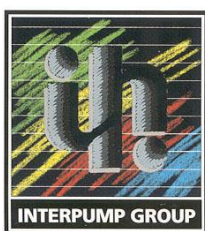


Interim Board of Directors' Report Q3 2020



Interpump Group S.p.A. and subsidiaries

Contents

	Page
Composition of corporate bodies	5
Interpump Group Organisation Chart at 30 September 2020	7
Interim Board of Directors' Report:	
- Directors' remarks on performance in 9M 2020	11
- Directors' remarks on performance in Q3 2020	21
Financial statements and notes	27

This document can be accessed on the Internet at:

www.interpumpgroup.it

Interpump Group S.p.A.

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

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

Reggio Emilia Companies Register - Tax Code 11666900151

Board of Directors

Fulvio Montipò
Chairman and Chief Executive Officer

Giovanni Tamburi (b)
Deputy Chairman

Victor Gottardi
Executive Director

Fabio Marasi
Executive Director

Angelo Busani (a) (c)
Independent Director

Antonia Di Bella
Independent Director

Marcello Margotto (b)
Independent Director
Lead Independent Director

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

Stefania Petruccioli
Independent Director

Paola Tagliavini (a), (c)
Independent Director

Board of Statutory Auditors

Anna Maria Allievi
Chairman

Roberta De Simone
Statutory Auditor

Mario Tagliaferri
Statutory Auditor

Independent Auditors

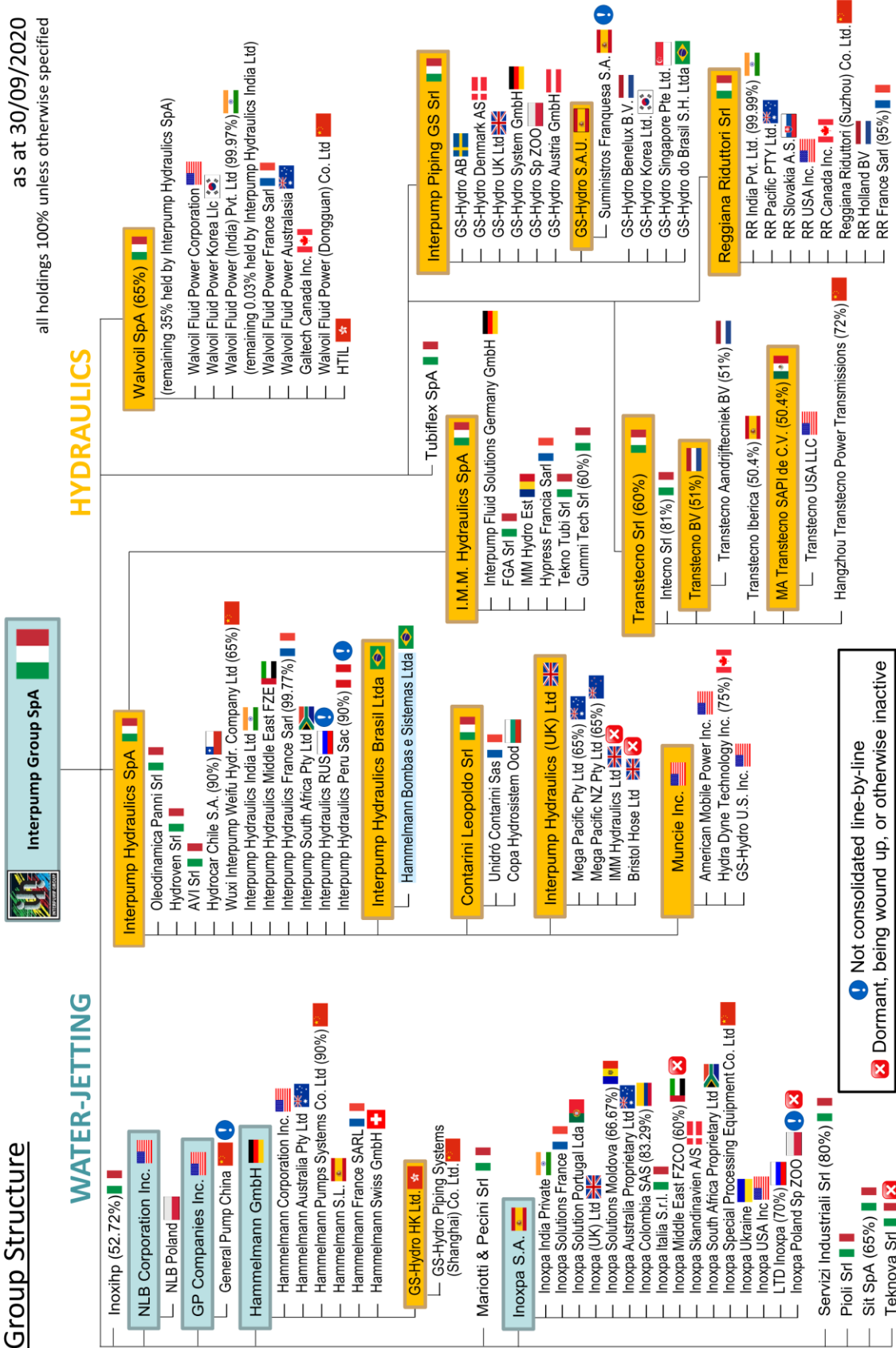
EY S.p.A.

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

Group Structure

as at 30/09/2020

all holdings 100% unless otherwise specified



⚠ Not consolidated line-by-line
 ⚠ Dormant, being wound up, or otherwise inactive

Interim Board of Directors' Report

**Directors' remarks on performance
in 9M 2020**

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 historical data and measured in compliance with the matters established by the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by Consob with communication no. 92543 of 3 December 2015. These 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, writedowns 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 area (also called the "cost of sales" method). This form is deemed to be more representative than its "type of expense" counterpart, which is nevertheless included in the notes to the Annual Financial Report. The chosen form, in fact, complies with the internal reporting and business management methods.

The cash flow statement was prepared using the indirect method.

9M consolidated income statement

(€/000)	2020	2019
Net sales	954,237	1,026,133
Cost of sales	(611,700)	(648,922)
Gross industrial margin	342,537	377,211
<i>% on net sales</i>	<i>35.9%</i>	<i>36.8%</i>
Other operating revenues	13,255	14,492
Distribution costs	(84,970)	(91,563)
General and administrative expenses	(110,819)	(107,111)
Other operating costs	(11,519)	(3,965)
EBIT	148,484	189,064
<i>% on net sales</i>	<i>15.6%</i>	<i>18.4%</i>
Financial income	9,164	9,356
Financial charges	(17,253)	(10,941)
Equity method contribution	155	23
Profit for the period before taxes	140,550	187,502
Income taxes	(37,543)	(51,993)
Consolidated net profit for the period	103,007	135,509
<i>% on net sales</i>	<i>10.8%</i>	<i>13.2%</i>
Pertaining to:		
Parent company's shareholders	101,443	134,575
Subsidiaries' minority shareholders	1,564	934
Consolidated profit for the period	103,007	135,509
EBITDA	215,254	240,285
<i>% on net sales</i>	<i>22.6%</i>	<i>23.4%</i>
Shareholders' equity	1,109,385	951,992
Net debt	310,676	382,895
Payables for the acquisition of investments	58,021	40,376
Capital employed	1,478,082	1,375,263
Unannualized ROCE	10.0%	13.7%
Unannualized ROE	9.3%	14.2%
Basic earnings per share	0.946	1.280

EVENTS OCCURRING IN 9M 2020

The COVID-19 pandemic broke out during 9M 2020, with major effects on all world economies. Many businesses were shut down by the governmental authorities and, as a consequence, the Interpump Group also had to close several plants. Those businesses that remained open continued at a slower pace, both to ensure maximum compliance with the safety instructions and due to the shutdown, in turn, of their principal clients and vendors. The pandemic originated in China, where activities were essentially shut down for the entire first quarter of the year. In the Rest of the World, the months of March and especially April were worst hit, with major suspensions of activities in almost every country in which the Group is active. The timing of the restart varied, depending on the country concerned. At this time, activities are striving for a return to normality, but have not yet reached pre-COVID levels.

Given these serious economic conditions, the Interpump Group has achieved highly satisfactory results due to careful monitoring of each business and an ability to react appropriately to events.

Sales amounted to €954.2m, down by 7.0% with respect to 9M 2019. Analysis by business sector shows that sales in the Hydraulic Sector declined by 5.3% with respect to 9M 2019, while those in the Water Jetting Sector were 10.3% lower.

Compared with 9M 2019, the consolidation now includes the Reggiana Riduttori Group, acquired in October 2019, and the Transtecno Group, acquired in January 2020, both in the Hydraulic Sector. Hydra Dyne (also in the Hydraulic Sector), acquired on 1 March 2019 and only consolidated for seven of the first nine months of 2019, has been consolidated for the entire period in 2020. In the Water Jetting Sector, Pioli has been consolidated for nine months in 2020, but was only consolidated for six months in 2019 since it joined the Group on 1 April 2019. In addition, Servizi Industriali (Water Jetting Sector), acquired in July 2020, has been consolidated for three months in 2020.

EBITDA was €215.3m, equivalent to 22.6% of sales. In 9M 2019 EBITDA amounted to €240.3m (23.4% of sales).

The free cash flow generated during 9M 2020 was essentially double that reported in the first nine months of 2019, reaching €148.6m (€76.0m in 9M 2019).

Net profit totalled €103.0m in 9M 2020 (€135.5m in 9M 2019).

On 14 January 2020, Interpump Group completed the acquisition of the Transtecno Group, which operates in the design, production and commercialization of gears and ratiomotors. This company based in Anzola Emilia (Bologna) has branches in China, the Netherlands, Spain, the USA and Mexico. Transtecno makes a medium-low power range of products that are used in a multitude of sectors, with specific lines designed for poultry farming, car wash systems and renewable energy (biomass boilers and solar panels). The modular design approach facilitates the optimization of distribution, reducing the need for burdensome inventories and simplifying the work of distributors. Transtecno generated consolidated sales of €48.8m in 2019, with an EBITDA of €8.9m. The net financial position (NFP) amounted to €2.4m of net cash. These results make Transtecno, together with Reggiana Riduttori, one of the most profitable and solid in the Italian gear industry. The price for the acquisition of this 60% interest was €22m plus 488,533 Interpump shares already owned by the Group. Put and call options, exercisable in two and four years, were agreed in relation to the remaining 40% interest.

