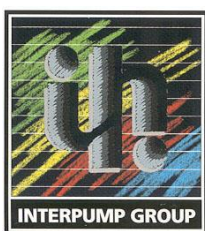


Interim Board of Directors' Report for Q1 2021



Interpump Group S.p.A. and subsidiaries

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This document can be accessed on the Internet at:

www.interpumpgroup.it

Interpump Group S.p.A.

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

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

Reggio Emilia Companies Register - Tax Code 11666900151

Board of Directors

Fulvio Montipò
Chairman and Chief Executive Officer

Giovanni Tamburi (b)
Deputy Chairman

Victor Gottardi
Executive Director

Fabio Marasi
Executive Director

Angelo Busani (a) (c)
Independent Director

Antonia Di Bella
Independent Director

Marcello Margotto (b)
Independent Director
Lead Independent Director

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

Stefania Petruccioli
Independent Director

Paola Tagliavini (a), (c)
Independent Director

Board of Statutory Auditors

Anna Maria Allievi
Chairman

Roberta De Simone
Statutory Auditor

Mario Tagliaferri
Statutory Auditor

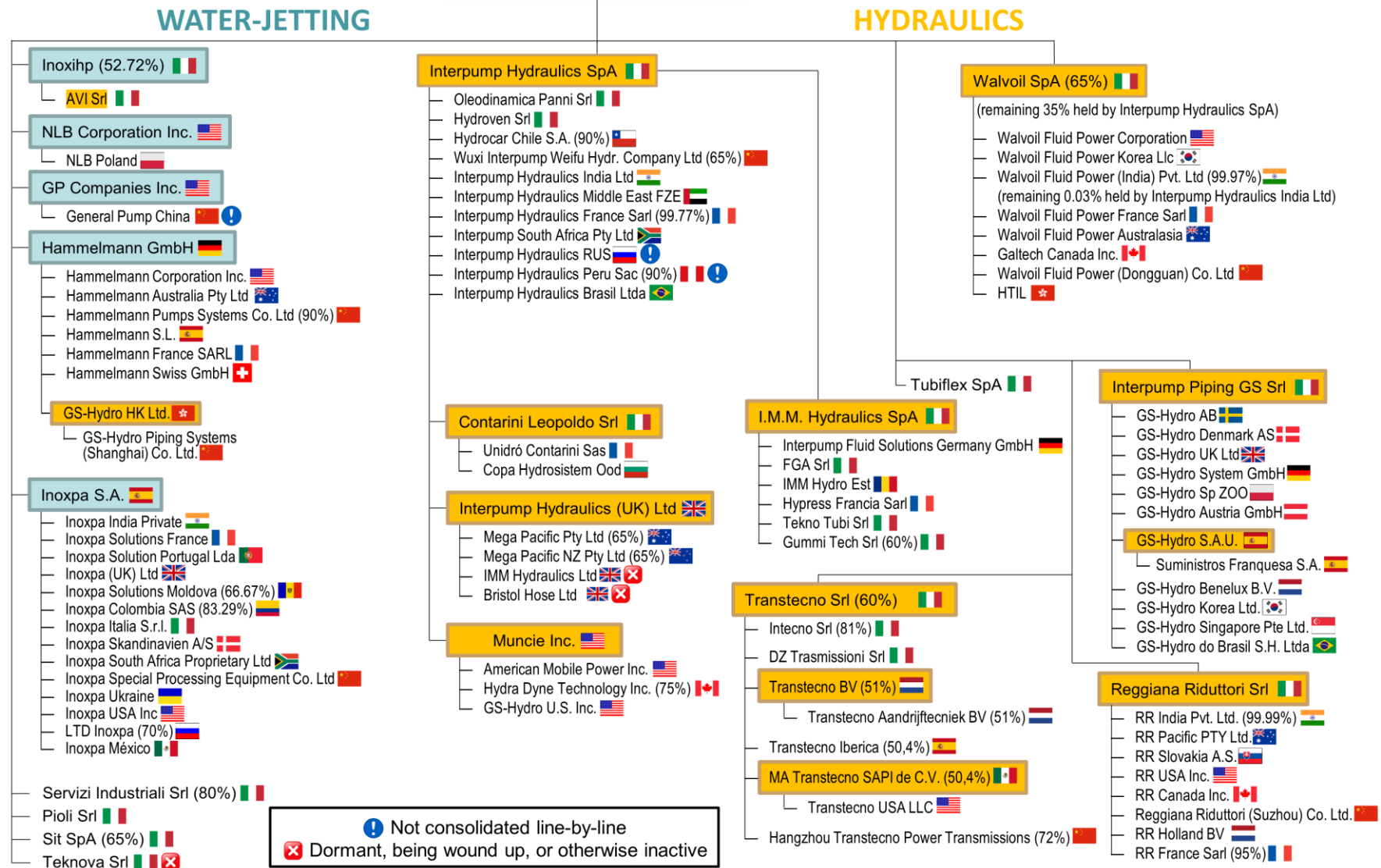
Independent Auditors

EY S.p.A.

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

Group Structure

as at 31/03/2021
all holdings 100% unless otherwise specified



Interim Board of Directors' Report

**Directors' remarks on performance
in Q1 2021**

PERFORMANCE INDICATORS

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

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

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

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

The cash flow statement was prepared using the indirect method.

Consolidated income statements for Q1

(€/000)	<u>2021</u>	<u>2020</u>
Net sales	375,569	343,971
Cost of sales	(239,071)	(221,314)
Gross industrial margin	136,498	122,657
<i>% on net sales</i>	<i>36.3%</i>	<i>35.7%</i>
Other operating revenues	5,542	4,766
Distribution costs	(29,844)	(31,649)
General and administrative expenses	(38,739)	(39,612)
Other operating costs	(1,769)	(5,972)
EBIT	71,688	50,190
<i>% on net sales</i>	<i>19.1%</i>	<i>14.6%</i>
Financial income	5,060	4,710
Financial charges	(4,157)	(8,719)
Equity method contribution	69	63
Profit for the period before taxes	72,660	46,244
Income taxes	(18,873)	(12,948)
Consolidated net profit for the period	53,787	33,296
<i>% on net sales</i>	<i>14.3%</i>	<i>9.7%</i>
Pertaining to:		
Parent company's shareholders	53,092	33,136
Subsidiaries' minority shareholders	695	160
Consolidated profit for the period	53,787	33,296
EBITDA	91,471	74,346
<i>% on net sales</i>	<i>24.4%</i>	<i>21.6%</i>
Shareholders' equity	1,223,415	1,087,377
Net indebtedness	229,786	384,881
Payables for the acquisition of investments	61,971	61,536
Capital employed	1,515,172	1,533,614
ROCE	4.7%	3.3%
ROE	4.4%	3.1%
Basic earnings per share	0.497	0.310

EVENTS OCCURRING IN THE QUARTER

The COVID-19 pandemic continued during the first quarter of 2021, after having already heavily affected the whole of 2020. Nevertheless, the signs of economic recovery identified in Q4 2020 were maintained throughout Q1 2021, albeit with mixed characteristics. The start of the vaccination campaign has fueled hopes that social and economic life will return to normal. The Interpump Group took advantage of the opportunities offered by the market to achieve significant growth in net sales and profitability during Q1 2020, which was only partially affected by the adverse effects of the pandemic.

Sales reached €375.6m, up by 9.2% compared to Q1 2020. Analysis by business sector highlights shows that sales in the Hydraulic Sector rose by 13.6% with respect to Q1 2020, while those in the Water Jetting Sector were essentially in line (-0.3%) with the same period in 2020.

EBITDA was €91.5m, equivalent to 24.4% of sales, following a rise of 23.0%. In particular, EBITDA was €74.3m in Q1 2020 (21.6% of sales).

