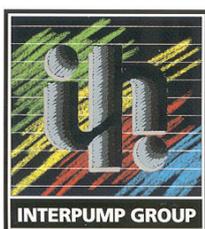


Interim Board of Directors' Report at 31 March 2019



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

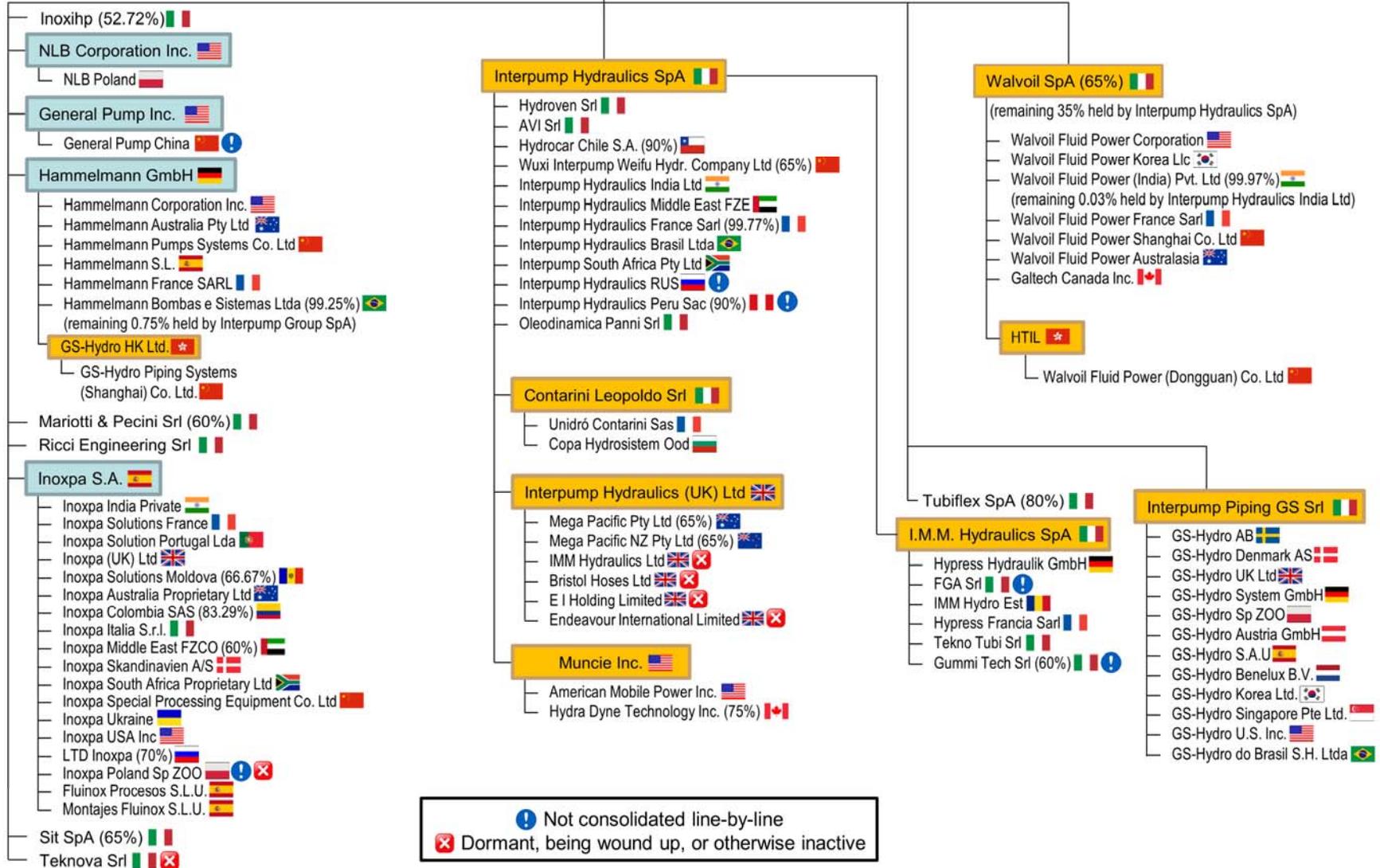
(c) Member of the Related Party Transactions Committee

Group Structure

as at 31/03/2019
all holdings 100% unless otherwise specified



WATER-JETTING HYDRAULICS



Interim Board of Directors' Report

**Directors' remarks on performance
in Q1 2019**

The Group uses several alternative measures that are not identified as accounting parameters in the framework of IFRS standards to allow better evaluation of the trend of economic operations and the Group's financial position; such measures are also tools that can assist the directors in identifying operating trends and in making decisions on investments, resource allocation and other business matters. Therefore, the measurement criterion applied by the Group may differ from the criterion adopted by other groups and hence may not be comparable with it. Such alternative performance measures are constituted exclusively starting from the Group's historic data and measured in compliance with the matters established by the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by Consob with communication no. 92543 of 3 December 2015. These measures refer only to performance in the accounting period illustrated in this Interim Report and the related comparative periods, and not to expected performance. They must not be considered replacements for the indicators envisaged in the reference accounting standards (IFRS). Lastly, the alternative measures are processed continuously on a consistent basis, in terms of definition and representation, covering all periods for which financial information is included in this Interim Report.

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

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

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

The cash flow statement was prepared using the indirect method.

Consolidated income statements for Q1

(€000)	<u>2019</u>	<u>2018</u>
Net sales	343,610	312,296
Cost of sales	(218,886)	(196,661)
Gross industrial margin	124,724	115,635
<i>% on net sales</i>	<i>36.3%</i>	<i>37.0%</i>
Other operating revenues	4,952	4,589
Distribution costs	(30,697)	(28,578)
General and administrative expenses	(35,717)	(33,878)
Other operating costs	(846)	(503)
EBIT	62,416	57,265
<i>% on net sales</i>	<i>18.2%</i>	<i>18.3%</i>
Financial income	3,827	2,575
Financial expenses	(3,525)	(4,623)
Badwill	-	12,730
Equity method contribution	75	(73)
Profit for the year before taxes	62,793	67,874
Income taxes	(17,526)	(16,302)
Consolidated profit for the period	45,267	51,572
<i>% on net sales</i>	<i>13.2%</i>	<i>16.5%</i>
Pertaining to:		
Parent company's shareholders	44,894	51,386
Subsidiaries' minority shareholders	373	186
Consolidated profit for the period	45,267	51,572
EBITDA	78,640	69,585
<i>% on net sales</i>	<i>22.9%</i>	<i>22.3%</i>
Shareholders' equity	921,098	808,131
Net debt	381,585	256,339
Payables for the acquisition of investments	49,763	55,756
Capital employed	1,352,446	1,120,226
Unannualized ROCE	4.6%	5.2%*
Unannualized ROE	4.9%	4.9%*
Basic earnings per share	0.426	0.360*

*= adjusted for badwill

EVENTS OCCURRING IN THE QUARTER

Sales reached €343.6m, up by 10.0% compared to Q1 2018 (+8.5% at unchanged perimeter and +6.5% also net of exchange differences). A breakdown by business sector shows a 12.7% sales increase in the Hydraulic Sector (+11.6% at unchanged perimeter) compared to the figure for Q1 2018; Water Jetting Sector sales were up in the same period by 4.8% (+2.3% at unchanged perimeter).

In geographical terms, growth in Europe including Italy was 10.8%, with 9.1% in North America, 3.6% in the Far East and Oceania, and 15.3% in the Rest of the World. The geographical breakdown at unchanged perimeter shows growth of 9.3% in Europe, 6.3% in North America, 3.3% in the Far East and Oceania, and 15.3% in the Rest of the World.