On 21 July 2020, Interpump Group acquired 80% of Servizi Industriali S.r.l., a company based in Ozzano Emilia (Bologna) that is active in the design, production and commercialisation of centrifugal separators under the Macfuge brand name. The Macfuge systems are used for separation and the clarification of fluids. These processes increase the purity of fluids in the food processing, chemicals, pharmaceuticals and energy sectors. They allow the proper recycling and disposal of waste products generated by numerous industries, thus improving their environmental impact; additionally, they are essential to the production of biofuels. The company generated sales of €7.7m in 2019, up by 40% with respect to the prior year, with an EBITDA margin of about 22%. The price agreed, inclusive of cash totalling €0.5m, was €4m.

NET SALES

Net sales totalled €954.2m in 9M 2020, down by 7.0% with respect to sales in the equivalent period of 2019, when net sales were €1,026.1m (-17.2% at unchanged perimeter, -16.2% also net of exchange differences).

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

(€/000)	<u>Italy</u>	<u>Rest of Europe</u>	<u>North America</u>	<u>Far East and Oceania</u>	<u>Rest of the World</u>	<u>Total</u>
<i>9M 2020</i>						
Hydraulic Sector	118,689	229,474	161,053	82,686	52,983	644,885
Water Jetting Sector	<u>26,238</u>	<u>114,229</u>	<u>98,201</u>	<u>43,804</u>	<u>26,880</u>	<u>309,352</u>
Total	<u>144,927</u>	<u>343,703</u>	<u>259,254</u>	<u>126,490</u>	<u>79,863</u>	<u>954,237</u>
<i>9M 2019</i>						
Hydraulic Sector	137,819	245,069	168,701	63,170	66,472	681,231
Water Jetting Sector	<u>30,990</u>	<u>128,143</u>	<u>110,518</u>	<u>46,772</u>	<u>28,479</u>	<u>344,902</u>
Total	<u>168,809</u>	<u>373,212</u>	<u>279,219</u>	<u>109,942</u>	<u>94,951</u>	<u>1,026,133</u>
2020/2019 percentage changes						
Hydraulic Sector	-13.9%	-6.4%	-4.5%	+30.9%	-20.3%	-5.3%
Water Jetting Sector	-15.3%	-7.7%	-12.4%	-6.3%	-14.0%	-10.3%
Total	-14.1%	-6.8%	-7.7%	+15.1%	-18.3%	-7.0%
2020/2019 at unchanged perimeter (%)						
Hydraulic Sector	-24.4%	-20.3%	-19.2%	-5.8%	-28.9%	-20.3%
Water Jetting Sector	-17.7%	-8.5%	-12.6%	-6.5%	-14.5%	-10.9%
Total	-23.2%	-16.3%	-16.6%	-6.1%	-24.3%	-17.2%

PROFITABILITY

The cost of sales accounted for 64.1% of turnover (63.2% in 9M 2019). Production costs, which totalled €243.7m (€269.0m in 9M 2019, which however did not include the costs of the Reggiana Riduttori Group, the Transtecno Group, 2 months of Hydra Dyne or 3 months of Pioli and Servizi Industriali), accounted for 25.5% of sales (26.2% in the equivalent period of 2019). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €368.0m (€379.9m in the equivalent period of 2019, which however did not include the costs of the Reggiana Riduttori Group, the Transtecno Group, 2 months of Hydra Dyne or 3 months of Pioli and Servizi Industriali). The incidence of purchase costs, including changes in inventories, was 38.6% compared to 37.0% in 9M 2019.

At unchanged perimeter, distribution costs fell by 16.1% with respect to 9M 2019 (-15.0% also net of exchange differences), while the associated incidence on sales was essentially unchanged.

General and administrative expenses fell by 7.3% at unchanged perimeter with respect to 9M 2019 (-6.6% also net of exchange differences), while their incidence on sales rose by 1.3 percentage points.

Payroll costs totaled €229.1m (€237.1m in 9M 2019, which however did not include the costs of the Reggiana Riduttori Group, the Transtecno Group, 2 months of Hydra Dyne or 3 months of Pioli and Servizi Industriali). At unchanged perimeter, payroll costs amounted to €211.1m, down

by 11.0% due largely to a 10.2% reduction in per capita cost, mainly reflecting the recourse made to various social buffers and a reduction in the average headcount by 61 employees. The average total number of Group employees in 9M 2020 was 7,418 (6,778 at unchanged perimeter) compared to 6,839 in 9M 2019. The decrease in average headcount in 9M 2020, net of the personnel of the newly acquired companies, breaks down as follows: minus 59 in Europe, minus 40 in the US and plus 38 in the Rest of the World

EBITDA totalled €215.3m (22.6% of sales) compared to €240.3m in 9M 2019, which accounted for 23.4% of sales. EBITDA accounted for 22.8% of sales at unchanged perimeter. The following table shows EBITDA by business sector:

	<i>9M 2020</i>	<i>% on total</i>	<i>9M 2019</i>	<i>% on total</i>	<i>Increase/ Decrease</i>
	<u>€/000</u>	<u>sales*</u>	<u>€/000</u>	<u>sales*</u>	
Hydraulic Sector	132,885	20.6%	144,598	21.2%	-8.1%
Water Jetting Sector	<u>82,369</u>	26.5%	<u>95,687</u>	27.6%	-13.9%
Total	<u>215,254</u>	22.6%	<u>240,285</u>	23.4%	-10.4%

* = Total sales include those to other Group companies in the other sector, while the sales analysed 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 €148.5m (15.6% of sales) compared to €189.1m in 9M 2019 (18.4% of sales).

The tax rate for the period was 26.7% (27.7% in 9M 2019).

Net profit totalled €103.0m in 9M 2020 (€135.5m in 9M 2019). Basic earnings per share rose from EUR 1.280 in 9M 2019 to EUR 0.946 in 9M 2020.

Capital employed eased from €1,480.2m at 31 December 2019 to €1,478.1m at 30 September 2020, principally due to the reduction of working capital, as offset by the acquisition of the Transtecno Group. Unannualized ROCE was 10.0% (13.7% in 9M 2019). Unannualized ROE was 9.3% (14.2% in 9M 2019).

CASH FLOW

The change in net financial indebtedness breaks down as follows:

	<i>9M 2020</i>	<i>9M 2019</i>
	<i>€/000</i>	<i>€/000</i>
Opening net financial position	(370,814)	(287,339)
Adjustment: effect of IFRS 16 on the initial net financial position	-	(68,623)
Adjustment: opening net cash position of companies not consolidated line by line at the end of the prior year	<u>(2,223)</u>	<u>-</u>
Adjusted opening net financial position	(373,037)	(355,962)
Cash flow from operations	182,531	195,262
Principal portion of leasing installments paid (IFRS 16)	(13,764)	(11,467)
Cash flow generated (absorbed) by the management of commercial working capital	30,003	(65,998)
Cash flow generated (absorbed) by other current assets and liabilities	(6,102)	12,281
Investment in tangible fixed assets	(44,052)	(54,305)
Proceeds from the sale of tangible fixed assets	1,198	1,155
Investment in other intangible assets	(2,876)	(1,974)
Received financial income	829	706
Other	<u>855</u>	<u>337</u>
Free cash flow	148,622	75,997
Acquisition of investments, including received debt and net of treasury stock assigned	(48,359)	(30,192)
Dividends paid	(28,185)	(23,752)
Outlays for the purchase of treasury shares	(31,847)	(48,764)
Proceeds from the sale of treasury shares to beneficiaries of stock options	14,278	3,436
Principal portion of leasing installments paid (IFRS 16)	13,764	11,467
Principal portion of new leasing contracts arranged (IFRS 16)	(7,677)	(14,806)
Remeasurement and early close-out of leasing contracts (IFRS 16)	1,862	257
Loans (granted)/repaid to/by non-consolidated subsidiaries	-	(384)
Change in other financial assets	<u>21</u>	<u>(48)</u>
Net cash generated (used)	62,479	(26,789)
Exchange differences	<u>(118)</u>	<u>(144)</u>
Closing net financial position	<u>(310,676)</u>	<u>(382,895)</u>

Net liquidity generated by operations totalled €182.5m (€195.3m in 9M 2019). Free cash flow was essentially double at €148.6m (€76.0m in 9M 2019).

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

	30/09/2020	31/12/2019	30/09/2019	01/01/2019
	€/000	€/000	€/000	€/000
Cash and cash equivalents	290,254	233,784	145,744	118,140
Bank payables (advances and STC amounts)	(11,280)	(22,076)	(19,447)	(21,404)
Interest-bearing financial payables (current portion)	(166,807)	(195,110)	(174,870)	(151,917)
Interest-bearing financial payables (non-current portion)	<u>(422,843)</u>	<u>(387,412)</u>	<u>(334,322)</u>	<u>(232,158)</u>
Total	<u>(310,676)</u>	<u>(370,814)</u>	<u>(382,895)</u>	<u>(287,339)</u>

The Group also has contractual commitments for the acquisition of residual interests in subsidiaries totalling €58.1m (€54.3m at 31 December 2019 and €40.4m at 30 September 2019). Of this amount, €3.5m relates to the acquisition of equity investments (€19.5m at 31 December 2019), while €54.6m relates to contractual agreements for the acquisition of residual interests in subsidiaries (€34.8m at 31 December 2019).

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totalled €59.8m, of which €14.2m through the acquisition of equity investments (€81.1m in 9M 2019, of which €7.6m through the acquisition of equity investments). The additions during the period are analysed in the following table.

€/000	<u>9M 2020</u>	<u>9M 2019</u>
Increases for the purchase of fixed assets		
used in the production process	34,370	54,285
Increases for machinery rented to customers	3,566	4,450
Leased assets	<u>7,677</u>	<u>14,806</u>
Capex	45,613	73,541
Increases through the acquisition of equity investments	<u>14,210</u>	<u>7,599</u>
Total increases in the period	<u>59,823</u>	<u>81,140</u>

The increases in 2020 include €10.1m invested in land and buildings (€18.7m in 9M 2019).

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

Increases in intangible assets totalled €18.6m, of which €15.6m through the acquisition of equity investments (€4.2m in 9M 2019, including €2.3m via the acquisition of equity investments). The increase in 2020 includes the fair value of the trademarks obtained by acquiring the Reggiana Riduttori Group and the Transtecno Group, €15.2m, while the remainder mainly relates to investment in new product development. The value of the Reggiana Riduttori trademark has been recognised in 2020, as the information needed for its measurement was not available in 2019, when that Group was acquired; as a consequence, the related PPA has been revised.

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 September 2020.

CHANGES IN GROUP STRUCTURE IN 9M 2020

As stated above, control over the Transtecno Group was acquired on 14 January 2020.

On 15 April, with legal effect from 1 May, Tecnoholding S.r.l. absorbed Transtecno S.r.l., Exportecno S.r.l. and Datatecno S.r.l. and changed its name to Transtecno S.r.l.

Fluinox was absorbed by Inoxpa SAU with effect from 1 June 2020.