Free cash flow was €40.8m in Q1 2021 compared with €39.0m in Q1 2020. Net indebtedness (NFP) has decreased to €229.8m, leaving enough room for future acquisitions.

Net profit for Q1 2021 was €53.8m (€33.3m in Q1 2020), reflecting an increase of 61.5%.

Compared with Q1 2020, the Hydraulic Sector consolidation now includes DZ Trasmissioni, which was acquired in January 2021, and Suministros Franquesa, which was acquired in 2020 but not consolidated then due to its insignificance, while the Water Jetting Sector consolidation includes Servizi Industriali, which was acquired in July 2020.

NET SALES

Net sales in Q1 2021 totaled €375.6m, up by 9.2% on the €344.0m of Q1 2020 (+8.2% at unchanged perimeter and +11.6% also net of exchange differences).

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

Q1 2021

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

Q1 2020

Hydraulic Sector	44,161	83,252	63,403	23,431	20,701	234,948
Water Jetting Sector	<u>9,566</u>	<u>39,689</u>	<u>35,116</u>	<u>15,069</u>	<u>9,583</u>	<u>109,023</u>
Total	<u>53,727</u>	<u>122,941</u>	<u>98,519</u>	<u>38,500</u>	<u>30,284</u>	<u>343,971</u>

2021/2020 percentage changes

Hydraulic Sector	+21.9%	+12.0%	-7.4%	+41.3%	+35.2%	+13.6%
Water Jetting Sector	+8.7%	-1.2%	+2.4%	+1.9%	-18.7%	-0.3%
Total	+19.6%	+7.7%	-3.9%	+25.9%	+18.1%	+9.2%

PROFITABILITY

The cost of sales accounted for 63.7% of turnover (64.3% in Q1 2020). Production costs, which totaled €95.6m (€87.1m in Q1 2020, which however did not include the costs of DZ Trasmissioni, Suministros Franquesa and Servizi Industriali), accounted for 25.5% of sales (25.3% in the equivalent period of 2020). Production costs were also 25.5% of sales at unchanged perimeter (25.8% in Q1 2020). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €143.5m (€134.2m in the equivalent period of 2020, which however did not include the costs of DZ Trasmissioni, Suministros Franquesa and Servizi Industriali). The incidence of purchase costs including changes in inventories was 38.2% compared to 39.0% in Q1 2020.

At unchanged perimeter, distribution costs fell by 6.3% with respect to Q1 2020, while their incidence on sales was 1.2 percentage points lower.

Again at unchanged perimeter, general and administrative expenses fell by 3.7% with respect to Q1 2020 and their incidence on sales also fell by 1.2 percentage points.

Total payroll costs were €86.3m (€82.6m in Q1 2020, which however did not include payroll costs of DZ Trasmissioni, Suministros Franquesa and Servizi Industriali). At unchanged perimeter, payroll costs amounted to €85.8m, up by 3.8% due to a 5.2% increase in per capita cost, on the one hand, and a reduction in the average headcount by 98 employees on the other. The increase in per capital cost was recorded by the Italian companies in particular, due to termination of the recourse made to government-assisted lay-offs in order to satisfy the large rise in orders. The average total number of Group employees in Q1 2021 was 7,411 (7,367 at unchanged perimeter) compared to 7,465 in Q1 2020. The decrease in average headcount in Q1

2021, net of the personnel of the newly acquired companies, breaks down as follows: minus 142 in Europe, minus 13 in the US and plus 57 in the Rest of the World.

EBITDA was €91.5m (24.4% of sales) compared with €74.3m in Q1 2020, which represented 21.6% of sales. The following table shows EBITDA by business sector:

	<i>Q1 2021</i>	<i>% on</i>	<i>Q1 2020</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	60,487	22.6%	46,085	19.6%	+31.3%
Water Jetting Sector	<u>30,984</u>	28.2%	<u>28,261</u>	25.8%	+9.6%
Total	<u>91,471</u>	24.4%	<u>74,346</u>	21.6%	+23.0%

* = Total sales include sales to other Group companies, while the sales analyzed previously are exclusively those external to the Group (see Note 2 in the explanatory notes). For comparability, the percentage is calculated on total sales, rather than the net sales shown earlier.

EBIT amounted to €71.7m (19.1% of sales) compared with €50.2m in Q1 2020 (14.6% of sales), when a special provision of €5.0m was made for the termination indemnities of the Chairman; this indemnity was increased by €0.8m in Q1 2021, as envisaged in the Remuneration policy report approved at the Shareholders' Meeting.

The tax rate for the period was 26.0% (28.0% in Q1 2020).

Net profit for Q1 2021 was €53.8m (€33.3m in Q1 2020), reflecting an increase of 61.5%. Basic earnings per share rose from EUR 0.310 in Q1 2020 to EUR 0.497 in Q1 2021.

Capital employed increased from €1,482.2m at 31 December 2020 to €1,515.2m at 31 March 2021, principally due to the increase in working capital caused, in the main, by the need to rebuild inventories as a result of the current economic recovery. Unannualized ROCE was 4.7% (3.3% in Q1 2020). Unannualized ROE was 4.4% (3.1% in Q1 2020).

CASH FLOW

The change in net indebtedness breaks down as follows:

	<i>Q1 2021</i>	<i>Q1 2020</i>
	<i>€/000</i>	<i>€/000</i>
Opening net financial position	(269,500)	(370,814)
Net opening financial position of companies consolidated for the first time	<u>(161)</u>	<u>(2,223)</u>
Adjusted opening net financial position	(269,661)	(373,037)
Cash flow from operations	84,900	66,463
Principal portion of leasing installments paid (IFRS 16)	(4,731)	(4,857)
Cash flow generated (absorbed) by the management of commercial working capital	(27,827)	2,329
Cash flow generated (absorbed) by other current assets and liabilities	3,178	(8,886)
Investment in tangible fixed assets	(14,483)	(16,169)
Proceeds from the sale of tangible fixed assets	1,160	477
Investment in other intangible assets	(1,333)	(766)
Received financial income	140	471
Other	<u>(219)</u>	<u>(108)</u>
Free cash flow	40,785	38,954
Acquisition of investments, including received debt and net of treasury stock assigned	(5,271)	(37,699)
Dividends paid	(685)	(169)
Purchase of treasury shares	-	(16,624)
Proceeds from the sale of treasury shares to beneficiaries of stock options	66	614
Principal portion of leasing installments paid (IFRS 16)	4,731	4,857
Principal portion of new leasing contracts arranged (IFRS 16)	(1,848)	(3,480)
Remeasurement and early close-out of leasing contracts (IFRS 16)	830	811
Change in other financial assets	<u>(41)</u>	<u>(466)</u>
Net cash generated (used)	38,567	(13,202)
Exchange differences	<u>1,308</u>	<u>1,358</u>
Closing net financial position	<u>(229,786)</u>	<u>(384,881)</u>

Net liquidity generated by operations totaled €84.9 million (€66.5 million in Q1 2020), reflecting an increase of 27.7%. Free cash flow was €40.8m (€39.0m in Q1 2020), reflecting an increase of 4.7% despite the need to rebuild inventories following the strong rise in orders, after the reductions in 2020 caused by the pandemic.

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

	31/03/2021	31/12/2020	31/03/2020	01/01/2020
	<u>€/000</u>	<u>€/000</u>	<u>€/000</u>	<u>€/000</u>
Cash and cash equivalents	357,923	343,170	205,818	233,784
Bank payables (advances and STC amounts)	(12,704)	(10,592)	(20,260)	(22,076)
Interest-bearing financial payables (current portion)	(182,510)	(183,873)	(180,353)	(195,110)
Interest-bearing financial payables (non-current portion)	<u>(392,495)</u>	<u>(418,205)</u>	<u>(390,086)</u>	<u>(387,412)</u>
Total	<u>(229,786)</u>	<u>(269,500)</u>	<u>(384,881)</u>	<u>(370,814)</u>

The Group also has contractual commitments for the acquisition of interests in subsidiaries totaling €62.0m (€62.7m at 31 December 2020 and €61.5m at 31 March 2020). Of this amount, €2.0m relates to the acquisition of equity investments (€3.2m at 31 December 2020), while €60.0m relates to contractual agreements for the acquisition of residual interests in subsidiaries (€59.5m at 31 December 2020). 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 maximizing growth in profitability on the other.

