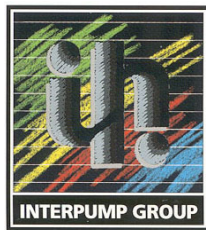


Interim Board of Directors' Report at 31 March 2017



Interpump Group S.p.A. and subsidiaries

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This document can be accessed on the Internet at:

www.interpumpgroup.it

Interpump Group S.p.A.

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

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

Reggio Emilia Companies Register - Tax Code 11666900151

Board of Directors

Fulvio Montipò
Chairman and Chief Executive Officer

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*

Interim Board of Directors' Report

**Directors' remarks on performance
in Q1 2017**

PERFORMANCE INDICATORS

The Group monitors operations using various performance indicators that may not be comparable with similar parameters adopted by other groups. Group management considers that these indicators measure performance on a comparable basis with reference to normalized operational factors, thus facilitating the identification of operating trends, the allocation of resources and other operational decisions.

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:** Loans obtained plus Bank borrowing less Liquid funds and cash equivalents;
- **Capital expenditure (CAPEX):** the sum of investment in property, plant and equipment and intangible assets, net of divestments;
- **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 more representative than its counterpart by type of expense, which is nevertheless included in the notes to the annual financial report. The chosen form, in fact, complies with internal reporting and business management methods.

The cash flow statement was prepared using the indirect method.

Consolidated income statement for Q1

(€000)	<u>2017</u>	<u>2016</u>
Net sales	272,741	226,708
Cost of sales	(168,301)	(144,790)
Gross industrial margin	104,440	81,918
<i>% on net sales</i>	<i>38.3%</i>	<i>36.1%</i>
Other operating revenues	3,853	3,311
Distribution costs	(25,664)	(20,383)
General and administrative expenses	(31,255)	(26,909)
Other operating costs	(561)	(639)
EBIT	50,813	37,298
<i>% on net sales</i>	<i>18.6%</i>	<i>16.5%</i>
Financial income	3,275	2,387
Financial expenses	(4,495)	(4,960)
Equity method contribution	35	(56)
Profit for the period before taxes	49,628	34,669
Income taxes	(17,092)	(12,802)
Consolidated net profit for the period	32,536	21,867
<i>% on net sales</i>	<i>11.9%</i>	<i>9.6%</i>
Pertaining to:		
Parent company's shareholders	32,132	21,665
Subsidiaries' minority shareholders	404	202
Consolidated net profit for the period	32,536	21,867
EBITDA	62,836	47,637
<i>% on net sales</i>	<i>23.0%</i>	<i>21.0%</i>
Shareholders' equity	712,512	608,420
Net debt	305,906	274,422
Payables for the acquisition of investments	50,609	22,823
Capital employed	1,069,027	905,665
Unannualized ROCE	4.8%	4.1%
Unannualized ROE	4.6%	3.6%
Basic earnings per share	0.301	0.203

EVENTS OCCURRING IN THE QUARTER

Sales reached €72.7m, up by 20.3% compared to Q1 2016 (+10.0% like for like). A breakdown by business sector shows a 20.2% sales increase in the Hydraulic Sector (+12.2% like for like) compared to the figure for Q1 2016; Water Jetting Sector sales were up in the same period by 20.5% (+5.9% like for like).

In geographical terms, growth in Europe including Italy was 22.7%, 6.9% in North America, 40.0% in the Far East and Oceania, and 35.5% in the Rest of the World. The geographical breakdown shows like for like growth of 8.5% in Europe, 6.1% in North America, 17.3% in the Far East and Oceania, and 24.5% in the Rest of the World.

EBITDA reached €62.8m, equivalent to 23.0% of sales. In Q1 2016 EBITDA was recorded at €47.6m (21.0% of sales). EBITDA was therefore 31.9% higher, corresponding to a 2 percentage point improvement in terms of incidence on sales. On a like for like basis, EBITDA grew by 19.7%.

Net profit for Q1 2017 was €32.5m (€21.9m in Q1 2016), reflecting an increase of 48.8%.

The Inoxpa Group (Water Jetting Sector), a world-famous brand in the manufacture and sale of process equipment and systems for fluid treatment in the food, cosmetics and pharmaceutical industry, was acquired on 3 February 2017 and hence consolidated for the first time for two months in Q1 2017. This acquisition significantly expands and supplements the products of the Water Jetting division, which will now be able to supply a vast range of pumps, valves, mixers, process plant and accessories alongside Bertoli homogenizers. All products are made from stainless steel, meeting the rigorous requirements demanded by the food industry. Inoxpa is based near Girona (north of Barcelona) in Spain. More than 75% of sales are generated by 20 branches in 18 countries, which will further strengthen the already solid international presence of the Interpump Group. In 2016 the Inoxpa Group recorded sales of around €60m. The agreed price was €90m, corresponding to an enterprise value of €76.4m and net cash of around €13.6m.

Also, in January 2017, acting through the UK branch of the IMM Group, Interpump acquired 100% of Bristol Hose Ltd, specialised in sales and services in the hydraulic lines and fittings sector and based in Bristol. Bristol Hose operates with 2 sales warehouses and 9 mobile workshops for on-site assistance and repairs. The mobile units operate around the clock and can typically reach customers' premises within sixty minutes from the call-out time. In 2016, Bristol Hose generated sales of around GBP 2.25m (approximately €2.6m). The price paid for the business was GBP 650k, with net financial debt of GBP 418k.

With respect to Q1 2016 Tubiflex S.p.A., acquired in May 2016, Teknotubi S.r.l., and Mega Pacific, both acquired in July 2016, were added to the group; all three companies are in the Hydraulic Sector.

NET SALES

Net sales for Q1 2017 totalled €272.7m, up by 20.3% with respect to Q1 2016, when the figure stood at €226.7m (+10.0% like for like).

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

Q1 2017

(€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>
Hydraulic Sector	38,032	61,286	42,839	14,733	18,098	174,988
Water Jetting Sector	<u>8,230</u>	<u>31,226</u>	<u>35,402</u>	<u>13,509</u>	<u>9,386</u>	<u>97,753</u>
Total	<u>46,262</u>	<u>92,512</u>	<u>78,241</u>	<u>28,242</u>	<u>27,484</u>	<u>272,741</u>

Q1 2016

Hydraulic Sector	29,019	54,848	36,467	8,887	16,394	145,615
Water Jetting Sector	<u>6,738</u>	<u>22,476</u>	<u>36,702</u>	<u>11,286</u>	<u>3,891</u>	<u>81,093</u>
Total	<u>35,757</u>	<u>77,324</u>	<u>73,169</u>	<u>20,173</u>	<u>20,285</u>	<u>226,708</u>

2017/2016 percentage changes

Hydraulic Sector	+31.1%	+11.7%	+17.5%	+65.8%	+10.4%	+20.2%
Water Jetting Sector	+22.1%	+38.9%	-3.5%	+19.7%	+141.2%	+20.5%
Total	+29.4%	+19.6%	+6.9%	+40.0%	+35.5%	+20.3%

Like for like percentage changes are as follows:

Hydraulic Sector	+10.4%	+7.0%	+17.1%	+33.5%	+10.3%	+12.2%
Water Jetting Sector	+18.3%	+6.9%	-4.8%	+4.6%	+84.3%	+5.9%
Total	+11.9%	+7.0%	+6.1%	+17.3%	+24.5%	+10.0%

PROFITABILITY

The cost of sales accounted for 61.7% of turnover (63.9% in Q1 2016). Production costs, which totalled €70.8m (€60.8m in Q1 2016, which however did not include the costs of the Inoxpa Group, Bristol Hose, Tubiflex, Teknotubi and Mega Pacific), accounted for 25.9% of sales (26.8% in the equivalent period of 2016). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €97.5m (€84.0m in the equivalent period of 2016, which however did not include the costs of the Inoxpa Group, Bristol Hose, Tubiflex, Teknotubi, and Mega Pacific). The incidence of purchase costs, including changes in inventories, was 35.8%, compared to 37.0% in Q1 2016, thus improving by 1.2 percentage points.

Distribution costs were 10.3% higher like for like with respect to Q1 2016, with an incidence on sales that was in line with that of Q1 2016.

Net of consolidation differences, general and administrative expenses rose by 3.3% with respect to Q1 2016, while their incidence on sales fell by 0.8 percentage points.