Pursuant to earlier contractual agreements, the residual 40% interest in Mariotti & Pecini S.r.l. was acquired on 2 July 2020 for €5.2m; accordingly, that company is now wholly owned.

On 14 July, Interpump Group S.p.A. acquired Suministros Franquesa S.A., based in Lleida, Spain, via GS-Hydro Spain S.A. Suministros Franquesa is an important, dynamic and young business that assembles and distributes hoses, fittings and other hydraulic components for agricultural, mobile and industrial applications, making both direct and on-line sales. Sales in 2019 amounted to about €2m, with an EBITDA margin of 12% and a neutral net financial position. The price paid for the 100% interest was €0.7m. This highly synergistic acquisition strengthens the presence of Interpump in the strategic Iberian market, adding a location in Catalonia for GS-Hydro and further strengthening the market penetration of Group brands.

RR Brasil Redutores Ltda was absorbed by Interpump Hydraulics Brasil Ltda. with effect from 1 August 2020.

EVENTS OCCURRING AFTER THE CLOSE OF 9M 2020

No atypical or unusual transactions have been carried out subsequent to 30 September 2020 that would call for changes to the consolidated financial statements at 30 September 2020.

On 9 November 2020, Interpump Group signed a binding agreement to purchase DZ Trasmissioni S.r.l., a manufacturer of right-angle gear drives based in Zola Predosa (Bologna). With a complete range and the ability to design custom solutions, DZ Trasmissioni products satisfy the demand for right-angle gear drives reaching 3,000 rpm and delivering up to 15kW of power.

The 2019 sales of the company amounted to €5.5m, with a normalized EBITDA in excess of 25% of sales. The transaction, which should be completed during January 2021 after a number of corporate reorganization activities, involves the acquisition of 100% of the company. The price, to be determined with reference to the financial position at year end, will reflect the agreed enterprise value of €5.8m. Payment will be made by assigning 75,000 Interpump shares already held as treasury stock and valued at the official market price on the day prior to the date of the closing, with the difference settled in cash.

**Directors' remarks on performance
in Q3 2020**

Q3 consolidated income statement

(€/000)	2020	2019
Net sales	314,701	322,930
Cost of sales	(200,050)	(202,335)
Gross industrial margin	114,651	120,595
<i>% on net sales</i>	36.4%	37.3%
Other operating revenues	4,391	4,368
Distribution costs	(26,169)	(28,716)
General and administrative expenses	(35,087)	(34,659)
Other operating costs	(1,269)	(805)
EBIT	56,517	60,783
<i>% on net sales</i>	18.0%	18.8%
Financial income	2,300	3,196
Financial charges	(5,341)	(3,779)
Equity method contribution	42	26
Profit for the period before taxes	53,518	60,226
Income taxes	(13,979)	(16,930)
Consolidated profit for the period	39,539	43,296
<i>% on net sales</i>	12.6%	13.4%
Pertaining to:		
Parent company's shareholders	38,926	43,064
Subsidiaries' minority shareholders	613	232
Consolidated profit for the period	39,539	43,296
EBITDA	76,004	78,109
<i>% on net sales</i>	24.2%	24.2%
Shareholders' equity	1,109,385	951,992
Net debt	310,676	382,895
Payables for the acquisition of investments	58,021	40,376
Capital employed	1,478,082	1,375,263
Unannualized ROCE	3.8%	4.4%
Unannualized ROE	3.6%	4.5%
Basic earnings per share	0.363	0.411

The scope of consolidation in Q3 2020 includes the Reggiana Riduttori Group, the Transtecno Group and Servizi Industriali, which were not present in Q3 2019.

NET SALES

Net sales in Q3 2020 totalled €314.7m, down by 2.5% on the €322.9m of Q3 2019 (-13.6 % at unchanged perimeter and -10.8% also net of exchange differences).

Net sales in Q3 are shown in the following breakdown by business sector and geographical area:

(€/000)	<u>Italy</u>	<u>Rest of Europe</u>	<u>North America</u>	<u>Far East and Oceania</u>	<u>Rest of the World</u>	<u>Total</u>
<i>Q3 2020</i>						
Hydraulic Sector	38,836	74,948	49,958	30,238	21,293	215,273
Water Jetting Sector	<u>8,085</u>	<u>38,943</u>	<u>30,866</u>	<u>14,832</u>	<u>6,702</u>	<u>99,428</u>
Total	<u>46,921</u>	<u>113,891</u>	<u>80,824</u>	<u>45,070</u>	<u>27,995</u>	<u>314,701</u>
<i>Q3 2019</i>						
Hydraulic Sector	39,320	72,772	56,366	19,408	18,962	206,828
Water Jetting Sector	<u>9,901</u>	<u>42,422</u>	<u>36,168</u>	<u>18,955</u>	<u>8,656</u>	<u>116,102</u>
Total	<u>49,221</u>	<u>115,194</u>	<u>92,534</u>	<u>38,363</u>	<u>27,618</u>	<u>322,930</u>
2020/2019 percentage changes						
Hydraulic Sector	-1.2%	+3.0%	-11.4%	+55.8%	+12.3%	+4.1%
Water Jetting Sector	-18.3%	+2.5%	-18.4%	-21.8%	-41.4%	-14.4%
Total	-4.7%	+2.8%	-14.2%	+17.5%	-7.9%	-2.5%
2020/2019 at unchanged perimeter (%)						
Hydraulic Sector	-12.1%	-12.8%	-22.1%	+6.8%	-1.2%	-12.3%
Water Jetting Sector	-21.7%	-0.3%	-18.7%	-22.0%	-42.6%	-15.9%
Total	-14.0%	-8.5%	-20.7%	-7.5%	-16.8%	-13.6%

PROFITABILITY

The cost of sales accounted for 63.6% of turnover (62.7% in Q3 2019). Production costs totalled €78.7m (€83.4m in Q3 2019, which however did not include the production costs of the Reggiana Riduttori Group, the Transtecno Group or Servizi Industriali) and accounted for 25.0% of sales (25.8% in the equivalent period of 2019). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €121.4m (€119.0m in the equivalent period of 2019, which however did not include the costs of the Reggiana Riduttori Group, the Transtecno Group or Servizi Industriali). The incidence of purchase costs, including changes in inventories, was 38.6% with respect to 36.8% in Q3 2019.

Distribution costs were 18.2% lower at unchanged perimeter (-15.2% also net of exchange differences) with respect to Q3 2019, with an incidence on sales that fell by 0.5 percentage points.

Again, at unchanged perimeter, general and administrative expenses fell by 10.0% (-7.6% also net of exchange differences) with respect to Q3 2019, while their incidence on sales increased by 0.5 percentage point.

EBITDA totaled €76.0m (24.2% of sales) compared to €78.1m in Q3 2019, which also represented 24.2% of sales. EBITDA accounted for 24.5% of sales at unchanged perimeter.

The following table shows EBITDA by business sector:

	<i>Q3 2020</i>	<i>% on total</i>	<i>Q3 2019</i>	<i>% on total</i>	<i>Increase/ Decrease</i>
	<i>€/000</i>	<i>sales*</i>	<i>€/000</i>	<i>sales*</i>	
Hydraulic Sector	46,775	21.7%	43,168	20.9%	+8.4%
Water Jetting Sector	<u>29,229</u>	29.2%	<u>34,941</u>	30.0%	-16.3%
Total	<u>76,004</u>	24.2%	<u>78,109</u>	24.2%	-2.7%

* = Total sales include those to other Group companies in the other sector, while the sales analysed 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 €56.5m (18.0% of sales) compared to €60.8m in Q3 2019 (18.8% of sales).

Q3 closed with a consolidated net profit of €39.6m (€43.3m in Q3 2019).

Basic earnings per share were EUR 0.363, compared to EUR 0.411 in Q3 2019.

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 consequent to COVID-19, it is impractical to formulate reliable forecasts for Q4 2020. The Group will continue to devote special attention to controlling costs and to finance management in order to maximise the generation of free cash flow for allocation to internal and external growth and remuneration of the shareholders.

Sant'Ilario d'Enza (RE), 10 November 2020

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

Pursuant to the terms of art. 154-(2), para. 2, of the Italian Consolidated Finance Act, the executive in charge of preparing the company's accounting documents, Carlo Banci, declares that the accounting disclosures in this document correspond to the documentary evidence, the company books and the accounting entries.

Sant'Ilario d'Enza (RE), 10 November 2020

Carlo Banci
Executive in charge of preparing
the company's accounting documents

Financial statements and notes

Consolidated statement of financial position

(€/000)	<u>Notes</u>	<u>30/09/2020</u>	<u>31/12/2019</u>
ASSETS			
Current assets			
Cash and cash equivalents		290,254	233,784
Trade receivables		256,500	284,842
Inventories	4	393,193	408,443
Tax receivables		19,969	24,337
Other current assets		<u>12,603</u>	<u>9,077</u>
Total current assets		<u>972,519</u>	<u>960,483</u>
Non-current assets			
Property, plant and equipment	5	478,674	484,358
Goodwill	1	541,654	508,670
Other intangible assets		44,483	32,527
Other financial assets		2,224	4,226
Tax receivables		902	1,590
Deferred tax assets		34,762	34,679
Other non-current assets		<u>2,159</u>	<u>2,150</u>
Total non-current assets		<u>1,104,858</u>	<u>1,068,200</u>
Total assets		<u>2,077,377</u>	<u>2,028,683</u>

(€/000)	<u>Notes</u>	<u>30/09/2020</u>	<u>31/12/2019</u>
LIABILITIES			
Current liabilities			
Trade payables		133,164	157,413
Bank payables		11,280	22,076
Interest-bearing financial payables (current portion)		166,807	195,110
Tax payables		20,865	14,965
Other current liabilities		72,366	90,230
Provisions for risks and charges		4,403	4,055
Total current liabilities		<u>408,885</u>	<u>483,849</u>
Non-current liabilities			
Interest-bearing financial payables		422,843	387,412
Liabilities for employee benefits		23,161	21,402
Deferred tax liabilities		43,864	42,154
Tax payables		133	125
Other non-current liabilities		58,601	35,610
Provisions for risks and charges		10,505	3,057
Total non-current liabilities		<u>559,107</u>	<u>489,760</u>
Total liabilities		<u>967,992</u>	<u>973,609</u>
SHAREHOLDERS' EQUITY			
	6		
Share capital		55,696	55,460
Legal reserve		11,323	11,323
Share premium reserve		95,438	96,733
Reserve from remeasurement of defined benefit plans		(7,358)	(7,358)
Translation reserve		(15,597)	7,735
Other reserves		959,991	885,446
Group shareholders' equity		<u>1,099,493</u>	<u>1,049,339</u>
Minority interests		9,892	5,735
Total shareholders' equity		<u>1,109,385</u>	<u>1,055,074</u>
Total shareholders' equity and liabilities		<u>2,077,377</u>	<u>2,028,683</u>