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totaled €19.2m, of which €1.8m via the acquisition of equity investments (€29.4m in Q1 2020, of which €13.5m via the acquisition of equity investments). The additions during the year are analyzed in the following table.

€/000	<u>Q1 2021</u>	<u>Q1 2020</u>
Increases for the purchase of fixed assets used in the production process	12,582	10,281
Increases for machinery rented to customers	2,939	2,119
Leased assets	<u>1,848</u>	<u>3,480</u>
Capex	17,369	15,880
Increases through the acquisition of equity investments	<u>1,811</u>	<u>13,532</u>
Total increases in the period	<u>19,180</u>	<u>29,412</u>

The increases in 2021 include €4.7m invested in land and buildings (€1.8m in 2020).

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

Increases in intangible fixed assets totaled €1.4m (€1.3m in Q1 2020, including €0.5m through the acquisition of equity investments).

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

The transactions entered into with related parties, including intercompany transactions, cannot be defined as either atypical or unusual, as they are carried out in the ordinary course of business between Group companies. They are settled on arm's-length conditions, taking into account the characteristics of the assets transferred and services rendered. Information on transactions carried out with related parties is given in Note 9 of the Interim Board of Directors' Report at 31 March 2021.

CHANGES IN GROUP STRUCTURE IN Q1 2021

Hammelmann Bombas has been absorbed by Interpump Hydraulics Brasil and Inoxpa Australia has been absorbed by Hammelmann Australia, both with effect from 1 January 2021. In addition, Inoxpa Middle East has been liquidated.

EVENTS OCCURRING AFTER THE END OF Q1 2021

The Shareholders' Meeting of Interpump Group S.p.A., held on 30 April 2021, approved the 2020 financial statements and distribution of a dividend of EUR 0.26 per share. The meeting also:

- approved the Remuneration policy report pursuant to art. 123 (3) of Decree 58/98;
- approved the remuneration of the directors for 2021;
- authorized the Board of Directors, for the period of eighteen months starting from the date of the shareholders' resolution, to purchase up to a maximum of 5,500,000 treasury shares at a maximum unit price of EUR 59.0 and, in any case, 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 authorization;

No atypical or unusual transactions occurred after the end of Q1 2021 that would require mention in this report or call for changes to the consolidated financial statements at 31 March 2021.

Sant'Ilario d'Enza (RE), 14 May 2021

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

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

Sant'Ilario d'Enza (RE), 14 May 2021

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

Financial statements and notes

Consolidated statement of financial position

(€/000)	<u>Notes</u>	<u>31/03/2021</u>	<u>31/12/2020</u>
ASSETS			
Current assets			
Cash and cash equivalents		357,923	343,170
Trade receivables		308,923	261,707
Inventories	4	399,525	376,596
Tax receivables		18,197	23,573
Other current assets		12,446	10,360
Total current assets		<u>1,097,014</u>	<u>1,015,406</u>
Non-current assets			
Property, plant and equipment	5	480,996	476,480
Goodwill	1	554,631	549,168
Other intangible assets		43,131	43,511
Other financial assets		1,704	2,269
Tax receivables		911	757
Deferred tax assets		59,386	59,610
Other non-current assets		2,166	2,089
Total non-current assets		<u>1,142,925</u>	<u>1,133,884</u>
Total assets		<u>2,239,939</u>	<u>2,149,290</u>

(€/000)	<u>Notes</u>	<u>31/03/2021</u>	<u>31/12/2020</u>
LIABILITIES			
Current liabilities			
Trade payables		179,700	154,098
Bank payables		12,704	10,592
Interest-bearing financial payables (current portion)		182,510	181,603
Tax payables		22,364	14,483
Other current liabilities		80,979	73,738
Provisions for risks and charges		4,368	4,739
Total current liabilities		<u>482,625</u>	<u>439,253</u>
Non-current liabilities			
Interest-bearing financial payables		392,495	420,475
Liabilities for employee benefits		24,081	23,809
Deferred tax liabilities		43,835	43,229
Tax payables		3,766	3,809
Other non-current liabilities		58,613	58,323
Provisions for risks and charges		11,109	10,415
Total non-current liabilities		<u>533,899</u>	<u>560,060</u>
Total liabilities		<u>1,016,524</u>	<u>999,313</u>
SHAREHOLDERS' EQUITY			
	6		
Share capital		55,504	55,462
Legal reserve		11,323	11,323
Share premium reserve		82,375	78,693
Reserve from remeasurement of defined benefit plans		(8,217)	(8,217)
Translation reserve		(9,592)	(27,215)
Other reserves		1,082,621	1,029,529
Group shareholders' equity		<u>1,214,014</u>	<u>1,139,575</u>
Minority interests		9,401	10,402
Total shareholders' equity		<u>1,223,415</u>	<u>1,149,977</u>
Total shareholders' equity and liabilities		<u>2,239,939</u>	<u>2,149,290</u>

Consolidated income statements for Q1

(€/000)	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Net sales		375,569	343,971
Cost of sales		(239,071)	(221,314)
Gross industrial margin		136,498	122,657
Other net revenues		5,542	4,766
Distribution costs		(29,844)	(31,649)
General and administrative expenses		(38,739)	(39,612)
Other operating costs		(1,769)	(5,972)
Ordinary profit before financial charges		71,688	50,190
Financial income	7	5,060	4,710
Financial charges	7	(4,157)	(8,719)
Equity method contribution		69	63
Profit for the period before taxes		72,660	46,244
Income taxes		(18,873)	(12,948)
Consolidated profit for the period		53,787	33,296
Pertaining to:			
Parent company's shareholders		53,092	33,136
Subsidiaries' minority shareholders		695	160
Consolidated profit for the period		53,787	33,296
Basic earnings per share	8	0.497	0.310
Diluted earnings per share	8	0.492	0.308

Comprehensive consolidated income statements for Q1

(€/000)	2021	2020
Consolidated profit for the period (A)	53,787	33,296
Other comprehensive profit (loss) that will be subsequently reclassified to consolidated profit		
<i>Profits (Losses) arising from the translation to euro of the financial statements of foreign companies</i>	17,934	(3,603)
<i>Profits (Losses) of companies carried at equity</i>	29	(58)
<i>Related taxes</i>	—	—
Total other comprehensive profit (loss) that will be subsequently reclassified to consolidated profit, net of tax effect (B)	<u>17,963</u>	<u>(3,661)</u>
Comprehensive consolidated profit for the period (A) + (B)	<u>71,750</u>	<u>29,635</u>
Pertaining to:		
Parent company's shareholders	70,715	29,708
Subsidiaries' minority shareholders	1,035	(73)
Comprehensive consolidated profit for the period	<u>71,750</u>	<u>29,635</u>

