11,651)
Badwill	11,623	-
Equity method contribution	(158)	35
Profit for the period before taxes	**130,025**	**100,663**
Income taxes	(35,766)	(34,403)
Consolidated net profit for the period	**94,259**	**66,260**
% on net sales	*14.6%*	*11.9%*
Pertaining to:		
Parent company's shareholders	93,815	65,624
Subsidiaries' minority shareholders	444	636
Consolidated profit for the period	**94,259**	**66,260**
EBITDA	**146,813**	**130,763**
% on net sales	*22.8%*	*23.4%*
Shareholders' equity	812,899	708,634
Net debt	296,040	319,109
Payables for the acquisition of investments	44,122	57,862
Capital employed	1,153,061	1,085,605
Unannualized ROCE	**10.6%**	**9.8%**
Unannualized ROE	**11.6%**	**9.4%**
Basic earnings per share	**0.875**	**0.614**

SIGNIFICANT EVENTS IN THE HALF-YEAR

Sales reached €643.4m, up by 15.2% compared to H1 2017 (+8.9% at unchanged perimeter and +13.8% also net of exchange differences). A breakdown by business sector shows a 20.3% sales increase in the Hydraulic Sector (+11.3% at unchanged perimeter and +15.7% also net of exchange differences) compared with H1 2017; Water Jetting Sector sales in the same period were up by 6.2% (+4.8% at unchanged perimeter and +10.5% also net of exchange differences). The like-for-like comparison is positively influenced by the fact that the Inoxpa Group (Water Jetting Sector) was only consolidated for five months in 2017, having been acquired on 3 February, while it is consolidated for six months in 2018. The Group has resolved not to eliminate the Inoxpa Group January 2018 data from the like-for-like consolidation, given the negligible impact of one month of business on the consolidated data for the period; furthermore, in relative terms this impact is going to decrease in the course of the year. In addition, that work would have involved considerable effort and cost, out of proportion with the advantages resulting from a more accurate information. For greater clarity, readers are informed that the January 2018 sales of the Inoxpa Group amounted to about €5.2m, with profitability in line with the other monts in the half-year.

In geographical terms, growth in Europe including Italy was 19.6%, 3.5% in North America, 25.8% in the Far East and Oceania, and 13.7% in the Rest of the World. The geographical breakdown (at unchanged perimeter) shows growth of 10.4% in Europe (including Italy), 1.7% in North America, 17.9% in the Far East and Oceania, and 12.5% in the Rest of the World.

EBITDA reached €146.8m, equivalent to 22.8% of sales. In H1 2017 EBITDA was €130.8m (23.4% of sales). Accordingly, EBITDA rose by 12.3%. In this regard, the GS Hydro Group was consolidated for the first time in H1 2018 following its acquisition from court-supervised administration. The companies concerned are being restructured by the Interpump Group and, accordingly, they partially dilute the EBITDA percentage. EBITDA at unchanged perimeter was 23.9% of sales, with an improvement in profitability of 0.5 percentage points that confirms the ongoing optimisation efforts made by the Group.

Net profit for H1 2018 was €94.3m (€66.3m in H1 2017) reflecting an increase of 42.3%. The consolidation of GS Hydro in 2018 generated badwill of €11.6m, classified under financial income and equivalent to the difference between the net carrying amount of the assets acquired and the price paid.

As mentioned, the GS Hydro Group (Hydraulic Sector), world leader in the design and production of piping systems for the industrial, naval and offshore sectors, was consolidated for the first time in H1 2018. GS-Hydro has revolutionised the piping sector by inventing non-welding assembly technology. This fast and clean technology not only reduces the environmental impact of the operations, it also guarantees higher technical characteristics and greater ease of use, so it is particularly suitable for continuous or extreme application conditions. Total consolidated sales of the GS Hydro Group in 2017 were €61m. The total agreed price for the acquisition is €9m. The net financial position at 31 December 2017 showed net cash of €2.6m.

With respect to H1 2017, the consolidation perimeter now includes Mariotti & Pecini S.r.l. (Water Jetting Sector), acquired at the start of June 2017, and Fluid System '80 S.r.l (Hydraulic Sector), acquired in October 2017.

NET SALES

Net sales in H1 2018 totalled €643.4m, up by 15.2% on the €558.8m of H1 2017 (+8.9% at unchanged perimeter and +13.8% also net of exchange differences).

The following table gives a breakdown of sales by business sector and geographical area:

(€/000)	Italy	Rest of Europe	North America	Far East and Oceania	Rest of the World	Total
H1 2018						
Hydraulic Sector	89,968	162,001	90,579	40,941	44,448	427,937
Water Jetting Sector	20,876	75,050	72,055	31,410	16,100	215,491
Total	110,844	237,051	162,634	72,351	60,548	643,428
H1 2017						
Hydraulic Sector	79,090	123,629	85,714	32,043	35,368	355,844
Water Jetting Sector	17,348	70,745	71,488	25,449	17,877	202,907
Total	96,438	194,374	157,202	57,492	53,245	558,751
2018/2017 changes						
Hydraulic Sector	+13.8%	+31.0%	+5.7%	+27.8%	+25.7%	+20.3%
Water Jetting Sector	+20.3%	+6.1%	+0.8%	+23.4%	-9.9%	+6.2%
Total	+14.9%	+22.0%	+3.5%	+25.8%	+13.7%	+15.2%
2018/2017 changes at unchanged perimeter						
Hydraulic Sector	+11.3%	+13.1%	+2.6%	+13.7%	+23.9%	+11.3%
Water Jetting Sector	+6.0%	+5.8%	+0.5%	+23.3%	-10.0%	+4.8%
Total	+10.4%	+10.4%	+1.7%	+17.9%	+12.5%	+8.9%

PROFITABILITY

The cost of sales accounted for 62.6% of turnover (61.5% in the first half of 2017). Production costs, which totalled €167.0m (€143.8m in H1 2017, which however did not include the costs of the GS Hydro Group and Fluid System’80 for six months, or Mariotti & Pecini for five months), accounted for 26.0% of sales (25.7% in the equivalent period of 2017). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €235.9m (€200.0m in the equivalent period of 2017, which however did not include the costs of the GS Hydro Group and Fluid System ‘80 for six months, or Mariotti & Pecini for five months). The incidence of purchase costs, including changes in inventories, was 36.7%, compared to 35.8% in H1 2017. This was due to the generalised increase in raw materials, which should be absorbed in the coming months

At unchanged perimeter, distribution costs rose by 4.8% with respect to H1 2017, but fell by 0.3 percentage points in terms of sales.

General and administrative expenses were 0.2% higher with respect to H1 2017, while their incidence on sales was 0.9 percentage points lower.

Payroll costs totalled €151.2m (€133.5m in H1 2017, which however did not include the costs of the GS Hydro Group and Fluid System ‘80 for six months, or Mariotti & Pecini for five months). At unchanged perimeter, the increase was 4.1% due to an increase of 323 in the average headcount and a 1.6% reduction in per capita cost. The average total number of Group employees in H1 2018 was 6,460 (5,953 at unchanged perimeter) compared to 5,630 in H1 2017. The increase in average headcount in H1 2018, net of the personnel of the newly acquired companies, breaks down as follows: plus 221 in Europe, plus 36 in the US and plus 66 in the Rest of the World

EBITDA was booked at €146.8m (22.8% of sales), reflecting an increase of 12.3% on the €130.8m of H1 2017, which accounted for 23.4%/sales. EBITDA at unchanged perimeter was 23.9% of sales, with an improvement in profitability of 0.5 percentage points that confirms the ongoing optimisation efforts made by the Group. The following table shows EBITDA by business sector:

	H1 2018 €/000	*% on total sales**	*H1 2017 €/000*	*% on total sales**	*Increase/ Decrease*
Hydraulic Sector	88,411	20.6%	76,353	21.4%	+15.8%
Water Jetting Sector	58,402	27.0%	54,410	26.7%	+7.3%
Total	***146,813***	***22.8%***	***130,763***	***23.4%***	***+12.3%***

* = 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). For comparability, the percentage is calculated on total sales, rather than the net sales shown earlier.

EBIT was €121.7m (18.9% of sales) compared with €106.0m in H1 2017 (19.0% of sales), reflecting an increase of 14.8%.

The tax rate for the period was 27.5% (34.2% in H1 2017). Net of the badwill recognized as financial income, which is not taxable since it is only recorded in the consolidated financial statements, the tax rate in H1 2018 was 30.2%. The decrease versus H1 2017 was mainly due to the reduction of the tax rate in the USA.

Net profit for H1 2018 was €94.3m (€66.3m in H1 2017), with an increase of 42.3%; in this context it should be noted that H1 2018 benefited from a one-off income of €11.6m arising from the acquisition of GS Hydro. Basic earnings per share rose from EUR 0.614 in H1 2017 to EUR 0.875 in H1 2018, hence up by 42.5%.

Capital employed edged up from €1,085.1m at 31 December 2017 to €1,153.1m at 30 June 2018, mainly due to the acquisition of the GS hydro Group and the increase in working capital, this being a physiological factor in the first part of the year. Unannualized ROCE was 10.6 % (9.8% in H1 2017). Unannualized ROE was 11.6% (9.4% in H1 2017).

CASH FLOW

The change in net financial indebtedness breaks down as follows:

	H1 2018 *€/000*	*H1 2017* *€/000*
Opening net financial position	**(273,542)**	**(257,263)**
Adjustment: opening net cash position of companies not consolidated with the full consolidated method at the end of the prior year	(7)	-
Adjusted opening net financial position	**(273,549)**	**(257,263)**
Cash flow from operations	113,676	95,437
Cash flow generated (absorbed) by the management of commercial working capital	(52,488)	(37,104)
Cash flow generated (absorbed) by other current assets and liabilities	(15)	(1,882)
Investment in tangible fixed assets	(24,495)	(18,993)
Proceeds from the sale of tangible fixed assets	616	425
Investment in other intangible fixed assets	(2,044)	(1,716)
Received financial income	216	240
Other	303	(270)
Free cash flow	***35,769***	***36,137***
Acquisition of investments, including received debt and net of treasury shares assigned	(10,445)	(77,401)
Dividends paid	(22,526)	(21,276)
Outlays for the purchase of treasury shares	(27,469)	-
Receipts from the disposal of assets held for sale	785	865
Proceeds from the sale of treasury shares to beneficiaries of stock options	539	2,115
Change in other financial assets	(186)	88
Net cash generated (used)	***(23,533)***	***(59,472)***
Exchange differences	1,042	(2,374)
Net financial position at period end	**(296,040)**	**(319,109)**

Net liquidity generated by operations totalled €113.7m (€95.4m in H1 2017), reflecting an increase of 19.1%. Free cash flow stood at €35.8m, compared to €36.1m in H1 2017.

The net financial position, excluding the debts and commitments illustrated below, can be broken down as follows:

	30/06/2018 €/000	31/12/2017 €/000	30/06/2017 €/000	01/01/2017 €/000
Cash and cash equivalents	125,465	144,938	136,696	197,891
Bank payables (advances and STC amounts)	(15,703)	(8,955)	(13,140)	(2,396)
Interest-bearing financial payables (current portion)	(184,989)	(166,465)	(134,316)	(124,784)
Interest-bearing financial payables (non-current portion)	(220,813)	(243,060)	(308,349)	(327,974)
Total	**(296,040)**	**(273,542)**	**(319,109)**	**(257,263)**

At 30 June 2018 all loan covenants had been complied with in full.