Total payroll costs were €55.9m (€57.7m in Q1 2016, which however did not include payroll costs of the Inoxpa Group, Bristol Hose, Tubiflex, Teknotubi, and Mega Pacific). Payroll costs rose by 3.9% like for like, due to a 2.1% increase in the per capita cost and an increase of 86 in the average headcount. The average total number of Group employees in Q1 2017 was 5,520 (4,927 like for like) compared to 4,841 in Q1 2016. The like-for-like increase in average

headcount during Q1 2017 breaks down as follows: plus 94 in Europe, minus 5 in the US and minus 3 in the Rest of the World.

EBITDA amounted to €62.8m (23.0% of sales), compared to €47.6m in Q1 2016 (21.0% of sales), reflecting growth of 31.9% (+19.7% like for like) and a 2 percentage point profitability improvement. The following table shows EBITDA by business sector:

	<i>Q1 2017</i>	<i>% on</i>	<i>Q1 2016</i>	<i>% on</i>	
	<u>€/000</u>	<i>total</i>	<u>€/000</u>	<i>total</i>	<i>Increase/</i>
		<i>sales*</i>		<i>sales*</i>	<i>Decrease</i>
Hydraulic Sector	37,155	21.2%	27,676	19.0%	+34.2%
Water Jetting Sector	25,682	26.2%	19,970	24.5%	+28.6%
Other Revenues Sector	<u>(1)</u>	n.s.	<u>(9)</u>	n.s.	n.s.
Total	<u>62,836</u>	23.0%	<u>47,637</u>	21.0%	+31.9%

* = Total sales include sales to other Group companies, while the sales analysed previously are exclusively those external to the Group (see note 2 on page 37). For comparability, the percentage is calculated on total sales, rather than the net sales shown earlier.

EBIT stood at €50.8m (18.6% of sales) compared to the €37.3m of Q1 2016 (16.5% of sales), reflecting an increase of 36.2% (+23.5% like for like).

The tax rate for the period was 34.4% (36.9% in Q1 2016). The decrease versus Q1 2016 is mainly due to the reduction of the corporate income tax (IRES) rate in Italy from 27.5% to 24%.

Net profit for Q1 2017 was €32.5m (€1.9m in Q1 2016), reflecting an increase of 48.8%. Basic earnings per share rose from the EUR 0.203 of Q1 2016 to EUR 0.301 in Q1 2017, reflecting growth of 48.3%.

Capital employed increased from €77.6m at 31 December 2016 to €1,069.0m at 31 March 2017, essentially due to new acquisitions. Unannualized ROCE was 4.8% (4.1% in Q1 2016). Unannualized ROE was 4.6% (3.6% in Q1 2016).

CASH FLOW

The change in net financial indebtedness breaks down as follows:

	<i>Q1 2017</i> <u>€/000</u>	<i>Q1 2016</i> <u>€/000</u>
Opening net financial position	(257,263)	(254,987)
Adjustment: opening net cash position of companies not consolidated line by line at the end of the prior period ^(a)	<u>-</u>	<u>161</u>
Adjusted opening net financial position	(257,263)	(254,826)
Cash flow from operations	58,705	41,651
Cash flow generated (absorbed) by the management of commercial working capital	(20,329)	(19,901)
Cash flow generated (absorbed) by other current assets and liabilities	(4,373)	(5,388)
Expenditure on tangible fixed assets	(9,633)	(8,513)
Proceeds from the sale of tangible fixed assets	154	207
Increase in other intangible fixed assets	(651)	(657)
Received financial income	106	119
Other Revenues	<u>(244)</u>	<u>(98)</u>
Free cash flow	23,735	7,420
Acquisition of investments, including imported financial debt/liquidity	(73,258)	(1,696)
Proceeds due to the sale of a line of business	-	746
Outlays for the purchase of treasury shares	-	(24,803)
Proceeds from assets held for sale	865	-
Proceeds from the sale of treasury shares to beneficiaries of stock options	293	110
Proceeds from the sale of financial assets	<u>79</u>	<u>(9)</u>
Net cash generated (used)	(48,286)	(18,232)
Exchange differences	<u>(357)</u>	<u>(1,364)</u>
Net financial position at period end	<u>(305,906)</u>	<u>(274,422)</u>

^(a) = Interpump Hydraulics (UK).

Net liquidity generated by operations totalled €58.7m (€41.7m in Q1 2016), reflecting an increase of 40.9%. Free cash flow, recorded at €23.7m in Q1 2017, increased more than threefold compared to Q1 2016 (€7.4m).

The net financial position breaks down as follows:

	31/03/2017	31/12/2016	31/03/2016	01/01/2016
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
Cash and cash equivalents	164,448	197,891	110,408	135,130
Bank payables (advances and STC amounts)	(4,834)	(2,396)	(1,864)	(5,735)
Interest-bearing financial payables (current portion)	(125,979)	(124,784)	(87,983)	(83,833)
Interest-bearing financial payables (non-current portion)	<u>(339,541)</u>	<u>(327,974)</u>	<u>(294,983)</u>	<u>(300,549)</u>
Total	<u>(305,906)</u>	<u>(257,263)</u>	<u>(274,422)</u>	<u>(254,987)</u>

The Group also has payables for the acquisition of equity investments totalling €50.6m (€42.8m at 31/12/2016 and €22.8m at 31/03/2016). Of this amount, €14.2m relates to debts for deferred payment of equity investments (€6.5m at 31/12/2016), while €36.4m relates to contractual commitments for the acquisition of residual stakes in subsidiaries (€36.3m at 31/12/2016). When purchasing target companies, the Group's strategy is to purchase majority packages and sign purchase commitments for the residual stakes, at a price depending on the results achieved

by the company in subsequent years, thus guaranteeing the continuation of the previous management on the one hand and maximising growth in profitability on the other.

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totalled €8.5m, of which €8.3m via the acquisition of equity investments (€10.9m in Q1 2016, of which €0.1m through 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 (€1.8m at 31/03/2017 and €2.8m at 31/03/2016). Net of these latter amounts capital expenditure stood at €8.4m in Q1 2017 (€8.0m at 31/03/2016) and mainly refers to the normal renewal and modernisation of plant, machinery and equipment, with the exception of €0.6m (€0.5m in Q1 2016) related to the construction of new production facilities. The difference with respect to the expenditure recorded in the cash flow statement is essentially due to the timing of payments.

Increases in intangible fixed assets totalled €4.7m, of which €3.8m through the acquisition of equity investments (€0.7m in Q1 2016). The €0.9m 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 31 March 2017.

CHANGES IN THE GROUP STRUCTURE IN 2017

In addition to the acquisition of the Inoxpa Group and Bristol Hose, as described at the start of this report, the other operations that altered the Group's corporate structure were the absorption of Hydrocontrol Inc. by Walvoil Fluid Power Corp. in the US and the absorption of Dyna Flux S.r.l. by IMM Hydraulics S.p.A.

Rationalisation of the Group structure following the recent acquisitions is proceeding in China, India, the UK and Spain.

EVENTS OCCURRING AFTER THE END OF Q1 2017

The Shareholders' Meeting of Interpump Group S.p.A., held on 28 April 2017, approved the 2016 financial statements and distribution of a dividend of EUR 0.20 per share. The meeting also:

- appointed the new Board of Directors in the persons of Fulvio Montipò (Chairman), Paolo Marinsek, Angelo Busani (elected in the list submitted by several minority shareholders), Antonia Di Bella, Franco Garilli, Marcello Margotto, Stefania Petruccioli, Paola Tagliavini and Giovanni Tamburi. We draw your attention to the fact that six of the nine directors, i.e. the majority, are independent.
- appointed the new Board of Statutory Auditors in the persons of Fabrizio Fagnola (Chairman – elected from the list submitted by several minority shareholders), Alessandra Tronconi and Federica Menichetti.
- approved the Remuneration Policy Report pursuant to art. 123 (3) of Italian legislative decree 58/98;

- authorised the Board of Directors, for the period of eighteen months starting from the date of the shareholders' resolution, to purchase treasury stock up to the maximum number of shares permitted by law, and to sell treasury stock already purchased or that will be acquired in the future in execution of said authorisation.

No atypical or unusual transactions occurred after the end of Q1 2017 that would require mention in this report or call for changes to the consolidated financial statements at 31 March 2017.