Consolidated cash flow statements for Q1

(€/000)	<u>2021</u>	<u>2020</u>
Cash flow from operating activities		
Pretax profit	72,660	46,244
Adjustments for non-cash items:		
Capital losses (gains) from the sale of fixed assets	(3,092)	(692)
Amortization and depreciation, impairment and reinstatement of value	18,826	19,031
Costs recognized in the income statement related to stock options that do not involve monetary outflows for the Group	583	831
Loss (profit) from equity investments	(69)	(63)
Net change in risk funds and allocations for employee benefits	265	4,863
Outlays for tangible fixed assets destined for hire	(2,939)	(2,119)
Proceeds from the sale of fixed assets granted for hire	4,583	1,162
Financial charges (income), net	(903)	4,009
	<u>89,914</u>	<u>73,266</u>
(Increase) decrease in trade receivables and other current assets	(37,848)	2,311
(Increase) decrease in inventories	(11,419)	4,924
Increase (decrease) in trade payables and other current liabilities	24,618	(13,792)
Interest paid	(1,088)	(1,269)
Currency exchange gains	784	(68)
Taxes paid	(4,710)	(5,466)
Net cash from operating activities	<u>60,251</u>	<u>59,906</u>
Cash flows from investing activities		
Outlay for the acquisition of equity investments, net of cash received and net of divested treasury stock	(4,082)	(29,639)
Capital expenditure on property, plant and equipment	(14,483)	(16,169)
Proceeds from the sale of tangible fixed assets	1,160	477
Capital expenditure on intangible assets	(1,333)	(766)
Received financial income	140	471
Other	(230)	(111)
Net liquidity used in investing activities	<u>(18,828)</u>	<u>(45,737)</u>
Cash flows from financing activities		
Disbursals (repayments) of loans	(26,523)	(17,840)
Dividends paid	(685)	(169)
Outlays for purchase of treasury shares	-	(16,624)
Proceeds from the sale of treasury shares to beneficiaries of stock options	66	614
Change in other financial assets	(41)	(466)
Payment of finance leasing installments (principal portion)	(4,731)	(4,857)
Net liquidity generated (used by) financing activities	<u>(31,914)</u>	<u>(39,342)</u>
Net increase (decrease) in cash and cash equivalents	<u>9,509</u>	<u>(25,173)</u>

Interim Board of Directors' Report at 31 March 2021 - Interpump Group

(€/000)	<u>2021</u>	<u>2020</u>
Net increase (decrease) in cash and cash equivalents	9,509	(25,173)
Exchange differences on translation of liquidity of non-EU companies	3,059	(1,025)
Opening cash and cash equivalents of companies consolidated line by line for the first time	73	48
Cash and cash equivalents at beginning of period	332,578	211,708
Cash and cash equivalents at end of period	<u>345,219</u>	<u>185,558</u>

Cash and cash equivalents can be broken down as follows:

	31/03/2021	31/12/2020
	€/000	€/000
Cash and cash equivalents from the statement of financial position	357,923	343,170
Bank payables (current account overdrafts and advances subject to collection)	<u>(12,704)</u>	<u>(10,592)</u>
Cash and cash equivalents from the cash flow statement	<u><u>345,219</u></u>	<u><u>332,578</u></u>

Statement of changes in consolidated shareholders' equity

(€/000)	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 2020</i>	55,460	11,323	96,733	(7,358)	7,735	885,446	1,049,339	5,735	1,055,074
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	831	-	-	-	831	-	831
Purchase of treasury shares	(317)	-	(16,308)	-	-	-	(16,625)	-	(16,625)
Sale of treasury stock to the beneficiaries of stock options	25	-	590	-	-	-	615	-	615
Assignment of treasury shares as payment for equity investments	254	-	13,796	-	-	-	14,050	-	14,050
Dividends declared (attributable to non-controlling interests)	-	-	-	-	-	-	-	(583)	(583)
Minority interest in Transtecno	-	-	-	-	-	-	-	4,380	4,380
Comprehensive profit (loss) for Q1 2020	-	-	-	-	(3,428)	33,136	29,708	(73)	29,635
<i>Balances at 31 March 2020</i>	55,422	11,323	95,642	(7,358)	4,307	918,582	1,077,918	9,459	1,087,377
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	1,088	-	-	-	1,088	-	1,088
Purchase of treasury stock	(520)	-	(31,342)	-	-	-	(31,862)	-	(31,862)
Sale of treasury stock to the beneficiaries of stock options	560	-	13,305	-	-	-	13,865	-	13,865
Assignment of treasury shares as payment for equity investments	-	-	-	-	-	-	-	-	-
Minority interest in Transtecno	-	-	-	-	-	-	-	(113)	(113)
Dividends paid	-	-	-	-	-	(26,897)	(26,897)	(1,362)	(28,259)
Dividends declared (attributable to non-controlling interests)	-	-	-	-	-	-	-	553	553
Comprehensive profit (loss) for April-December 2020	-	-	-	(859)	(31,522)	137,844	105,463	1,865	107,328
<i>Balances at 31 December 2020</i>	55,462	11,323	78,693	(8,217)	(27,215)	1,029,529	1,139,575	10,402	1,149,977
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	583	-	-	-	583	-	583
Sale of treasury stock to the beneficiaries of stock options	3	-	63	-	-	-	66	-	66
Assignment of treasury shares for payment of equity investments	39	-	3,036	-	-	-	3,075	-	3,075
Liquidation of subsidiaries	-	-	-	-	-	-	-	(85)	(85)
Dividends distributed (to non-controlling interests)	-	-	-	-	-	-	-	(647)	(647)
Dividends declared (attributable to non-controlling interests)	-	-	-	-	-	-	-	(1,304)	(1,304)
Comprehensive profit (loss) for Q1 2021	-	-	-	-	17,623	53,092	70,715	1,035	71,750
<i>Balances at 31 March 2021</i>	55,504	11,323	82,375	(8,217)	(9,592)	1,082,621	1,214,014	9,401	1,223,415

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, gears and other hydraulic products. The Group has production facilities in Italy, the US, Germany, China, India, France, Portugal, Brazil, Bulgaria, Romania, Canada and South Korea.

Sales are not affected by any significant degree of seasonality.

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

The consolidated financial statements at 31 March 2021 were approved by the Board of Directors on this day (14 May 2021).

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 2021 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 2021 should be consulted together with the consolidated financial statements for the year ending 31 December 2020.

The accounting principles and criteria adopted in the interim financial statements at 31 March 2021 may conflict with IFRS provisions in force on 31 December 2021 due to the effect of future orientations of the European Commission with regard to the approval of international accounting standards or the issue of new standards, interpretations or implementing guidelines by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee (IFRIC).

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

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

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

Accounting standards

The accounting standards adopted are those described in the consolidated financial statements at 31 December 2020, with the exception of those adopted as from 1 January 2021 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 2021 and adopted by the Group

No new accounting standards taking effect as from 1 January 2021 were adopted by the Group.

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

- *Amendments to IAS 1 – “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.* The IASB published this amendment on 23 January 2020 in order to clarify the presentation of liabilities in the statement of financial position. Specifically, it clarifies that:

- the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period and, in particular, on the right to defer payment for at least 12 months;
- classification is not influenced by expectations regarding decisions by the entity to exercise its right to defer the payment of a liability;
- payment refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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

- *Amendments to IFRS 3 “Business combinations”, IAS 16 “Property, Plant and Equipment”, IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, Annual Improvements 2018-2020.* On 14 May 2020 the IASB published a series of amendments that clarify and make minor amendments to the following IFRS:

- IFRS 3: update of references to the IAS Conceptual Framework (no change in the accounting for business combinations);
- IAS 16: the amendment clarifies that companies cannot deduct proceeds from the sale of assets produced from the cost of tangible fixed assets while they are preparing them for use. Companies must recognize those sales and the related costs separately in the income statement.
- IAS 37: the amendment clarifies the costs to be included when measuring the losses generated by a contract.

The new amendments will take effect prospectively from 1 January 2022.

- *Amendments to IAS 16 – “Property, Plant and Equipment: Proceeds before Intended Use”.* The IASB published this amendment in May 2020, prohibiting entities from

deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the entity must recognize the proceeds from selling such items, and the cost of producing them, in profit or loss.

The amendment applies to annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies that amendment.

This amendment is not expected to have a material impact on the Group.