9M consolidated income statement

(€/000)	<i>Notes</i>	<u>2020</u>	<u>2019</u>
Net sales		954,237	1,026,133
Cost of sales		(611,700)	(648,922)
Gross industrial margin		342,537	377,211
Other net revenues		13,255	14,492
Distribution costs		(84,970)	(91,563)
General and administrative expenses		(110,819)	(107,111)
Other operating costs		(11,519)	(3,965)
Ordinary profit before financial charges		148,484	189,064
Financial income	7	9,164	9,356
Financial charges	7	(17,253)	(10,941)
Equity method contribution		155	23
Profit for the period before taxes		140,550	187,502
Income taxes		(37,543)	(51,993)
Consolidated profit for the period		103,007	135,509
Pertaining to:			
Parent company's shareholders		101,443	134,575
Subsidiaries' minority shareholders		1,564	934
Consolidated profit for the period		103,007	135,509
Basic earnings per share	8	0.946	1.280
Diluted earnings per share	8	0.943	1.268

9M comprehensive consolidated income statement

(€/000)	<u>2020</u>	<u>2019</u>
9M consolidated profit (A)	103,007	135,509
Other comprehensive profit (loss) that will be subsequently reclassified to consolidated profit		
<i>Profits (Losses) arising from the translation to euro of the financial statements of foreign companies</i>	(23,726)	14,872
<i>Profits (Losses) of companies carried at equity</i>	(81)	20
<i>Related taxes</i>	-	-
Total other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit for the period, net of tax effect (B)	<u>(23,807)</u>	<u>14,892</u>
9M comprehensive consolidated profit (A) + (B)	<u>79,200</u>	<u>150,401</u>
Pertaining to:		
Parent company's shareholders	78,111	149,320
Subsidiaries' minority shareholders	1,089	1,081
Comprehensive consolidated profit for the period	<u>79,200</u>	<u>150,401</u>

Q3 consolidated income statement

(€/000)		<u>2020</u>	<u>2019</u>
Net sales		314,701	322,930
Cost of sales		(200,050)	(202,335)
Gross industrial margin		114,651	120,595
Other net revenues		4,391	4,368
Distribution costs		(26,169)	(28,716)
General and administrative expenses		(35,087)	(34,659)
Other operating costs		(1,269)	(805)
Ordinary profit before financial charges		56,517	60,783
Financial income	7	2,300	3,196
Financial charges	7	(5,341)	(3,779)
Equity method contribution		42	26
Profit for the period before taxes		53,518	60,226
Income taxes		(13,979)	(16,930)
Consolidated net profit for the period		39,539	43,296
Pertaining to:			
Parent company's shareholders		38,926	43,064
Subsidiaries' minority shareholders		613	232
Consolidated profit for the period		39,539	43,296
Basic earnings per share	8	0.363	0.411
Diluted earnings per share	8	0.361	0.407

Q3 comprehensive consolidated income statement

(€/000)	<u>2020</u>	<u>2019</u>
Q3 consolidated profit (A)	39,539	43,296
Other comprehensive profit (loss) that will be subsequently reclassified to consolidated profit		
<i>Profits (Losses) arising from the translation to euro of the financial statements of foreign companies</i>	(14,661)	12,186
<i>Profits (Losses) of companies carried at equity</i>	(19)	2
<i>Related taxes</i>	-	-
Total other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit for the period, net of tax effect (B)	<u>(14,680)</u>	<u>12,188</u>
Q3 comprehensive consolidated profit (A) + (B)	<u>24,859</u>	<u>55,484</u>
Pertaining to:		
Parent company's shareholders	24,424	55,229
Subsidiaries' minority shareholders	435	255
Comprehensive consolidated profit for the period	<u>24,859</u>	<u>55,484</u>

9M consolidated cash flow statement

(€/000)	<u>2020</u>	<u>2019</u>
Cash flow from operating activities		
Pretax profit	140,550	187,502
Adjustments for non-cash items:		
Capital losses (gains) from the sale of fixed assets	(2,018)	(2,028)
Depreciation and amortization	58,364	50,341
Costs recognized in the income statement related to stock options that do not involve monetary outflows for the Group	2,460	1,761
Loss (profit) from equity investments	(155)	(23)
Net change in provisions for risks and employee benefits	7,690	(89)
Outlays for tangible fixed assets destined for hire	(3,566)	(4,450)
Proceeds from the sale of fixed assets granted for hire	4,187	6,702
Financial charges (income), net	8,089	1,585
	215,601	241,301
(Increase) decrease in trade receivables and other current assets	34,058	(9,009)
(Increase) decrease in inventories	17,815	(18,552)
Increase (decrease) in trade payables and other current liabilities	(27,973)	(26,156)
Interest paid	(3,658)	(4,178)
Currency exchange gains	(2,475)	799
Taxes paid	(26,937)	(42,660)
Net cash from operating activities	206,431	141,545
Cash flows from investing activities		
Outlay for the acquisition of equity investments, net of cash received	(39,092)	(26,413)
Capital expenditure on property, plant and equipment	(44,052)	(54,305)
Proceeds from the sale of tangible fixed assets	1,198	1,155
Capital expenditure on intangible assets	(2,876)	(1,974)
Received financial income	829	706
Other	877	217
Net liquidity used in investing activities	(83,116)	(80,614)
Cash flows from financing activities		
Disbursals (repayments) of loans	7,160	49,485
Dividends paid	(28,185)	(23,752)
Outlays for purchase of treasury shares	(31,847)	(48,764)
Proceeds from the sale of treasury shares to beneficiaries of stock options	14,278	3,436
Loans repaid (granted) by/to non-consolidated subsidiaries	-	(384)
Change in other financial assets	21	(48)
Payment of finance leasing instalments (principal portion)	(13,764)	(12,538)
Net liquidity generated (used by) financing activities	(52,337)	(32,565)
Net increase (decrease) in cash and cash equivalents	70,978	28,366

Interim Board of Directors' Report at 30 September 2020 - Interpump Group

(€/000)	2020	2019
Net increase (decrease) in cash and cash equivalents	70,978	28,366
Exchange differences on translation of liquidity of non-EU companies	(3,760)	1,229
Opening cash and equivalents of companies consolidated for the first time using the line-by-line method	48	(34)
Cash and cash equivalents at the beginning of the period	211,708	96,736
Cash and cash equivalents at the end of the period	278,974	126,927

Cash and cash equivalents can be broken down as follows:

	30/09/2020	31/12/2019
	€/000	€/000
Cash and cash equivalents from the statement of financial position	290,254	233,784
Bank payables (current account overdrafts and advances subject to collection)	<u>(11,280)</u>	<u>(22,076)</u>
Cash and cash equivalents from the cash flow statement	<u>278,974</u>	<u>211,708</u>

Statement of changes in consolidated shareholders' equity

	Share capital	Legal reserve	Share premium reserve	Reserve from remeasurement of defined benefit plans	Translation reserve	Other reserves	Group shareholders' equity	Minority interests	Total
<i>Balances at 1 January 2019</i>	54,842	11,323	71,229	(5,965)	3,142	729,373	863,944	4,961	868,905
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	1,761	-	-	-	1,761	-	1,761
Purchase of treasury stock	(945)	-	(47,819)	-	-	-	(48,764)	-	(48,764)
Sale of treasury stock to the beneficiaries of stock options	155	-	3,281	-	-	-	3,436	-	3,436
Dividends paid	-	-	-	-	-	(23,200)	(23,200)	(547)	(23,747)
Comprehensive profit (loss) for 9M 2019	-	-	-	-	14,745	134,575	149,320	1,081	150,401
<i>Balances at 30 September 2019</i>	54,052	11,323	28,452	(5,965)	17,887	840,748	946,497	5,495	951,992
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	824	-	-	-	824	-	824
Sale of treasury stock to the beneficiaries of stock options	16	-	371	-	-	-	387	-	387
Assignment of treasury stock as payment for equity investments	1,976	-	96,731	-	-	-	98,707	-	98,707
Purchase of treasury stock	(584)	-	(29,645)	-	-	-	(30,229)	-	(30,229)
Dividends paid	-	-	-	-	-	-	-	(128)	(128)
Dividends declared attributable to minority interests	-	-	-	-	-	-	-	(99)	(99)
Minority interest in Reggiana Riduttori	-	-	-	-	-	-	-	175	175
Purchase of residual interests in subsidiaries	-	-	-	-	-	103	103	(153)	(50)
Comprehensive profit (loss) for Q4 2019	-	-	-	(1,393)	(10,152)	44,595	33,050	445	33,495
<i>Balances at 31 December 2019</i>	55,460	11,323	96,733	(7,358)	7,735	885,446	1,049,339	5,735	1,055,074
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	2,460	-	-	-	2,460	-	2,460
Purchase of treasury stock	(594)	-	(31,253)	-	-	-	(31,847)	-	(31,847)
Sale of treasury stock to the beneficiaries of stock options	576	-	13,702	-	-	-	14,278	-	14,278
Assignment of treasury stock as payment for equity investments	254	-	13,796	-	-	-	14,050	-	14,050
Minority interest in companies consolidated for the first time	-	-	-	-	-	-	-	4,283	4,283
Dividends paid	-	-	-	-	-	(26,898)	(26,898)	(1,215)	(28,113)
Comprehensive profit (loss) for 9M 2020	-	-	-	-	(23,332)	101,443	78,111	1,089	79,200
<i>Balances at 30 September 2020</i>	55,696	11,323	95,438	(7,358)	(15,597)	959,991	1,099,493	9,892	1,109,385

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, Canada and South Korea.

Sales are not affected by any significant degree of seasonality.

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

The consolidated financial statements at 30 September 2020 were approved by the Board of Directors on this day (10 November 2020).

Basis of preparation

The consolidated financial statements at 30 September 2020 were drawn up in compliance with the 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 option provided by IAS 34, and therefore do not include all the information required for annual financial statements drafted in compliance with IFRS standards. Therefore, the consolidated financial statements at 30 September 2020 should be consulted together with the annual consolidated financial statements for the year ending 31 December 2019.

The accounting principles and criteria adopted in the interim report at 30 September 2020 may conflict with IFRS provisions in force on 31 December 2020 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. The captions of the financial statements that call for more subjective appraisal by the directors when preparing estimates and for which a change in the conditions underlying the assumptions utilised could have a significant effect on the financial statements are: goodwill, amortization and depreciation of fixed assets, deferred tax assets and liabilities, the allowance for doubtful accounts and the allowance for inventories, provisions for risks and charges, defined benefit plans for employees, liabilities for the acquisition of investments included under other liabilities, and also determination of the fair value of the assets and liabilities acquired in the framework of business combinations. Considering the complexities

involved in the measurement of leasing contracts with extension options, not least because of their long-term nature, the first-time adoption of IFRS 16 required significant recourse to professional judgment when determining whether, with reasonable certainty, such extension options would be exercised.