Sant' Ilario d'Enza, 11 May 2017

For the Board of Directors
Fulvio Montipò
Chairman of the Board of Directors

Pursuant to the terms of section 2 article 154-(2) of the Italian Consolidated Finance Act, the manager 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, 11 May 2017

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

Financial statements and notes

Consolidated balance sheet

(€000)	<u>Notes</u>	<u>31/03/2017</u>	<u>31/12/2016</u>
ASSETS			
Current assets			
Cash and cash equivalents		164,448	197,891
Trade receivables		233,075	200,018
Inventories	4	284,698	257,545
Tax receivables		13,677	11,140
Other current assets		10,424	7,686
Total current assets		<u>706,322</u>	<u>674,280</u>
Non-current assets			
Property, plant and equipment	5	317,878	300,921
Goodwill	1	419,585	390,708
Other intangible assets		42,845	30,039
Other financial assets		1,948	790
Tax receivables		1,737	1,740
Deferred tax assets		24,772	24,108
Other non-current assets		2,177	1,654
Total non-current assets		<u>810,942</u>	<u>749,960</u>
Assets held for sale		2,634	-
Total assets		<u>1,519,898</u>	<u>1,424,240</u>

(€000)	<u>Notes</u>	<u>31/03/2017</u>	<u>31/12/2016</u>
LIABILITIES			
Current liabilities			
Trade payables		126,338	109,004
Payables to banks		4,834	2,396
Interest-bearing financial payables (current portion)		125,979	124,784
Derivative financial instruments		10	36
Tax payables		30,353	18,126
Other current liabilities		60,970	49,772
Provisions for risks and charges		3,625	3,620
Total current liabilities		352,109	307,738
Non-current liabilities			
Interest-bearing financial payables		339,541	327,974
Liabilities for employee benefits		19,385	19,311
Deferred tax liabilities		52,036	47,755
Other non-current liabilities		41,197	41,058
Provisions for risks and charges		2,918	2,866
Total non-current liabilities		455,077	438,964
Liabilities held for sale		200	-
Total liabilities		807,386	746,702
SHAREHOLDERS' EQUITY			
	6		
Share capital		55,459	55,431
Legal reserve		11,323	11,323
Share premium reserve		113,099	112,386
Reserve for the measurement of hedging derivatives at fair value		(6)	(24)
Reserve for restatement of defined benefit plans		(5,022)	(5,022)
Translation provision		33,210	33,497
Other reserves		498,285	466,153
Group shareholders' equity		706,348	673,744
Minority interests		6,164	3,794
Total shareholders' equity		712,512	677,538
Total shareholders' equity and liabilities		1,519,898	1,424,240

Consolidated income statements for Q1

(€000)	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Net sales		272,741	226,708
Cost of sales		(168,301)	(144,790)
Gross industrial margin		104,440	81,918
Other net revenues		3,853	3,311
Distribution costs		(25,664)	(20,383)
General and administrative expenses		(31,255)	(26,909)
Other operating costs		(561)	(639)
Ordinary profit before financial expenses		50,813	37,298
Financial income	7	3,275	2,387
Financial expenses	7	(4,495)	(4,960)
Equity method contribution		35	(56)
Profit for the period before taxes		49,628	34,669
Income taxes		(17,092)	(12,802)
Consolidated net profit for the period		32,536	21,867
Pertaining to:			
Parent company's shareholders		32,132	21,665
Subsidiaries' minority shareholders		404	202
Consolidated net profit for the period		32,536	21,867
Basic earnings per share	8	0.301	0.203
Diluted earnings per share	8	0.298	0.201

Comprehensive consolidated income statements for Q1

(€000)	<u>2017</u>	<u>2016</u>
Consolidated profit for the period (A)	32,536	21,867
Other comprehensive profit (loss) that will be subsequently reclassified in consolidated profit for the period		
<i>Accounting for exchange risk hedging derivatives recorded in accordance with the cash flow hedging method:</i>		
- Profit (Loss) on derivative financial instruments for the period	-	-
- Minus: Adjustment for reclassification of profits (losses) to the income statement	3	7
- Minus: Adjustment for fair value recognition of reserves in the prior period	<u>22</u>	<u>24</u>
<i>Total</i>	25	31
<i>Profits (Losses) arising from the conversion of foreign companies' financial statements</i>	(282)	(10,902)
<i>Profits (losses) of companies carried at equity</i>	(1)	(17)
<i>Related taxes</i>	<u>(7)</u>	<u>(10)</u>
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	<u>(265)</u>	<u>(10,898)</u>
Comprehensive consolidated profit for the period (A) + (B)	<u>32,271</u>	<u>10,969</u>
Pertaining to:		
Parent company's shareholders	31,863	10,968
Subsidiaries' minority shareholders	<u>408</u>	<u>1</u>
Comprehensive consolidated profit for the period	<u>32,271</u>	<u>10,969</u>

Consolidated cash flow statements for Q1

(€000)	2017	2016
Cash flow from operating activities		
Pretax profit	49,628	34,669
<i>Adjustments for non-cash items:</i>		
Capital losses (Capital gains) from the sale of fixed assets	(893)	(598)
Amortization and depreciation, impairment and reinstatement of value	11,742	10,287
Costs ascribed to the income statement relative to stock options that do not involve monetary outflows for the Group	448	344
Outlays for tangible fixed assets granted for hire	(1,826)	(2,786)
Proceeds from the sale of fixed assets granted for hire	2,226	2,940
Loss (Profit) from investments	(35)	56
Net change in risk funds and allocations for employee benefits	144	(217)
Financial charges (income), net	1,220	2,573
Other Revenues	-	-
	<u>62,654</u>	<u>47,268</u>
(Increase) decrease in trade receivables and other current assets	(25,299)	(17,603)
(Increase) decrease in inventories	(12,041)	(10,945)
Increase (decrease) in trade payables and other current liabilities	12,638	3,259
Interest paid	(880)	(1,186)
Currency exchange gains realised	313	(668)
Taxes paid	(3,382)	(3,763)
Net cash from operating activities	<u>34,003</u>	<u>16,362</u>
Cash flows from investing activities		
Outlay for the acquisition of investments, net of received cash	(62,440)	(1,696)
Disposal of investments and lines of business including transferred cash	-	746
Capital expenditure on property, plant and equipment	(9,415)	(8,482)
Proceeds from the sale of tangible fixed assets	154	207
Receipts from the disposal of assets held for sale	865	-
Increase in intangible fixed assets	(651)	(657)
Received financial income	106	119
Other Revenues	(223)	(140)
Net liquidity used in investing activities	<u>(71,604)</u>	<u>(9,903)</u>
Cash flows of financing activity		
Disbursals (repayments) of loans	1,827	(651)
Outlays for purchase of treasury shares	-	(24,803)
Proceeds from the sale of treasury shares to beneficiaries of stock options	293	110
Disbursals (repayments) of loans from (to) shareholders	(51)	-
Change in other financial assets	79	(9)
Payment of financial leasing installments (principal portion)	(543)	(684)
Net liquidity generated (used by) financing activities	<u>1,605</u>	<u>(26,037)</u>
Net increase (decrease) of cash and cash equivalents	<u>(35,996)</u>	<u>(19,578)</u>

(€000)	<u>2017</u>	<u>2016</u>
Net increase (decrease) of cash and cash equivalents	(35,996)	(19,578)
Exchange differences from conversion of cash of companies in areas outside the EU	115	(1,434)
Opening cash and cash equivalents of companies consolidated line by line for the first time	-	161
Cash and cash equivalents at beginning of period	195,495	129,395
Cash and cash equivalents at end of period	<u>159,614</u>	<u>108,544</u>

Cash and cash equivalents can be broken down as follows:

	31/03/2017	31/12/2016
	€000	€000
Cash and cash equivalents from the balance sheet	164,448	197,891
Bank payables (advances and STC amounts)	<u>(4,834)</u>	<u>(2,396)</u>
Cash and cash equivalents from the cash flow statement	<u>159,614</u>	<u>195,495</u>