- *Amendments to IAS 37 – “Onerous Contracts – Costs of Fulfilling a Contract”* In May 2020, the IASB published amendments to IAS 37 to specify what costs must be considered by an entity when assessing whether a contract is onerous or loss-making. The amendments requires application of the “directly-related cost” approach. Costs that relate directly to a contract for the supply of goods or services include both the incremental fulfillment costs and the costs directly attributable to the contractual activities. General and administrative expenses are not directly attributable to a contract and are excluded, unless they are explicitly rechargeable to the counterparty under the terms of the contract. these amendments are effective for annual periods beginning on or after 1 January 2022. The Group will apply these amendments to those contracts for which it has not yet satisfied all its obligations at the start of the financial year in which they are applied for the first time.
- *Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter”*. As part of its annual improvements to IFRS standards 2018-2020, the IFRS has published an amendment to IFRS 1 that permits a subsidiary applying paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the latter’s date of transition to IFRSs. This amendment also applies to associates and joint ventures that elect to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted.
- *Amendment to IFRS 9 “Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities”*. As part of its annual improvements to IFRS standards 2018-2020, the IFRS has published an amendment to IFRS 9 that clarifies which fees an entity includes when assessing whether the conditions of a new or amended financial liability are substantially different to those of the original financial liability. These fees only include those paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on behalf of the other. The entity will apply this amendment to those financial liabilities that are amended or exchanged subsequent to the start of the financial year in which it is applied for the first time. The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted. The Group will apply this amendment to those financial liabilities that are amended or exchanged subsequent to or at the start of the financial year in which it is applied for the first time. This amendment is not expected to have a material impact on the Group.
- *Amendments to IAS 1 “Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies”*. The IASB published an amendment to this standard on 12 February 2021 in order to help companies to decide which accounting policies to disclose in their financial statements. The amendment is effective for annual periods beginning on or after 1 January 2023. Early application is permitted.
- *Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates”*. The IASB published an amendment to this

standard on 12 February 2021 in order to introduce a new definition of accounting estimate and clarify the distinction between changes in accounting estimates, changes in accounting policies and corrections of errors. The amendment is effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

Notes to the consolidated financial statements at 31 March 2021

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1. Scope of consolidation and goodwill

The perimeter of consolidation at 31 March 2021 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>% held</u> <u>at 31/03/2021</u>
GP Companies Inc.	Minneapolis (USA)	1,854	Water Jetting	100.00%
Hammelmann GmbH	Oelde (Germany)	25	Water Jetting	100.00%
Hammelmann Australia Pty Ltd (1)	Melbourne (Australia)	472	Water Jetting	100.00%
Hammelmann Corporation Inc (1)	Miamisburg (USA)	39	Water Jetting	100.00%
Hammelmann S. L. (1)	Zaragoza (Spain)	500	Water Jetting	100.00%
Hammelmann Pumps Systems Co Ltd (1)	Tianjin (China)	871	Water Jetting	90.00%
Hammelmann France S.a.r.l. (1)	Etrichè (France)	50	Water Jetting	100.00%
Hammelmann Swiss GmbH (1)	Dudingen (Switzerland)	89	Water Jetting	100.00%
Inoxihp S.r.l.	Nova Milanese (MI)	119	Water Jetting	52.72%
NLB Corporation Inc.	Detroit (USA)	12	Water Jetting	100.00%
NLB Poland Corp. Sp. Z.o.o. (2)	Warsaw (Poland)	1	Water Jetting	100.00%
Inoxpa S.A.	Banyoles (Spain)	23,000	Water Jetting	100.00%
Inoxpa India Private Ltd (3)	Pune (India)	6,779	Water Jetting	100.00%
Inoxpa Solutions France (3)	Gleize (France)	2,071	Water Jetting	100.00%
Improved Solutions Unipessoal Ltda (Portugal) (3)	Vale de Cambra (Portugal)	760	Water Jetting	100.00%
Inoxpa (UK) Ltd (3)	Eastbourne (UK)	1,942	Water Jetting	100.00%
Inoxpa Solutions Moldova (3)	Chisinau (Moldova)	317	Water Jetting	66.67%
Inoxpa Colombia SAS (3)	Bogotá (Colombia)	133	Water Jetting	83.29%
Inoxpa Italia S.r.l. (3)	Mirano (VE)	100	Water Jetting	100.00%
Inoxpa Skandinavien A/S (3)	Horsens (Denmark)	134	Water Jetting	100.00%
Inoxpa South Africa Proprietary Ltd (3)	Gauteng (South Africa)	104	Water Jetting	100.00%
Inoxpa Special Processing Equipment Co. Ltd (3)	Jianxing (China)	1,647	Water Jetting	100.00%
Inoxpa Ukraine (3)	Kiev (Ukraine)	113	Water Jetting	100.00%
Inoxpa USA Inc. (3)	Santa Rosa (USA)	1,426	Water Jetting	100.00%
INOXPA LTD (Russia) (3)	Podolsk (Russia)	1,435	Water Jetting	70.00%
Inoxpa Mexico S.A. de C.V. (3)	Mexico City (Mexico)	208	Water Jetting	100.00%
Pioli S.r.l.	Reggio Emilia	10	Water Jetting	100.00%
Servizi Industriali S.r.l.	Ozzano Emilia (BO)	100	Water Jetting	80.00%
SIT S.p.A.	S. Ilario d'Enza (RE)	105	Water Jetting	65.00%
Teknova S.r.l. (in liquidation)	Reggio Emilia	28	Water Jetting	100.00%
Interpump Hydraulics S.p.A.	Calderara di Reno (BO)	2,632	Hydraulic	100.00%
AVI S.r.l. (17)	Varedo (MB)	10	Hydraulic	100.00%
Contarini Leopoldo S.r.l. (4)	Lugo (RA)	47	Hydraulic	100.00%
Unidro Contarini S.a.s. (5)	Barby (France)	8	Hydraulic	100.00%
Copa Hydrosystem Ood (5)	Troyan (Bulgaria)	3	Hydraulic	100.00%
Hydrocar Chile S.A. (4)	Santiago (Chile)	129	Hydraulic	90.00%
Hydroven S.r.l. (4)	Tezze sul Brenta (VI)	200	Hydraulic	100.00%
Interpump Hydraulics Brasil Ltda (4)	Caxia do Sul (Brazil)	15,126	Hydraulic	100.00%
Interpump Hydraulics France S.a.r.l. (4)	Ennery (France)	76	Hydraulic	99.77%
Interpump Hydraulics India Private Ltd (4)	Hosur (India)	682	Hydraulic	100.00%
Interpump Hydraulics Middle East FZE (4)	Dubai (UAE)	326	Hydraulic	100.00%
Interpump South Africa Pty Ltd (4)	Johannesburg (South Africa)	-	Hydraulic	100.00%