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 prepared using the cost method, with the exception of financial instruments, which are measured at fair value.

Accounting standards

The accounting standards adopted are those described in the consolidated financial statements at 31 December 2019, with the exception of those adopted as from 1 January 2020 as described hereunder, and they were uniformly applied to all Group companies and all periods presented.

a) Accounting standards, amendments and interpretations in force from 1 January 2020 and adopted by the Group

As from 2020 the Group has applied the following new accounting standards, amendments and interpretations, reviewed by IASB:

- *Amendments to IFRS 3 - "Business Combinations"*. IASB published these amendments on 22 October 2018 in order to help determine if a transaction represents the acquisition of a business or a group of activities that does not satisfy the definition of a business pursuant to IFRS 3. Application of the new amendments did not result in adjustments to the financial position of the Group, but could have an impact in future years should the Group carry out any business combinations.
- *Amendments to IAS 1 and IAS 8 - "Definition of Material"*. IASB published these amendments on 31 November 2018 in order to clarify the definition of "material", with a view to helping companies determine if a disclosure should be made in the financial statements. These amendments had no impact on the consolidated financial statements and are not expected to have any effect on the Group in future.
- *Amendments to references to the Conceptual Framework in IFRS Standards*. The IASB published this amendment on 29 March 2018 with the aim of improving both the definitions of "asset" and "liability" and the process for their measurement, elimination and presentation. The document also clarifies a number of important concepts, such as identification of the recipients of financial statements and the objectives they seek to achieve and discusses application of the concepts of prudence and uncertainty when evaluating financial disclosures.
- *Amendment to IFRS 16 Leases Covid 19 – Related rent concessions*. On 28 May 2020 the IASB published an amendment to clarify the circumstances in which a lessee may, as a practical expedient, determine that specific reductions in instalments (as a direct consequence of Covid-19) need not be treated as changes in the payment plan and recognise them accordingly. This amendment is effective from 1 June 2020 (IASB

approval expected by the end of 2020), however lessees have the option to apply it retroactively.

b) *Accounting standards, amendments and interpretations taking effect as from 1 January 2020 but not relevant for the Group*

- *Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.* The IASB published these amendments on 26 September 2019 so that companies can make useful financial disclosures during the period of uncertainty caused by the gradual elimination of certain interest-rate parameters, such as the interbank offered rates (IBORs); they amend certain requirements for the recognition of hedges in order to mitigate potential effects deriving from uncertainties linked to the IBOR reform. The amendments also require companies to make additional disclosures to investors about any hedging relationships that are directly affected by those uncertainties. Application of the new amendment did not result in adjustments to the Group's equity balances.

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

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

These new amendments are applicable from 1 January 2023 (following the IASB decision to defer the application date, which was previously set for 1 January 2022).

- *Amendments to IFRS 3 “Business combinations”, IAS 16 “Property, Plant and Equipment”, IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, Annual Improvements 2018-2020.* On 14 May 2020 the IASB published a series of amendments that clarify and make minor amendments to the following IFRS:
 - IFRS 3: update of references to the IAS Conceptual Framework (no change in the accounting for business combinations);
 - IAS 16: the amendment clarifies that companies cannot deduct proceeds from the sale of assets produced from the cost of tangible fixed assets while they are preparing them for use. Companies must recognise those sales and the related costs separately in the income statement.
 - IAS 37: the amendment clarifies the costs to be included when measuring the losses generated by a contract.

The new amendments will take effect from 1 January 2022.

- *Amendments to IFRS 4 “Insurance Contracts – Deferral of IFRS 9”:* on 25 June 2020 the IASB published an amendment to help companies implement the new standard and

facilitate the disclosure of their financial performance. The new amendment will take effect from 1 January 2021.

Notes to the consolidated financial statements at 30 September 2020

	Page
1. Scope of consolidation and goodwill	43
2. Business sector information	47
3. Acquisition of equity investments	53
4. Inventories and breakdown of changes in the Allowance for inventories	54
5. Property, plant and equipment	54
6. Shareholders' equity	54
7. Financial income and charges	56
8. Earnings per share	57
9. Transactions with related parties	58
10. Disputes, Contingent liabilities and Contingent assets	60

1. Scope of consolidation and goodwill

The scope of consolidation at 30 September 2020 comprises the Parent company and the following subsidiaries:

<u>Company</u>	<u>Head office</u>	<u>Share capital</u> <u>€/000</u>	<u>Sector</u>	<u>% held</u> <u>at 30/09/2020</u>
GP Companies Inc.	Minneapolis (USA)	1,854	Water Jetting	100.00%
Hammelmann GmbH	Oelde (Germany)	25	Water Jetting	100.00%
Hammelmann Australia Pty Ltd (1)	Melbourne (Australia)	472	Water Jetting	100.00%
Hammelmann Corporation Inc (1)	Miamisburg (USA)	39	Water Jetting	100.00%
Hammelmann S. L. (1)	Zaragoza (Spain)	500	Water Jetting	100.00%
Hammelmann Pumps Systems Co Ltd (1)	Tianjin (China)	871	Water Jetting	90.00%
Hammelmann Bombas e Sistemas Ltda (12)	San Paolo (Brazil)	1,515	Water Jetting	100.00%
Hammelmann France S.a.r.l. (1)	Etrichè (France)	50	Water Jetting	100.00%
Hammelmann Swiss GmbH (1)	Dudingén (Switzerland)	89	Water Jetting	100.00%
Inoxihp S.r.l.	Nova Milanese (MI)	119	Water Jetting	52.72%
NLB Corporation Inc.	Detroit (USA)	12	Water Jetting	100.00%
NLB Poland Corp. Sp. Z.o.o. (2)	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%
Inoxpa Solutions France (3)	Gleize (France)	2,071	Water Jetting	100.00%
Improved Solutions Unipessoal Ltda (Portugal)	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 Proprietary 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%
INOXPA LTD (Russia) (3)	Podolsk (Russia)	1,435	Water Jetting	70.00%
Mariotti & Pecini S.r.l.	Sesto Fiorentino (FI)	100	Water Jetting	100.00%
Pioli S.r.l.	Reggio Emilia	10	Water Jetting	100.00%
Servizi Industriali S.r.l.	Ozzano Emilia (BO)	100	Water Jetting	80.00%
SIT S.p.A.	S. Ilario d'Enza (RE)	105	Water Jetting	65.00%
Teknova S.r.l. (in liquidation)	Reggio Emilia	28	Water Jetting	100.00%
Interpump Hydraulics S.p.A.	Calderara di Reno (BO)	2,632	Hydraulic	100.00%
AVI S.r.l. (4)	Varedo (MB)	10	Hydraulic	100.00%
Contarini Leopoldo S.r.l. (4)	Lugo (RA)	47	Hydraulic	100.00%
Unidro Contarini S.a.s. (5)	Barby (France)	8	Hydraulic	100.00%
Copa Hydrosystem Ood (5)	Troyan (Bulgaria)	3	Hydraulic	100.00%
Hydrocar Chile S.A. (4)	Santiago (Chile)	129	Hydraulic	90.00%
Hydroven S.r.l. (4)	Tezze sul Brenta (VI)	200	Hydraulic	100.00%
Interpump Hydraulics Brasil Ltda (4)	Caxia do Sul (Brazil)	15,126	Hydraulic	100.00%
Interpump Hydraulics France S.a.r.l. (4)	Ennery (France)	76	Hydraulic	99.77%
Interpump Hydraulics India Private Ltd (4)	Hosur (India)	682	Hydraulic	100.00%

Interim Board of Directors' Report at 30 September 2020 - Interpump Group

<u>Company</u>	<u>Head office</u>	<u>Share capital</u> <u>€/000</u>	<u>Sector</u>	<u>% held</u> <u>at 30/09/2020</u>
Interpump Hydraulics Middle East FZE (4)	Dubai (UAE)	326	Hydraulic	100.00%
Interpump South Africa Pty Ltd (4)	Johannesburg (South Africa)	-	Hydraulic	100.00%
Interpump Hydraulics (UK) Ltd. (4)	Kidderminster (United Kingdom)	13	Hydraulic	100.00%
Mega Pacific Pty Ltd (6)	Newcastle (Australia)	335	Hydraulic	65.00%
Mega Pacific NZ Pty Ltd (6)	Mount Maunganui (New Zealand)	557	Hydraulic	65.00%
Muncie Power Prod. Inc. (4)	Muncie (USA)	784	Hydraulic	100.00%
American Mobile Power Inc. (7)	Fairmount (USA)	3,410	Hydraulic	100.00%
Hydra Dyne Tech Inc (7)	Ingersoll (Canada)	80	Hydraulic	75.00%
Oleodinamica Panni S.r.l. (4)	Tezze sul Brenta (VI)	2,000	Hydraulic	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (4)	Wuxi (China)	2,095	Hydraulic	65.00%
IMM Hydraulics S.p.A. (4)	Atessa (Switzerland)	520	Hydraulic	100.00%
Hypress France S.a.r.l. (8)	Strasbourg (France)	162	Hydraulic	100.00%
Interpump Fluid Solutions Germany GmbH (8)	Meinerzhagen (Germany)	52	Hydraulic	100.00%
IMM Hydro Est (8)	Catcau Cluj Napoca (Romania)	3,155	Hydraulic	100.00%
FGA S.r.l. (8)	Fossacesia (CH)	10	Hydraulic	100.00%
Innovativ Gummi Tech S.r.l. (8)	Ascoli Piceno (AP)	25	Hydraulic	60.00%
Tekno Tubi S.r.l. (8)	Terre del Reno (FE)	100	Hydraulic	100.00%
Tubiflex S.p.A.	Orbassano (TO)	515	Hydraulic	100.00%
Walvoil S.p.A.	Reggio Emilia	7,692	Hydraulic	100.00%
Walvoil Fluid Power Corp. (9)	Tulsa (USA)	137	Hydraulic	100.00%
Walvoil Fluid Power (India) Pvt. Ltd. (9)	Bangalore (India)	4,803	Hydraulic	100.00%
Walvoil Fluid Power Korea Llc. (9)	Pyeongtaek (South Korea)	453	Hydraulic	100.00%
Walvoil Fluid Power France S.a.r.l. (9)	Vritz (France)	10	Hydraulic	100.00%
Walvoil Fluid Power Australasia (9)	Melbourne (Australia)	7	Hydraulic	100.00%
Galtech Canada Inc. (9)	Terrebonne, Quebec (Canada)	76	Hydraulic	100.00%
HTIL (9)	Hong Kong	98	Hydraulic	100.00%
Walvoil Fluid Power (Dongguan) Co., Ltd (9)	Dongguan (China)	3,720	Hydraulic	100.00%
Reggiana Riduttori S.r.l.	S. Polo d'Enza (RE)	6,000	Hydraulic	100.00%
RR USA Inc. (13)	Boothwyn (USA)	1	Hydraulic	100.00%
RR Canada Inc. (13)	Vaughan (Canada)	1	Hydraulic	100.00%
RR Holland BV (13)	Oosterhout (Netherlands)	19	Hydraulic	100.00%
RR France Sa.r.l.(13)	Thouare sur Loire (France)	400	Hydraulic	95.00%
RR Slovakia A.S. (13)	Zvolen (Slovakia)	340	Hydraulic	100.00%
RR Pacific Pty Ltd (13)	Victoria (Australia)	-	Hydraulic	100.00%
RR India Pvt. Ltd (13)	New Delhi (India)	52	Hydraulic	99.99%
Reggiana Riduttori (Suzhou) Co. Ltd (13)	Suzhou (China)	200	Hydraulic	100.00%
Transtecno S.r.l.	Anzola dell'Emilia (BO)	100	Hydraulic	60.00%
Intecno S.r.l. (14)	Anzola dell'Emilia (BO)	10	Hydraulic	81.00%
Hangzhou Transtecno Power Transmissions Co. Ltd (14)	Hangzhou (China)	575	Hydraulic	72.00%
Transtecno Iberica the Modular Gearmotor S.A. (14)	Gava (Spain)	94	Hydraulic	50.40%
MA Transtecno S.A.P.I. de C.V. (14)	Apodaca (Mexico)	124	Hydraulic	50.40%
Transtecno USA LLC (16)	Miami (USA)	3	Hydraulic	100.00%
Transtecno BV (14)	Amersfoort (Netherlands)	18	Hydraulic	51.00%
Transtecno Aandrijftechniek (Netherlands) (15)	Amersfoort (Netherlands)	-	Hydraulic	51.00%
Interpump Piping GS S.r.l.	Reggio Emilia	10	Hydraulic	100.00%
GS-Hydro Singapore Pte Ltd (10)	Singapore	624	Hydraulic	100.00%
GS-Hydro Korea Ltd. (10)	Busan (South Korea)	1,892	Hydraulic	100.00%