The Group also has contractual commitments for the acquisition of residual interests in subsidiaries totalling €44.1m (€46.8m at 31 December 2017 and €57.9m at 30 June 2017). Of this amount, €4.7m relates to the acquisition of equity investments (€4.5m at 31 December

2017), while €39.4m relates to contractual agreements for the acquisition of residual interests in subsidiaries (€42.3m at 31 December 2017).

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totalled €36.3m, of which €5.0m via the acquisition of equity investments (€42.6m in H1 2017, of which €19.5m via the acquisition of equity investments). Certain companies in the Water Jetting Sector classify machinery manufactured and rented to customers as part of property, plant and equipment (€3.9m at 30 June 2018 and €3.5m at 30 June 2017). Net of these latter amounts, capital expenditure in the strictest sense stood at €27.4m in H1 2018 (€19.6m in H1 2017) and mainly refers to the normal renewal and modernization of plant, machinery and equipment, with the exception of €3.9m in 2018 (€2.2m in 2017) related to the construction of new production facilities or the extension of existing facilities. The difference with respect to the expenditure recorded in the cash flow statement is due to the timing of payments.

Increases in intangible fixed assets totalled €2.4m, of which €0.4m through the acquisition of equity investments (€14.5m in H1 2017, including €12.7m via the acquisition of equity investments). The 2018 increase refers mainly to expenditure for the development of new products.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

With regard to transactions entered into with related parties, including intercompany transactions, these cannot be defined as either atypical or unusual, as they are part of the normal course of activities of the Group companies. These transactions are regulated at 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 consolidated financial statements at 30 June 2018.

CHANGES IN GROUP STRUCTURE IN H1 2018

Apart from the acquisition of the GS Hydro Group, as described at the beginning of this report, the other operations that altered the Group's corporate structure were the absorption in Portugal of STA Portoguesa Maquinas Para Industria Alim Lda by Inoxpa Solution Portugal (both of which wholly owned), the merger in Russia between Starinox and Inoxrus, with the incorporation of a new company (LTD Inoxpa), and the merger in India between Walvoil India and HC Hydraulics Technology (both of which wholly owned).

In addition, the residual 33.75% of the Inoxpa Group company Suministros Tecnicos Y Alimentarios S.L. was acquired on 21 February 2018. The consideration for this transaction was 62,069 listed shares in Interpump Group S.p.A. The investment, held at 100%, was absorbed by Inoxpa S.A.U on 29 May 2018.

RISK FACTORS

The business of the Group is exposed to various financial risks: market risk (including the exchange rate risk and interest rate risk), credit risk, liquidity risk, price risk and cash flow risk. The risk management programme is based on the unpredictability of financial markets and it aims to minimize any negative impact on the group's financial performance. Based on the policy approved by the Board of Directors, Interpump Group may use derivative financial instruments to cover the exposure to exchange-rate and interest-rate risks, but cannot arrange derivative financial instruments for speculative purposes. Based on this procedure, financial risk hedging is managed by a central department in the parent company in cooperation with individual operating units. Group exposure to financial risks remained substantially unchanged with respect to 31 December 2017.

Exchange risk

The Group has subsidiaries in 28 countries and has to translate financial statements denominated in 24 currencies other than the euro. Accordingly, the Group is primarily exposed to the risk deriving from translation of the financial statements of the companies in question.

The Group operates internationally and mostly manufactures in the countries of the destination markets. As such, the majority of local currency revenues are naturally absorbed by costs incurred in the same currency. On a residual level however, the Group is exposed to the exchange-rate risk that derives from transactions with costs and revenues in different currencies, mainly in relation to exchange with the US Dollar, the Brazilian Real, the Indian Rupee, the Chinese Renminbi and, to a much lesser extent, to the exchange risk deriving from exposure to UK sterling, the Canadian Dollar, the Australian Dollar, the Russian Ruble, the South African Rand, the UAE Dirham, the Chilean and Colombian Pesos, the Danish Krone and the Romanian Leu.

In view of the significant natural hedge described above, management has decided not to arrange other hedges except in the case of specific and sporadic transactions.

In relation to financial exposure, intercompany loans totalling €2.1m were granted and €0.3m were collected in H1 2018 in currencies other than those utilized by the debtor companies. At 30 June 2018, loans granted in currencies other than those utilized by the debtor companies stood at €15.6m, up by €5.3m versus 31 December 2017, of which €3.7m due to the effect of the 2018 consolidation of the GS Hydro Group. The Group decided to proceed in its strategy of not hedging this exposure also in H1 2018.

Interest rate risk

At 30 June 2018, with the exception of €4.7m, all liquidity is held at floating rates, and also bank loans and financial payables bear interest at floating rates, except for amounts totalling €7.3m.

Currently Group policy involves careful assessment of market opportunities related to the possibility of taking out hedges (IRS) at economically advantageous conditions; however, considering that the average duration of the Group's medium-/long-term loans is currently somewhat short (around 3/4 years), any potential hedges are unlikely to be particularly attractive.

Credit risk

Historically, the Group has not suffered any significant losses on receivables. At the present, the Group considers that the situation of its receivables is sound, as evidenced, among other considerations, by losses on receivables at 30 June 2018 totalling €699k (0.1% of sales); losses on receivables in H1 2017 totalled €520k (0.1% of sales). The potential risk has already been offset in the financial statements. The Group is not exposed to any significant concentrations of sales.

Liquidity risk
Management considers that the currently available funds and lines of credit, in addition to resources generated by operating and financing activities, will allow the Group to meet requirements deriving from investing activities, management of working capital and repayment of debts at their natural due dates, in addition to ensuring the pursuit of a strategy of growth, also by means of targeted acquisitions capable of creating value for shareholders. Cash on hand at 30 June 2018 totalled €125.5m. As in the past, the amount of cash on hand and the further cash to be generated from the operating activities of the Group during H1 2018 are definitely factors that will make it possible to reduce Group's exposure to the liquidity risk.

Price risk
The Group is exposed to risks deriving from fluctuations in the prices of the metals utilized, namely brass, aluminium, steel, stainless steel, cast iron and, to a lesser extent, copper, sheet steel and mild steel. Even though the various Group Sectors have a similar exposure to fluctuations of metals prices, they adopt different risk reduction strategies depending on the specific metals involved. We invite you to refer to the notes to the financial statements at 31 December 2017 for more comprehensive information.

With respect to 31 December 2017, the prices recorded on the market for the raw materials used by the Group have changed, by a significant amount in some cases. Wherever possible, the Group reviews its selling prices periodically in order to pass on all or part of the expense resulting from higher raw materials prices to its customers. The Group constantly monitors the price trend of these raw materials in the attempt to adopt the most effective policies to minimize potential exposure to this risk.

EVENTS OCCURRING AFTER THE END OF H1 2018

Work continued during H1 2018 on the rationalization of Group companies. Some of the effects of these activities are described above in the section on changes in the Group structure, others took place after the end of the period and are described below. Further rationalization work is in progress.

The absorption in India of Candriga Vision Process Equipment PVT Ltd in Inoxpa India Private Ltd came into effect on 13 July 2018.

The absorption in France of SCI Suali in Inoxpa Solution France came into effect on 16 July 2018.

On 2 August 2018, Interpump Group acquired a 100% interest in Ricci Engineering Srl, a start-up operating in the design, construction and installation of equipment for the brewery and wine making industry. The company mainly works in the promising business area of micro-breweries, in a new and fast expanding market; in the space of a few years it achieved annual sales of around 2 million euro, with 2018 EBITDA predicted to total 10%. The agreed price for the acquisition is €0.6m, including net cash of €150k projected at 31/12/2018.

After the close of H1 2018 no atypical or unusual transactions were carried out such that would call for changes to the consolidated financial statements at 30 June 2018.

Directors' remarks on performance in the second quarter of 2018

Q2 consolidated income statements

(€/000)	*2018*	*2017*
Net sales	**331,132**	**286,010**
Cost of sales	(206,261)	(175,541)
Gross industrial margin	**124,871**	**110,469**
% on net sales	*37.7%*	*38.6%*
Other operating revenues	4,885	4,260
Distribution costs	(30,316)	(26,894)
General and administrative expenses	(33,990)	(31,844)
Other operating costs	(1,054)	(811)
EBIT	**64,396**	**55,180**
% on net sales	*19.4%*	*19.3%*
Financial income	3,056	3,011
Financial expenses	(4,109)	(7,156)
Badwill	(1,107)	-
Equity method contribution	(85)	-
Profit for the period before taxes	**62,151**	**51,035**
Income taxes	(19,464)	(17,311)
Consolidated profit for the period	**42,687**	**33,724**
% on net sales	*12.9%*	*11.8%*
Pertaining to:		
Parent company's shareholders	42,429	33,492
Subsidiaries' minority shareholders	258	232
Consolidated profit for the period	**42,687**	**33,724**
EBITDA	**77,228**	**67,927**
% on net sales	*23.3%*	*23.7%*
Shareholders' equity	812,899	708,634
Net debt	296,040	319,109
Payables for the acquisition of investments	44,122	57,862
Capital employed	1,153,061	1,085,605
Unannualized ROCE	**5.6%**	**5.1%**
Unannualized ROE	**5.3%**	**4.8%**
Basic earnings per share	**0.396**	**0.313**

The scope of consolidation in Q2 2018 includes the GS Hydro Group, Fluid System ‘80 and Mariotti & Pecini. In H2 2017 Mariotti & Pecini was present in the scope of consolidation for just one month, having been acquired at the start of June.

NET SALES

Net sales in Q2 2018 totalled €331.1m, up by 15.8% on the €286.0m of Q2 2017 (+9.6 % at unchanged perimeter and +13.3% also net of exchange differences).

Net sales in Q2 are distributed as shown below by business sector and geographical area:

(€/000)	Italy	Rest of Europe	North America	Far East and Oceania	Rest of the World	Total
Q2 2018						
Hydraulic Sector	46,355	83,825	45,901	22,500	22,687	221,268
Water Jetting Sector	11,080	38,488	36,980	16,033	7,283	109,864
Total	57,435	122,313	82,881	38,533	29,970	331,132
Q2 2017						
Hydraulic Sector	41,058	62,343	42,875	17,310	17,270	180,856
Water Jetting Sector	9,118	39,519	36,086	11,940	8,491	105,154
Total	50,176	101,862	78,961	29,250	25,761	286,010
2018/2017 percentage changes						
Hydraulic Sector	+12.9%	+34.5%	+7.1%	+30.0%	+31.4%	+22.3%
Water Jetting Sector	+21.5%	-2.6%	+2.5%	+34.3%	-14.2%	+4.5%
Total	+14.5%	+20.1%	+5.0%	+31.7%	+16.3%	+15.8%
2018/2017 % changes at unchanged perimeter						
Hydraulic Sector	+9.9%	+15.8%	+4.5%	+16.9%	+30.2%	+13.3%
Water Jetting Sector	+10.5%	-2.8%	+2.2%	+34.2%	-14.2%	+3.3%
Total	+10.0%	+8.6%	+3.4%	+24.0%	+15.6%	+9.6%

PROFITABILITY

The cost of sales accounted for 62.3% of turnover (61.4% in Q2 2017). Production costs, which totalled €85.6m (€73.0m in Q2 2017, which however did not include the acquisition costs of the GS Hydro Group and Fluid System’80 for three months and Mariotti & Pecini for two months), accounted for 25.8% of sales (25.5% in the equivalent period of 2017). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €120.7m (€102.5m in the equivalent period of 2017, which however did not include the costs of the GS Hydro Group and Fluid System ‘80 for three months or Mariotti & Pecini for two months). The incidence of purchase costs, including changes in inventories, was 36.5% with respect to 35.8% in the second quarter of 2017.