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<u>Company</u>	<u>Head office</u>	<u>Share capital</u> <u>€/000</u>	<u>Sector</u>	<u>% held</u> <u>at 31/03/2021</u>
Interpump Hydraulics (UK) Ltd. (4)	Kidderminster (United Kingdom)	13	Hydraulic	100.00%
Mega Pacific Pty Ltd (6)	Newcastle (Australia)	335	Hydraulic	65.00%
Mega Pacific NZ Pty Ltd (6)	Mount Maunganui (New Zealand)	557	Hydraulic	65.00%
Muncie Power Prod. Inc. (4)	Muncie (USA)	784	Hydraulic	100.00%
American Mobile Power Inc. (7)	Fairmount (USA)	3,410	Hydraulic	100.00%
Hydra Dyne Tech Inc (7)	Ingersoll (Canada)	80	Hydraulic	75.00%
Oleodinamica Panni S.r.l. (4)	Tezze sul Brenta (VI)	2,000	Hydraulic	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (4)	Wuxi (China)	2,095	Hydraulic	65.00%
IMM Hydraulics S.p.A. (4)	Atessa (Switzerland)	520	Hydraulic	100.00%
Hypress France S.a.r.l. (8)	Strasbourg (France)	162	Hydraulic	100.00%
Interpump Fluid Solutions Germany GmbH (8)	Meinerzhagen (Germany)	52	Hydraulic	100.00%
IMM Hydro Est (8)	Catcau Cluj Napoca (Romania)	3,155	Hydraulic	100.00%
FGA S.r.l. (8)	Fossacesia (CH)	10	Hydraulic	100.00%
Innovativ Gummi Tech S.r.l. (8)	Ascoli Piceno (AP)	25	Hydraulic	60.00%
Tekno Tubi S.r.l. (8)	Terre del Reno (FE)	100	Hydraulic	100.00%
Tubiflex S.p.A.	Orbassano (TO)	515	Hydraulic	100.00%
Walvoil S.p.A.	Reggio Emilia	7,692	Hydraulic	100.00%
Walvoil Fluid Power Corp. (9)	Tulsa (USA)	137	Hydraulic	100.00%
Walvoil Fluid Power (India) Pvt. Ltd. (9)	Bangalore (India)	4,803	Hydraulic	100.00%
Walvoil Fluid Power Korea Llc. (9)	Pyeongtaek (South Korea)	453	Hydraulic	100.00%
Walvoil Fluid Power France S.a.r.l. (9)	Vritz (France)	10	Hydraulic	100.00%
Walvoil Fluid Power Australasia (9)	Melbourne (Australia)	7	Hydraulic	100.00%
Galtech Canada Inc. (9)	Terrebonne, Quebec (Canada)	76	Hydraulic	100.00%
HTIL (9)	Hong Kong	98	Hydraulic	100.00%
Walvoil Fluid Power (Dongguan) Co., Ltd (9)	Dongguan (China)	3,720	Hydraulic	100.00%
Reggiana Riduttori S.r.l.	S. Polo d'Enza (RE)	6,000	Hydraulic	100.00%
RR USA Inc. (13)	Boothwyn (USA)	1	Hydraulic	100.00%
RR Canada Inc. (13)	Vaughan (Canada)	1	Hydraulic	100.00%
RR Holland BV (13)	Oosterhout (Netherlands)	19	Hydraulic	100.00%
RR France S.a.r.l. (13)	Thouare sur Loire (France)	400	Hydraulic	95.00%
RR Slovakia A.S. (13)	Zvolen (Slovakia)	340	Hydraulic	100.00%
RR Pacific Pty Ltd (13)	Victoria (Australia)	-	Hydraulic	100.00%
RR India Pvt. Ltd (13)	New Delhi (India)	52	Hydraulic	99.99%
Reggiana Riduttori (Suzhou) Co. Ltd (13)	Suzhou (China)	200	Hydraulic	100.00%
Transtecno S.r.l.	Anzola dell'Emilia (BO)	100	Hydraulic	60.00%
Intecno S.r.l. (14)	Anzola dell'Emilia (BO)	10	Hydraulic	81.00%
Hangzhou Transtecno Power Transmissions Co. Ltd (14)	Hangzhou (China)	575	Hydraulic	72.00%
Transtecno Iberica the Modular Gearmotor S.A. (14)	Gava (Spain)	94	Hydraulic	50.40%
MA Transtecno S.A.P.I. de C.V. (14)	Apodaca (Mexico)	124	Hydraulic	50.40%
Transtecno USA LLC (16)	Miami (USA)	3	Hydraulic	100.00%
Transtecno BV (14)	Amersfoort (Netherlands)	18	Hydraulic	51.00%
Transtecno Aandrijftechniek (Netherlands) (15)	Amersfoort (Netherlands)	-	Hydraulic	51.00%
DZ Trasmissioni S.r.l. (14)	Zola Predosa (BO)	100	Hydraulic	100.00%
Interpump Piping GS S.r.l.	Reggio Emilia	10	Hydraulic	100.00%
GS-Hydro Singapore Pte Ltd (10)	Singapore	624	Hydraulic	100.00%
GS-Hydro Korea Ltd. (10)	Busan (South Korea)	1,892	Hydraulic	100.00%

Interim Board of Directors' Report at 31 March 2021 - Interpump Group

<u>Company</u>	<u>Head office</u>	<u>Share capital</u> €/000	<u>Sector</u>	<u>% held</u> at 31/03/2021
GS-Hydro Piping Systems (Shanghai) Co. Ltd. (11)	Shanghai (China)	2,760	Hydraulic	100.00%
GS-Hydro Benelux B.V. (10)	Barendrecht (Netherlands)	18	Hydraulic	100.00%
GS-Hydro Austria GmbH (10)	Pashing (Austria)	40	Hydraulic	100.00%
GS-Hydro Sp Z O O (Poland) (10)	Gdynia (Poland)	1,095	Hydraulic	100.00%
GS Hydro Denmark AS (10)	Kolding (Denmark)	67	Hydraulic	100.00%
GS-Hydro S.A.U (Spain) (10)	Las Rozas (Spain)	90	Hydraulic	100.00%
Suministros Franquesa S.A. (18)	Lleida (Spain)	160	Hydraulic	100.00%
GS-Hydro U.S. Inc. (7)	Houston (USA)	9,903	Hydraulic	100.00%
GS-Hydro do Brasil Sistemas Hidraulicos Ltda (10)	Rio de Janeiro (Brazil)	252	Hydraulic	100.00%
GS-Hydro System GmbH (Germany) (10)	Witten (Germany)	179	Hydraulic	100.00%
GS- Hydro UK Ltd (10)	Aberdeen (United Kingdom)	5,095	Hydraulic	100.00%
GS-Hydro Ab (Sweden) (10)	Kista (Sweden)	120	Hydraulic	100.00%
GS-Hydro Hong Kong Ltd (1)	Hong Kong	1	Hydraulic	100.00%
IMM Hydraulics Ltd (dormant) (6)	Kidderminster (United Kingdom)	-	Hydraulic	100.00%
Bristol Hose Ltd (dormant) (6)	Bristol (United Kingdom)	-	Hydraulic	100.00%

(1) = controlled by Hammelmann GmbH

(2) = controlled by NLB Corporation Inc. .

(3) = controlled by Inoxpa S.A.

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

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

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

(7) = controlled by Muncie Power Prod. Inc

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

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

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

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

(11) = controlled by GS Hydro Hong Kong Ltd

(12) = controlled by Interpump Hydraulics Brasil Ltda

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

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

(15) = controlled by Transtecno B.V.

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

(17) = controlled by Inoxihp S.r.l.

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

The Q1 2021 consolidation now includes DZ Trasmissioni, Suministros Franquesa and Servizi Industriali; their contribution is not significant in volume terms and is negligible in comparison with Q1 2020.

The minority quotaholder of Inoxihp S.r.l. is entitled to dispose of its holdings starting from the approval of the 2025 financial statements up to the 2035 financial statements, on the basis of the average results of the company in the last two financial statements for the years ended before the exercise of the option. Likewise, the minority shareholder of Mega Pacific Pty Ltd and of Mega Pacific NZ Pty Ltd is entitled and required to sell its shares within 90 days of 29 July 2021, based on the results of the last financial statements published before exercise of the option. The minority shareholder of Inoxpa Solution Moldova is entitled to dispose of its holdings from October 2020, based on the most recent statement of financial position of that company. The minority shareholder of Hydra Dyne has the right and obligation to dispose of its holdings starting from approval of the 2023 financial statements based on the average of the results for the two years prior to exercise of the option. The minority quotaholder of Transtecno S.r.l. is entitled and required to dispose of its holdings during 2022 or during 2024, on the basis of the results for the year prior to that in which the option is exercised. Furthermore, Interpump Group S.p.A. is required to purchase the residual 20% interest in Servizi Industriali S.r.l., commencing from 2024.