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 provision	Other reserves	Group shareholders' equity	Minority interests	Total
<i>Balances at 1 January 2016</i>	56,032	11,323	138,955	(13)	(3,501)	22,657	391,704	617,157	5,471	622,628
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	344	-	-	-	-	344	-	344
Purchase of treasury shares	(1,056)	-	(23,747)	-	-	-	-	(24,803)	-	(24,803)
Sale of treasury shares to the beneficiaries of stock options	12	-	98	-	-	-	-	110	-	110
Dividends distributed to minority interests	-	-	-	-	-	-	-	-	(828)	(828)
Comprehensive profit (loss) for Q1 2016	-	-	-	21	-	(10,718)	21,665	10,968	1	10,969
<i>Balances at 31 March 2016</i>	54,988	11,323	115,650	8	(3,501)	11,939	413,369	603,776	4,644	608,420
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	1,389	-	-	-	-	1,389	-	1,389
Purchase of treasury shares	(716)	-	(19,561)	-	-	-	1,772	(18,505)	-	(18,505)
Sale of treasury shares to the beneficiaries of stock options	925	-	9,392	-	-	-	(937)	9,380	-	9,380
Sale of treasury stock to pay for equity investments	234	-	5,516	-	-	-	(234)	5,516	-	5,516
Dividends paid	-	-	-	-	-	-	(20,054)	(20,054)	(274)	(20,328)
Purchase of residual interests in subsidiaries	-	-	-	-	-	43	52	95	(1,040)	(945)
Comprehensive profit (loss) for April-December 2016	-	-	-	(32)	(1,521)	21,515	72,185	92,147	464	92,611
<i>Balances at 31 December 2016</i>	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	-	-	448	-	-	-	-	448	-	448
Sale of treasury shares to the beneficiaries of stock options	28	-	265	-	-	-	-	293	-	293
Dividends distributed to minority interests	-	-	-	-	-	-	-	-	(500)	(500)
Inoxpa minority interests acquired	-	-	-	-	-	-	-	-	2,462	2,462
Comprehensive profit (loss) for Q1 2017	-	-	-	18	-	(287)	32,132	31,863	408	32,271
<i>Balances at 31 March 2017</i>	55,459	11,323	113,099	(6)	(5,022)	33,210	498,285	706,348	6,164	712,512

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 31 March 2017 were approved by the Board of Directors on this day (11 May 2017).

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

It has been prepared on a basis consistent with the past, international practice, the principle of market transparency and Borsa Italiana Notice no. 7587 dated 21 April 2016. As part of the requirements for maintaining a STAR listing, this notice requires the publication of interim reports on operations, regardless of any regulatory changes.

Basis of preparation

The consolidated financial statements at 31 March 2017 were drawn up in compliance with international accounting standards (IAS/IFRS) for interim financial statements. The tables were prepared in compliance with IAS 1, while the notes were prepared in condensed form in application of the faculty provided by IAS 34 and therefore they do not include all the information required for annual financial statements drafted in compliance with IFRS standards. Therefore, the consolidated financial statements at 31 March should be consulted together with the annual financial statements for the year ending 31 December 2016.

The accounting principles and criteria adopted in the interim financial statements at 31 March 2017 may conflict with IFRS provisions in force on 31 December 2017 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. Certain measurement 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 preparing the

annual financial statements, when all the necessary information is available, except in cases in which evidence of impairment calls for an 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 drafted 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 are those described in the consolidated financial statements at 31 December 2016, with the exception of those adopted as from 1 January 2017 as described hereunder, and they were uniformly applied to all Group companies and all periods presented.

a) New accounting standards and amendments taking effect on 1 January 2017 and adopted by the Group

As from 2017 the Group has applied the following new accounting standards, amendments and interpretations, reviewed by IASB:

- *IFRS Annual improvements cycle 2012–2014* – On 25 September 2014 IASB issued a raft of amendments to IAS/IFRS standards. 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 amended standards, IFRS 5, in relation to which a clarification has been introduced concerning cases in which the method of disposal of an asset is changed from held for sale to held for distribution; IFRS 7, with a clarification to establish if and when a residual involvement in a transferred financial asset exists in the presence of an associated service contract, thus determining the required level of disclosure; IAS 19, which clarifies that the currency of securities used as a benchmark to estimate the discount rate, must be the same as the currency in which the benefits will be paid; and IAS 34 in which the meaning of "elsewhere" is clarified for the inclusion of information by cross-reference.
- *Amendments to IAS 12 – Income taxes*. The IASB has published certain amendments to the standard. The document entitled *Recognition of deferred tax assets for unrealised losses (Amendment to IAS 12)* seeks to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.
- *Amendments to IAS 7 - Statement of cash flows*. On 29 January 2016, IASB published an amendment to the standard entitled "*Disclosure initiative*" in order to improve the information provided about changes in financial liabilities.

b) New accounting standards and amendments effective from 1 January 2016 but not relevant for the Group:

- *IFRS Annual improvements cycle 2014–2016* - On 8 December 2016 IASB issued several minor changes to IFRS 12 (*Disclosure of interests in other entities*). 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.
- On 30 January 2014, IASB published IFRS 14 *Regulatory Deferral Accounts*, which is an interim standard related to the *Rate-regulated activities* project. IFRS 14 allows exclusively first-time adopters of IFRS to continue recognising amounts associated with rate regulation in compliance with the accounting policies previously adopted. In order to improve comparability with entities that are already applying the IFRS standards and

that do not therefore disclose these amounts, the standard requires the rate regulation effect to be presented separately from other captions.

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

- *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 amendments will be applicable from 1 January 2018, although early adoption is allowed.
- *IFRS 9 – Financial instruments.* On 12 November 2009 IASB published the following standard, which was subsequently amended on 28 October 2010 in a further amendment in mid-December 2011. The new standard, which is applicable from 1 January 2018, 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. Specifically, the new standard uses a single approach to financial assets based on the methods of management of financial instruments and on the characteristics of the contractual cash flows of financial assets in order to establish the measurement criterion, replacing the various rules contained in IAS 39. In contrast, for financial liabilities the main change concerns the accounting treatment for changes in the fair value of a financial liability designated as a financial liability measured at fair value in profit and loss, in the event wherein such changes are due to changes in the credit rating of the liabilities in question. In accordance with the new standard, such changes must be recorded in the comprehensive income statement and cannot thereafter be derecognised in profit and loss.
- *IFRS 15 – Recognition of revenue from contracts with customers.* On 28 May 2014 IASB and FASB jointly issued IFRS 15 designed to improve the disclosure of revenues and the global comparability of financial statements in order to harmonize the recognition of economically similar transactions. The standard is effective for IFRS users from reporting periods starting after 1 January 2017 (early adoption is permitted). On 12 April 2016, IASB published “*Clarification to IFRS 15*”, in order to clarify certain requirements and provide further simplifications that reduce costs and complexity for first-time adopters of the new standard.
- *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 principal amendments, IFRIC 22 provides guidance on the use of exchange rates in transactions in which the foreign currency consideration is paid or received in advance. These amendments will be effective for reporting periods starting after 1 January 2018.
- *IFRS 16 – Leasing.* On 13 January 2016, IASB published the new standard that replaces IAS 17. The new standard will make the financial statements of companies even more comparable, by abolishing the distinction between "finance leases" and "operating leases" and by requiring companies to recognise the assets and liabilities associated with all types of leasing contracts in their financial statements. IFRS 16 is applicable from 1

January 2019. Early application is allowed for entities that also apply IFRS 15 "Revenue from contracts with customers".

At today's date the competent bodies of the European Union have yet to complete the approval process related to the new standards and amendments applicable to financial statements starting as from 1 January 2017.

The analysis of the effects of application of IFRS 15 (*Revenue recognition*) is proceeding, although at this point in time no significant effects have emerged further to application of the new standard. With regard to the application of IFRS 16 (Leasing), the effects on payables before discounting are reported in note 34 to the consolidated financial statements at 31 December 2016. On the basis of analyses currently in progress, no significant effects are expected from the 2018 adoption of other applicable new standards and amendments.