On an equal consolidation basis, distribution costs rose by 5.6% with respect to the second quarter of 2017, while the relative incidence on sales fell by 0.3 percentage points.

At unchanged perimeter, G&A expenses fell by 0.4% with respect to Q2 2017, with a reduction of 1 percentage point in terms of incidence on sales.

EBITDA totalled €77.2m (23.3% of sales) compared with €67.9m in Q2 2017 (23.7% of sales), hence up by 13.7%. EBITDA at unchanged perimeter rose to 24.3%, with an improvement of 0.6 percentage points.

The following table shows EBITDA by business sector:

	Q2 2018 €/000	*% on total sales**	*Q2 2017 €/000*	*% on total sales**	*Increase/ Decrease*
Hydraulic Sector	46,348	20.9%	39,198	21.7%	+18.2%
Water Jetting Sector	30,880	28.0%	28,729	27.2%	+7.5%
Total	***77,228***	***23.3%***	***67,927***	***23.7%***	***+13.7%***

* = 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). For comparability, the percentage is calculated on total sales, rather than the net sales shown earlier.

EBIT was €64.4m (19.4% of sales) compared with €55.2m in Q2 2017 (19.3% of sales) and therefore rose by 16.7%.

Q2 closed with consolidated net profit of €42.7m (€33.7m in Q2 2017), reflecting a rise of 26.6%. Net profit for Q1 2018 was influenced by financial income of €12.7m arising from the badwill associated with the acquisition of GS Hydro. This income was composed of the difference between acquired equity and price paid. IFRS reporting standards provide a twelve-month window to adjust this amount to reflect any subsequent information. From a more detailed analysis of the GS Hydro balance sheet we have identified captions booked in 2018 but accrued in 2017; the 2017 financial statements of the GS Hydro group companies have therefore been adjusted. This resulted in a €1.1m reduction in badwill, recorded as lower financial income in Q2 2018.

Basic earnings per share were EUR 0.396 (EUR 0.313 in Q2 2017), reflecting an increase of 26.5%.

BUSINESS OUTLOOK

Considering the short span of time covered by the Group's order portfolio and difficulties and uncertainties concerning the current world economic situation, it is impractical to formulate reliable forecasts in relation to trends in H2 2018, although positive results are predicted in terms of both sales and profitability. The Group will continue to devote special attention to controlling costs and to finance management in order to maximize the generation of free cash flow to be allocated to internal and external growth and to the remuneration of shareholders.

Sant'Ilario d'Enza (RE), 3 August 2018

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

Financial statements and notes

Consolidated statement of financial position

(€/000)	***Notes***	***30/06/2018***	***31/12/2017***
ASSETS			
Current assets			
Cash and cash equivalents		125,465	144,938
Trade receivables		287,961	236,761
Inventories	4	340,381	291,701
Tax receivables		19,937	15,410
Other current assets		16,484	8,302
Total current assets		**790,228**	**697,112**
Non-current assets			
Property, plant and equipment	5	334,140	321,833
Goodwill*	1	426,548	425,991
Other intangible assets		36,701	38,096
Other financial assets		2,328	1,145
Tax receivables		1,715	1,770
Deferred tax assets		26,006	24,909
Other non-current assets		2,266	2,582
Total non-current assets		**829,704**	**816,326**
Assets held for sale		-	785
Total assets		***1,619,932***	***1,514,223***

*= 2017 data remeasured in 2018 as requested by IFRS 3.

(€/000)	***Notes***	***30/06/2018***	***31/12/2017***
LIABILITIES			
Current liabilities			
Trade payables		176,776	142,975
Payables to banks		15,703	8,955
Interest-bearing financial payables (current portion)		184,989	166,465
Tax payables		26,519	18,541
Other current liabilities		74,885	54,038
Provisions for risks and charges		3,967	3,610
Total current liabilities		**482,839**	**394,584**
Non-current liabilities			
Interest-bearing financial payables		220,813	243,060
Liabilities for employee benefits		20,083	20,044
Deferred tax liabilities		41,657	41,504
Other non-current liabilities*		38,444	46,946
Provisions for risks and charges		3,197	3,156
Total non-current liabilities		**324,194**	**354,710**
Liabilities held for sale		-	200
Total liabilities		**807,033**	**749,494**
SHAREHOLDERS' EQUITY	6		
Share capital		55,368	55,805
Legal reserve		11,323	11,323
Share premium reserve		97,431	121,228
Reserve for restatement of defined benefit plans		(5,722)	(5,722)
Translation reserve		505	(2,475)
Other reserves		649,320	579,006
Group shareholders' equity		**808,225**	**759,165**
Minority interests		4,674	5,564
Total shareholders' equity		**812,899**	**764,729**
Total shareholders' equity and liabilities		***1,619,932***	***1,514,223***

*= 2017 data remeasured in 2018 as requested by IFRS 3.

H1 consolidated income statements

(€/000)	*Notes*	*2018*	*2017*
Net sales		**643,428**	**558,751**
Cost of sales		(402,922)	(343,842)
Gross industrial margin		**240,506**	**214,909**
Other net revenues		9,474	8,113
Distribution costs		(58,894)	(52,558)
General and administrative expenses		(67,868)	(63,099)
Other operating costs		(1,557)	(1,372)
Ordinary profit before financial expenses		**121,661**	**105,993**
Financial income	7	5,631	6,286
Financial expenses	7	(8,732)	(11,651)
Badwill		11,623	-
Equity method contribution		(158)	35
Profit for the period before taxes		**130,025**	**100,663**
Income taxes		(35,766)	(34,403)
Consolidated profit for the period		**94,259**	**66,260**
Pertaining to:			
Parent company's shareholders		93,815	65,624
Subsidiaries' minority shareholders		444	636
Consolidated profit for the period		**94,259**	**66,260**
Basic earnings per share	8	0.875	0.614
Diluted earnings per share	8	0.865	0.608

H1 comprehensive consolidated income statements

(€/000)	***2018***	***2017***
H1 consolidated profit (A)	**94,259**	**66,260**
Other comprehensive profit (loss) that will be subsequently reclassified in consolidated profit for the period		
Accounting for exchange risk hedging derivatives recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivative financial instruments for the period	-	-
- Minus: Adjustment for reclassification of profits (losses) to the income statement	-	-
- Minus: Adjustment for fair value recognition of reserves in the prior period	-	33
Total	-	*33*
Profits (Losses) arising from the translation to euro of the financial statements of foreign companies	*2,952*	*(22,349)*
Profits (Losses) of companies carried at equity	*6*	*(27)*
Related taxes	-	*(9)*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**2,958**	**(22,352)**
Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the period		
Profit (Loss) deriving from the restatement of defined benefit plans	-	-
Related taxes	-	-
Total other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the period (C)	**-**	**-**
H1 comprehensive consolidated profit (A) + (B) + (C)	**97,217**	**43,908**
Pertaining to:		
Parent company's shareholders	96,795	43,582
Subsidiaries' minority shareholders	422	326
Comprehensive consolidated profit for the period	**97,217**	**43,908**

Q2 consolidated income statements

(€/000)		*2018*	*2017*
Net sales		**331,132**	**286,010**
Cost of sales		(206,261)	(175,541)
Gross industrial margin		**124,871**	**110,469**
Other net revenues		4,885	4,260
Distribution costs		(30,316)	(26,894)
General and administrative expenses		(33,990)	(31,844)
Other operating costs		(1,054)	(811)
Ordinary profit before financial expenses		**64,396**	**55,180**
Financial income	7	3,056	3,011
Financial expenses	7	(4,109)	(7,156)
Badwill		(1,107)	-
Equity method contribution		(85)	-
Profit for the period before taxes		**62,151**	**51,035**
Income taxes		(19,464)	(17,311)
Consolidated net profit for the period		**42,687**	**33,724**
Pertaining to:			
Parent company's shareholders		42,429	33,492
Subsidiaries' minority shareholders		258	232
Consolidated profit for the period		**42,687**	**33,724**
Basic earnings per share	8	0.396	0.313
Diluted earnings per share	8	0.392	0.310

Q2 comprehensive consolidated income statements

(€/000)	*2018*	*2017*
Q2 consolidated profit (A)	**42,687**	**33,724**
Other comprehensive profit (loss) that will be subsequently reclassified in consolidated profit for the period		
Accounting for exchange risk hedging derivatives recorded in accordance with the cash flow hedging method:	-	
- Profit (Loss) on derivative financial instruments for the period	-	-
- Minus: Adjustment for reclassification of profits (losses) to the income statement	-	(3)
- Minus: Adjustment for fair value recognition of reserves in the prior period	-	11
Total	-	*8*
Profits (Losses) arising from the translation to euro of the financial statements of foreign companies	*11,605*	*(22,067)*
Profits (Losses) of companies carried at equity	*8*	*(26)*
Related taxes	-	*(2)*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**11,613**	**(22,087)**
Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the period		
Profit (Loss) deriving from the restatement of defined benefit plans	-	-
Related taxes	-	-
Total other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the period (C)	**-**	**-**
Q2 comprehensive consolidated profit (A) + (B) + (C)	**54,300**	**11,637**
Pertaining to:		
Parent company's shareholders	54,060	11,719
Subsidiaries' minority shareholders	240	(82)
Comprehensive consolidated profit for the period	**54,300**	**11,637**