In compliance with the requirements of IFRS 10 and IFRS 3, Inoxihp, Mega Pacific Australia, Mega Pacific New Zealand, Inoxpa Solution Moldova, Hydra Dyne, Transtecno and Servizi Industriali have been consolidated in full, recording a payable representing the estimated present value of the exercise price of the options determined with reference to the business

plans of the companies. Any changes in the above payable identified within 12 months of the date of acquisition, as a result of additional or better information, will be recorded as an adjustment of goodwill, while any changes emerging more than 12 months after the date of acquisition will be recognized in the income statement.

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

Changes in goodwill were as follows in 2021:

<i>Company:</i>	Balance at 31/12/2020	Increases (Decreases) in the year	Changes due to foreign exchange differences	Balance at 31/03/2021
Water Jetting Sector	210,570	2,172	1,714	214,456
Hydraulic Sector	<u>338,598</u>	—	<u>1,577</u>	<u>340,175</u>
<i>Total goodwill</i>	<u>549,168</u>	<u>2,172</u>	<u>3,291</u>	<u>554,631</u>

The increases during 2021 mainly reflect the acquisition of DZ Trasmissioni.

2. Business sector information

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

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

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

Business sectors

The Group comprises the following business sectors:

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

Hydraulic Sector. This sector includes the production and sale of power take-offs, hydraulic cylinders and pumps, directional controls, valves, rotary unions, hydraulic hoses and fittings,

gears and other hydraulic components. Power take-offs are mechanical devices designed to transmit drive from an industrial vehicle engine or transmission to power a range of ancillary services through hydraulic components. These products, combined with other hydraulic components (spool valves, controls, etc.) allow the execution of special functions such as lifting tipping bodies, operating truck-mounted cranes, operating truck mixer truck drums, and so forth. Hydraulic cylinders are components of the hydraulic system of various vehicle types employed in a wide range of applications depending on the type. Front-end and underbody cylinders (single acting) are fitted mainly on industrial vehicles in the building construction sector, while double acting cylinders are employed in a range of applications: earthmoving machinery, agricultural machinery, cranes and truck cranes, waste compactors, etc. The hydraulic hoses and fittings are designed for use in a broad range of hydraulic systems and also for very high pressure water systems. Gears facilitate the mechanical transmission of energy, with applications in various industrial sectors including agriculture, materials handling, mining, heavy industry, marine & offshore, aerial platforms, forestry and sugar production. The Group also designs and makes piping systems for the industrial, naval and offshore sectors.

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

Q1

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Net sales external to the Group	266,885	234,948	108,684	109,023			375,569	343,971
Sales between sectors	198	276	1,237	446	(1,435)	(722)	-	-
Total net sales	267,083	235,224	109,921	109,469	(1,435)	(722)	375,569	343,971
Cost of sales	(180,779)	(162,279)	(59,731)	(59,736)	1,439	701	(239,071)	(221,314)
Gross industrial margin	86,304	72,945	50,190	49,733	4	(21)	136,498	122,657
<i>% on net sales</i>	<i>32.3%</i>	<i>31.0%</i>	<i>45.7%</i>	<i>45.4%</i>			<i>36.3%</i>	<i>35.7%</i>
Other net revenues	3,785	3,487	1,915	1,403	(158)	(124)	5,542	4,766
Distribution costs	(17,902)	(18,532)	(11,997)	(13,139)	55	22	(29,844)	(31,649)
General and administrative expenses	(24,822)	(24,726)	(14,016)	(15,009)	99	123	(38,739)	(39,612)
Other operating costs	(1,271)	(4,012)	(498)	(1,960)	-	-	(1,769)	(5,972)
Ordinary profit before financial charges	46,094	29,162	25,594	21,028	-	-	71,688	50,190
<i>% on net sales</i>	<i>17.3%</i>	<i>12.4%</i>	<i>23.3%</i>	<i>19.2%</i>			<i>19.1%</i>	<i>14.6%</i>
Financial income	3,832	3,450	1,564	1,619	(336)	(359)	5,060	4,710
Financial charges	(3,186)	(6,520)	(1,307)	(2,558)	336	359	(4,157)	(8,719)
Dividends	-	-	150	-	(150)	-	-	-
Equity method contribution	52	37	17	26	-	-	69	63
Profit for the period before taxes	46,792	26,129	26,018	20,115	(150)	-	72,660	46,244
Income taxes	(12,475)	(8,347)	(6,398)	(4,601)	-	-	(18,873)	(12,948)
Consolidated profit for the period	34,317	17,782	19,620	15,514	(150)	-	53,787	33,296
Pertaining to:								
Parent company's shareholders	33,748	17,606	19,494	15,530	(150)	-	53,092	33,136
Subsidiaries' minority shareholders	569	176	126	(16)	-	-	695	160
Consolidated profit for the period	34,317	17,782	19,620	15,514	(150)	-	53,787	33,296
Further information required by IFRS 8								
Amortization, depreciation and write-downs	13,675	13,463	5,151	5,568	-	-	18,826	19,031
Other non-monetary costs	1,211	3,866	696	2,307	-	-	1,907	6,173

Financial position
(Amounts shown in €/000)

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Assets of the sector (A)	1,286,784	1,232,414	725,613	704,940	(130,381)	(131,234)	1,882,016	1,806,120
Cash and cash equivalents							357,923	343,170
Total assets							2,239,939	2,149,290
Liabilities of the sector (B)	381,245	353,588	115,980	101,603	(130,381)	(131,234)	366,844	323,957
Debts for the payment of investments							61,971	62,686
Bank payables							12,704	10,592
Interest-bearing financial payables							575,005	602,078
Total liabilities							1,016,524	999,313
Total assets, net (A-B)	905,539	878,826	609,633	603,337			1,515,172	1,482,163
Further information required by IFRS 8								
Investments carried equity	340	998	305	270	-	-	645	1,268
Non-current assets other than financial assets and deferred tax assets	723,230	718,913	358,605	353,092	-	-	1,081,835	1,072,005

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Q1 cash flows by business sector are as follows:

€/000	Hydraulic		Water Jetting		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Cash flows from:						
Operating activities	38,513	41,234	21,738	18,672	60,251	59,906
Investing activities	(13,602)	(11,465)	(5,226)	(34,272)	(18,828)	(45,737)
Financing activities	<u>(2,732)</u>	<u>(114)</u>	<u>(29,182)</u>	<u>(39,228)</u>	<u>(31,914)</u>	<u>(39,342)</u>
Total	<u>22,179</u>	<u>29,655</u>	<u>(12,670)</u>	<u>(54,828)</u>	<u>9,509</u>	<u>(25,173)</u>

The investing activities of the Hydraulic Sector included €2,875k associated with the acquisition of equity investments (€18k in Q1 2020). The investing activities of the Water Jetting Sector included €1,207k associated with the acquisition of equity investments (€29,621k in Q1 2020).

The cash flows from the financing activities of the Water Jetting Sector include proceeds from the sale of treasury stock to the beneficiaries of stock options totaling €66k (€614k in Q1 2020). During Q1 2020 purchases of treasury shares in the Water Jetting Sector amounted to €16,624k; there were no purchases of treasury shares during Q1 2021.

3. Acquisition of investments

DZ Trasmissioni S.r.l.

On 9 November 2020 a preliminary agreement was signed for the acquisition of 100% of DZ Trasmissioni S.r.l., active in the design, production and commercialization of right-angle gear drives, which are all activities offering considerable synergies with those of the Group. The closing for the transfer of the quotas took place on 14 January 2021. Solely for accounting purposes, 1 January 2021 was designated as the acquisition date, there being no significant differences between then and the actual acquisition date.