EBITDA reached €78.6m, equivalent to 22.9% of sales. In Q1 2018 EBITDA was recorded at €69.6m (22.3% of sales). Accordingly, EBITDA rose by 13.0%. EBITDA represents 22.9 % of sales also at unchanged perimeter. It should also be noted that 1 January 2019 was the date of enforcement of IFRS 16, which involved recognition of operating leases (rentals) in the same way as financial leases, and hence booking the present value of future lease payments for the entire contractual period as debt and booking the same amount under fixed assets as 'right-of-use'. The right-of-use asset is amortized over the duration of the contract, while the lease payments are recognized in reduction of the debt and no longer appear in the income statement, where they are replaced by amortization of the right-of-use assets. Applying the same accounting standards of 2018, in Q1 2019 EBITDA would have stood at €75.0m (21.8% of sales, 21.9% at unchanged perimeter).

Net profit for Q1 2019 totalled €45.3m (€51.6m in Q1 2018). We draw your attention to the fact that in 2018 non-recurring financial income benefitted from recognition of goodwill in the amount of €12.7m. Net of this extraordinary allocation net profit was up by 16,5%.

On 1 March 2019, Interpump acquired 75% of HYDRA DYNE TECH based in Ontario, Canada, operating through its Muncie Power Products subsidiary. The newly acquired company manufactures and markets hydraulic cylinders, valves and rotary unions. The products are designed and customized to meet the needs of several of the top OEMs in the sectors of agricultural machinery, earthmoving machinery and forestry operations. Rotary unions, in which Hydra Dyne Tech is a recognised specialist, constitute a significant extension of Interpump's range of hydraulic components.

Hydra Dyne Tech ended its financial year on 31 August 2018 with sales of CAD 35.8m and EBITDA of CAD 6.1m, while the net financial position was CAD 7.2m. The price agreed for a 75% interest was €15.2m. The parties also agreed put and call options for the transfer of the minority interest from 2023. Hydra Dyne was consolidated for one month.

Compared to Q1 2018 also the following companies were consolidated: Fluinox Procesos SLU (only the balance sheet had been consolidated at 31/12/2018) and Ricci Engineering S.r.l., both companies operating in the Water Jetting Sector.

NET SALES

Net sales in Q1 2019 totalled €343.6m, up by 10.0% on the €312.3m of Q1 2018 (+8.5% at unchanged perimeter, +6.5% also net of exchange differences).

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

Q1 2019

(€000)	<u>Italy</u>	Rest of Europe	North America	Far-East and Oceania	Rest of the World	<u>Total</u>
Hydraulic Sector	49,568	85,265	52,896	20,477	24,750	232,956
Water Jetting Sector	<u>9,265</u>	<u>42,219</u>	<u>34,112</u>	<u>14,565</u>	<u>10,493</u>	<u>110,654</u>
Total	<u>58,833</u>	<u>127,484</u>	<u>87,008</u>	<u>35,042</u>	<u>35,243</u>	<u>343,610</u>

Q1 2018

Hydraulic Sector	43,613	78,176	44,678	18,441	21,761	206,669
Water Jetting Sector	<u>9,796</u>	<u>36,562</u>	<u>35,075</u>	<u>15,377</u>	<u>8,817</u>	<u>105,627</u>
Total	<u>53,409</u>	<u>114,738</u>	<u>79,753</u>	<u>33,818</u>	<u>30,578</u>	<u>312,296</u>

2019/2018 percentage changes

Hydraulic Sector	+13.7%	+9.1%	+18.4%	+11.0%	+13.7%	+12.7%
Water Jetting Sector	-5.4%	+15.5%	-2.7%	-5.3%	+19.0%	+4.8%
Total	+10.2%	+11.1%	+9.1%	+3.6%	+15.3%	+10.0%

Percentage changes at unchanged perimeter are as follows:

Hydraulic Sector	+13.7%	+9.1%	+13.4%	+10.5%	+13.7%	+11.6%
Water Jetting Sector	-9.0%	+9.5%	-2.7%	-5.3%	+19.0%	+2.3%
Total	+9.5%	+9.2%	+6.3%	+3.3%	+15.3%	+8.5%

PROFITABILITY

The cost of sales accounted for 63.7% of turnover (63.0% in Q1 2018). Production costs, which totalled €1.8m (€1.5m in Q1 2018, which however did not include the costs of Hydra Dyne, Fluinox and Ricci Engineering), accounted for 26.7% of sales (26.1% in the equivalent period of 2018). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €27.1m (€15.2m in the equivalent period of 2018 as well, which however did not include the costs of the Hydra Dyne, Fluinox and Ricci Engineering). The incidence of purchase costs including changes in inventories was 37.0% compared to 36.9% in Q1 2018.

Distribution costs at unchanged perimeter were 6.3% higher (+4.3% net of exchange differences) with respect to Q1 2018, with an incidence on sales that was 0.2 percentage points lower.

Net of consolidation differences, general and administrative expenses rose by 3.9% with respect to Q1 2018 (+2.1% net of exchange differences), while their incidence on sales fell by 0.4 percentage points.

Total payroll costs were €80.2m (€74.7m in Q1 2018, which however did not include payroll costs of Hydra Dyne, Fluinox and Ricci Engineering). Payroll costs at unchanged perimeter rose by 5.5% (+3.9% also net of exchange differences), due to an increase of 111 in the average

number of employees and to a 3.7% increase in the per capita cost due (2.2% net of exchange differences). The average total number of Group employees in Q1 2019 was 6,688 (6,573 at unchanged perimeter) compared to 6,461 in Q1 2018. The like-for-like increase in average headcount during Q1 2019 breaks down as follows: plus 97 in Europe, plus 43 in the US and minus 29 in the Rest of the World.

EBITDA was recorded at €78.6m (22.9% of sales) compared to the €69.6m of Q1 2018, which accounted for 22.3% of sales, reflecting growth of 13.0%. At unchanged perimeter, EBITDA totalled 22.9% of sales. The following table shows EBITDA by business sector:

	<i>Q1 2019</i>	<i>% on</i>	<i>Q1 2018</i>	<i>% on</i>	<i>Increase/</i>
	<i>€/000</i>	<i>total</i>	<i>€/000</i>	<i>total</i>	<i>Decrease</i>
		<i>sales*</i>		<i>sales*</i>	
Hydraulic Sector	49,937	21.4%	42,063	20.3%	+18.7%
Water Jetting Sector	<u>28,703</u>	25.8%	<u>27,522</u>	26.0%	+4.3%
Total	<u>78,640</u>	22.9%	<u>69,585</u>	22.3%	+13.0%

* = Total sales include sales to other Group companies, 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.

It should also be observed, as already mentioned above, that 1 January 2019 was the date of enforcement of IFRS 16, which involved recognition of operating leases in the same way as financial leases. Using the same accounting standards applied in 2018, in 2019 EBITDA would have stood at €75.0m (21.8% of sales, 21.9% at unchanged perimeter).

EBIT, which is not substantially impacted by the change in the aforesaid standard, stood at €62.4m (18.2% of sales) compared to the €57.3m of Q1 2018 (18.3% of sales), reflecting an increase of 9.0%.

The tax rate for the period was 27.9% (29.6% in Q1 2018 net of effect of the badwill booked under financial income).

Net profit for Q1 2019 was €45.3m (€38.9m in Q1 2018 net of badwill), reflecting an increase of 16.5%. Basic earnings per share rose from the EUR 0.360 (adjusted by badwill) of Q1 2018 to EUR 0.426 in Q1 2019, reflecting growth of 18.3%.

Capital employed increased from €1,200.1m at 31 December 2018 to €1,352.4m at 31 March 2019, substantially because of three factors: the booking of right-of-use assets as a consequence of the application of IFRS 16, the increase in working capital due to sharp rise in sales, and finally as a consequence of the acquisition of Hydra Dyne. Unannualised ROCE was 4.6% (5.2% in Q1 2018, adjusted for badwill). Unannualised ROE was 4.9% (4.9% also in Q1 2018, adjusted for badwill).