Notes to the consolidated financial statements at 31 March 2017

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1. Perimeter of consolidation and goodwill

The perimeter of consolidation at 31 March 2017 includes the Parent company and the following subsidiaries:

<i>Company</i>	<i>Head office</i>	<i>Share capital €/000</i>	<i>Sector</i>	<i>% stake at 31/03/17</i>
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%
Inoxpa Grup S.I.U	Banyoles (Spain)	3,095	Water Jetting	100.00%
Inoxpa S.A.(11)	Banyoles (Spain)	23,000	Water Jetting	100.00%
Suministros Tecnicos Y Alimentarios S.L. (12)	Bilbao (Spain)	96	Water Jetting	66.25%
Inoxpa India Private Ltd (12)	Pune (India)	6,779	Water Jetting	100.00%
Candigra Vision Process Equipment PVT Ltd (13)	Maharashtra (India)	403	Water Jetting	99.98%
Inoxpa Solutions France (12)	Gleize (France)	1,451	Water Jetting	100.00%
Inoxpa Solution Portugal Lda (12)	Vale de Cambra (Portugal)	600	Water Jetting	100.00%
STA Portuguesa Maquinas Para Industria Alim. Lda (12)	Vale de Cambra (Portugal)	160	Water Jetting	100.00%
Inoxpa (UK) Ltd (12)	Eastbourne (UK)	1,942	Water Jetting	100.00%
Inoxpa Solutions SRL (12)	Chisinau (Moldova)	317	Water Jetting	66.67%
Inoxpa Australia Pty. Ltd (12)	Capalaba (Australia)	584	Water Jetting	100.00%
Inoxpa Colombia SAS (12)	Bogotá (Colombia)	133	Water Jetting	83.29%
Inoxpa Italia S.r.l. (12)	Mirano (VE)	100	Water Jetting	100.00%
Inoxpa Middle East FZCO (12)	Dubai (UAE)	253	Water Jetting	60.00%
Inoxpa Skandinavien A/S (12)	Horsens (Denmark)	134	Water Jetting	100.00%
Inoxpa South Africa Proprietary Ltd (12)	Gauteng (South Africa)	104	Water Jetting	100.00%
Inoxpa Special Processing Equipment Co. Ltd (12)	Jianxing (China)	1,647	Water Jetting	100.00%
Inoxpa Ukraine (12)	Kiev (Ukraine)	113	Water Jetting	100.00%
Inoxpa USA Inc (12)	Santa Rosa (USA)	1,426	Water Jetting	100.00%
Inoxrus (12)	Saint Petersburg (Russia)	814	Water Jetting	100.00%
STARINOX (14)	Moscow (Russia)	1,242	Water Jetting	55.00%
SUALI S.LU. (12)	Banyoles (Spain)	4,494	Water Jetting	100.00%
SCI Suali (15)	Gleize (France)	503	Water Jetting	100.00%
SIT S.p.A.	S.Illario 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. (2)	Varedo (MB)	10	Hydraulic	100.00%
Contarini Leopoldo S.r.l. (2)	Lugo (RA)	47	Hydraulic	100.00%
Unidro S.a.r.l. (3)	Barby (France)	8	Hydraulic	100.00%
Copa Hydrosystem Ood (3)	Troyan (Bulgaria)	3	Hydraulic	95.00%
Hydrocar Chile S.A. (2)	Santiago (Chile)	129	Hydraulic	90.00%
Hydroven S.r.l. (2)	Tezze sul Brenta (VI)	200	Hydraulic	100.00%
Hypress Africa Pty Ltd (2)	Boksburg (South Africa)	412	Hydraulic	100.00%
Interpump Hydraulics Brasil Ltda (2)	Caxia do Sul (Brazil)	13,996	Hydraulic	100.00%
Interpump Hydraulics France S.a.r.l. (2)	Ennery (France)	76	Hydraulic	99.77%

<i>Company</i>	<i>Head office</i>	<i>Share capital</i> <i>€/000</i>	<i>Sector</i>	<i>% stake</i> <i>at 31/03/17</i>
Interpump Hydraulics India Private Ltd (2)	Hosur (India)	682	Hydraulic	100.00%
Interpump Hydraulics Middle East FZCO (2)	Dubai (UAE)	326	Hydraulic	100.00%
Interpump South Africa Pty Ltd (2)	Johannesburg (South Africa)	-	Hydraulic	100.00%
Interpump Hydraulics (UK) Ltd. (2)	Kingswinford (United Kingdom)	13	Hydraulic	100.00%
Mega Pacific Pty Ltd (4)	Newcastle (Australia)	335	Hydraulic	65.00%
Mega Pacific NZ Pty Ltd (4)	Mount Maunganui (New Zealand)	557	Hydraulic	65.00%
Muncie Power Prod. Inc. (2)	Muncie (USA)	784	Hydraulic	100.00%
American Mobile Power Inc. (5)	Fairmount (USA)	3,410	Hydraulic	100.00%
Oleodinamica Panni S.r.l. (2)	Tezze sul Brenta (VI)	2,000	Hydraulic	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (2)	Wuxi (China)	2,095	Hydraulic	65.00%
IMM Hydraulics S.p.A. (2)	Atessa (Switzerland)	520	Hydraulic	100.00%
Hypress France S.a.r.l. (6)	Strasbourg (France)	162	Hydraulic	100.00%
Hypress Hydraulik GmbH (6)	Meinerzhagen (Germany)	52	Hydraulic	100.00%
Hypress S.r.l. (6)	Atessa (Switzerland)	50	Hydraulic	100.00%
IMM Hydro Est (6)	Catcau Cluj Napoca (Romania)	3,155	Hydraulic	100.00%
IMM Hydraulics Ltd (6)	Halesowen (UK)	1	Hydraulic	100.00%
Bristol Hose Ltd (7)	Bristol (United Kingdom)	18	Hydraulic	100.00%
E.I. Holdings Ltd (7)	Bath (United Kingdom)	127	Hydraulic	100.00%
Endeavour International Ltd (8)	Bath (United Kingdom)	69	Hydraulic	100.00%
Tekno Tubi S.r.l. (6)	Sant'Agostino (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. (9)	Tulsa (USA)	137	Hydraulic	100.00%
Walvoil Fluid Power Shanghai Co. Ltd (9)	Shanghai (China)	1,872	Hydraulic	100.00%
Walvoil Fluid Power Pvt Ltd (9)	Bangalore (India)	683	Hydraulic	100.00%
Walvoil Fluid Power Korea (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%
HC Hydraulics Technologies (P) Ltd (9)	Bangalore (India)	4,120	Hydraulic	100.00%
Aperlai HK Ltd (9)	Hong Kong	77	Hydraulic	100.00%
HTIL (9)	Hong Kong	98	Hydraulic	100.00%
Guangzhou Bushi Hydraulic Technology Ltd (10)	Guangzhou (China)	3,720	Hydraulic	100.00%
Teknova S.r.l. (in liquidation)	Reggio Emilia	28	Other Revenues	100.00%

(1) = controlled by Hammelmann GmbH

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

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

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

(5) = controlled by Muncie Power Inc.

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

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

(8) = controlled by E.I. Holdings Ltd

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

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

(10) = controlled by HTIL

(11) = controlled by Inoxpa Grup S.l

(12) = controlled by Inoxpa Group S.A.

(13) = controlled by Inoxpa India Private Ltd

(14) = controlled by Inoxrus

(15) = controlled by SUALI S.LU

The companies of the Inoxpa Group (Water Jetting Sector) were consolidated for the first time for just two months, having been acquired on 3 February, while Bristol Hose (Hydraulic Sector) was consolidated for the entire three-month period.

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.

In compliance with the requirements of IFRS 10 and IFRS 3, Inoxihp, Tubiflex, Mega Pacific Australia and Mega Pacific New Zealand 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 recognised in the income statement.

Changes in goodwill in Q1 2017 were as follows:

<i>Company:</i>	Balance at 31/12/2016	Increases (Decreases) in the period	Changes due to <u>foreign exchange</u> <u>differences</u>	Balance at 31/03/2017
Water Jetting Sector	160,621	28,525	(601)	188,545
Hydraulic Sector	<u>230,087</u>	<u>567</u>	<u>386</u>	<u>231,040</u>
<i>Total goodwill</i>	<u>390,708</u>	<u>29,092</u>	<u>(215)</u>	<u>419,585</u>

The increases in the Water Jetting Sector in Q1 2017 refer to the acquisition of the Inoxpa Group, while increases in the Hydraulic Sector refer to the acquisition of Bristol Hose.

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, statutory auditors and functions of the Group's financial management, control and internal auditing, 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 high pressure cleaners. These pumps are also employed for a broad range of industrial applications including car wash installations, forced lubrication systems for machine tools, and inverse osmosis systems for seawater desalination plants. Very high pressure pumps and systems are used for cleaning surfaces, ship hulls, various types of hoses, and also for removing machining burr, cutting and removing cement, asphalt, and paint coatings from stone, cement and metal surfaces, and for cutting solid materials. The Sector also includes high pressure homogenizers, 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.