H1 consolidated cash flow statements

(€/000)	*2018*	*2017*
Cash flow from operating activities		
Pretax profit	130,025	100,663
Adjustments for non-cash items:		
Capital losses (gains) from the sale of fixed assets	(1,694)	(1,906)
Depreciation and amortization	24,180	23,869
Costs recognized in the income statement related to stock options that do not involve monetary outflows for the Group	933	869
Loss (profit) from equity investments	158	(35)
Net change in provisions for risks and employee benefits	249	368
Outlays for tangible fixed assets destined for hire	(3,885)	(3,508)
Proceeds from the sale of fixed assets granted for hire	5,020	4,509
Financial expenses (Income), net	(8,522)	5,365
	146,464	**130,194**
(Increase) decrease in trade receivables and other current assets	(51,283)	(50,231)
(Increase) decrease in inventories	(37,752)	(22,455)
Increase (decrease) in trade payables and other current liabilities	36,532	33,700
Interest paid	(1,601)	(1,782)
Currency exchange gains	(772)	(992)
Taxes paid	(30,415)	(31,983)
Net cash from operating activities	**61,173**	**56,451**
Cash flows from investing activities		
Outlay for the acquisition of equity investments, net of received cash and including treasury shares assigned	(10,213)	(66,696)
Capital expenditure on property, plant and equipment	(24,227)	(18,519)
Proceeds from the sale of tangible fixed assets	616	425
Proceeds from the disposal of assets held for sale	785	865
Capital expenditure on intangible fixed assets	(2,044)	(1,716)
Received financial income	216	240
Other	474	(165)
Net liquidity used in investing activities	**(34,393)**	**(85,566)**
Cash flows from financing activities		
Disbursals (repayments) of loans	(2,769)	(19,918)
Dividends paid	(22,526)	(21,276)
Outlays for purchase of treasury shares	(27,469)	-
Proceeds from the sale of treasury shares to beneficiaries of stock options	539	2,115
Disbursals (repayments) of loans from (to) shareholders	-	(51)
Loans repaid (granted) by/to non-consolidated subsidiaries	(200)	-
Change in other financial assets	12	88
Payment of finance leasing installments (principal portion)	(935)	(1,095)
Net liquidity generated (used by) financing activities	**(53,348)**	**(40,137)**
Net increase (decrease) in cash and cash equivalents	**(26,568)**	**(69,252)**

(€/000)	***2018***	***2017***
Net increase (decrease) in cash and cash equivalents	**(26,568)**	**(69,252)**
Exchange differences on translation of liquidity of non-EU companies	354	(2,687)
Opening cash and equivalents of companies consolidated for the first time using the line-by-line method	(7)	-
Cash and cash equivalents at beginning of period	135,983	195,495
Cash and cash equivalents at end of period	**109,762**	**123,556**

Cash and cash equivalents can be broken down as follows:

	30/06/2018 €/000	31/12/2017 €/000
Cash and cash equivalents from the balance sheet	125,465	144,938
Payables to banks (current account overdrafts and advances subject to collection)	(15,703)	(8,955)
Cash and cash equivalents from the cash flow statement	109,762	135,983

Statement of changes in consolidated shareholders' equity

	Share capital	*Legal reserve*	*Share premium reserve*	*Reserve for valuation of hedging derivatives at fair value*	*Reserve for restatement of defined benefit plans*	*Translation reserve*	*Other reserves*	*Group shareholders' equity*	*Minority interests*	*Total*
Balances at 1 January 2017	*55,431*	*11,323*	*112,386*	*(24)*	*(5,022)*	*33,497*	*466,153*	*673,744*	*3,794*	*677,538*
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	869	-	-	-	-	869	-	869
Sale of treasury shares to the beneficiaries of stock options	78	-	2,037	-	-	-	-	2,115	-	2,115
Sale of treasury shares for payment of equity investments	187	-	3,498	-	-	-	-	3,685	-	3,685
Purchase of Inoxpa Group	-	-	-	-	-	-	-	-	2,463	2,463
Dividends paid	-	-	-	-	-	-	(21,276)	(21,276)	-	(21,276)
Dividends approved	-	-	-	-	-	-	(80)	(80)	(588)	(668)
Comprehensive profit (loss) for H1 2017	-	-	-	24	-	(22,066)	65,624	43,582	326	43,908
Balances at 30 June 2017	*55,696*	*11,323*	*118,790*	-	*(5,022)*	*11,431*	*510,421*	*702,639*	*5,995*	*708,634*
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	912	-	-	-	-	912	-	912
Sale of treasury shares to the beneficiaries of stock options	218	-	1,339	-	-	-	(296)	1,261	-	1,261
Sale of treasury stock to pay for equity investments	(109)	-	187	-	-	-	(78)	-	-	-
Purchase of residual interests in subsidiaries	-	-	-	-	-	-	141	141	(699)	(558)
Dividends paid	-	-	-	-	-	-	-	-	(338)	(338)
Comprehensive profit (loss) for H2 2017	-	-	-	-	(700)	(13,906)	68,818	54,212	606	54,818
Balances at 31 December 2017	*55,805*	*11,323*	*121,228*	-	*(5,722)*	*(2,475)*	*579,006*	*759,165*	*5,564*	*764,729*
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	933	-	-	-	-	933	-	933
Purchase of treasury stock	(516)	-	(26,953)	-	-	-	-	(27,469)	-	(27,469)
Sale of treasury shares to the beneficiaries of stock options	47	-	492	-	-	-	-	539	-	539
Sale of treasury shares for payment of equity investments	32	-	1,731	-	-	-	-	1,763	-	1,763
Purchase of residual interests in subsidiaries	-	-	-	-	-	-	(869)	(869)	(894)	(1,763)
Inoxpa Russia amalgamation operation	-	-	-	-	-	-	(100)	(100)	100	-
Dividends paid	-	-	-	-	-	-	(22,526)	(22,526)	-	(22,526)
Dividends approved	-	-	-	-	-	-	(6)	(6)	(518)	(524)
Comprehensive profit (loss) for H1 2018	-	-	-	-	-	2,980	93,815	96,795	422	97,217
Balances at 30 June 2018	*55,368*	*11,323*	*97,431*	-	*(5,722)*	*505*	*649,320*	*808,225*	*4,674*	*812,899*

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 hoses and fittings and other hydraulic products. The Group has production facilities in Italy, the US, Germany, China, India, France, Portugal, Brazil, Bulgaria, Romania 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 30 June 2018 were approved by the Board of Directors on this day (3 August 2018).

Basis of preparation

The consolidated financial statements at 30 June 2018 were drawn up in compliance with international accounting standards (IAS/IFRS) endorsed by the European Union for interim financial statements (IAS 34). 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 30 June 2018 should be consulted together with the annual financial statements for the year ending 31 December 2017.

The accounting principles and criteria adopted in the interim financial statements at 30 June 2018 may conflict with IFRS provisions in force on 31 December 2018 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 an interim report 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 potential assets and liabilities at the report reference 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. We further draw your attention to the fact that some evaluation processes, notably those that are more complex, such as the determination of any impairments of non-current assets, are generally performed in a comprehensive manner only at the time of drafting of the annual financial statements when all the necessary information is available, except in cases in which indicators of impairment exist, calling for immediate evaluation of any losses in value. Likewise, the actuarial evaluations required for determination of liabilities for benefits due to employees are normally processed at the time of drafting of the annual financial statements.

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

Accounting standards

The accounting standards adopted for preparation of the condensed interim consolidated financial statements are in compliance with those used to draft the consolidated financial statements at 31 December 2017, except for the adoption of the new standards and amendments in force from 1 January 2018. The Group did not opt for early adoption of any new standard, interpretation, or amendment issued but not yet in force. The Group has applied IFRS 15 *Revenue from contracts with customers* and IFRS 9 *Financial instruments* for the first time, although they had no impact on the Group's condensed interim consolidated financial statements.

a) *Accounting standards, amendments and interpretations in force from 1 January 2018 and adopted by the Group*

   As from 2018 the Group has applied the following new accounting standards, amendments and interpretations, reviewed by IASB:

   - *IFRS 2* – "*Share-based payments*". On 21 June 2016 IASB published amendments to the standard with a view to clarifying the accounting for certain operations involving share-based payments. The changes concern: (i) the effects of "vesting conditions" and "non-vesting conditions" in relation to the measurement of payments based on shares and settled in cash; (ii) payment transactions based on shares with a net settlement function for the withholding tax obligations and (iii) an amendment of the terms and conditions of a payment based on shares that changes the classification of the transaction from a settlement in cash settlement to a payment of capital. The amendments to *IFRS 2*, some of which affect the Interpump Group, did not result in any adjustments to economic or financial balances in 2018.
   - *IFRS 9* – "*Financial instruments*". On 12 November 2009 IASB published the following standard, which was subsequently amended on 28 October 2010 and again in mid-December 2011. The standard constitutes the first part of a process in stages aimed at replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities, and for derecognition of financial assets from the financial statements. The new standard is designed to simplify interpretation of financial statements and understanding of the amounts, the times and the uncertainty of the cash flows, by replacing the different categories of financial instruments provided for by IAS39. In fact, all financial assets are initially recognized at fair value, adjusted by the transaction costs, if the instrument is not recognized at fair value through profit and loss (FVTPL). However, trade receivables that do not have a significant financial component are initially measured at their transaction price, as defined by the new IFRS 15 - Revenue from contracts with customers. Debt instruments are measured on the basis of the contractual cash flows and the business model on the basis of which the instrument is held. If the instrument envisages cash flows exclusively for the payment of interest and the capital portion, it is recognized in compliance with the amortized cost method, while if, in addition to the foregoing cash flows, it involves the exchange of financial assets, it is measured at fair value in Other Comprehensive Income, with subsequent reclassification in the income statement (FVOCI). Finally, there exists an express option for recognition at fair value (FVO). Likewise, all equity instruments are initially measured at *FVTPL*, but the entity has an irrevocable option on each instrument for recognition at *FVTOCI*. All the other classifications and measurement rules contained in IAS39 have been included in the new standard IFRS 9. With regard to

impairment, the IAS39 model based on losses sustained has been replaced by the ECL model (Expected Credit Loss). Finally, several new aspects are introduced in relation to Hedge Accounting, with the facility to perform a prospective efficacy and qualitative test, measuring the components of risk autonomously, if they can be identified. Application of the new standard has had a very limited effect on the Group.

- *IFRS 15 – "Revenue from contracts with customers*". The new standard replaces the previous IAS11 – "Construction contracts", IAS18 – "Revenue", IFRIC13 – "Customer loyalty contracts", IFRIC15 – "Agreements for the Construction of Real Estate", IFRIC18 – "Transfers of Assets from Customers", SIC31 – "Barter Transactions Involving Advertising Services" and is applicable to all revenues from contracts with customers, unless the contracts are included within the scope of other standards. The new standard introduces a new model for recognition of revenues deriving from contracts with customers based on five steps: (i) identification of the contract with the customer; (ii) identification of the contractual performance obligations to be transferred to the customer in exchange for the transaction price; (iii) determination of the transaction price; (iv) allocation of the transaction price to the individual performance obligations; (v) recognition of the revenue when the associated performance obligation is fulfilled. IFRS 15 requires recognition of revenues for an amount that reflects the consideration to which the entity considers it is entitled in exchange for the transfer of goods or services to a customer. The standard requires the exercise of a judgment by the entity, that takes account of all the facts and significant circumstances in the application of each step to the model to contracts with its customers. The standard also specifies recognition of the incremental costs linked to obtaining a contact and the costs directly linked to fulfillment of a contract. Application of the new standard, using the modified retrospective method, did not have a significant impact on the consolidated economic and financial position and cash flows for 2017 that would have made restatement necessary. The Group manufactures and markets high and very high pressure plunger pump, power take-offs, hydraulic cylinders, valves and directional controls, hydraulic hoses and fittings and other hydraulic products, and the Group contracts concerning the sale of goods generally include a single obligation. The Group has concluded that revenues from the sale of goods are recognized in the specific moment wherein control of the asset is transferred to the customer, which generally coincides with the moment delivery of the goods. The adoption of IFRS 15 thus had no impact the revenues recognition times, because the revenues occur at a specific moment.

b) Accounting standards, amendments and interpretations taking effect as from 1 January 2018 but not relevant for the Group

- *IFRS Annual improvements Cycle 2014–2016* – On 8 December 2016 IASB issued several minor changes to IFRS 1 "*First-Time Adoption of IFRS* ", and IAS 28 "*Investments in Associates and Joint Ventures*", as well as an IFRIC interpretation "*Interpretation 22 Foreign Currency Transactions and Advance Consideration*". The aim of the annual improvements is to address necessary matters related to inconsistencies found in IFRSs or for clarifications of terminology, which are not of an urgent nature but which reflect issues discussed by IASB during the project cycle. Among the main amendments we bring your attention to IFRIC 22, which provides guidance on the use of exchange rates in transactions in which the foreign currency considerations are paid or received in advance.
- *Applying IFRS 9* - "*Financial Instruments with IFRS 4 Insurance Contracts*". The amendments introduced provide two options for entities that issue insurance contracts in

the framework of standard IFRS 4: (i) an option that allows reclassification, from profit and loss to other components of the comprehensive income statement, of part of the income or expenses deriving from designated financial assets ("overlay approach") and (ii) a temporary and optional exemption from the application of IFRS 9 for entities whose primary activity is the issue of contracts in the framework of application of IFRS 4 ("deferral approach").