CASH FLOW

The change in net debt breaks down as follows:

	<i>Q1 2019</i> <u>€/000</u>	<i>Q1 2018</i> <u>€/000</u>
Opening net financial position	(287,339)	(273,542)
Adjustment: effect of IFRS 16 on the initial net financial position	(68,411)	-
Adjustment: opening net cash position of companies not consolidated line by line at the end of the prior year	-	(7)
Adjusted opening net financial position	(355,750)	(273,549)
Cash flow from operations	72,306	64,758
Principal portion of leasing instalments paid (IFRS 16)	(3,569)	-
Cash flow generated (absorbed) by the management of commercial working capital	(52,089)	(32,797)
Cash flow generated (absorbed) by other current assets and liabilities	(554)	(2,176)
Investment in tangible fixed assets	(13,238)	(12,189)
Proceeds from the sale of tangible fixed assets	377	298
Increase in other intangible fixed assets	(614)	(905)
Received financial income	84	117
Other	<u>25</u>	<u>147</u>
Free cash flow	2,728	17,253
Acquisition of investments, including imported financial debt/liquidity	(19,635)	(1,007)
Proceeds from assets held for sale	-	785
Purchase of treasury stock	(1,307)	-
Proceeds from the sale of treasury shares to beneficiaries of stock options	240	539
Principal portion of leasing instalments paid (IFRS 16)	3,569	-
Principal portion of new leasing contracts entered into (IFRS 16)	(11,195)	-
Change in financial assets	<u>(9)</u>	<u>3</u>
Net cash generated (used)	(25,609)	17,573
Exchange differences	<u>(226)</u>	<u>(363)</u>
Net financial position at year end	<u>(381,585)</u>	<u>(256,339)</u>

Adoption of new accounting standard IFRS 16 resulted in the booking of a debt equal to the discounted amount of leasing instalments arising from contractual commitments equal to €68.4m at 1 January 2019.

Net liquidity generated by operations totalled €72.3m (€64.8m in Q1 2018), up by 11.7%. Free cash flow for Q1 2019 totalled €2.7m (€17.3m in Q1 2018). The reduction is mainly due to an increase in working capital following the sharp rise in sales and, in a residual measure, to an increase in capital expenditure.

The net financial position breaks down as follows:

	31/03/2019	31/12/2018	31/03/2018	01/01/2018
	€000	€000	€000	€000
Cash and cash equivalents	104,834	118,140	176,368	144,938
Bank payables (advances and STC amounts)	(25,695)	(21,404)	(14,431)	(8,955)
Interest-bearing financial payables (current portion)	(169,913)	(151,917)	(181,695)	(166,465)
Interest-bearing financial payables (non-current portion)	<u>(290,811)</u>	<u>(232,158)</u>	<u>(236,581)</u>	<u>(243,060)</u>
Total	<u>(381,585)</u>	<u>(287,339)</u>	<u>(256,339)</u>	<u>(273,542)</u>

The Group also has payables for the acquisition of equity investments totalling €49.8m (€44.5m at 31/12/2018 and €55.8m at 31/03/2018). Of this amount, €1.1m relates to debts for deferred payment of equity investments (€3.5m at 31/12/2018), while €38.7m relates to contractual commitments for the acquisition of residual stakes in subsidiaries (€1.0m at 31/12/2018). 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 €37.3m, of which €7.3m via the acquisition of equity investments and €4.0m for the signing of new operating leases (€16.7m in Q1 2018, of which €4.8m via the acquisition of equity investments). Moreover, the adoption of IFRS 16 caused an increase in the starting balance of fixed assets in the amount of €68.1m due to the recognition of the right of use of leased assets. The situation is broken down in the following table.

€000	Q1 2019	Q1 2018
Increases for the purchase of fixed assets used in the production process	17,531	10,201
Increases for machinery rented to customers	1,251	1,635
Finance leasing increases	-	93
Capex	18,782	11,929
Increases for right-of-use recognition on leasing contracts signed in the first quarter (IFRS 16)	11,195	-
Increases through the acquisition of equity investments	<u>7,291</u>	<u>4,770</u>
Total increases in the year	<u>37,268</u>	<u>16,699</u>
Initial effect of IFRS 16	68,116	-

The increases in 2019 include €13.3m for construction of new buildings and finance leasing take-over of previously rented buildings (€7.1m in Q1 2018). 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 €3.0m, of which €2.3m through the acquisition of equity investments (€1.3m in Q1 2018, including €0.4m via the acquisition of equity investments). The increase in Q1 2019 is due to the fair value of the patent obtained by acquiring Hydra Dyne in the amount of €2.3m while the remained is mainly referred to capital expenditure for new product development.

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 this Interim Report.

CHANGES IN THE GROUP STRUCTURE IN 2019

Apart from the acquisition of Hydra Dyne, discussed at the beginning of this report, the other transaction that led to a change in the Group structure was the merger of Hypress S.r.l. in IMM Hydraulics S.p.A. (both wholly owned). With effect from 1 April 2019 Ricci Engineering was absorbed by Interpump Group S.p.A. Hammelmann France S.a.r.l., which is wholly owned by Hammelmann GmbH, was incorporated on 30 January 2019.

EVENTS OCCURRING AFTER THE END OF Q1 2019

The Shareholders' Meeting of Interpump Group S.p.A., held on 30 April 2019, approved the 2018 financial statements and distribution of a dividend of EUR 0.22 per share. The meeting also:

- approved the Remuneration Policy Report pursuant to art. 123 (3) of Italian legislative decree 58/98;
- approved the remuneration of the directors for 2019;
- 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;
- approved the 2019/2021 Interpump Incentive Plan.

No atypical or unusual transactions occurred after the end of Q1 2019 that would require mention in this report or call for changes to the consolidated financial statements at 31 March 2019.

Sant'Ilario d'Enza (RE), 10 May 2019

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, Chief Reporting Officer 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, 10 May 2019

Carlo Banci
Chief Reporting Officer
the company's accounting documents

Financial statements and notes

Consolidated statement of financial position

(€000)	<u>Notes</u>	<u>31/03/2019</u>	<u>31/12/2018</u>
ASSETS			
Current assets			
Cash and cash equivalents		104,834	118,140
Trade receivables		305,837	270,364
Inventories	4	394,608	366,480
Tax receivables		24,476	24,596
Other current assets		12,049	10,931
Total current assets		<u>841,804</u>	<u>790,511</u>
Non-current assets			
Property, plant and equipment	5	447,922	355,488
Start-up	1	448,605	434,699
Other intangible assets		36,105	34,731
Other non-current		2,385	2,319
Tax receivables		1,665	1,664
Deferred tax assets		30,424	29,776
Other non-current assets		2,203	2,177
Total non-current assets		<u>969,309</u>	<u>860,854</u>
Total assets		<u>1,811,113</u>	<u>1,651,365</u>