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

Q1

	Hydraulic		Water Jetting		Other Revenues		Elimination entries		Interpump Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales external to the Group	174,988	145,615	97,753	81,093	-	-	-	-	272,741	226,708
Sales between sectors	106	57	416	313	-	-	(522)	(370)	-	-
Total net sales	175,094	145,672	98,169	81,406	-	-	(522)	(370)	272,741	226,708
Cost of sales	(114,970)	(98,211)	(53,856)	(46,950)	-	-	525	371	(168,301)	(144,790)
Gross industrial margin	60,124	47,461	44,313	34,456	-	-	3	1	104,440	81,918
<i>% on net sales</i>	<i>34.3%</i>	<i>32.6%</i>	<i>45.1%</i>	<i>42.3%</i>					<i>38.3%</i>	<i>36.1%</i>
Other net revenues	2,685	2,314	1,176	998	-	-	(8)	(1)	3,853	3,311
Distribution costs	(14,027)	(11,658)	(11,642)	(8,725)	-	-	5	-	(25,664)	(20,383)
General and administrative expenses	(18,797)	(16,952)	(12,457)	(9,948)	(1)	(9)	-	-	(31,255)	(26,909)
Other operating costs	(450)	(439)	(111)	(200)	-	-	-	-	(561)	(639)
Ordinary profit before financial expenses	29,535	20,726	21,279	16,581	(1)	(9)	-	-	50,813	37,298
<i>% on net sales</i>	<i>16.9%</i>	<i>14.2%</i>	<i>21.7%</i>	<i>20.4%</i>	<i>n.s.</i>	<i>n.s.</i>			<i>18.6%</i>	<i>16.5%</i>
Financial income	1,766	2,132	1,921	703	-	-	(412)	(448)	3,275	2,387
Financial expenses	(2,816)	(3,702)	(2,091)	(1,706)	-	-	412	448	(4,495)	(4,960)
Adjustment of investments carried at equity	(19)	(67)	54	11	-	-	-	-	35	(56)
Profit for the period before taxes	28,466	19,089	21,163	15,589	(1)	(9)	-	-	49,628	34,669
Income taxes	(9,810)	(7,148)	(7,282)	(5,654)	-	-	-	-	(17,092)	(12,802)
Consolidated profit for the period	18,656	11,941	13,881	9,935	(1)	(9)	-	-	32,536	21,867
Pertaining to:										
Parent company's shareholders	18,506	11,775	13,627	9,899	(1)	(9)	-	-	32,132	21,665
Subsidiaries' minority shareholders	150	166	254	36	-	-	-	-	404	202
Consolidated net profit for the period	18,656	11,941	13,881	9,935	(1)	(9)	-	-	32,536	21,867
Further information required by IFRS 8										
Amortization, depreciation and write-downs	7,562	6,916	4,180	3,371	-	-	-	-	11,742	10,287
Other non-monetary costs	355	497	367	205	-	-	-	-	722	702

Financial position
(Amounts shown in €000)

	Hydraulic		Water Jetting		Other Revenues		Elimination entries		Interpump Group	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Assets by sector	842,947	812,397	677,270	587,459	549	549	(167,950)	(174,056)	1,352,816	1,226,349
Assets held for sale	-	-	2,634	-	-	-	-	-	2,634	-
Total assets of the sector (A)	842,947	812,397	679,904	587,459	549	549	(167,950)	(174,056)	1,355,450	1,226,349
Cash and cash equivalents									164,448	197,891
Total assets									1,519,898	1,424,240
Liabilities of the sector	354,053	341,131	99,561	81,148	559	564	(167,950)	(174,056)	286,223	248,787
Liabilities held for sale	-	-	200	-	-	-	-	-	200	-
Total liabilities of the sector (B)	354,053	341,131	99,761	81,148	559	564	(167,950)	(174,056)	286,423	248,787
Debts for the payment of investments									50,609	42,761
Payables to banks									4,834	2,396
Interest-bearing financial payables									465,520	452,758
Total liabilities									807,386	746,702
Total assets, net (A-B)	488,894	471,266	580,143	506,311	(10)	(15)	-	-	1,069,027	977,562
Further information required by IFRS 8										
Investments carried at equity	85	72	306	272	-	-	-	-	391	344
Non-current assets other than financial assets and deferred tax assets	467,554	466,820	316,668	258,242	-	-	-	-	784,222	725,062

The Q1 comparison of the Sector on a like for like basis is as follows:

	Hydraulic		Water Jetting	
	2017	2016	2017	2016
Net sales external to the Group	163,378	145,615	85,916	81,093
Sales between sectors	106	57	413	313
Total net sales	163,484	145,672	86,329	81,406
Cost of sales	(108,264)	(98,211)	(47,961)	(46,950)
Gross industrial margin	55,220	47,461	38,368	34,456
<i>% on net sales</i>	33.8%	32.6%	44.4%	42.3%
Other net revenues	2,508	2,314	808	998
Distribution costs	(12,632)	(11,658)	(9,846)	(8,725)
General and administrative expenses	(17,091)	(16,952)	(10,699)	(9,948)
Other operating costs	(449)	(439)	(111)	(200)
Ordinary profit before financial expenses	27,556	20,726	18,520	16,581
<i>% on net sales</i>	16.9%	14.2%	21.5%	20.4%
Financial income	1,712	2,132	555	703
Financial expenses	(2,335)	(3,702)	(1,097)	(1,706)
Adjustment of investments carried at equity	(19)	(67)	38	11
Profit for the period before taxes	26,914	19,089	18,016	15,589
Income taxes	(9,213)	(7,148)	(6,223)	(5,654)
Consolidated profit for the period	17,701	11,941	11,793	9,935
Pertaining to:				
Parent company's shareholders	17,551	11,775	11,752	9,899
Subsidiaries' minority shareholders	150	166	41	36
Consolidated net profit for the period	17,701	11,941	11,793	9,935

Q1 cash flows by business sector are as follows:

€000	Hydraulic		Water Jetting		Other Revenues		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Cash flows from:								
Operating activities	16,817	17,260	17,192	(880)	(6)	(18)	34,003	16,362
Investing activities	(8,324)	(7,917)	(63,280)	(1,986)	-	-	(71,604)	(9,903)
Financing activities	(7,196)	(6,025)	8,801	(20,012)	-	-	1,605	(26,037)
Total	<u>1,297</u>	<u>3,318</u>	<u>(37,287)</u>	<u>(22,878)</u>	<u>(6)</u>	<u>(18)</u>	<u>(35,996)</u>	<u>(19,578)</u>

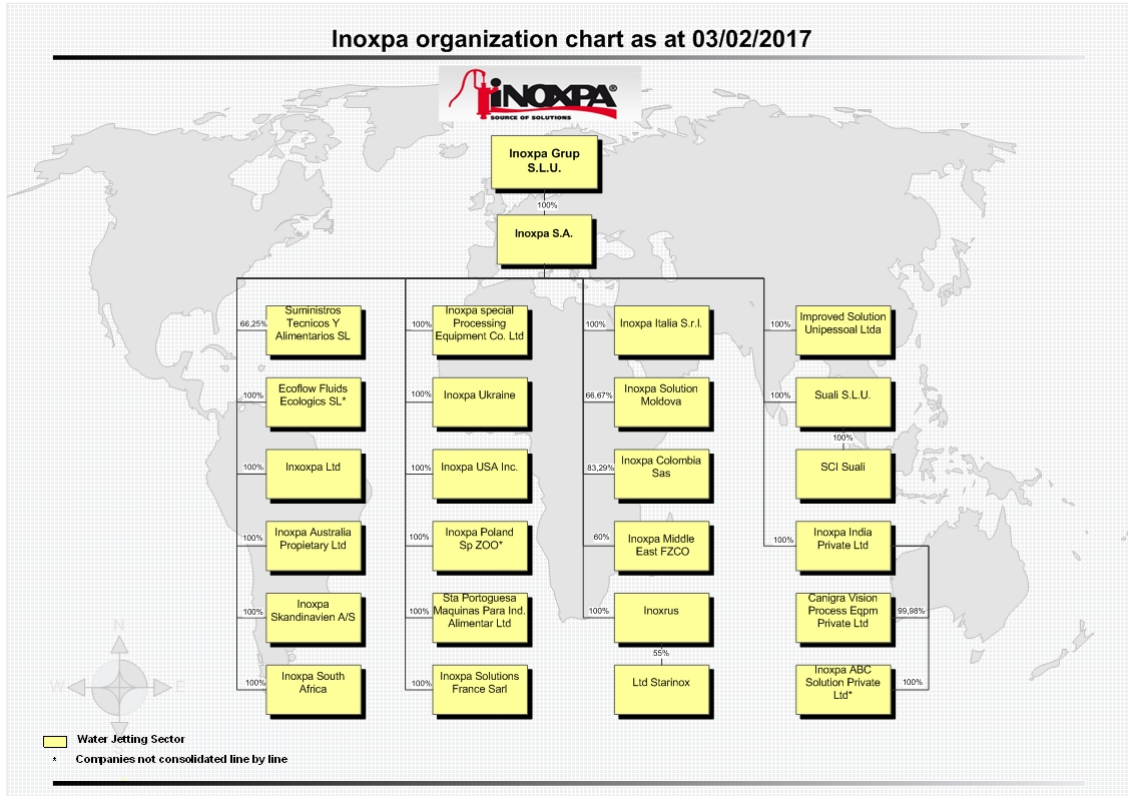
Expenditure in the Hydraulic Sector during Q1 2017 included outlays of €1,036k related to the new acquisitions and the deferred payment for minority interests in existing subsidiaries (€1,696k Q1 2016), while expenditure in the Water Jetting Sector includes outlays of €61,404k related to new acquisitions (no expenditure in Q1 2016).