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

- *IFRS 16 –* "*Leasing*". On 13 January 2016, IASB published the new standard that replaces IAS 17. IFRS 16 is applicable from 1 January 2019. The scope of application of the new standard concerns leasing contracts, with certain exceptions. A leasing contract grants the right to use an asset (the "underlying asset") for a certain period of time in return for the payment of a consideration. The method of recognition of all leasing contracts reflects the model proposed by IAS 17, although excluding leasing contacts concerning an asset of small value (such as computers) and short term contracts (i.e. less than 12 months). On the date of recognition of the leasing contract also the liability for the leasing installments and the asset that the entity is entitled to use must be booked, with separate recording of the financial expenses and amortization amounts concerning the asset. The liability can be subject to re-measurement (e.g. to reflect a change in the contractual terms or a change in the indices to which the payment of the leasing instalments is linked) and the resulting change must be recognized on the underlying asset. Finally, from the standpoint of the lessor the accounting model is substantially unchanged with respect to the provisions of the current IAS17. The standard must be applied with the modified retrospective method, while early application is simultaneously allowed for IFRS15. The Group has started to perform an analysis of the potential impacts that application of the new standard may have on the economic and financial situation and on the information given in the financial statements. The Group is making a detailed assessment of the effects of adopting the new standard. At 31 December 2017, the Group had commitments for rentals of €49,907k, including €13,424k due in 2018, as indicated in Note 34 to the latest approved Annual Report.
- *IFRS 17 –* "*Insurance contracts*". On 18 May 2017, IASB published a new standard to replace IFRS 4, which was issued in 2004. The new standard seeks to improve the understanding of investors and others about the risk exposure, profitability and financial position of insurers. IFRS 17 is applicable from 1 January 2021, although early adoption is permitted.
- *IFRIC 23 –* "*Uncertainty over Income Tax Treatments*". On 8 June 2017 IASB published interpretation IFRIC 23, which clarifies the application of the requirements for recognition and measurement in IAS 12 – "Income taxes" in the case of uncertainty concerning income tax treatment. Specifically, the interpretation concerns: (i) the case wherein an entity considers uncertain tax treatments independently, (ii) the assumptions that an entity makes in relation to taxation authorities' examinations, (iii) how an entity determines its taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) the way in which an entity deals with changes in facts and circumstances. The Interpretation does not add any new information requirements, although it underscores the existing requirements of IAS 1 concerning information on judgments, information on assumptions made and other estimates and information concerning tax assets and liabilities given in IAS 12 "Income taxes". The interpretation is applicable to annual reporting periods starting from 1 January 2019 or successively,

and it offers a choice between two transition methods: (i) retroactive application using IAS 8 – "Accounting policies, changes in accounting estimates and errors", only if application is possible without the use of hindsight, or (ii) retroactive application with cumulative effect of the initial demand recognized as an adjustment of the components of equity at the date of the initial demand and without adjusting the comparative information. The date of the initial demand is the start of the annual reference period in which an entity applies this Interpretation for the first time. The Group is currently assessing the implementation and impact of adoption of the interpretation on the consolidated Group financial statements.

- *Amendments to IFRS 9* – "*Prepayment Features with Negative Compensation*". IASB published an *Amendment to IFRS9* in December 2017, allowing entities to measure particular prepaid financial assets by means of so-called negative compensation at amortized cost or fair value through "*other comprehensive income*", in the event in which a specific condition is met, rather than at fair value in profit and loss. The amendment will take effect as from 1 January 2019. The Group is currently assessing the impact of adoption of the interpretation on the consolidated Group financial statements.
- *Amendments to IAS 28* – "*Long-term interests in associates and joint ventures*". In October 2017, IASB issued *Amendments to IAS 28*, clarifying the way in which the entities should use IFRS 9 to represent long-term interests in associates or joint ventures to which the equity method is not applied. The amendment will take effect as from 1 January 2019. The Group is currently assessing the impact of adoption on the consolidated Group financial statements.
- *Annual improvements — 2015-2017 cycle* – On 12 December 2017 IASB published several amendments to IAS 12 "Income Taxes" clarifying that the impact related to taxes in income deriving from dividends (or distribution of profit) should be recognized in profit and loss, regardless of the way in which the tax arises, to IAS 23 "Borrowing Costs" clarifying that an entity should treat any borrowing originally carried out for the development of an asset as part of general borrowings when the asset in question is ready for its intended use or for sale, to IFRS 3 "Business Combinations", clarifying that an entity must remeasure previously held interests in a business combination once it obtains control of the business in question, and to IFRS 11 "Joint Arrangements" whereby a company does not remeasure previously held interests in a business combination when it obtains joint control of the business. The changes will take effect as from 1 January 2019. Early adoption of the changes is however permitted. The Group is currently assessing the impact of adoption on the consolidated Group financial statements.
- *Amendments to IAS 19* – "*Plan Amendment, Curtailment or Settlement*". In February 2018 IASB issued *Amendments to IAS 19*, which specifies the way in which entities must determine pension expenses when changes are made to a given pension plan. IAS 19 "Employee Benefits" specifies the way in which an entity should recognize a defined benefits pension plan. When a change is made to a plan – adjustment, curtailment or settlement – IAS 19 requires a company to remeasure its net defined benefit asset or liability. The amendments require a company to use the assumptions updated by this remeasurement to determine the current service cost and the net interest for remainder of the reference period after the plan has been amended. The changes will take effect as from 1 January 2019. The Group is currently assessing the impact of adoption on the consolidated Group financial statements.

Notes to the consolidated financial statements at 30 June 2018

1. Perimeter of consolidation and goodwill

The consolidation basis at 30 June 2018 includes the Parent Company and the following subsidiaries:

Company	*Head office*	*Share capital €/000*	*Sector*	*% stake at 30/06/18*
General Pump 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 Bombas e Sistemas Ltda (1)	San Paolo (Brazil)	765	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)	Warsaw (Poland)	1	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%
Candigra Vision Process Equipment PVT Ltd (4)	Maharashtra (India)	403	Water Jetting	99.98%
Inoxpa Solutions France (3)	Gleize (France)	1,451	Water Jetting	100.00%
Inoxpa Solution Portugal Lda (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 Australia Pty. Ltd (3)	Capalaba (Australia)	584	Water Jetting	100.00%
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 Middle East FZCO (3)	Dubai (UAE)	253	Water Jetting	60.00%
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%
LTDA Inoxpa (3)	Moscow (Russia)	1,435	Water Jetting	70.00%
SCI Suali (3)	Gleize (France)	503	Water Jetting	100.00%
Mariotti & Pecini S.r.l.	Sesto Fiorentino (FI)	100	Water Jetting	60.00%
SIT S.p.A.	S.Ilario d'Enza (RE)	105	Water Jetting	65.00%
Interpump Hydraulics S.p.A.	Calderara di Reno (BO)	2,632	Hydraulic	100.00%
AVI S.r.l. (5)	Varedo (MB)	10	Hydraulic	100.00%
Contarini Leopoldo S.r.l. (5)	Lugo (RA)	47	Hydraulic	100.00%
Unidro Contarini S.a.s. (6)	Barby (France)	8	Hydraulic	100.00%
Copa Hydrosystem Ood (6)	Troyan (Bulgaria)	3	Hydraulic	100.00%
Fluid System ’80 S.r.l. (5)	Remanzacco (UD)	47	Hydraulic	100.00%
Hydrocar Chile S.A. (5)	Santiago (Chile)	129	Hydraulic	90.00%
Hydroven S.r.l. (5)	Tezze sul Brenta (VI)	200	Hydraulic	100.00%
Interpump Hydraulics Brasil Ltda (5)	Caxia do Sul (Brazil)	13,996	Hydraulic	100.00%
Interpump Hydraulics France S.a.r.l. (5)	Ennery (France)	76	Hydraulic	99.77%
Interpump Hydraulics India Private Ltd (5)	Hosur (India)	682	Hydraulic	100.00%
Interpump Hydraulics Middle East FZE (5)	Dubai (UAE)	326	Hydraulic	100.00%