(€000)	<u>Notes</u>	<u>31/03/2019</u>	<u>31/12/2018</u>
LIABILITIES			
Current liabilities			
Trade payables		182,777	177,782
Bank payables		25,695	21,404
Interest-bearing financial payables (current portion)		169,913	151,917
Tax payables		33,196	19,204
Other current liabilities		74,286	72,297
Provisions for risks and charges		3,621	3,807
Total current liabilities		<u>489,488</u>	<u>446,411</u>
Non-current liabilities			
Interest-bearing financial payables		290,811	232,158
Liabilities for employee benefits		19,382	19,377
Deferred tax liabilities		42,565	41,832
Other non-current liabilities		44,586	39,521
Provisions for risks and charges		3,183	3,161
Total non-current liabilities		<u>400,527</u>	<u>336,049</u>
Total liabilities		<u>890,015</u>	<u>782,460</u>
SHAREHOLDERS' EQUITY			
	6		
Share capital		54,837	54,842
Legal reserve		11,323	11,323
Share premium reserve		70,589	71,229
Reserve from remeasurement of defined benefit plans		(5,965)	(5,965)
Translation reserve		11,023	3,142
Other reserves		774,267	729,373
Group shareholders' equity		<u>916,074</u>	<u>863,944</u>
Minority interests		5,024	4,961
Total shareholders' equity		<u>921,098</u>	<u>868,905</u>
Total shareholders' equity and liabilities		<u>1,811,113</u>	<u>1,651,365</u>

Consolidated income statements for Q1

(€000)	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Net sales		343,610	312,296
Cost of sales		(218,886)	(196,661)
Gross industrial margin		124,724	115,635
Other net revenues		4,952	4,589
Distribution costs		(30,697)	(28,578)
General and administrative expenses		(35,717)	(33,878)
Other operating costs		(846)	(503)
Ordinary profit before financial expenses		62,416	57,265
Financial income	7	3,827	2,575
Financial expenses	7	(3,525)	(4,623)
Badwill		-	12,730
Equity method equity		75	(73)
Profit for the year before taxes		62,793	67,874
Income taxes		(17,526)	(16,302)
Consolidated profit for the period		45,267	51,572
Pertaining to:			
Parent company's shareholders		44,894	51,386
Subsidiaries' minority shareholders		373	186
Consolidated profit for the period		45,267	51,572
Basic earnings per share	8	0.426	0.478
Diluted earnings per share	8	0.421	0.473

Comprehensive consolidated income statements for Q1

(€000)	<u>2019</u>	<u>2018</u>
Consolidated profit for the period (A)	45,267	51,572
Other comprehensive profit (loss) that will be subsequently reclassified to consolidated profit		
<i>Profits (losses) arising from the translation of foreign companies' financial statements</i>	8,090	(8,653)
<i>Profits (losses) of companies carried at equity</i>	28	(2)
<i>Related taxes</i>	=	=
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	<u>8,118</u>	<u>(8,655)</u>
Comprehensive consolidated profit for the period (A) + (B)	<u>53,385</u>	<u>42,917</u>
Pertaining to:		
Parent company's shareholders	52,775	42,735
Subsidiaries' minority shareholders	<u>610</u>	<u>182</u>
Comprehensive consolidated profit for the year	<u>53,385</u>	<u>42,917</u>

Consolidated cash flow statements for Q1

(€000)	2019	2018
Cash flow from operating activities		
Pretax profit	62,793	67,874
<i>Adjustments for non-cash items:</i>		
Capital losses (gains) from the sale of fixed assets	(782)	(1,880)
Amortization and depreciation, impairment and reinstatement of value	16,093	12,186
Costs recognized in the income statement related to stock options that do not involve monetary outflows for the Group	422	464
Outlays for tangible fixed assets granted for hire	(1,251)	(1,635)
Proceeds from the sale of fixed assets granted for hire	1,716	3,747
Loss (profit) from equity investments	(75)	73
Net change in provisions for risks and employee benefits	(137)	(390)
Financial charges (income), net	(302)	(10,682)
	<u>78,477</u>	<u>69,757</u>
(Increase) decrease in trade receivables and other current assets	(31,165)	(29,957)
(Increase) decrease in inventories	(18,289)	(17,803)
Increase (decrease) in trade payables and other current liabilities	(3,189)	12,787
Interest paid	(1,312)	(698)
Currency exchange gains	245	(934)
Taxes paid	(5,104)	(3,367)
Net cash from operating activities	<u>19,663</u>	<u>29,785</u>
Cash flows from investing activities		
Outlay for the acquisition of equity investments, net of received cash	(15,961)	(775)
Capital expenditure on property, plant and equipment	(13,238)	(12,096)
Proceeds from the sale of tangible fixed assets	377	298
Proceeds from the disposal of assets held for sale	-	785
Increase in intangible assets	(614)	(905)
Received financial income	84	117
Other	(62)	340
Net liquidity used in investing activities	<u>(29,414)</u>	<u>(12,236)</u>
Cash flows from financing activities		
Outlays for the purchase of treasury shares	(1,307)	-
Disbursals (repayments) of loans	(3,848)	8,868
Proceeds from the sale of treasury shares to beneficiaries of stock options	240	539
Change in other financial assets	(9)	1
Payment of finance leasing instalments (principal portion)	(3,881)	(480)
Net liquidity generated (used by) financing activities	<u>(8,805)</u>	<u>8,928</u>
Net increase (decrease) in cash and cash equivalents	<u>(18,556)</u>	<u>26,477</u>

Interim Board of Directors' Report at 31 March 2019 - Interpump Group

(€000)	<u>2019</u>	<u>2018</u>
Net increase (decrease) in cash and cash equivalents	(18,556)	26,477
Exchange differences on translation of liquidity of non-EU companies	959	(516)
Opening cash and cash equivalents of companies consolidated line by line for the first time	-	(7)
Cash and cash equivalents at beginning of year	<u>96,736</u>	<u>135,983</u>
Cash and cash equivalents at end of year	<u>79,139</u>	<u>161,937</u>

Cash and cash equivalents can be broken down as follows:

	31/03/2019	31/12/2018
	€000	€000
Cash and cash equivalents from the statement of financial position	104,834	118,140
Bank payables (advances and STC amounts)	<u>(25,695)</u>	<u>(21,404)</u>
Cash and cash equivalents from the cash flow statement	<u>79,139</u>	<u>96,736</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 2018</i>	55,805	11,323	121,228	(5,722)	(2,475)	579,006	759,165	5,564	764,729
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	464	-	-	-	464	-	464
Sale of treasury shares to the beneficiaries of stock options	47	-	492	-	-	-	539	-	539
Sale of treasury stock to pay for equity investments	32	-	1,731	-	-	-	1,763	-	1,763
Inoxpa minority interests acquired	-	-	-	-	-	(869)	(869)	(894)	(1,763)
Dividends distributed to minority interests	-	-	-	-	-	-	-	(518)	(518)
Comprehensive profit (loss) for Q1 2018	-	-	-	-	(8,651)	51,386	42,735	182	42,917
<i>Balances at 31 March 2018</i>	55,884	11,323	123,915	(5,722)	(11,126)	629,523	803,797	4,334	808,131
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	1,417	-	-	-	1,417	-	1,417
Purchase of treasury stock	(1,042)	-	(54,183)	-	-	1,042	(54,183)	-	(54,183)
Reclassification of the sale of treasury stock to the beneficiaries of stock options	-	-	48	-	-	(47)	1	-	1
Reclassification of the divestment of treasury stock to pay for equity investments	-	-	32	-	-	(32)	-	-	-
Inoxpa Russia merger operation	-	-	-	-	-	(100)	(100)	100	-
Dividends paid	-	-	-	-	-	(22,532)	(22,532)	(66)	(22,598)
Comprehensive profit (loss) for April-December 2018	-	-	-	(243)	14,268	121,519	135,544	593	136,137
<i>Balances at 31 December 2018</i>	54,842	11,323	71,229	(5,965)	3,142	729,373	863,944	4,961	868,905
Purchase of treasury shares	(26)	-	(1,281)	-	-	-	(1,307)	-	(1,307)
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	422	-	-	-	422	-	422
Sale of treasury shares to the beneficiaries of stock options	21	-	219	-	-	-	240	-	240
Dividends distributed to minority interests	-	-	-	-	-	-	-	(547)	(547)
Comprehensive profit (loss) for Q1 2019	-	-	-	-	7,881	44,894	52,775	610	53,385
<i>Balances at 31 March 2019</i>	54,837	11,323	70,589	(5,965)	11,023	774,267	916,074	5,024	921,098

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, machines for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector), power take-offs, gear pumps, hydraulic cylinders, directional controls, valves, rotary unions, hydraulic hoses and fittings and other hydraulic components (Hydraulic Sector). The Group has production facilities in Italy, the US, Germany, France, Portugal, China, India, Brazil, Bulgaria, Romania, Canada and South Korea.