Interim Board of Directors' Report at 30 September 2020 - Interpump Group

<u>Company</u>	<u>Head office</u>	<u>Share capital</u> <u>€/000</u>	<u>Sector</u>	<u>% held</u> <u>at 30/09/2020</u>
GS-Hydro Piping Systems (Shanghai) Co. Ltd. (11)	Shanghai (China)	2,760	Hydraulic	100.00%
GS-Hydro Benelux B.V. (10)	Barendrecht (Netherlands)	18	Hydraulic	100.00%
GS-Hydro Austria GmbH (10)	Pashing (Austria)	40	Hydraulic	100.00%
GS-Hydro Sp Z O O (Poland) (10)	Gdynia (Poland)	1,095	Hydraulic	100.00%
GS-Hydro S.A.U (Spain) (10)	Las Rozas (Spain)	90	Hydraulic	100.00%
GS-Hydro U.S. Inc. (7)	Houston (USA)	9,903	Hydraulic	100.00%
GS-Hydro do Brasil Sistemas Hidraulicos Ltda (10)	Rio de Janeiro (Brazil)	252	Hydraulic	100.00%
GS-Hydro System GmbH (Germany) (10)	Witten (Germany)	179	Hydraulic	100.00%
GS- Hydro UK Ltd (10)	Aberdeen (United Kingdom)	5,095	Hydraulic	100.00%
GS-Hydro Ab (Sweden) (10)	Kista (Sweden)	20	Hydraulic	100.00%
GS-Hydro Hong Kong Ltd (1)	Hong Kong	1	Hydraulic	100.00%
IMM Hydraulics Ltd (dormant) (6)	Kidderminster (United Kingdom)	-	Hydraulic	100.00%
Bristol Hose Ltd (dormant) (6)	Bristol (United Kingdom)	-	Hydraulic	100.00%

(1) = controlled by Hammelmann GmbH

(2) = controlled by NLB Corporation Inc. .

(3) = controlled by Inoxpa S.A.

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

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

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

(7) = controlled by Muncie Power Prod. Inc.

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

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

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

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

(11) = controlled by GS Hydro Hong Kong Ltd

(12) = controlled by Interpump Hydraulics Brasil Ltda

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

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

(15) = controlled by Transtecno B.V.

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

Compared with 9M 2019, the 9M 2020 consolidation includes the Reggiana Riduttori Group and the Transtecno Group, both in the Hydraulic Sector, and three months of Servizi Industriali S.r.l. (Water Jetting Sector), acquired in July 2020. Hydra Dyne (Hydraulic Sector), acquired on 1 March 2019 and only consolidated for seven of the first nine months of 2019, has been consolidated for the entire period in 2020. FGA and Innovativ Gummi Tech (Hydraulic Sector) have also been consolidated on a line-by-line basis from 1 January 2020. They were not consolidated in 2019 due to their insignificance. Lastly, Pioli (Water Jetting Sector), acquired on 1 April 2019 and therefore consolidated for six months in 9M 2019, has been consolidated for the entire period in 2020.

The minority quotaholder of Inoxihp S.r.l. is entitled to dispose of its holdings starting from the approval of the 2025 financial statements up to the 2035 financial statements, on the basis of the average results of the company in the last two financial statements for the years ended before the exercise of the option. Likewise, 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 last financial statements published before exercise of the option. The minority shareholder of Inoxpa Solution Moldova is entitled to dispose of its holdings from October 2020, based on the most recent statement of financial position of that company. The minority shareholder of Hydra Dyne has the right and obligation to dispose of its holdings starting from approval of the 2023 financial statements based on the average of the results for the two years prior to exercise of the option. The minority quotaholder of Transtecno S.r.l. is entitled and required to dispose of its holdings during 2022 or during 2024, on the basis of the results for the year prior to that in which the option is exercised. Furthermore, Interpump Group S.p.A. is required to purchase the residual 20% interest in Servizi Industriali S.r.l., commencing from 2024.

In compliance with the requirements of IFRS 10 and IFRS 3, Inoxihp, Mega Pacific Australia, Mega Pacific New Zealand, Inoxpa Solution Moldova, Hydra Dyne, Transtecno and Servizi Industriali have been consolidated in full, recording a payable representing the estimated present value of the exercise price of the options determined with reference to the business plans of the companies. Any changes in the above payable identified within 12 months of the date of acquisition, as a result of additional or better information, will be recorded as an adjustment of goodwill, while any changes emerging more than 12 months after the date of acquisition will be recognized in the income statement.

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

The changes in goodwill during 9M 2020 were as follows:

<u>Company:</u>	<u>Balance at 31/12/2019</u>	<u>Increases (Decreases) in the period</u>	<u>Changes due to foreign exchange differences</u>	<u>Balance at 30/09/2020</u>
Water Jetting Sector	210,703	2,714	(1,742)	211,675
Hydraulic Sector	<u>297,967</u>	<u>35,834</u>	<u>(3,822)</u>	<u>329,979</u>
<i>Total goodwill</i>	<u>508,670</u>	<u>38,548</u>	<u>(5,564)</u>	<u>541,654</u>

The increases in the Hydraulic Sector during 9M 2020 comprise €41,872k on consolidation of the Transtecno Group and €140k on consolidation of Innovativ Gummi. In addition, with respect to the amounts reported as at 31/12/2019, the PPA for the Reggiana Riduttori Group has been determined more precisely by measuring the brand name. This was not possible at the above date since certain required elements were not available. As a consequence, the carrying amount of goodwill was reduced by €6,186k. The increases in the Water Jetting Sector during 9M 2020 reflect the acquisition of Servizi Industriali.

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 hoses, and also for removing burrs, cutting and removing cement, asphalt, and paint coatings from stone, cement and metal surfaces, and for cutting solid materials. The Sector also includes high pressure homogenizers, mixers, agitators, piston pumps, valves and other machines produced mainly for the food processing industry and also used in the chemicals and cosmetics sectors.

Hydraulic Sector. This sector includes the production and sale of power take-offs, hydraulic cylinders and pumps, directional controls, valves, rotary unions, hydraulic hoses and fittings, gears 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 are employed in a range of applications: earthmoving machinery, agricultural machinery, cranes and truck cranes, waste compactors, etc. The hydraulic hoses and fittings are designed for use in a broad range of hydraulic systems and also for very high-pressure water systems. Gears facilitate the mechanical transmission of energy, with applications in various industrial sectors including agriculture, materials handling, mining, heavy industry, marine & offshore, aerial platforms, forestry and sugar production. The Group also designs and makes piping systems for the industrial, naval and offshore sectors.

Interpump Group business sector information

(Amounts shown in €/000)

Cumulative at 30 September (nine months)

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales external to the Group	644,885	681,231	309,352	344,902			954,237	1,026,133
Sales between sectors	679	588	1,481	1,623	(2,160)	(2,211)	-	-
Total net sales	645,564	681,819	310,833	346,525	(2,160)	(2,211)	954,237	1,026,133
Cost of sales	(441,339)	(463,234)	(172,478)	(187,900)	2,117	2,212	(611,700)	(648,922)
Gross industrial margin	204,225	218,585	138,355	158,625	(43)	1	342,537	377,211
<i>% on net sales</i>	<i>31.6%</i>	<i>32.1%</i>	<i>44.5%</i>	<i>45.8%</i>			<i>35.9%</i>	<i>36.8%</i>
Other net revenues	9,539	10,351	4,207	4,752	(491)	(611)	13,255	14,492
Distribution costs	(50,765)	(51,257)	(34,384)	(40,548)	179	242	(84,970)	(91,563)
General and administrative expenses	(69,964)	(64,802)	(41,210)	(42,677)	355	368	(110,819)	(107,111)
Other operating costs	(7,818)	(3,279)	(3,701)	(686)	-	-	(11,519)	(3,965)
Ordinary profit before financial charges	85,217	109,598	63,267	79,466	-	-	148,484	189,064
<i>% on net sales</i>	<i>13.2%</i>	<i>16.1%</i>	<i>20.4%</i>	<i>22.9%</i>			<i>15.6%</i>	<i>18.4%</i>
Financial income	5,948	4,663	4,294	5,833	(1,078)	(1,140)	9,164	9,356
Financial charges	(12,089)	(6,890)	(6,242)	(5,191)	1,078	1,140	(17,253)	(10,941)
Dividends	-	-	39,700	15,001	(39,700)	(15,001)	-	-
Equity method contribution	87	(54)	68	77	-	-	155	23
Profit for the period before taxes	79,163	107,317	101,087	95,186	(39,700)	(15,001)	140,550	187,502
Income taxes	(23,042)	(30,185)	(14,501)	(21,808)	-	-	(37,543)	(51,993)
Consolidated profit for the period	56,121	77,132	86,586	73,378	(39,700)	(15,001)	103,007	135,509
Pertaining to:								
Parent company's shareholders	54,729	76,573	86,414	73,003	(39,700)	(15,001)	101,443	134,575
Subsidiaries' minority shareholders	1,392	559	172	375	-	-	1,564	934
Consolidated profit for the period	56,121	77,132	86,586	73,378	(39,700)	(15,001)	103,007	135,509
Further information required by IFRS 8								
Amortization, depreciation and write-downs	42,056	34,455	16,308	15,886	-	-	58,364	50,341
Other non-monetary costs	7,874	2,188	4,562	1,613	-	-	12,436	3,801