Company	*Head office*	*Share capital €/000*	*Sector*	*% stake at 30/06/18*
Interpump South Africa Pty Ltd (5)	Johannesburg (South Africa)	-	Hydraulic	100.00%
Interpump Hydraulics (UK) Ltd. (5)	Kidderminster (United Kingdom)	13	Hydraulic	100.00%
Mega Pacific Pty Ltd (7)	Newcastle (Australia)	335	Hydraulic	65.00%
Mega Pacific NZ Pty Ltd (7)	Mount Maunganui (New Zealand)	557	Hydraulic	65.00%
Muncie Power Prod. Inc. (6)	Muncie (USA)	784	Hydraulic	100.00%
American Mobile Power Inc. (8)	Fairmount (USA)	3,410	Hydraulic	100.00%
Oleodinamica Panni S.r.l. (5)	Tezze sul Brenta (VI)	2,000	Hydraulic	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (5)	Wuxi (China)	2,095	Hydraulic	65.00%
IMM Hydraulics S.p.A. (5)	Atessa (Switzerland)	520	Hydraulic	100.00%
Hypress France S.a.r.l. (9)	Strasbourg (France)	162	Hydraulic	100.00%
Hypress Hydraulik GmbH (9)	Meinerzhagen (Germany)	52	Hydraulic	100.00%
Hypress S.r.l. (9)	Atessa (Switzerland)	50	Hydraulic	100.00%
IMM Hydro Est (9)	Catcau Cluj Napoca (Romania)	3,155	Hydraulic	100.00%
Tekno Tubi S.r.l. (9)	Terre del Reno (FE)	100	Hydraulic	100.00%
Tubiflex S.p.A.	Orbassano (TO)	515	Hydraulic	80.00%
Walvoil S.p.A.	Reggio Emilia	7,692	Hydraulic	100.00%
Walvoil Fluid Power Corp. (10)	Tulsa (USA)	137	Hydraulic	100.00%
Walvoil Fluid Power Shanghai Co. Ltd (10)	Shanghai (China)	1,872	Hydraulic	100.00%
Walvoil Fluid Power Pvt Ltd (10)	Bangalore (India)	4,803	Hydraulic	100.00%
Walvoil Fluid Power Korea (10)	Pyeongtaek (South Korea)	453	Hydraulic	100.00%
Walvoil Fluid Power France S.a.r.l. (10)	Vritz (France)	10	Hydraulic	100.00%
Walvoil Fluid Power Australasia (10)	Melbourne (Australia)	7	Hydraulic	100.00%
Galtech Canada Inc. (10)	Terrebonne, Quebec (Canada)	76	Hydraulic	100.00%
HTIL (10)	Hong Kong	98	Hydraulic	100.00%
Walvoil Fluid Power (Dongguan) Co., Ltd (11)	Dongguan (China)	3,720	Hydraulic	100.00%
Interpump Piping GS S.r.l.	Reggio Emilia	10	Hydraulic	100.00%
GS Hydro S.A. U. (12)	Las Rozas – Madrid (Spain)	1,220	Hydraulic	100.00%
GS Hydro UK Ltd (12)	Sunderland (UK)	5,095	Hydraulic	100.00%
GS Hydro Austria GmbH (12)	Pasching (Austria)	40	Hydraulic	100.00%
GS Hydro System GmbH (12)	Witten (Germany)	562	Hydraulic	100.00%
GS Hydro do Brasil Sistemas Hydraulics Ltda (12)	Rio de Janeiro (Brazil)	252	Hydraulic	100.00%
GS Hydro Denmark AbS (12)	Kolding (Denmark)	67	Hydraulic	100.00%
GS Hydro US, Inc (12)	Houston (USA)	9,903	Hydraulic	100.00%
GS Hydro Benelux B.V. (12)	Barendrecht (Netherlands)	18	Hydraulic	100.00%
GS Hydro Hong Kong Ltd (13)	Hong Kong	1	Hydraulic	100.00%
GS Hydro Piping Systems (Shanghai) Co., Ltd (14)	Shanghai (China)	2,760	Hydraulic	100.00%
GS Hydro Korea Ltd (12)	Busan (South Korea)	1,892	Hydraulic	100.00%
GS Hydro SP Z.o.o. (12)	Gydnia (Poland)	1,095	Hydraulic	100.00%
GS Hydro AB (12)	Kista (Sweden)	20	Hydraulic	100.00%
GS Hydro Singapore PTE Ltd (12)	Singapore	624	Hydraulic	100.00%
IMM Hydraulics Ltd (in liquidation) (7)	Kidderminster (United Kingdom)	1	Hydraulic	100.00%
E.I. Holdings Ltd (in liquidation) (7)	Bath (United Kingdom)	127	Hydraulic	100.00%
Endeavour International Ltd (in liquidation) (7)	Bath (United Kingdom)	69	Hydraulic	100.00%

Company	*Head office*	*Share capital €/000*	*Sector*	*% stake at 30/06/18*
Bristol Hose Ltd (in liquidation) (7)	Bristol (United Kingdom)	18	Hydraulic	100.00%
Teknova S.r.l. (in liquidation)	Reggio Emilia	28	Other	100.00%

(1) = controlled by Hammelmann GmbH
(2) = controlled by NLB Corporation
(3) = controlled by Inoxpa S.A.
(4) = controlled by Inoxpa India Private Ltd
(5) = controlled by Interpump Hydraulics S.p.A.
(6) = controlled by Contarini Leopoldo S.r.l.
(7) = controlled by Interpump Hydraulics (UK) Ltd
(8) = controlled by Muncie Power Inc.
(9) = controlled by IMM Hydraulics S.p.A.
(10) = controlled by Walvoil S.p.A.
(11) = controlled by HTIL
(12) = controlled by Interpump Piping GS S.r.l.
(13) = controlled by GS Hydro Benelux B.V.
(14) = controlled by GS Hydro Hong Kong Ltd
The other companies are controlled directly by Interpump Group S.p.A.

Investments in other companies, including investments in subsidiaries, which, because of their negligible significance have not been consolidated, are entered at their fair value.

The companies of the GS Hydro Group (Hydraulic Sector) were consolidated for first time in 2018.

The minority shareholder 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. Likewise, the minority shareholder of Tubiflex S.p.A. is entitled and required to dispose of its holdings upon approval of the 2018 financial statements, on the basis of the results of the company reported in the 2018 financial statements. 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 minority shareholder of Mariotti & Pecini S.r.l. is entitled and required to dispose of its holdings, starting from approval of the financial statements at 31 December 2020 up to approval of the financial statements at 31 December 2022, on the basis of the results reported in the latest financial statements prior to 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 balance sheet of that company.

In compliance with the requirements of IFRS 10 and IFRS 3, Inoxihp, Tubiflex, Mega Pacific Australia, Mega Pacific New Zealand, Mariotti & Pecini and Inoxpa Solution Moldova have been consolidated in full, recording a payable representing an estimate of the present value of the exercise price of the options determined with reference to the business plans of the companies. Any changes in the payable representing the estimate of the present value of the exercise price that occur 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 after 12 months from the date of acquisition will be recognized in the income statement.

Changes in goodwill in H1 2018 are as follows:

Company:	Balance at 31/12/2017	Increases (Decreases) in the period	Changes due to foreign exchange differences	Balance at 30/06/2018
Water Jetting Sector	199,042	-	1,084	200,126
Hydraulic Sector	226,949	104	(631)	226,422
Total goodwill	*425,991*	*104*	*453*	*426,548*

The value of Water Jetting Sector goodwill at 31 December 2017 was changed in 2018 as required by IFRS 3, further to adjustment of the value of the put option of a subsidiary in accordance with a revision of the business plan that gave rise to the valuation at 31 December 2017. Since it is still within the period of twelve months from the date of acquisition, value adjustment of the put option was carried out by changing the opening balance of goodwill and other non-current liabilities.

The impairment test carried out successfully in December 2017 was not repeated at the 30 June 2018. A check was however performed to establish whether the performance of the C.G.U. (Cash Generating Units) was in line with the information resulting from the business plans utilized at 31 December 2017, and that the assumptions underpinning the measurement at 31 December 2017 of the weighted average cost of capital (WACC) were still valid at the end of June 2018. No trigger events emerged such as to call for reformulation of the impairment test at 30 June 2018, except for the matters described above.

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 is composed of 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 and asphalt, removing 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 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, valves and directional controls, hydraulic hoses and fittings and other hydraulic components. Power take-offs are mechanical devices designed to transmit drive from an industrial vehicle engine or transmission to power a range of ancillary services through hydraulic components. 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, operating truck mixer truck drums, and so forth. 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, valves and directional controls are employed in several applications: earth-moving 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 Group also designs and makes piping systems in the industrial, naval and offshore sectors.

Interpump Group business sector information
(Amounts shown in €/000)
Cumulative to 30 June (six months)

	Hydraulic		Water Jetting		Elimination entries		**Interpump Group**	
	2018	2017	2018	2017	2018	2017	2018	2017
Net sales external to the Group	427,937	355,844	215,491	202,907	-	-	643,428	558,751
Sales between sectors	305	196	850	901	(1,155)	(1,097)	-	-
Total net sales	**428,242**	**356,040**	**216,341**	**203,808**	**(1,155)**	**(1,097)**	**643,428**	**558,751**
Cost of sales	(286,207)	(233,576)	(117,879)	(111,366)	1,164	1,100	(402,922)	(343,842)
Gross industrial margin	**142,035**	**122,464**	**98,462**	**92,442**	**9**	**3**	**240,506**	**214,909**
% on net sales	*33.2%*	*34.4%*	*45.5%*	*45.4%*			*37.4%*	*38.5%*
Other net revenues	6,705	5,362	3,124	2,846	(355)	(95)	9,474	8,113
Distribution costs	(34,049)	(28,795)	(24,989)	(23,852)	144	89	(58,894)	(52,558)
General and administrative expenses	(41,845)	(37,269)	(26,225)	(25,833)	202	3	(67,868)	(63,099)
Other operating costs	(988)	(877)	(569)	(495)	-	-	(1,557)	(1,372)
Ordinary profit before financial expenses	**71,858**	**60,885**	**49,803**	**45,108**	**-**	**-**	**121,661**	**105,993**
% on net sales	*16.8%*	*17.1%*	*23.0%*	*22.1%*			*18.9%*	*19.0%*
Financial income	3,536	2,959	2,910	4,149	(815)	(822)	5,631	6,286
Financial expenses	(5,321)	(5,999)	(4,226)	(6,474)	815	822	(8,732)	(11,651)
Dividends			16,200	35,500	(16,200)	(35,500)	-	-
Badwill	11,623	-	-	-	-	-	11,623	-
Equity method contribution	(97)	(32)	(61)	67	-	-	(158)	35
Profit for the period before taxes	**81,599**	**57,813**	**64,626**	**78,350**	**(16,200)**	**(35,500)**	**130,025**	**100,663**
Income taxes	(21,202)	(19,259)	(14,564)	(15,144)	-	-	(35,766)	(34,403)
Consolidated profit for the period	**60,397**	**38,554**	**50,062**	**63,206**	**(16,200)**	**(35,500)**	**94,259**	**66,260**
Pertaining to:								
Parent company's shareholders	60,135	38,213	49,880	62,911	(16,200)	(35,500)	93,815	65,624
Subsidiaries' minority shareholders	262	341	182	295	-	-	444	636
Consolidated profit for the period	**60,397**	**38,554**	**50,062**	**63,206**	**(16,200)**	**(35,500)**	**94,259**	**66,260**
Further information required by IFRS 8								
Amortization, depreciation and write-downs	15,992	15,276	8,188	8,593	-	-	24,180	23,869
Other non-monetary costs	1,754	857	1,703	1,078	-	-	3,457	1,935