The consolidated financial statements at 31 March 2019 were approved by the Board of Directors on this day (10 May 2019).

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

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

Basis of preparation

The consolidated financial statements at 31 March 2019 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 2019 should be consulted together with the consolidated financial statements for the year ending 31 December 2018.

The accounting principles and criteria adopted in the interim financial statements at 31 March 2019 may conflict with IFRS provisions in force on 31 December 2019 due to the effect of future orientations of the European Commission with regard to the approval of international accounting standards or the issue of new standards, interpretations or implementing guidelines by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee (IFRIC).

Preparation of interim financial statements in compliance with IAS 34 *Interim Financial Reporting* calls for judgments, estimates, and assumptions that have an effect on assets, liabilities, costs and revenues and on information regarding potential assets and liabilities at the report reference date. We draw your attention to the fact that estimates may differ from the effective results, the magnitude of which will only be known in the future. We further draw your attention to the fact that some evaluation processes, notably those that are more complex such as the determination of any impairments of non-current assets, are generally performed in a comprehensive manner only at the time of drafting of the annual financial statements when all the necessary information is available, except in cases in which indicators of *impairment* exist, calling for immediate evaluation of any losses in value. Likewise, the actuarial evaluations

required for determination of liabilities for benefits due to employees are normally processed at the time of drafting of the annual financial statements.

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

Accounting standards

The accounting standards adopted are those described in the consolidated financial statements at 31 December 2018, with the exception of those adopted as from 1 January 2019 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 2019 and adopted by the Group

As from 2019 the Group has applied the following new accounting standards, amendments and interpretations, reviewed by IASB:

- *IFRS 16 – “Leasing”*. On 13 January 2016, IASB published the new standard that replaces IAS 17. IFRS 16 is applicable from 1 January 2019. The scope of application of the new standard concerns leasing contracts, with certain exceptions. A leasing contract ascribes the entitlement to use an *asset* (the “underlying asset”) for a certain period of time in return for the payment of a consideration. The method of recognition of all leasing contracts reflects the model proposed by IAS 17, although excluding leasing contracts concerning an asset of small value (such as computers) and short-term contracts (i.e. less than 12 months). On the date of recognition of the leasing contract also the liability for the leasing instalments and the asset that the entity is entitled to use must be booked, with separate recording of the financial expenses and amortization amounts concerning the asset. The liability can be subject to remeasurement (e.g. to reflect a change in the contractual terms or a change in the indices to which the payment of the leasing instalments is linked) and the resulting change must be recognized on the underlying asset. The Group made use of the faculty to recognise the effect related to the retroactive remeasurement of the values of net equity at 1 January 2019, without restatement of the prior years included by way of comparison (*modified retrospective approach*) in addition, the Group made use of the derogations proposed by the standard in respect of leasing contracts, in relation to the terms of leasing contracts with expiry within 12 months from the initial date of application and leasing contracts for which the underlying asset has a low value. The effects of application of IFRS 16 on the opening balances of the consolidated financial statements of Interpump Group are as follows:

	<i>Euro/000</i>
Tangible fixed assets (right-of-use recognition)	68,116
Other current assets (elimination of prepayments on advance leasing instalments)	<u>(74)</u>
Total assets	<u>68,042</u>
Booking of the debt for instalments payable	68,401
Accrued expenses for interest	10
Trade payables (elimination of invoices to be received from suppliers on deferred leasing instalments)	(79)
Other non-current liabilities (elimination of debts for medium/long-term instalments)	<u>(290)</u>
Total liabilities	<u>68,042</u>

- *IFRIC 23 – “Uncertainty over Income Tax Treatments”*. On 8 June 2018 IASB published interpretation IFRIC 23, which clarifies the application of the requirements for recognition and measurement in IAS 12 – “Income taxes” in the case of uncertainty concerning income tax treatment. Specifically, the interpretation concerns: (i) the case wherein an entity considers uncertain tax treatments independently, (ii) the assumptions that an entity makes in relation to taxation authorities’ examinations, (iii) how an entity determines its taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) the way in which an entity deals with changes in facts and circumstances. The Interpretation does not add any new information requirements, although it underscores the existing requirements of IAS 1 concerning information on judgments, information on assumptions made and other estimates and information concerning tax assets and liabilities given in IAS 12 “Income taxes”. Application of the new interpretation did not result in adjustments to the equity balances.
 - *Amendments to IFRS 9 – “Prepayment Features with Negative Compensation”*. IASB published the amendment to IFRS9 in December 2018, allowing the company to measure particular prepaid financial assets through so-called negative compensation at amortized cost or at fair value from other comprehensive income, in the event in which a specific condition is met, rather than at fair value in profit and loss. Application of the new amendment did not result in adjustments to the Group's equity balances.
 - *IFRS annual improvements cycle 2015-2017* – On 12 December 2017 IASB published several amendments to IAS 12 (*Income Taxes*) clarifying that the impact related to taxes in income deriving from dividends (or distribution of profit) should be recognized in profit and loss, regardless of the way in which the tax arises, to IAS 23 (*Borrowing Costs*) clarifying that an entity should treat any borrowing originally carried out for the development of an asset as part of general borrowings when the asset in question is ready for its intended use or for sale, to IAS 3 (*Business Combination*) clarifying that an entity must remeasure previously held interests in a business combination once it obtains control of the business in question, and to IFRS 11 (*Joint Arrangements*) whereby a company does not remeasure previously held interests in a business combination when it obtains joint control of the business.
 - *Amendments to IAS 19 – “Plan Amendment, Curtailment or Settlement”*. In February 2018 IASB issued the amendment to IAS 19 that specifies the way in which entities must determine pension expenses when changes are made to a given pension plan. IAS 19 “Employee Benefits” specifies the way in which an entity should recognize a defined benefits pension plan. When a change is made to a plan – adjustment, curtailment or settlement – IAS 19 requires a company to remeasure its net defined benefit asset or liability. The amendments require a company to use the assumptions updated by this remeasurement to determine the current service cost and the net interest for remainder of the reference period after the plan has been amended.
- b) *Accounting standards, amendments and interpretations taking effect as from 1 January 2019 but not relevant for the Group*
- *Amendments to IAS 28 – “Long-term interests in associates and joint ventures”*. In October 2018, IASB issued the amendment to IAS 28, clarifying the way in which entities should use IFRS 9 to represent long-term interests in associates or joint ventures to which the equity method is not applied.

- c) *New accounting standards and amendments not yet applicable and not adopted early by the Group*
- *IFRS 17 – “Insurance contracts”*. On 18 May 2018, 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 IFRS 3 - “Definition of Business”*. IASB published these amendments in 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. The amendments will take effect from 1 January 2020. Early application is permitted.
 - *Amendments to IAS 1 and IAS 8 - “Definition of Material”*. IASB published these amendments in 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. The amendments will take effect from 1 January 2020. Early adoption is however permitted.