€/000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Cash and cash equivalents	1,765	-	1,765
Trade receivables	1,215	-	1,215
Inventories	3,655	-	3,655
Tax receivables	33	-	33
Other current assets	48	-	48
Property, plant and equipment	1,529	-	1,529
Other intangible assets	2	-	2
Deferred tax assets	92	-	92
Other non-current assets	13	-	13
Trade payables	(958)	-	(958)
Bank payables	(1)	-	(1)
Tax payables	(77)	-	(77)
Other current liabilities	(178)	-	(178)
Leasing payables (non-current portion)	(1,189)	-	(1,189)
Deferred tax liabilities	(1)	-	(1)
Employee benefits (severance indemnity provision)	(281)	-	(281)
Net assets acquired	<u>5,667</u>	≡	5,667
Goodwill related to the acquisition			<u>2,010</u>
Total net assets acquired			<u>7,677</u>
Total amount paid in cash			4,616
Amount paid by assigning treasury shares			<u>3,061</u>
Total acquisition cost (A)			<u>7,677</u>
Net financial position acquired (B)			(575)
Total amount paid in cash			<u>4,616</u>
Total change in net financial position			<u>4,041</u>
Capital employed (A) - (B)			<u>7,102</u>

The transaction was recorded using the acquisition method.

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

	31/03/2021	31/12/2020
	€/000	€/000
Inventories gross value	438,181	414,162
Allowance for inventories	<u>(38,656)</u>	<u>(37,566)</u>
Inventories	<u>399,525</u>	<u>376,596</u>

Changes in the allowance for inventories were as follows:

	<i>Q1</i>	<i>Year</i>
	<i>2021</i>	<i>2020</i>
	€/000	€/000
Opening balances	37,566	38,805
Exchange rate difference	558	(1,240)
Change in consolidation basis	170	712
Provisions for the period	560	3,388
Releases in the period to cover losses	(174)	(2,977)
Release of excess provisions in the period	<u>(24)</u>	<u>(1,122)</u>
Closing balance	<u>38,656</u>	<u>37,566</u>

5. Property, plant and equipment

Purchases and disposals

In Q1 2021 Interpump Group purchased assets for €19,180k, of which €1,811k through the acquisition of equity investments (€29,412k in Q1 2020, of which €13,532k through the acquisition of equity investments). Assets with a net carrying amount of €2,686k were divested in Q1 2021 (€1,007k in Q1 2020). The divested assets generated a net capital gain of €3,092k (€692k in Q1 2020).

Contractual commitments

At 31 March 2021 the Group has contractual commitments for the purchase of tangible fixed assets totaling 14,536k (€2,992k at 31 March 2020).

6. Shareholders' equity

Share capital

Share capital comprises 108,879,294 ordinary shares with a unit par value of EUR 0.52 totaling €56,617,232.88. However, the share capital recorded in the financial statements amounts to €55,504k, 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 2021 Interpump Group S.p.A. holds 2,142,256 treasury shares in the portfolio corresponding to 1.968% of the capital stock, acquired at an average unit cost of EUR 28.14075.

Treasury shares purchased

The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. Interpump Group S.p.A. did not purchase any treasury shares during Q1 2021 (610,000 treasury shares for €16,624k during Q1 2020).

Treasury shares sold

In relation to stock option plans, a total of 5,100 options were exercised during Q1 2021 resulting in the receipt of €66k (47,700 options were exercised in Q1 2020, generating receipts of €614k). Moreover, 75,000 treasury shares were assigned in Q1 2021 as payment for equity investments (488,533 shares in Q1 2020).

7. Financial income and charges

The analysis is as follows:

	2021	2020
	€/000	€/000
<u>Financial income</u>		
Interest income from liquid funds	140	123
Interest income from other assets	17	15
Foreign exchange gains	4,887	4,223
Financial income to adjust estimated debt for commitment to purchase residual interests in subsidiaries	2	-
Other financial income	<u>14</u>	<u>349</u>
Total financial income	<u>5,060</u>	<u>4,710</u>
<u>Financial charges</u>		
Interest expense on bank loans	352	543
Interest expense in respect of leasing	551	658
Interest expense on put options	114	135
Foreign exchange losses	2,878	7,286
Other financial charges	<u>262</u>	<u>97</u>
Total financial charges	<u>4,157</u>	<u>8,719</u>
Total financial charges (income), net	<u>(903)</u>	<u>4,009</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>2021</u>	<u>2020</u>
Consolidated net profit attributable to the owners of the Parent company (€/000)	<u>53,092</u>	<u>33,136</u>
Average number of shares in circulation	106,725,582	106,775,246
Basic earnings per share for the period (€)	<u>0.497</u>	<u>0.310</u>

Diluted earnings per share

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

<i>Q1</i>	<u>2021</u>	<u>2020</u>
Consolidated net profit attributable to the owners of the Parent company (€/000)	<u>53,092</u>	<u>33,136</u>
Average number of shares in circulation	106,725,582	106,775,246
Number of potential shares for stock option plans (*)	<u>1,101,826</u>	<u>918,212</u>
Average number of shares (diluted)	<u>107,827,408</u>	<u>107,693,458</u>
Earnings per diluted share for the period (€)	<u>0.492</u>	<u>0.308</u>

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

9. Transactions with related parties

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

The effects on the Group's consolidated income statements for Q1 2021 and Q1 2020 are shown below:

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

	<u>2020</u>					%
	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€/000)						incidence on F.S. caption
Net sales	343,971	357	-	113	470	0.1%
Cost of sales	221,314	183	-	1,424	1,607	0.7%
Distribution costs	31,649	10	-	185	195	0.6%
G&A expenses	39,612	-	-	139	139	0.4%
Financial charges	8,719	-	-	144	144	1.7%

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

The effects on the consolidated statement of financial position at 31 March 2021 and 2020 are shown below:

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

(€/000)	31 March 2020						% incidence on F.S. caption
	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties		
Trade receivables	289,400	2,149	-	1,339	3,488		1.2%
Other financial assets	1,910	2	-	-	2		0.1%
Trade payables	153,990	78	-	1,127	1,205		0.8%
Interest-bearing financial payables (current and non-current portions)	570,439	-	-	29,320	29,320		5.1%

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

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€/000)	Receivables		Revenues	
	<u>31/03/2021</u>	<u>31/03/2020</u>	<u>2021</u>	<u>2020</u>
	Interpump Hydraulics Perù	1,016	1,173	19
General Pump China Inc.	481	248	13	22
Interpump Hydraulics Russia	<u>320</u>	<u>728</u>	<u>293</u>	<u>312</u>
<i>Total subsidiaries</i>	<u>1,817</u>	<u>2,149</u>	<u>325</u>	<u>357</u>

(€/000)	Payables		Costs	
	<u>31/03/2021</u>	<u>31/03/2020</u>	<u>2021</u>	<u>2020</u>
	General Pump China Inc.	96	77	236
Interpump Hydraulics Perù	<u>10</u>	<u>1</u>	<u>23</u>	<u>-</u>
<i>Total subsidiaries</i>	<u>106</u>	<u>78</u>	<u>259</u>	<u>193</u>

Relations with associates

The Group does not hold investments in associated companies.

Transactions with other related parties

The Q1 2021 income statement includes consultancy provided by entities associated with Group directors and statutory auditors totaling €5k (€18k in Q1 2020). The consultancy costs of €5k were booked under general and administrative expenses (€3k in Q1 2020). Revenues from sales in Q1 2021 included those made to companies owned by Group shareholders or directors totaling €101k (€113k in Q1 2020). In addition, the cost of sales includes purchases made from companies controlled by minority shareholders or directors of Group companies for €1,687k (€1,255k in Q1 2020).

10. Disputes, Contingent liabilities and Contingent assets

The Parent company and some of its subsidiaries are directly involved in lawsuits for limited amounts. The settlement of said lawsuits is not expected to generate any significant liabilities for the Group that are not covered by the risk provisions already made. There are no substantial changes to report in relation to the disputes or contingent liabilities that were outstanding at 31 December 2020.