Interpump Group business sector information
(Amounts shown in €/000)
<u>Q2</u>

	Hydraulic 2018	Hydraulic 2017	Water Jetting 2018	Water Jetting 2017	Elimination entries 2018	Elimination entries 2017	**Interpump Group** 2018	**Interpump Group** 2017
Net sales external to the Group	221,268	180,856	109,864	105,154	-	-	331,132	286,010
Sales between sectors	149	90	549	485	(698)	(575)	-	-
Total net sales	**221,417**	**180,946**	**110,413**	**105,639**	**(698)**	**(575)**	**331,132**	**286,010**
Cost of sales	(148,083)	(118,606)	(58,884)	(57,510)	706	575	(206,261)	(175,541)
Gross industrial margin	**73,334**	**62,340**	**51,529**	**48,129**	**8**	**-**	**124,871**	**110,469**
% on net sales	*33.1%*	*34.5%*	*46.7%*	*45.6%*			*37.7%*	*38.6%*
Other net revenues	3,870	2,677	1,369	1,670	(354)	(87)	4,885	4,260
Distribution costs	(17,730)	(14,768)	(12,730)	(12,210)	144	84	(30,316)	(26,894)
General and administrative expenses	(21,132)	(18,472)	(13,060)	(13,375)	202	3	(33,990)	(31,844)
Other operating costs	(590)	(427)	(464)	(384)	-	-	(1,054)	(811)
Ordinary profit before financial expenses	**37,752**	**31,350**	**26,644**	**23,830**	**-**	**-**	**64,396**	**55,180**
% on net sales	*17.1%*	*17.3%*	*24.1%*	*22.6%*			*19.4%*	*19.3%*
Financial income	1,717	1,193	1,743	2,228	(404)	(410)	3,056	3,011
Financial expenses	(2,486)	(3,183)	(2,027)	(4,383)	404	410	(4,109)	(7,156)
Dividends	-	-	16,200	35,500	(16,200)	(35,500)	-	-
Badwill	(1,107)	-	-	-	-	-	(1,107)	-
Equity method contribution	(65)	(13)	(20)	13	-	-	(85)	-
Profit for the period before taxes	**35,811**	**29,347**	**42,540**	**57,188**	**(16,200)**	**(35,500)**	**62,151**	**51,035**
Income taxes	(11,362)	(9,449)	(8,102)	(7,862)	-	-	(19,464)	(17,311)
Consolidated profit for the period	**24,449**	**19,898**	**34,438**	**49,326**	**(16,200)**	**(35,500)**	**42,687**	**33,724**
Pertaining to:								
Parent company's shareholders	24,299	19,707	34,330	49,285	(16,200)	(35,500)	42,429	33,492
Subsidiaries' minority shareholders	150	191	108	41	-	-	258	232
Consolidated profit for the period	**24,449**	**19,898**	**34,438**	**49,326**	**(16,200)**	**(35,500)**	**42,687**	**33,724**

<u>Further information required by IFRS 8</u>

	Hydraulic 2018	Hydraulic 2017	Water Jetting 2018	Water Jetting 2017	Elimination entries 2018	Elimination entries 2017	Interpump Group 2018	Interpump Group 2017
Amortization, depreciation and write-downs	8,128	7,714	3,866	4,413	-	-	11,994	12,127
Other non-monetary costs	1,047	502	1,058	711	-	-	2,105	1,213

Financial position
(Amounts shown in €/000)

	Hydraulic		Water Jetting		Elimination entries		**Interpump Group**	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Assets of the sector*	**948,318**	**851,470**	**716,908**	**681,336**	**(170,759)**	**(164,306)**	**1,494,467**	**1,368,500**
Assets held for sale	-	-	-	785	-	-	-	785
Total assets of the sector (A)	**948,318**	**851,470**	**716,908**	**682,121**	**(170,759)**	**(164,306)**	**1,494,467**	**1,369,285**
Cash and cash equivalents							125,465	144,938
Total assets							**1,619,932**	**1,514,223**
Liabilities of the sector	**401,840**	**353,332**	**110,325**	**94,973**	**(170,759)**	**(164,306)**	**341,406**	**283,999**
Liabilities held for sale	-	-	-	200	-	-	-	200
Total liabilities of the sector (B)	**401,840**	**353,332**	**110,325**	**95,173**	**(170,759)**	**(164,306)**	**341,406**	**284,199**
Debts for the payment of investments*							44,122	46,815
Payables to banks							15,703	8,955
Interest-bearing financial payables							405,802	409,525
Total liabilities							**807,033**	**749,494**
Total assets, net (A-B)	**546,478**	**498,138**	**606,583**	**586,948**	**-**	**-**	**1,153,061**	**1,085,086**
<u>Further information required by IFRS 8</u>								
Investments carried at equity	1,139	362	205	255	-	-	1,344	617
Non-current assets other than financial assets and deferred tax assets*	480,228	469,016	321,142	321,256	-	-	801,370	790,272

*= 2017 data remeasured in 2018 as requested by IFRS 3..

The H1 and Q2 comparison of the Hydraulic Sector (at unchanged perimeter) is as follows:

	H1		Q2	
	2018	2017	2018	2017
Net sales external to the Group	396,120	355,844	204,823	180,856
Sales between sectors	305	196	149	90
Total net sales	**396,425**	**356,040**	**204,972**	**180,946**
Cost of sales	(262,375)	(233,576)	(136,195)	(118,606)
Gross industrial margin	**134,050**	**122,464**	**68,777**	**62,340**
% on net sales	*33.8%*	*34.4%*	*33.6%*	*34.5%*
Other net revenues	6,426	5,362	3,679	2,677
Distribution costs	(30,386)	(28,795)	(15,879)	(14,768)
General and administrative expenses	(37,556)	(37,269)	(18,881)	(18,472)
Other operating costs	(797)	(877)	(402)	(427)
Ordinary profit before financial expenses	**71,737**	**60,885**	**37,294**	**31,350**
% on net sales	*18.1%*	*17.1%*	*18.2%*	*17.3%*
Financial income	3,062	2,959	1,393	1,193
Financial expenses	(4,749)	(5,999)	(2,221)	(3,183)
Equity method contribution	(97)	(32)	(65)	(13)
Profit for the period before taxes	**69,953**	**57,813**	**36,401**	**29,347**
Income taxes	(21,134)	(19,259)	(11,426)	(9,449)
Consolidated profit for the period	**48,819**	**38,554**	**24,975**	**19,898**
Pertaining to:				
Parent company's shareholders	48,557	38,213	24,825	19,707
Subsidiaries' minority shareholders	262	341	150	191
Consolidated profit for the period	**48,819**	**38,554**	**24,975**	**19,898**

Cash flows by business sector for H1 are as follows:

€/000	Hydraulic		Water Jetting		Total	
	2018	2017	2018	2017	2018	2017
Cash flows from:						
Operating activities	34,387	30,786	26,786	25,665	61,173	56,451
Investing activities	(27,048)	(18,048)	(7,345)	(67,518)	(34,393)	(85,566)
Financing activities	(17,821)	(30,847)	(35,527)	(9,290)	(53,348)	(40,137)
Total	(10,482)	(18,109)	(16,086)	(51,143)	(26,568)	(69,252)

Investing activities of the Water Jetting Sector in H1 2018 include €2,241k associated with the acquisition of equity investments (€67,991k in H1 2017).

Financing activities in H1 2018 include repayments of intercompany loans from the Hydraulic Sector to the Water Jetting Sector totalling €200k (repayment of €4,000k from the Hydraulic Sector to the Water Jetting Sector in H1 2017). The cash flows deriving from the financing activities of the Hydraulic Sector include the payment of dividends to Water Jetting Sector companies totalling €8,100k (€18,500k in H1 2017). Moreover, the cash flows of Water Jetting Sector financing activities in H1 2018 include proceeds from the sale of treasury shares to the beneficiaries of stock options in the amount of €539k (€560k in H1 2017), outlays for the purchase of treasury shares in the amount of €27,469k (no expenditure in H1 2017) and the payment of dividends for €22,526k (€21,276k in H1 2017).

3. Acquisition of investments

GD Hydro Group

As mentioned above, H1 2018 saw the first time consolidation of the GS Hydro Group (Hydraulic Sector), world leader in the design and production of piping systems for the industrial, naval and offshore sectors. The preliminary contract for the acquisition of the GS Hydro Group was signed on 29 December 2017, but the various closing processes took place in early 2018. The GS Hydro Group was acquired from a Finnish bankruptcy procedure that sold 12 direct equity investments (UK, Spain, Austria, Germany, Denmark, Benelux, Poland, Sweden, USA, China, South Korea, Singapore and Brazil) to Interpump Piping GS S.r.l., as well as the manufacturing business of the Finnish parent GS-Hydro Oy, including the trademark, patents and international certifications. The complete list of companies acquired is shown below:

Company	*Head office*	*% stake*	*Sector*
GS Hydro S.A. U.	Las Rozas – Madrid (Spain)	100.00%	Hydraulic
GS Hydro UK Ltd	Sunderland (UK)	100.00%	Hydraulic
GS Hydro Austria GmbH	Pasching (Austria)	100.00%	Hydraulic
GS Hydro System GmbH	Witten (Germany)	100.00%	Hydraulic
GS Hydro do Brasil Sistemas Hydraulics Ltda	Rio de Janeiro (Brazil)	100.00%	Hydraulic
GS Hydro Denmark AbS	Kolding (Denmark)	100.00%	Hydraulic
GS Hydro US, Inc.	Houston (USA)	100.00%	Hydraulic
GS Hydro Benelux B.V.	Barendrecht (Netherlands)	100.00%	Hydraulic
GS Hydro Hong Kong Ltd (1)	Hong Kong	100.00%	Hydraulic
GS Hydro Piping Systems (Shanghai) Co., Ltd (2)	Shanghai (China)	100.00%	Hydraulic
GS Hydro Korea Ltd	Busan (South Korea)	100.00%	Hydraulic
GS Hydro SP Z.o.o.	Gydnia (Poland)	100.00%	Hydraulic
GS Hydro AB	Kista (Sweden)	100.00%	Hydraulic
GS Hydro Singapore PTE Ltd	Singapore	100.00%	Hydraulic

(1) = controlled by GS Hydro Benelux B.V.
(2) = controlled by GS Hydro Hong Kong Ltd

To complete the acquisition of the GS-Hydro Group the closing processes had to be completed for the individual assets acquired; the operations were performed in Q1, in compliance with the various technical-legal regulations in force in each country in which the assets are located, which called for times of a few months. The Interpump Group anyway assumed operating control from the start of 2018, inviting the managers of the various companies to Italy to receive the necessary operating instructions; from that time on, the bankruptcy administrators were no longer involved, having achieved their objective of divesting the assets. As a consequence, the GS Hydro Group was consolidated from 1 January 2018.

The transaction was recognized in accordance with the acquisition method.

Assets and liabilities of the GS Hydro Group were as follows at the time of the first consolidation:

€/000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Cash and cash equivalents	3,374	-	3,374
Trade receivables	9,751	-	9,751
Inventories	10,072	-	10,072
Tax receivables	853	-	853
Other current assets	1,127	-	1,127
Property, plant and equipment	5,000	-	5,000
Other intangible assets	355	-	355
Other financial assets	292	-	292
Deferred tax assets	879	-	879
Other non-current assets	385	-	385
Trade payables	(4,727)	-	(4,727)
Payables to banks	(581)	-	(581)
Leasing payables (current portion)	(46)	-	(46)
Tax payables	(1,042)	-	(1,042)
Other current liabilities	(4,229)	-	(4,229)
Provisions for risks and charges (current portion)	(76)	-	(76)
Leasing payables (medium-/long-term portion)	(188)	-	(188)
Deferred tax liabilities	(194)	-	(194)
Other non-current liabilities	(382)	-	(382)
Net assets acquired	20,623	-	20,623
Negative goodwill related to the acquisition			(11,623)
Total net assets acquired			**9,000**
Total amount paid in cash			9,000
Total acquisition cost (A)			**9,000**
Net liquidity acquired (B)			(2,559)
Total amount paid in cash			9,000
Total change in the net financial position including changes in debt for the acquisition of investments			**6,441**
Capital employed (A) - (B)			**6,441**

The financial statements of the GS Hydro Group's subsidiaries outside the Eurozone were translated using the exchange rates in force on 31 December 2017.