Notes to the consolidated financial statements at 31 March 2019

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1. Consolidation basis and goodwill

The perimeter of consolidation at 31 March 2019 includes 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>% stake</u> <u>at 31/3/2019</u>
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%
Hammelmann France S.a.r.l. (1)	Etrichè (France)	50	Water Jetting	100.00%
Inoxihp S.r.l.	Nova Milanese (MI)	119	Water Jetting	52.75%
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%
Fluinox Procesos S.L.U (3)	Foios (Spain)	3	Water Jetting	100.00%
Montajes Fluinox S.L.U (3)	Foios (Spain)	4	Water Jetting	100.00%
Mariotti & Pecini S.r.l.	Sesto Fiorentino (FI)	100	Water Jetting	60.00%
Ricci Engineering S.r.l.	Orvieto (TR)	10	Water Jetting	100.00%
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)	13,996	Hydraulic	100.00%
Interpump Hydraulics France S.a.r.l. (4)	Ennery (France)	76	Hydraulic	99.77%
Interpump Hydraulics India Private Ltd (4)	Hosur (India)	682	Hydraulic	100.00%
Interpump Hydraulics Middle East FZE (4)	Dubai (UAE)	326	Hydraulic	100.00%
Interpump South Africa Pty Ltd (4)	Johannesburg (South Africa)	-	Hydraulic	100.00%

Interim Board of Directors' Report at 31 March 2019 - Interpump Group

<u>Company</u>	<u>Head office</u>	<u>Share capital</u> <u>€/000</u>	<u>Sector</u>	<u>% stake</u> <u>at 31/3/2019</u>
Interpump Hydraulics (UK) Ltd. (4)	Kidderminster (United Kingdom)	13	Hydraulic	100.00%
Mega Pacific Pty Ltd (6)	Newcastle (Australia)	335	Hydraulic	65.00%
Mega Pacific NZ Pty Ltd (6)	Mount Maunganui (New Zealand)	557	Hydraulic	65.00%
Muncie Power Prod. Inc. (4)	Muncie (USA)	784	Hydraulic	100.00%
American Mobile Power Inc. (7)	Fairmount (USA)	3,410	Hydraulic	100.00%
Hydra Dyne Tech Inc (7)	Ingersoll (Canada)	80	Hydraulic	75.00%
Oleodinamica Panni S.r.l. (4)	Tezze sul Brenta (VI)	2,000	Hydraulic	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (4)	Wuxi (China)	2,095	Hydraulic	65.00%
IMM Hydraulics S.p.A. (4)	Atessa (Switzerland)	520	Hydraulic	100.00%
Hypress France S.a.r.l. (8)	Strasbourg (France)	162	Hydraulic	100.00%
Hypress Hydraulik GmbH (8)	Meinerzhagen (Germany)	52	Hydraulic	100.00%
IMM Hydro Est (8)	Catcau Cluj Napoca (Romania)	3,155	Hydraulic	100.00%
Tekno Tubi S.r.l. (8)	Terre del Reno (FE)	100	Hydraulic	100.00%
Tubiflex S.p.A.	Orbassano (TO)	515	Hydraulic	80.00%
Walvoil S.p.A.	Reggio Emilia	7,692	Hydraulic	100.00%
Walvoil Fluid Power Corp. (9)	Tulsa (USA)	137	Hydraulic	100.00%
Walvoil Fluid Power Shanghai Co. Ltd (9)	Shanghai (China)	1,872	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 (10)	Dongguan (China)	3,720	Hydraulic	100.00%
Interpump Piping GS S.r.l.	Reggio Emilia	10	Hydraulic	100.00%
GS-Hydro Singapore Pte Ltd (11)	Singapore	624	Hydraulic	100.00%
GS-Hydro Korea Ltd. (11)	Busan (South Korea)	1,892	Hydraulic	100.00%
GS-Hydro Denmark AS (11)	Kolding (Denmark)	67	Hydraulic	100.00%
GS-Hydro Piping Systems (Shanghai) Co. Ltd. (12)	Shanghai (China)	2,760	Hydraulic	100.00%
GS-Hydro Benelux B.V. (11)	Barendrecht (Netherlands)	18	Hydraulic	100.00%
GS-Hydro Austria GmbH (11)	Pashing (Austria)	40	Hydraulic	100.00%
GS-Hydro Sp Z O (Poland) (11)	Gdynia (Poland)	1,095	Hydraulic	100.00%
GS-Hydro S.A.U (Spain) (11)	Las Rozas (Spain)	90	Hydraulic	100.00%
GS-Hydro U.S. Inc. (11)	Huston (USA)	9,903	Hydraulic	100.00%
GS-Hydro do Brasil Sistemas Hidraulicos Ltda (11)	Rio de Janeiro (Brazil)	252	Hydraulic	100.00%
GS-Hydro System GmbH (Germany) (11)	Witten (Germany)	179	Hydraulic	100.00%
GS- Hydro UK Ltd (11)	Aberdeen (United Kingdom)	5,095	Hydraulic	100.00%
GS-Hydro Ab (Sweden) (11)	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%
E.I. Holdings Ltd (in liquidation) (6)	Bath (United Kingdom)	-	Hydraulic	100.00%
Endeavour International Ltd (in liquidation) (6)	Bath (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

(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.

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

(7) = controlled by Muncie Power Inc.

(8) = controlled by IMM Hydraulics Ltd

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

(10) = controlled by HTIL

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

(12) = controlled by GS Hydro Hong Kong Ltd

Hydra Dyne (Hydraulic Sector) and the income statements of Fluinox and Montajes (Water Jetting Sector) were consolidated for the first time.

The minority shareholder of Inoxihp S.r.l. is entitled to dispose of its holdings starting from the approval of the 2025 financial statements up to the 2035 financial statements, on the basis of the average results of the company in the last two financial statements for the years ended before the exercise of the option. Likewise, the minority shareholder of Tubiflex S.p.A. is entitled and required to dispose of its holdings upon approval of the 2018 financial statements, on the basis of the results of the company reported in the 2018 financial statements. The minority shareholder of Mega Pacific Pty Ltd and of Mega Pacific NZ Pty Ltd is entitled and required to sell its shares within 90 days of 29 July 2021, based on the results of the financial statements prepared immediately prior to exercise of the option. The minority shareholder of Mariotti & Pecini S.r.l. is entitled and required to dispose of its holdings, starting from approval of the financial statements at 31 December 2020 up to approval of the financial statements at 31 December 2022, on the basis of the results reported in the latest financial statements prior to exercise of the option. The minority shareholder of Inoxpa Solution Moldova is entitled to dispose of its holdings from October 2020, based on the most recent statement of financial position of that company. The minority shareholder of Hydra Dyne has the right and obligation to sell its stakes starting from the approval date of the 2023 financial statements based on the average of the results for the two years preceding the year of the option.

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

Changes in goodwill in Q1 2019 were as follows:

<u>Company:</u>	Balance at <u>31/12/2018</u>	Increases (Decreases) in the year	Changes due to foreign exchange differences	Balance at 31/03/2019
Water Jetting Sector	208,208	175	756	209,139
Hydraulic Sector	<u>226,491</u>	<u>12,158</u>	<u>817</u>	<u>239,466</u>
<i>Total goodwill</i>	<u>434,699</u>	<u>12,333</u>	<u>1,573</u>	<u>448,605</u>

The increases of Q1 2019 refer to the consolidation of Hydra Dyne (Hydraulic Sector) and the adjustment of the goodwill of Fluinox (Water Jetting Sector) with respect to the value recognised at 31 December 2018.

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

Business sector information is supplied with reference to the operating sectors. The information provided about business sectors reflects the Group's internal reporting structure.

The value of components and products transferred between sectors is generally the effective sales price between Group companies and corresponds to the best customer sale prices.

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.

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 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, 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, pumps, directional controls, valves, rotary unions, 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 utilized mainly on industrial vehicles in the

construction sector, while double acting cylinders are utilized in a range of applications: earthmoving machinery, agricultural machinery, cranes and truck cranes, waste compactors, etc. Hydraulic lines and fittings are used in a vast range of hydraulic equipment and are also employed in very high pressure water systems. The Group also designs and makes piping systems for the industrial, naval and offshore sectors.