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

Q3

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales external to the Group	215,273	206,828	99,428	116,102			314,701	322,930
Sales between sectors	152	135	556	458	(708)	(593)	-	-
Total net sales	215,425	206,963	99,984	116,560	(708)	(593)	314,701	322,930
Cost of sales	(146,644)	(141,158)	(54,109)	(61,766)	703	589	(200,050)	(202,335)
Gross industrial margin	68,781	65,805	45,875	54,794	(5)	(4)	114,651	120,595
<i>% on net sales</i>	<i>31.9%</i>	<i>31.8%</i>	<i>45.9%</i>	<i>47.0%</i>			<i>36.4%</i>	<i>37.3%</i>
Other net revenues	3,100	2,987	1,429	1,492	(138)	(111)	4,391	4,368
Distribution costs	(15,889)	(15,757)	(10,296)	(12,976)	16	17	(26,169)	(28,716)
General and administrative expenses	(22,506)	(20,832)	(12,708)	(13,925)	127	98	(35,087)	(34,659)
Other operating costs	(937)	(723)	(332)	(82)	-	-	(1,269)	(805)
Ordinary profit before financial charges	32,549	31,480	23,968	29,303	-	-	56,517	60,783
<i>% on net sales</i>	<i>15.1%</i>	<i>15.2%</i>	<i>24.0%</i>	<i>25.1%</i>			<i>18.0%</i>	<i>18.8%</i>
Financial income	1,457	1,651	1,196	1,938	(353)	(393)	2,300	3,196
Financial charges	(3,367)	(2,123)	(2,327)	(2,049)	353	393	(5,341)	(3,779)
Equity method contribution	23	24	19	2	-	-	42	26
Profit for the period before taxes	30,662	31,032	22,856	29,194	-	-	53,518	60,226
Income taxes	(8,642)	(8,687)	(5,337)	(8,243)	-	-	(13,979)	(16,930)
Consolidated profit for the period	22,020	22,345	17,519	20,951	-	-	39,539	43,296
Pertaining to:								
Parent company's shareholders	21,473	22,206	17,453	20,858	-	-	38,926	43,064
Subsidiaries' minority shareholders	547	139	66	93	-	-	613	232
Consolidated profit for the period	22,020	22,345	17,519	20,951	-	-	39,539	43,296
Further information required by IFRS 8								
Amortization, depreciation and write-downs	13,947	11,606	5,267	5,396	-	-	19,214	17,002
Other non-monetary costs	1,522	611	384	497	-	-	1,906	1,108

Financial position
(Amounts shown in €/000)

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Assets of the sector (A)	1,209,467	1,203,237	729,382	738,412	(151,726)	(146,750)	1,787,123	1,794,899
Cash and cash equivalents							290,254	233,784
Total assets							2,077,377	2,028,683
Liabilities of the sector (B)	358,502	356,475	102,265	105,000	(151,726)	(146,750)	309,041	314,725
Debts for the payment of investments							58,021	54,286
Bank payables							11,280	22,076
Interest-bearing financial payables							589,650	582,522
Total liabilities							967,992	973,609
Total assets, net (A-B)	850,965	846,762	627,117	633,412			1,487,082	1,480,174
Further information required by IFRS 8								
Investments carried equity	246	1,050	332	272	-	-	578	1,322
Non-current assets other than financial assets and deferred tax assets	713,220	670,210	354,652	359,085	-	-	1,067,872	1,029,295

The 9M and Q3 comparison of the Hydraulic Sector at unchanged perimeter is as follows:

	9M		Q3	
	2020	2019	2020	2019
Net sales external to the Group	542,666	681,231	181,405	206,828
Sales between sectors	679	588	152	135
Total net sales	543,345	681,819	181,557	206,963
Cost of sales	(371,935)	(463,234)	(123,496)	(141,158)
Gross industrial margin	171,410	218,585	58,061	65,805
<i>% on net sales</i>	<i>31.5%</i>	<i>32.1%</i>	<i>32.0%</i>	<i>31.8%</i>
Other net revenues	8,152	10,351	2,552	2,987
Distribution costs	(42,717)	(51,257)	(13,294)	(15,757)
General and administrative expenses	(58,810)	(64,802)	(18,975)	(20,832)
Other operating costs	(7,528)	(3,279)	(860)	(723)
Ordinary profit before financial charges	70,507	109,598	27,484	31,480
<i>% on net sales</i>	<i>13.0%</i>	<i>16.1%</i>	<i>15.1%</i>	<i>15.2%</i>
Financial income	3,958	4,663	1,091	1,651
Financial charges	(9,326)	(6,890)	(2,855)	(2,123)
Equity method contribution	87	(54)	23	24
Profit for the period before taxes	65,226	107,317	25,743	31,032
Income taxes	(20,127)	(30,185)	(8,028)	(8,687)
Consolidated profit for the period	45,099	77,132	17,715	22,345
Pertaining to:				
Parent company's shareholders	44,734	76,573	17,608	22,206
Subsidiaries' minority shareholders	365	559	107	139
Consolidated profit for the period	45,099	77,132	17,715	22,345

The 9M and Q3 comparison of the Water Jetting Sector at unchanged perimeter is as follows:

	9M		Q3	
	2020	2019	2020	2019
Net sales external to the Group	307,213	344,902	97,694	116,102
Sales between sectors	1,377	1,623	556	458
Total net sales	308,590	346,525	98,250	116,560
Cost of sales	(171,318)	(187,900)	(53,262)	(61,766)
Gross industrial margin	137,272	158,625	44,988	54,794
<i>% on net sales</i>	<i>44.5%</i>	<i>45.8%</i>	<i>45.8%</i>	<i>47.0%</i>
Other net revenues	4,183	4,752	1,413	1,492
Distribution costs	(34,288)	(40,548)	(10,212)	(12,976)
General and administrative expenses	(40,791)	(42,677)	(12,354)	(13,925)
Other operating costs	(3,687)	(686)	(318)	(82)
Ordinary profit before financial charges	62,689	79,466	23,517	29,303
<i>% on net sales</i>	<i>20.2%</i>	<i>22.9%</i>	<i>23.9%</i>	<i>25.1%</i>
Financial income	4,294	5,833	1,196	1,938
Financial charges	(6,233)	(5,191)	(2,319)	(2,049)
Dividends	23,500	15,001	-	-
Equity method contribution	68	77	19	2
Profit for the period before taxes	84,318	95,186	22,413	29,194
Income taxes	(14,329)	(21,808)	(5,201)	(8,243)
Consolidated profit for the period	69,989	73,378	17,212	20,951
Pertaining to:				
Parent company's shareholders	69,817	73,003	17,146	20,858
Subsidiaries' minority shareholders	172	375	66	93
Consolidated profit for the period	69,989	73,378	17,212	20,951

The cash flows by business sector during 9M were as follows:

€/000	Hydraulic		Water Jetting		Total	
	2020	2019	2020	2019	2020	2019
Cash flows from:						
Operating activities	143,958	85,004	62,473	56,541	206,431	141,545
Investing activities	(33,817)	(58,531)	(49,299)	(22,083)	(83,116)	(80,614)
Financing activities	(40,275)	(11,286)	(12,062)	(21,279)	(52,337)	(32,565)
Total	<u>69,866</u>	<u>15,187</u>	<u>1,112</u>	<u>13,179</u>	<u>70,978</u>	<u>28,366</u>

Net investment in the Hydraulic Sector during 9M 2020 included €1,843k relating to new acquisitions (€12,739k in 9M 2019). The investing activities of the Water Jetting Sector during 9M 2020 included a net amount of €37,249k spent on new acquisitions (€13,574k in 9M 2019).

The financing activities of the Hydraulic Sector included the payment of dividends to companies in the Water Jetting Sector totalling €27,950k (€7,501k in 9M 2019). Additionally, the financing activities of the Water Jetting Sector during 9M 2020 included the purchase of treasury shares totalling €31,847k (€48,764k in 9M 2019), the payment of dividends amounting to €27,950k (€23,200k in 9M 2019) and receipts from the exercise of stock options of €14,278k (€3,436k in 9M 2019).

3. Acquisition of investments

Details of the purchase price allocations relating to the Transtecno Group and the Reggiana Riduttori Group are provided in the Financial Report for the first semester of 2020.

Servizi Industriali S.r.l.

Servizi Industriali S.r.l. has been consolidated from 1 July 2020. The provisional purchase price allocation at 30 September 2020 is presented below.

€/000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Cash and cash equivalents	1,959	-	1,959
Trade receivables	1,106	-	1,106
Inventories	1,763	-	1,763
Tax receivables	48	-	48
Other current assets	48	-	48
Property, plant and equipment	778	-	778
Other intangible assets	2	-	2
Other financial assets	1	-	1
Deferred tax assets	1	-	1
Other non-current assets	3	-	3
Trade payables	(906)	-	(906)
Bank payables	(1)	-	(1)
Bank payables - loans (current portion)	(584)	-	(584)
Tax payables	(293)	-	(293)
Other current liabilities	(492)	-	(492)
Bank payables - loans (medium-/long-term portion)	-	-	-
Leasing payables (non-current portion)	(679)	-	(679)
Employee benefits (severance indemnity provision)	(468)	-	(468)
Net assets acquired	<u>2,286</u>	-	<u>2,286</u>
Goodwill related to the acquisition	-	-	<u>2,714</u>
Total net assets acquired			<u>5,000</u>
Total amount paid in cash			4,000
Payables related to the acquisition of investments			<u>1,000</u>
Total acquisition cost (A)			<u>5,000</u>
Net liquidity acquired (B)			695
Total amount paid in cash			(4,000)
Payables related to the acquisition of investments			<u>(1,000)</u>
Total change in the net financial position including change in debt for the acquisition of investments			(4,305)
Total			
Capital employed (A) - (B)			<u>4,305</u>

The transaction was recognized in accordance with the acquisition method.