4. Inventories and detail of changes in the inventories allowance

	30/06/2018 €/000	*31/12/2017* €/000
Inventories gross value	376,085	324,549
Allowance for inventories	(35,704)	(32,848)
Inventories	340,381	291,701

Changes in the allowance for inventories were as follows:

	H1 2018 €/000	*Year 2017* €/000
Opening balances	32,848	28,596
Exchange rate difference	32	(914)
Change in consolidation basis	2,422	5,279
Reclassifications	-	(115)
Provisions for the period	1,655	2,423
Drawdowns in the period to cover losses	(1,253)	(2,421)
Release of excess provisions in the period	-	-
Closing balance	35,704	32,848

5. Property, plant and equipment

Purchases and disposals

In H1 2018 Interpump Group acquired assets for €36,347k, of which €5,015k through the acquisition of equity investments (€42,625k in H1 2017, of which €19,475k through the acquisition of equity investments). Assets with a net carrying value of €3,853k (€3,028k in H1 2017) were divested during H1 2018. The divested assets generated a net capital gain of €1,694k (€1,906k in H1 2017).

Contractual commitments

At 30 June 2018 the Group had contractual commitments for the purchase of tangible fixed assets in the amount of €2,605k (€4,292k at 30 June 2017).

6. Shareholders' equity

Share capital

The share capital is composed of 108,879,294 ordinary shares with a unit face value of EUR 0.52 for a total amount of EUR 56,617,232.88. Conversely, share capital recorded in the financial statements amounts to €55,368k, because the nominal value of purchased treasury shares, net of those sold, has been deducted from share capital in compliance with the reference accounting standards. At 30 June 2018 Interpump S.p.A. held 2,401,296 treasury shares in the portfolio corresponding to 2.21% of the capital stock, acquired at an average unit cost of EUR 18.7752.

Treasury shares purchased

The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. In H1 2018 Interpump Group purchased 991,613 treasury shares for €27,469k (the Group did not purchase any treasury shares in H1 2017).

Treasury shares sold
In relation to the exercise of stock option plans, a total of 90,000 options were exercised, resulting in a receipt of €539k (in H1 2017 a total of 360,000 options were exercised for a receipt of €2,115k). Moreover, 62,069 treasury shares were sold versus the acquisition of the residual 33,75% of the investment in SuministrosTecnicos Y Alimentarios S.L. of the Inoxpa Group (in H1 2017 a total of 150,000 treasury shares were sold in payment for equity investments).

Dividends
An ordinary dividend (coupon clipping date of 21 May) of EUR 0.21 per share was distributed on 23 May 2018 (EUR 0.20 in 2017).

7. Financial income and charges

The breakdown for the first half is shown below:

	2018 €/000	2017 €/000
Financial income		
Interest income from liquid funds	223	164
Interest income from other assets	93	23
Foreign exchange gains	5,307	5,904
Earnings from valuation of derivative financial instruments	-	128
Other financial income	8	67
Total financial income	5,631	6,286
Financial charges		
Interest expense on loans	1,519	1,833
Interest expense on put options	308	281
Financial expenses for adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	133	178
Tobin Tax	-	-
Foreign exchange losses	6,517	9,296
Losses from valuation of derivative financial instruments	-	-
Other financial charges	255	63
Total financial charges	8,732	11,651
Total financial charges (income), net	3,101	5,365

The breakdown for Q2 is as follows:

	2018 €/000	2017 €/000
Financial income		
Interest income	118	75
Interest income from other assets	43	7
Foreign exchange gains	2,888	2,856
Earnings from valuation of derivative financial instruments	-	11
Other financial income	7	62
Total financial income	3,056	3,011

	2018 €/000	2017 €/000
Financial charges		
Interest expense on loans	729	982
Interest expense on put options	136	128
Financial expenses for adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	133	178
Tobin Tax	-	-
Foreign exchange losses	2,954	5,861
Losses from valuation of derivative financial instruments	-	-
Other financial charges	157	7
Total financial charges	4,109	7,156
Total financial charges (income), net	1,053	4,145

8. Earnings per share

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

H1	2018	2017
Consolidated net profit for the period attributable to Parent company shareholders (€/000)	93,815	65,624
Average number of shares in circulation	107,274,791	106,797,231
Basic earnings per share for the half year (€)	0.875	0.614

Q2	2018	2017
Consolidated net profit for the period attributable to Parent company shareholders (€/000)	42,429	33,492
Average number of shares in circulation	107,130,677	106,863,655
Basic earnings per share for the quarter (€)	0.396	0.313

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:

H1	2018	2017
Consolidated net profit for the period attributable to Parent company shareholders (€/000)	93,815	65,624
Average number of shares in circulation	107,274,791	106,797,231
Number of potential shares for stock option plans (*)	1,158,580	1,068,321
Average number of shares (diluted)	108,433,371	107,865,552
Earnings per diluted share for the half (€)	0.865	0.608

Q2	2018	2017
Consolidated net profit for the period attributable to Parent company shareholders (€/000)	42,429	33,492
Average number of shares in circulation	107,130,677	106,863,655
Number of potential shares for stock option plans (*)	1,134,148	1,215,299
Average number of shares (diluted)	108,264,825	108,078,954
Earnings per diluted share for the quarter (€)	0.392	0.310

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

9. 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 in the Group's consolidated income statements for H1 2018 and H1 2017 are given below:

	H1 2018					
(€/000)	Total Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Net sales	643,428	1,051	-	791	1,842	0.3%
Cost of sales	402,922	709	-	6,223	6,932	1.7%
Other revenues	9,474	6	-	-	6	0.1%
Distribution costs	58,894	17	-	387	404	0.7%
G&A expenses	67,868	-	-	726	726	1.1%

	H1 2017					
(€/000)	Total Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Net sales	558,751	504	-	433	937	0.2%
Cost of sales	343,842	430	-	5,284	5,714	1.7%
Other revenues	8,113	36	-	6	42	0.5%
Distribution costs	52,558	19	-	463	482	0.9%
G&A expenses	63,099	-	-	731	731	1.2%

The effects on the consolidated balance sheet at 30 June 2018 and 2017 are described below:

	30 June 2018					
(€/000)	Total Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	287,961	2,057	-	1,198	3,255	1.1%
Other financial assets	2,328	202	-	-	202	8.7%
Trade payables	176,776	199	-	1,420	1,619	0.9%

	30 June 2017					
(€/000)	Total Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	250,902	1,259	-	412	1,671	0.7%
Other financial assets	1,775	2	-	-	2	0.1%
Trade payables	141,807	18	-	1,202	1,220	0.9%

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€/000)	Receivables		Revenues	
	30/06/2018	30/06/2017	2018	2017
Interpump Hydraulics Perù	1,023	938	185	184
Interpump Hydraulics Russia	496	-	541	-
General Pump China Inc.	317	315	331	356
FGA S.r.l.	221	-	-	-
Ecoflow Fluids Ecologics SL	-	6	-	-
Total subsidiaries	*2,057*	*1,259*	*1,057*	*540*

(€/000)	Payables		Costs	
	30/06/2018	30/06/2017	2018	2017
FGA S.r.l.	136	-	305	-
General Pump China Inc.	62	18	333	363
Innovativ Gummi Tech S.r.l.	1	-	1	-
Interpump Hydraulics Perù	-	-	87	86
Total subsidiaries	*199*	*18*	*726*	*449*

(€/000)	Loans		Financial income	
	30/06/2018	30/06/2017	2018	2017
FGA S.r.l.	200	-	-	-
Inoxpa Poland Sp ZOO	2	2	-	-
Total subsidiaries	*202*	*2*	*-*	*-*

Relations with associates
The Group does not hold investments in associated companies.

Transactions with other related parties

Transactions with other related parties concern the leasing of facilities owned by companies controlled by current shareholders and directors of Group companies for the amount of €2,449k (€2,355k in H1 2017), and consultancy services provided by entities connected with directors and statutory auditors of the Parent company for a total of €61k (€202k in H1 2017). Costs for rentals were recorded under the cost of sales in the amount of €1,763k (€1,663k in H1 2017), under distribution costs in the amount of €193k (€338k in H1 2017) and under general and administrative expenses in the amount of €493k (€354k in H1 2017). Consultancy costs were allocated to distribution costs in the amount of €51k (€30k allocated to distribution costs in H1 2017) and to general and administrative expenses in the amount of €10k (€172k in H1 2017). Revenues from sales at 30 June 2018 included revenues from sales to companies by Group shareholders or directors in the amount of €791k (€433k at 30 June 2017). In addition, the cost of sales includes purchases made from companies controlled by minority shareholders or directors of Group companies for €4,190k (€3,326k in H1 2017).

Moreover, further to the signing of building rental contracts with other related parties, at 30 June 2018 the Group had commitments of €9,326k (€14,394k at 30 June 2017).

10. 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 in existence at 31 December 2017.

Attestation of the condensed interim financial statements pursuant to art. 154 bis of Decree 58/98

1. The undersigned, Fulvio Montipò and Carlo Banci, respectively Chief Executive Officer and Chief Reporting Officer of Interpump Group S.p.A., taking account also of the provisions of art. 154-bis, subsections 3 and 4, of Decree no. 58 of 24 February 1998, hereby attest to:

- the adequacy in relation to the characteristics of the business, and
- the effective application

of the administrative and accounting procedures for the formation of the condensed interim financial statements in H1 2018.

2. It is also confirmed that:

2.1 the interim consolidated financial statements of Interpump Group S.p.A. and its subsidiaries for the period ending 30 June 2018, which show consolidated total assets of €1,619,932k, consolidated net profit of €94,259k and consolidated shareholders′ equity of €812,899k:

- were prepared in compliance with the international accounting standards approved by the European Commission further to the enforcement of regulation (CE) no. 1606/2002 of the European Parliament and Council of 19 July 2002, and, in particular, with *IAS 34 - Interim Financial Reporting*, and the provisions issued in implementation of art. 9 of Italian legislative decree no. 38/2005;
- correspond to the results of the company books and accounting entries;
- are capable of providing a truthful and fair representation of the equity, economic and financial situation of the issuer and the group of companies included in the scope of consolidation;

2.2 the interim board of directors' report on operations contains references to the key events that occurred in H1 and their influence on the condensed interim financial statements, together with a description of the main risks and uncertainties relating to the remaining months of the year and information on significant transactions conducted with related parties

Sant′Ilario d′Enza (RE), 3 August 2018

Chairman and Chief Executive Officer	Chief Reporting Officer
Fulvio Montipò	Carlo Banci

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Interpump Group S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statements, the comprehensive consolidated income statements, the statement of changes in consolidated shareholders' equity and the consolidated cash flows statements and the related notes of Interpump Group S.p.A. and its subsidiaries (the "Interpump Group") as of June 30, 2018. The Directors of Interpump Group S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Interpump Group as of June 30, 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, August 3, 2018

EY S.p.A.
Signed by: Marco Mignani, Partner

This report has been translated into the English language solely for the convenience of international readers

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