Financing activities in Q1 2017 include repayments of intercompany loans from the Hydraulic Sector to the Water Jetting Sector totalling €2k (repayment of €3,090k from the Water Jetting Sector to the Hydraulic Sector in Q1 2016). In addition, cash flows of Water Jetting Sector financing activities in 2017 include receipts for the disposal of treasury stock to the beneficiaries of stock options in the amount of €293k (€10k in Q1 2016). Moreover, in 2016 financing activities in the Water Jetting Sector in Q1 also included outflows related to the purchase of treasury stock for €24.803k (no treasury stock purchased in Q1 2017).

3. Acquisition of investments

Inoxpa Group

On 3 February 2017 Interpump Group S.p.A. completed the acquisition of Inoxpa Grup S.L.U., a holding of the Inoxpa Group. The Inoxpa Group organisation chart at the time of the acquisition was as shown below:



The list of companies held directly or indirectly by Inoxpa Grup S.L.U at the time of the acquisition is as follows:

<i>Company</i>	<i>Head office</i>	<i>% stake at 03/02/17</i>	<i>Sector</i>
Inoxpa S.A.	Banyoles (Spain)	100.00%	Water Jetting
Suministros Tecnicos Y Alimentarios S.L.	Bilbao (Spain)	66.25%	Water Jetting
Inoxpa India Private Ltd	Pune (India)	100.00%	Water Jetting
Candriga Vision Process Equipment PVT Ltd	Maharashtra (India)	99.98%	Water Jetting
Inoxpa Solutions France	Gleize (France)	100.00%	Water Jetting
Inoxpa Solution Portugal Lda	Vale de Cambra (Portugal)	100.00%	Water Jetting
STA Portuguesa Maquinas Para Industria Alim. Lda	Vale de Cambra (Portugal)	100.00%	Water Jetting
Inoxpa Solutions SRL	Chisinau (Moldova)	66.67%	Water Jetting
Inoxpa (UK) Ltd	Eastbourne (UK)	100.00%	Water Jetting
Inoxpa Australia Pty. Ltd	Capalaba (Australia)	100.00%	Water Jetting
Inoxpa Colombia SAS	Bogotá (Colombia)	83.29%	Water Jetting

<i>Company</i>	<i>Head office</i>	<i>% stake at 03/02/17</i>	<i>Sector</i>
Inoxpa Italia S.r.l.	Mirano (VE)	100.00%	Water Jetting
Inoxpa Middle East FZCO	Dubai (UAE)	60.00%	Water Jetting
Inoxpa Skandinavien A/S	Horsens (Denmark)	100.00%	Water Jetting
Inoxpa South Africa Proprietary Ltd	Gauteng (South Africa)	100.00%	Water Jetting
Inoxpa Special Processing Equipment Co. Ltd	Jianxing (China)	100.00%	Water Jetting
Inoxpa Ukraine	Kiev (Ukraine)	100.00%	Water Jetting
Inoxpa USA Inc	Santa Rosa (USA)	100.00%	Water Jetting
Inoxrus	Saint Petersburg (Russia)	100.00%	Water Jetting
STARINOX	Moscow (Russia)	55.00%	Water Jetting
SUALI S.L.U.	Banyoles (Spain)	100.00%	Water Jetting
SCI Suali	Gleize (France)	100.00%	Water Jetting

In Q1 2017 the Inoxpa Group contributed to the results of the Interpump Group for just two months. The assets and liabilities of the Inoxpa Group were as follows at the time of the first consolidation:

<i>€000</i>	<i>Amounts acquired</i>	<i>Adjustments to fair value</i>	<i>Carrying values in the acquiring comp any</i>
Cash and cash equivalents	24,499	-	24,499
Trade receivables	8,816	-	8,816
Inventories	14,822	-	14,822
Derivative financial instruments	61	-	61
Tax receivables	1,768	-	1,768
Other current assets	1,729	-	1,729
Property, plant and equipment	13,239	4,809	18,048
Other intangible assets	1,924	11,887	13,811
Other financial assets	1,091	-	1,091
Deferred tax assets	1,132	-	1,132
Other non-current assets	473	-	473
Other assets held for sale	2,164	1,334	3,498
Trade payables	(2,644)	-	(2,644)
Payables to banks	(355)	-	(355)
Interest-bearing financial payables (current portion)	(2,780)	-	(2,780)
Tax payables	(1,939)	-	(1,939)
Other current liabilities	(2,465)	-	(2,465)
Provisions for risks and charges (current portion)	(26)	-	(26)
Interest-bearing financial payables (medium-/long-term portion)	(7,804)	-	(7,804)
Deferred tax liabilities	(220)	(4,611)	(4,831)
Other non-current liabilities	(88)	-	(88)
Liabilities held for sale	-	(200)	(200)
Minority interests	<u>(2,462)</u>	-	<u>(2,462)</u>
Net assets acquired	<u>50,935</u>	<u>13,219</u>	<u>64,154</u>
Goodwill related to the acquisition			<u>28,525</u>
Total net assets acquired			<u>92,679</u>
Total amount paid in cash			85,545
Amount due in short-term			<u>7,134</u>
Total acquisition cost (A)			<u>92,679</u>

€000	Amounts <u>acquired</u>	Adjustments <u>to fair value</u>	Carrying values in the <u>acquiring comp</u> <u>any</u>
Net liquidity acquired (B)			(13,560)
Total amount paid in cash			85,545
Estimate of amount payable for price adjustment to balance			<u>7,134</u>
Total change in the net financial position including changes in debt for the acquisition of investments			<u>79,119</u>
Capital employed (A) + (B)			79,119

The exchange rates used to translate the financial statements of the Inoxpa Group's subsidiaries outside the Eurozone are those in force on 31 January 2017.

Fair value measurement of the properties was carried out by an independent valuer.

Measurement of the trade mark entered under intangible fixed assets was carried out internally.

Assets held for sale refer to several investment property complexes of the Inoxpa Group in relation to which an agreement has been drawn with the ex-shareholders for sale at a predetermined price. Liabilities held for sale refer to the liabilities associated with the costs of sale arising from the disposal of assets held for sale.

Bristol Hose

The amounts are shown in thousands of euro. The euro/Sterling exchange rate used to translate the financial statements is GBP 0.8532.

€000	Amounts <u>acquired</u>	Adjustments <u>to fair value</u>	Carrying values in the <u>acquiring comp</u> <u>any</u>
Cash and cash equivalents	97	-	97
Trade receivables	515	-	515
Inventories	300	-	300
Other current assets	18	-	18
Property, plant and equipment	226	-	226
Trade payables	(243)	-	(243)
Payables to banks	(353)	-	(353)
Interest-bearing financial payables (current portion)	(145)	-	(145)
Tax payables	(105)	-	(105)
Other current liabilities	(26)	-	(26)
Interest-bearing financial payables (medium-/long-term portion)	<u>(89)</u>	-	<u>(89)</u>
Net assets acquired	<u>195</u>		195
Goodwill related to the acquisition			<u>567</u>
Total net assets acquired paid in cash (A)			<u>762</u>
Acquired net financial indebtedness (B)			490
Total amount paid in cash			<u>762</u>
Total change in net financial position			<u>1,252</u>
Capital employed (A) + (B)			1,252

The acquisition of 100% of Bristol Hose took place on 25 January 2017. The company was consolidated for the full three months of Q1 2017.