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

	30/09/2020	31/12/2019
	€/000	€/000
Inventories gross value	431,014	447,248
Allowance for inventories	<u>(37,821)</u>	<u>(38,805)</u>
Inventories	<u>393,193</u>	<u>408,443</u>

Changes in the allowance for inventories were as follows:

	9M 2020	Year 2019
	€/000	€/000
Opening balances	38,805	36,888
Exchange rate difference	(923)	128
Change in consolidation basis	313	3,081
Provisions for the period	2,230	2,886
Releases in the period to cover losses	(2,149)	(3,239)
Release of excess provisions in the period	<u>(455)</u>	<u>(939)</u>
Closing balance	<u>37,821</u>	<u>38,805</u>

5. Property, plant and equipment

Purchases and disposals

Interpump Group acquired tangible fixed assets during 9M 2020 totalling €59,823k, of which €14,210k via the acquisition of equity investments (€81,140k in 9M 2019, of which €7,599k via the acquisition of equity investments). Assets with a net book value of €3,395k were divested in 9M 2020 (€5,942k in 9M 2019). A net capital gain was realized on the divested assets of €2,018k (€2,028k in 9M 2019).

Contractual commitments

At 30 September 2020 the Group has contractual commitments for the purchase of tangible fixed assets totalling €15,314k (€3,611k at 30 September 2019).

The change since 2019 mainly reflects commitments signed for the construction of new buildings.

6. Shareholders' equity

Share capital

Share capital comprises 108,879,294 ordinary shares with a unit par value of €0.52 totalling EUR 56,617,232.88. However, the share capital reported in the financial statements amounts to €55,696k, since 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 September 2020 Interpump Group S.p.A. holds 1,770,006 treasury shares corresponding to 1.625% of share capital, acquired at an average unit price of EUR 26.171.

Treasury shares purchased

The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. During 9M 2020 Interpump Group purchased 1,142,000 treasury shares for €31,847k (1,816,575 treasury shares for €48,764k in 9M 2019).

Treasury shares sold

In the context of the stock option plans, a total of 1,108,200 options were exercised during the period, resulting in the receipt of €14,278k (a total of 298,750 options were exercised in 9M 2019, with the collection of €3,436k). Moreover, 488,533 treasury shares were assigned in 9M 2020 as payment for equity investments (62,069 shares in 9M 2019).

An ordinary dividend (coupon clipping date of 18 May) of EUR 0.25 per share was distributed on 20 May 2020 (EUR 0.22 in 2019).

Stock options

The Shareholders' Meeting held on 30 April 2019 approved a new stock option plan, known as the "Interpump Incentive Plan 2019/2021", which envisages granting a maximum of 2,500,000 options at an exercise price of EUR 28.4952 each and, for options granted after 30 April 2020, at the official price quoted on the Italian Stock Exchange on the day prior to the grant date. At the meeting held on 27 June 2019, the Board of Directors granted 1,800,000 options to Chairman and Chief Executive Officer Fulvio Montipò, while 418,500 options were granted to other beneficiaries during 2019. A further 60,000 options were granted to other beneficiaries on 3 June 2020. Overall, a total of 2,278,500 options have therefore been granted.

The fair value of the stock options granted in 2020 and the actuarial assumptions utilized in the binomial lattice model are as follows:

	Unit of measurement	
Number of shares granted	no.	60,000
Grant date		3 June 2020
Exercise price		28.4952
Vesting date		1 July 2022
Fair value per option at the grant date	EUR	5.226
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan	years	3.83
Expected dividends (compared with share value)	%	1.00
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 3 June 2020)	%	0.1557

7. Financial income and charges

The first nine months are analysed as follows:

	2020	2019
	€/000	€/000
<u>Financial income</u>		
Interest income from liquid funds	382	227
Interest income from other assets	225	254
Foreign exchange gains	7,411	7,441
Financial income on adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	679	1,193
Other financial income	<u>467</u>	<u>241</u>
Total financial income	<u>9,164</u>	<u>9,356</u>
<u>Financial charges</u>		
Interest expense on bank loans	1,819	1,851
Lease interest expense (inc. IFRS 16)	1,845	1,885
Interest expense on put options	635	482
Financial charges on adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	29	66
Foreign exchange losses	12,767	6,305
Other financial charges	<u>158</u>	<u>352</u>
Total financial charges	<u>17,253</u>	<u>10,941</u>
Total financial charges (income), net	<u>8,089</u>	<u>1,585</u>

The breakdown for Q3 is as follows:

	2020	2019
	€/000	€/000
<u>Financial income</u>		
Interest income	141	76
Interest income from other assets	23	186
Foreign exchange gains	2,062	2,901
Other financial income	<u>74</u>	<u>33</u>
Total financial income	<u>2,300</u>	<u>3,196</u>
<u>Financial charges</u>		
Interest expense on loans	682	611
Lease interest expense (inc. IFRS 16)	585	643
Interest expense on put options	170	168
Foreign exchange losses	3,862	2,180
Other financial charges	<u>42</u>	<u>177</u>
Total financial charges	<u>5,341</u>	<u>3,779</u>
Total financial charges (income), net	<u>3,041</u>	<u>583</u>

8. Earnings per share

Basic earnings per share

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

9M	2020	2019
Consolidated net profit attributable to the owners of the Parent company (€/000)	<u>101,443</u>	<u>134,575</u>
Average number of shares in circulation	107,180,902	105,149,640
Basic earnings per share for the period (€)	<u>0.946</u>	<u>1.280</u>
Q3	2020	2019
Consolidated net profit attributable to the owners of the Parent company (€/000)	<u>38,926</u>	<u>43,064</u>
Average number of shares in circulation	107,284,190	104,727,686
Basic earnings per share for the quarter (€)	<u>0.363</u>	<u>0.411</u>

Diluted earnings per share

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

9M	2020	2019
Consolidated net profit attributable to the owners of the Parent company (€/000)	<u>101,443</u>	<u>134,575</u>
Average number of shares in circulation	107,180,902	105,149,640
Number of potential shares for stock option plans (*)	<u>385,247</u>	<u>1,001,240</u>
Average number of shares (diluted)	<u>107,566,149</u>	<u>106,150,881</u>
Diluted earnings per share for the period (€)	<u>0.943</u>	<u>1.268</u>
Q3	2020	2019
Consolidated net profit attributable to the owners of the Parent company (€/000)	<u>38,926</u>	<u>43,064</u>
Average number of shares in circulation	107,284,190	104,727,686
Number of potential shares for stock option plans (*)	<u>422,317</u>	<u>983,516</u>
Average number of shares (diluted)	<u>107,706,507</u>	<u>105,711,202</u>
Diluted earnings per share for the quarter (€)	<u>0.361</u>	<u>0.407</u>

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

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 on the Group's consolidated income statements for the first nine months of 2020 and 2019 are illustrated below:

	9M 2020					%
	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€/000)						
Net sales	954,237	1,273	-	298	1,571	0.2%
Cost of sales	611,700	591	-	4,973	5,564	0.9%
Other revenues	13,255	3	-	-	3	0.0%
Distribution costs	84,970	32	-	490	522	0.6%
G&A expenses	110,819	-	-	427	427	0.4%
Financial charges	17,253	-	-	373	373	2.2%

	9M 2019					%
	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€/000)						
Net sales	1,026,133	2,048	-	1,340	3,388	0.3%
Cost of sales	648,922	2,748	-	6,002	8,750	1.3%
Other revenues	14,492	7	-	-	7	0.0%
Distribution costs	91,563	28	-	557	585	0.6%
G&A expenses	107,111	-	-	473	4,733	0.4%
Financial charges	10,941	-	-	295	295	2.7%

The effects on the consolidated statement of financial position at 30 September 2020 and 2019 are described below:

	30 September 2020					%
	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€/000)						
Trade receivables	256,500	2,110	-	920	3,030	1.2%
Other financial assets	2,224	2	-	-	2	0.1%
Trade payables	133,164	107	-	1,270	1,377	1.0%
Interest-bearing financial payables (current and non-current portions)	589,650	-	-	24,821	24,821	4.2%

30 September 2019						
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	281,875	2,298	-	1,103	3,401	1.2%
Other financial assets	4,052	1,821	-	-	1,821	44.9%
Trade payables	142,163	212	-	1,025	1,237	0.9%
Interest-bearing financial payables (current and non-current portions)	509,192	-	-	18,839	18,839	3.7%

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€/000)	Receivables		Revenues	
	30/09/2020	30/09/2019	2020	2019
Interpump Hydraulics Perù	1,078	1,235	67	361
General Pump China Inc.	525	343	568	508
Interpump Hydraulics Russia	507	719	641	1,186
FGA S.r.l.*	-	1	-	-
<i>Total subsidiaries</i>	<u>2,110</u>	<u>2,298</u>	<u>1,276</u>	<u>2,055</u>

(€/000)	Payables		Costs	
	30/09/2020	30/09/2019	2020	2019
General Pump China Inc.	85	73	576	495
Interpump Hydraulics Perù	22	-	43	1
Interpump Hydraulics Russia	-	-	4	-
Innovativ Gummi Tech S.r.l.*	-	97	-	1,812
FGA S.r.l.*	-	42	-	468
<i>Total subsidiaries</i>	<u>107</u>	<u>212</u>	<u>623</u>	<u>2,776</u>

(€/000)	Loans		Financial income	
	30/09/2020	30/09/2019	2020	2019
FGA S.r.l.*	-	1,290	-	-
Innovative Gummi Tech S.r.l.*	-	529	-	-
Inoxpa Poland Sp ZOO	2	2	-	-
<i>Total subsidiaries</i>	<u>2</u>	<u>1,821</u>	<u>-</u>	<u>-</u>

*= FGA and Innovativ Gummi Tech have been consolidated on a line-by-line basis in 2020.

Relations with associates

The Group does not hold investments in associated companies.

Transactions with other related parties

The 9M 2020 income statement includes consultancy provided by entities associated with the directors and statutory auditors of Group companies totalling €54k (€89k in 9M 2019). The consultancy costs have been allocated to distribution costs, €45k (€55k in 9M 2019), and to general and administrative expenses, €9k (€34k in 9M 2019). Revenues from sales in 9M

2020 included those from sales to companies owned by Group shareholders or directors totalling €298k (€1,340k in 9M 2019). In addition, the cost of sales includes purchases from companies controlled by minority shareholders or the directors of Group companies totalling €4,669k (€5,748k in 9M 2019).

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 that were outstanding at 31 December 2019.