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

Q1

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales external to the Group	232,956	206,669	110,654	105,627	-	-	343,610	312,296
Sales between sectors	231	156	489	301	(720)	(457)	-	-
Total net sales	233,187	206,825	111,143	105,928	(720)	(457)	343,610	312,296
Cost of sales	(158,198)	(138,124)	(61,409)	(58,995)	721	458	(218,886)	(196,661)
Gross industrial margin	74,989	68,701	49,734	46,933	1	1	124,724	115,635
<i>% on net sales</i>	32.2%	33.2%	44.7%	44.3%			36.3%	37.0%
Other net revenues	3,498	2,835	1,590	1,755	(136)	(1)	4,952	4,589
Distribution costs	(17,100)	(16,319)	(13,597)	(12,259)	-	-	(30,697)	(28,578)
General and administrative expenses	(21,779)	(20,713)	(14,073)	(13,165)	135	-	(35,717)	(33,878)
Other operating costs	(728)	(398)	(118)	(105)	-	-	(846)	(503)
Ordinary profit before financial expenses	38,880	34,106	23,536	23,159	-	-	62,416	57,265
<i>% on net sales</i>	16.7%	16.5%	21.2%	21.9%			18.2%	18.3%
Financial income	2,523	1,819	1,656	1,167	(352)	(411)	3,827	2,575
Financial expenses	(2,495)	(2,835)	(1,382)	(2,199)	352	411	(3,525)	(4,623)
Negative goodwill (<i>badwill</i>)	-	12,730	-	-	-	-	-	12,730
Equity method contribution	45	(32)	30	(41)	-	-	75	(73)
Profit for the year before taxes	38,953	45,788	23,840	22,086	-	-	62,793	67,874
Income taxes	(10,755)	(9,840)	(6,771)	(6,462)	-	-	(17,526)	(16,302)
Consolidated profit for the year	28,198	35,948	17,069	15,624	-	-	45,267	51,572
Pertaining to:								
Parent company's shareholders	27,988	35,836	16,906	15,550	-	-	44,894	51,386
Subsidiaries' minority shareholders	210	112	163	74	-	-	373	186
Consolidated profit for the period	28,198	35,948	17,069	15,624	-	-	45,267	51,572
Further information required by IFRS 8								
Amortization, depreciation and write-downs	10,959	7,864	5,134	4,322	-	-	16,093	12,186
Other non-monetary costs	526	707	533	645	-	-	1,059	1,352

Financial position
(Amounts shown in €000)

	<u>Hydraulic</u>		<u>Water Jetting</u>		<u>Elimination entries</u>		<u>Interpump Group</u>	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Assets of the sector (A)	1,106,336	974,751	749,260	707,393	(149,317)	(148,919)	1,706,279	1,533,225
Cash and cash equivalents							104,834	118,140
Total assets							1,811,113	1,651,365
Liabilities of the sector (B)	395,970	374,973	107,180	106,400	(149,317)	(148,919)	353,833	332,454
Debts for the payment of investments							49,763	44,527
Bank payables							25,695	21,404
Interest-bearing financial payables							460,724	384,075
Total liabilities							890,015	782,460
Total assets, net (A-B)	710,366	599,778	642,080	600,993	-	-	1,352,446	1,200,771
<u>Further information required by IFRS 8</u>								
Investments carried equity	267	1,127	213	167	-	-	480	1,294
Non-current assets other than financial assets and deferred tax assets	577,845	495,067	358,655	333,692	-	-	936,500	828,759

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

	Hydraulic		Water Jetting	
	2019	2018	2019	2018
Net sales external to the Group	230,620	206,669	108,106	105,627
Sales between sectors	231	156	489	301
Total net sales	230,851	206,825	108,595	105,928
Cost of sales	(156,303)	(138,124)	(59,943)	(58,995)
Gross industrial margin	74,548	68,701	48,652	46,933
<i>% on net sales</i>	<i>32.3%</i>	<i>33.2%</i>	<i>44.8%</i>	<i>44.3%</i>
Other net revenues	3,498	2,835	1,518	1,755
Distribution costs	(17,074)	(16,319)	(13,302)	(12,259)
General and administrative expenses	(21,662)	(20,713)	(13,688)	(13,165)
Other operating costs	(728)	(398)	(116)	(105)
Ordinary profit before financial expenses	38,582	34,106	23,064	23,159
<i>% on net sales</i>	<i>16.7%</i>	<i>16.5%</i>	<i>21.2%</i>	<i>21.9%</i>
Financial income	2,449	1,819	1,655	1,167
Financial expenses	(2,435)	(2,835)	(1,373)	(2,199)
Negative goodwill (<i>badwill</i>)	-	12,730	-	-
Equity method contribution	45	(32)	30	(41)
Profit for the year before taxes	38,641	45,788	23,376	22,086
Income taxes	(10,690)	(9,840)	(6,663)	(6,462)
Consolidated profit for the year	27,951	35,948	16,713	15,624
Pertaining to:				
Parent company's shareholders	27,741	35,836	16,550	15,550
Subsidiaries' minority shareholders	210	112	163	74
Consolidated profit for the period	27,951	35,948	16,713	15,624

Q1 cash flows by business sector are as follows:

€000	Hydraulic		Water Jetting		Total	
	2019	2018	2019	2018	2019	2018
Cash flows from:						
Operating activities	11,661	17,687	8,002	12,098	19,663	29,785
Investing activities	(22,936)	(8,647)	(6,478)	(3,589)	(29,414)	(12,236)
Financing activities	(703)	2,100	(8,102)	6,828	(8,805)	8,928
Total	(11,978)	11,140	(6,578)	15,337	(18,556)	26,477

The cash flows of Water Jetting Sector financing activities in 2019 include proceeds from the sale of treasury shares to the beneficiaries of stock options in the amount of €240k (€39k in Q1 2018) and outlays for the purchase of treasury shares in the amount of €1,307 (no purchases of treasury shares in Q1 2018).

3. Acquisition of investments

Hydra Dyne Technology Inc.

As mentioned above, Hydra Dyne (Hydraulic Sector) was consolidated for the first time on 1 March 2019. The newly consolidated company operates in the production and sale of hydraulic cylinders, valves and rotary unions. The was recorded in accordance with the acquisition method.

The assets and liabilities of Hydra Dyne were as follows at the time of initial consolidation:

€000	Amounts acquired	Adjustments at <i>fair value</i>	Carrying values in the acquiring company
Trade receivables	2,636	-	2,636
Inventories	5,365	-	5,365
Tax receivables	94	-	94
Other current assets	76	-	76
Property, plant and equipment	7,291	-	7,291
Other intangible assets	35	2,298	2,333
Deferred tax assets	130	-	130
Trade payables	(2,867)	-	(2,867)
Bank payables	(722)	-	(722)
Financial payables to banks (current portion)	(344)	-	(344)
Leasing payables (current portion)	(899)	-	(899)
Tax payables	(1,050)	-	(1,050)
Other current liabilities	(640)	-	(640)
Financial payables to banks (non-current portion)	(690)	-	(690)
Leasing payables (non-current portion)	(1,741)	-	(1,741)
Deferred tax liabilities	-	(575)	(575)
Other non-current liabilities	<u>(521)</u>	-	<u>(521)</u>
Net assets acquired	<u>6,153</u>	<u>1,723</u>	7,876
Goodwill related to the acquisition			<u>12,158</u>
Total net assets acquired			<u>20,034</u>
Total amount paid in cash			15,217
Amount due in medium/long-term			<u>4,817</u>
Total acquisition cost (A)			<u>20,034</u>
Net financial position acquired (B)			4,396
Total amount paid in cash			15,217
Payables related to the acquisition of investments			<u>4,817</u>
Total change in the net financial position including changes in debt for the acquisition of investments			<u>24,430</u>
Capital employed (A) + (B)			24,430

The amounts have been translated into Canadian Dollars in the financial statements at the exchange rate of 1 Euro = 1.5042 CAD.