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

	31/03/2017	31/12/2016
	€000	€000
Inventories gross value	318,264	286,141
Allowance for inventories	<u>(33,566)</u>	<u>(28,596)</u>
Inventories	<u>284,698</u>	<u>257,545</u>

Changes in the allowance for inventories were as follows:

	Q1 2017	Year 2016
	€000	€000
Opening balances	28,596	27,154
Exchange rate difference	32	171
Change to consolidation basis	5,017	1,256
Provisions for the period	166	2,329
Drawdowns in the period to cover losses	(245)	(2,314)
Drawdowns in the period due to surpluses	-	-
Closing balance	<u>33,566</u>	<u>28,596</u>

5. Property, plant and equipment

Purchases and disposals

In Q1 2017 Interpump Group acquired assets for €28,519k, of which €18,274k through the acquisition of equity investments (€10,845k in Q1 2016, of which €15k through the acquisition of equity investments). In Q1 2017 assets were divested for a net book value of €1,492k (€2,512k in Q1 2016). The divested assets generated a net capital gain of €93k (€98k in Q1 2016).

Contractual commitments

At 31 March 2017 the Group had contractual commitments for the purchase of tangible fixed assets totalling €2,479k (€3,186k at 31 March 2016).

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 €55,459k, 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 31 March 2017 Interpump S.p.A. held 2,227,252 treasury shares corresponding to 2.05% of share capital, acquired at an average unit cost of EUR 12.4967.

Treasury shares purchased

The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. In Q1 2017 the Group did not acquire treasury stock (2,031,000 treasury shares acquired in Q1 2016 for €24,802k).

Treasury shares sold

54,500 options were exercised in Q1 2017, resulting in proceeds of €293k in the framework of the stock option plans (23,500 stock options exercised in Q1 2016 with proceeds of €110k).

7. Financial income and expenses

	<u>2017</u> €000	<u>2016</u> €000
<u>Financial income</u>		
Interest income from liquid funds	89	94
Interest income from other assets	16	13
Foreign exchange gains	3,048	2,234
Earnings from valuation of derivative financial instruments	117	31
Other financial income	<u>5</u>	<u>15</u>
Total financial income	<u>3,275</u>	<u>2,387</u>
<u>Financial expenses</u>		
Interest expense on loans	851	1,194
Interest expense on put options	153	186
Financial expenses for adjustment of estimated debt for commitment	-	108
to purchase residual interests in subsidiaries		
<i>Tobin Tax</i>	-	9
Foreign exchange losses	3,435	3,397
Losses from valuation of derivative financial instruments	-	15
Other financial charges	<u>56</u>	<u>51</u>
Total financial expenses	<u>4,495</u>	<u>4,960</u>
Total financial expenses (income), net	<u>1,220</u>	<u>2,573</u>

8. Earnings per share

Basic earnings per share

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

<i>Q1</i>	<u>2017</u>	<u>2016</u>
Consolidated profit for the period attributable to parent company shareholders (€000)	32,132	21,665
Average number of shares in circulation	106,627,388	106,616,877
Basic earnings per share for the quarter (€)	<u>0.301</u>	<u>0.203</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:

	<u>2017</u>	<u>2016</u>
Consolidated net profit for the period attributable to Parent company	<u>32,132</u>	<u>21,665</u>
to Parent company shareholders (€000)		
Average number of shares in circulation	106,627,388	106,616,877
Number of potential shares for stock option plans (*)	1,047,061	1,333,680
Average number of shares (diluted)	<u>107,674,449</u>	<u>107,950,557</u>
Earnings per diluted share for the quarter (€)	<u>0.298</u>	<u>0.201</u>

(*) 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 business relations with unconsolidated subsidiaries, associates and other related parties at arm's length conditions considered to be normal in the relevant 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 Q1 2017 and Q1 2016 are shown below:

		Q1 2017					
(€000)	Consolidated	Non-consolidated	Associates	Other related parties	Total related parties	Total related parties	% incid. on caption in financial statements
Net sales	272,741	261	-	233	494	494	0.2%
Cost of sales	168,301	209	-	2,402	2,611	2,611	1.6%
Other revenues	3,853	19	-	-	19	19	0.5%
Distribution costs	25,664	11	-	235	246	246	1.0%
G&A expenses	31,255	-	-	444	444	444	1.4%

		Q1 2016					
(€000)	Consolidated	Non-consolidated	Associates	Other related parties	Total related parties	Total related parties	% incid. on caption in financial statements
Net sales	226,708	416	-	188	604	604	0.3%
Cost of sales	144,790	147	-	2,972	3,119	3,119	2.2%
Other revenues	3,311	16	-	-	16	16	0.5%
Distribution costs	20,383	9	-	135	144	144	0.7%
G&A expenses	26,909	-	-	164	164	164	0.6%

The effects on the consolidated balance sheet at 31 March 2017 and 2016 are shown below:

31 March 2017							% incid. on caption in financial statements
(€000)	Consolidated	Non- consolidated	Associates	Other related parties	Total related parties		
	Total	subsidiaries					
Trade receivables	233,075	1,069	-	384	1,453	0.6%	
Other financial assets	1,948	2	-	-	2	0.1%	
Trade payables	126,338	85	-	735	820	0.6%	

31 March 2016							% incid. on caption in financial statements
(€000)	Consolidated	Non- consolidated	Associates	Other related parties	Total related parties		
	Total	subsidiaries					
Trade receivables	194,501	1,218	-	398	1,616	0.8%	
Trade payables	103,182	47	-	1,214	1,261	1.2%	
Interest-bearing financial payables (current portion)	87,983	-	-	7	7	0.0%	

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€000)	Receivables		Revenues	
	<u>31/03/2017</u>	<u>31/03/2016</u>	<u>2017</u>	<u>2016</u>
General Pump China Inc.	131	249	174	162
Interpump Hydraulics Peru	<u>938</u>	<u>969</u>	<u>106</u>	<u>270</u>
<i>Total subsidiaries</i>	<u>1,069</u>	<u>1,218</u>	<u>280</u>	<u>432</u>

(€000)	Payables		Costs	
	<u>31/03/2017</u>	<u>31/03/2016</u>	<u>2017</u>	<u>2016</u>
General Pump China Inc.	85	47	220	156
<i>Total subsidiaries</i>	<u>85</u>	<u>47</u>	<u>220</u>	<u>156</u>

(€000)	Loans		Financial income	
	<u>31/03/2017</u>	<u>31/03/2016</u>	<u>2017</u>	<u>2016</u>
Inoxpa Poland Sp ZOO	<u>2</u>	=	=	=
<i>Total subsidiaries</i>	<u>2</u>	=	=	=

Relations with associates

The Group does not hold investments in associated companies.

Transactions with other related parties

Transactions with other related parties regard the leasing of facilities owned by companies controlled by current shareholders and directors of Group companies for €1,186k (€828k in Q1 2016), and consultancy services provided by entities connected with directors and statutory auditors of the Parent company for €187k (€39k in Q1 2016). Costs for rentals were recorded under the cost of sales in the amount of €834k (€640k in Q1 2016), under

distribution costs in the amount of €172k (€70k in 2016) and in general and administrative expenses in the amount of €180k (€18k in 2016). Consultancy costs were recorded in distribution costs in the amount of €15k and in general and administrative expenses for €172k (€15k in distribution costs and €24k in general administrative expenses in 2016). Net sales include the amount of €333k for sales made to companies related to Group shareholders. In addition, the cost of sales includes purchases made from companies controlled by minority shareholders or directors of Group companies for €1,425k (€2,249k in Q1 2016).

Further to the signature of building rental contracts with other related parties, the Group has commitments of €14,570k (€16,192k at 31 December 2016).

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 have not been any substantial changes in relation to the disputes or contingent liabilities existing at 31 December 2016.