Fair value of the patent included under other intangible assets was measured by independent professionals.

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

	31/03/2019	31/12/2018
	€000	€000
Inventories gross value	431,792	403,368
Allowance for inventories	<u>(37,184)</u>	<u>(36,888)</u>
Inventories	<u>394,608</u>	<u>366,480</u>

Changes in the allowance for inventories were as follows:

	Q1 2019	Year 2018
	€000	€000
Opening balances	36,888	32,848
Exchange rate difference	316	57
Change in consolidation basis	-	3,102
Provisions for the year	603	3,843
Releases in the year to cover losses	(623)	(2,962)
Release of excess provisions in the period	<u>-</u>	<u>-</u>
Closing balance	<u>37,184</u>	<u>36,888</u>

5. Property, plant and equipment

Purchases and disposals

In Q1 2019 Interpump Group acquired assets for 37,268 thousand euro, of which 7,291 thousand euro via the acquisition of equity investments (16,699 thousand euro in Q1 2018, of which 4,770 thousand via the acquisition of equity investments). In Q1 2019 assets were divested for a net carrying value of €1,261k (€2,163k in Q1 2018). The divested assets generated a net capital gain of €782k (€1,880k in Q1 2018).

Contractual commitments

At 31 March 2019 the Group had contractual commitments for the purchase of tangible fixed assets totalling €4,861k (€7,589k at 31 March 2018).

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 €54,837k, because the nominal value of purchased treasury shares, net of divested treasury shares, was deducted from share capital in compliance with the reference accounting standards. At 31 March 2019 Interpump S.p.A. held 3,423,489 treasury shares corresponding to 3.1443% of share capital, acquired at an average unit cost of EUR 21.108.

Treasury shares purchased

The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. During Q1 2019 Interpump Group S.p.A. acquired 50,000 treasury shares for €1,307k (no treasury shares were purchased in Q1 2018).

Treasury shares sold

A total of 40,000 options were exercised in Q1 2019, resulting in proceeds of €240k in the context of the stock option plans (90,000 stock options exercised in Q1 2018 generating proceeds of €539k).

7. Financial income and charges

	<u>2019</u>	<u>2018</u>
	€000	€000
<u>Financial income</u>		
Interest income from liquid funds	58	110
Interest income from other assets	28	16
Foreign exchange gains	3,737	2,419
Other financial income	<u>4</u>	<u>30</u>
Total financial income	<u>3,827</u>	<u>2,575</u>
<u>Financial expenses</u>		
Interest expense on loans and leasing	1,186	739
Interest expense on put options	152	172
Foreign exchange losses	2,148	3,563
Other financial charges	<u>39</u>	<u>149</u>
Total financial expenses	<u>3,525</u>	<u>4,623</u>
Total financial expenses (income), net	<u>(302)</u>	<u>(2,048)</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:

<i>Q1</i>	<u>2019</u>	<u>2018</u>
Consolidated net profit attributable to the owners of the Parent company (€000)	<u>44,894</u>	<u>51,386</u>
Average number of shares in circulation	105,503,345	107,418,905
Basic earnings per share for the quarter (€)	<u>0.426</u>	<u>0.478</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>2019</u>	<u>2018</u>
Consolidated net profit attributable to the owners of the Parent company (€000)	44,894	51,386
Average number of shares in circulation	105,503,345	107,418,905
Number of potential shares for stock option plans (*)	<u>1,152,676</u>	<u>1,174,696</u>
Average number of shares (diluted)	<u>106,656,021</u>	<u>108,593,601</u>
Earnings per diluted share for the quarter (€)	<u>0.421</u>	<u>0.473</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 2019 and Q1 2018 are shown below:

	<u>Q1 2019</u>					%
	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€000)	Total					incidence on F.S. caption
Net sales	343,610	718	-	307	1,025	0.3%
Cost of sales	218,886	928	-	2,185	3,113	1.4%
Other revenues	4,952	1	-	-	1	0.0%
Distribution costs	30,697	9	-	153	162	0.5%
G&A expenses	5,717	-	-	126	126	0.4%
Financial expenses	3,525	-	-	113	113	3.2%

	<u>Q1 2018</u>					%
	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€000)	Total					incidence on F.S. caption
Net sales	312,296	483	-	372	855	0.3%
Cost of sales	196,661	390	-	3,021	3,411	1.7%
Other revenues	4,589	1	-	-	1	0.0%
Distribution costs	28,578	9	-	172	181	0.6%
G&A expenses	33,878	-	-	362	362	1.1%

The effects on the consolidated balance sheet at 31 March 2019 and 2018 are shown below:

31 March 2019						
(€000)	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	305,837	3,380	-	580	3,960	1.3%
Other non-current	2,385	202	-	-	202	8.5%
Trade payables	182,777	124	-	1,680	1,804	1.0%
Interest-bearing financial payables	460,724	-	-	25,919	25,919	5.6%

31 March 2018						
(€000)	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	271,465	1,788	-	962	2,750	1.0%
Other non-current	939	2	-	-	2	0.2%
Trade payables	155,982	61	-	1,488	1,549	1.0%

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€000)	Receivables		Revenues	
	31/03/2019	31/03/2018	2019	2018
General Pump China Inc.	732	239	266	201
Interpump Hydraulics Perù	1,014	1,037	67	101
Interpump Hydraulics RUS	587	292	386	182
Innovativ Gummi Tech S.r.l.	533	-	-	-
FGA S.r.l.	<u>514</u>	<u>220</u>	-	-
<i>Total subsidiaries</i>	<u>3,380</u>	<u>1,788</u>	<u>719</u>	<u>484</u>

(€000)	Payables		Costs	
	31/03/2019	31/03/2018	2019	2018
General Pump China Inc.	59	57	190	187
Interpump Hydraulics Perù	1	-	1	60
Innovativ Gummi Tech S.r.l.	45	-	569	-
FGA S.r.l.	<u>19</u>	<u>4</u>	<u>177</u>	<u>152</u>
<i>Total subsidiaries</i>	<u>124</u>	<u>61</u>	<u>937</u>	<u>399</u>

(€000)	Loans		Financial income	
	31/03/2019	31/03/2018	2019	2018
Inoxpa Poland Sp ZOO	2	2	-	-
FGA S.r.l.	<u>200</u>	-	-	-
<i>Total subsidiaries</i>	<u>202</u>	<u>2</u>	<u>-</u>	<u>-</u>

Relations with associates

The Group does not hold investments in associated companies.

Transactions with other related parties

In Q1 2018 transactions were conducted with other related parties concerning the leasing of facilities owned by companies controlled by the current shareholders and directors of Group companies in the amount of €1,228k. With the adoption of IFRS 16, these costs were no longer brought to the income statement in Q1 2019. Consultancy services from entities connected with the Group's directors and statutory auditors totalling €6k are booked to the income statement (€127k in Q1 2018). Consultancy costs were recorded in distribution costs in the amount of €25k and in general and administrative expenses for €1k (€15k in distribution costs and €12k in general and administrative expenses in Q1 2018). Net sales include the amount of €307k for sales made to companies related to Group shareholders (€372k in Q1 2018). In addition, the cost of sales includes purchases made from companies controlled by minority shareholders or directors of Group companies for €2,094k (€2,011k in Q1 2018).

Moreover, further to the signing of building rental contracts with other related parties, the Group has commitments of €25,919k (€15,488k at 31 December 2018).

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 2018.