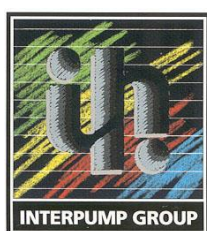


Interim Board of Directors' Report for Q4 2020



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

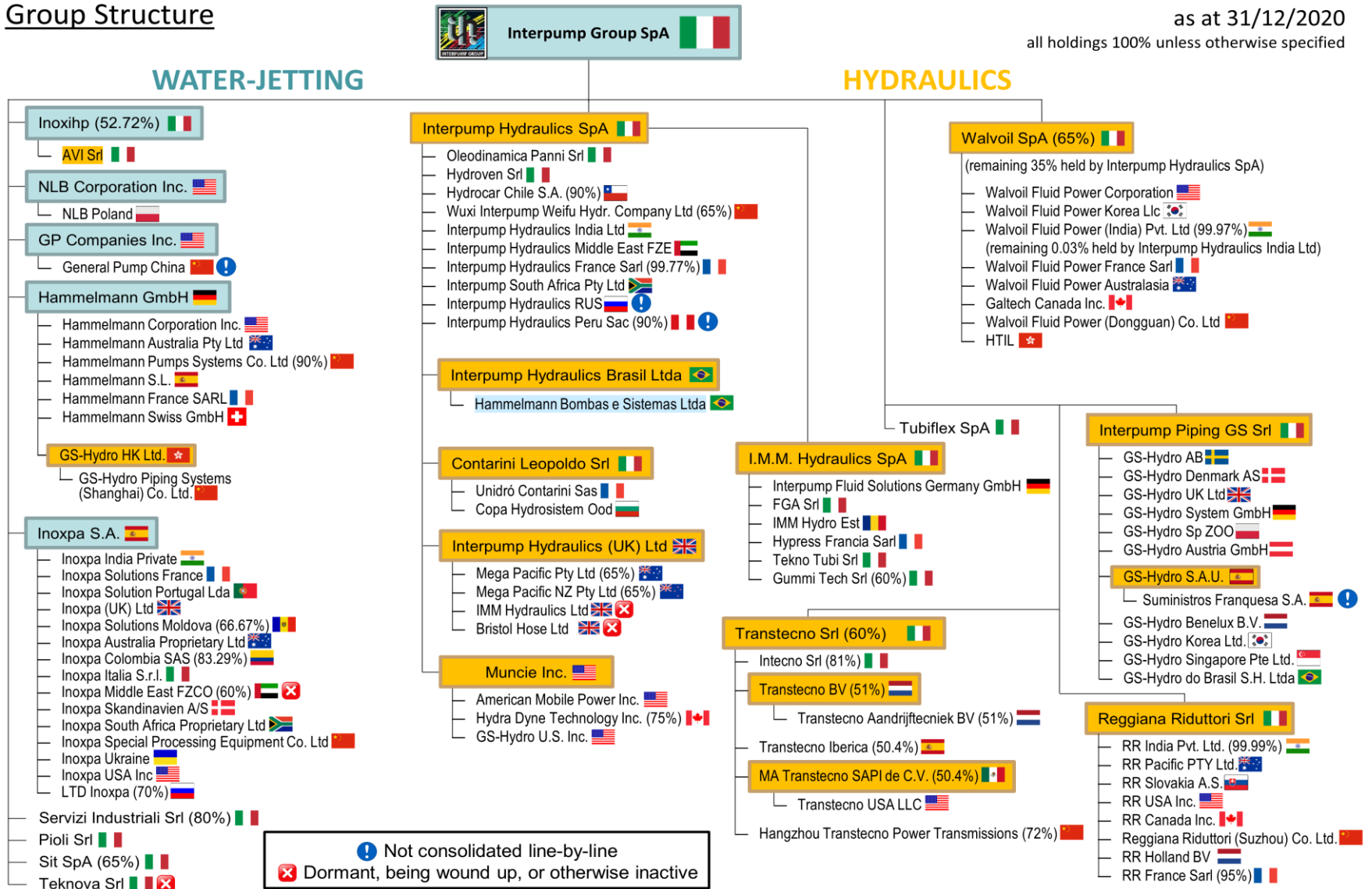
Independent Auditors

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 31/12/2020
all holdings 100% unless otherwise specified



Interim Board of Directors' Report

**Directors' remarks on performance
in 2020**

PERFORMANCE INDICATORS

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

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

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

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

The cash flow statement was prepared using the indirect method.

Consolidated income statements

(€/000)	2020	2019
Net sales	1,294,363	1,368,618
Cost of sales	(830,878)	(866,701)
Gross industrial margin	463,485	501,917
<i>% on net sales</i>	<i>35.8%</i>	<i>36.7%</i>
Other operating revenues	18,583	20,115
Distribution costs	(113,353)	(124,323)
General and administrative expenses	(147,150)	(145,556)
Other operating costs	(13,906)	(4,939)
EBIT	207,659	247,214
<i>% on net sales</i>	<i>16.0%</i>	<i>18.1%</i>
Financial income	16,178	15,062
Financial charges	(21,372)	(18,038)
Equity method contribution	101	(8)
Profit for the year before taxes	202,566	244,230
Income taxes	(49,825)	(63,628)
Consolidated net profit for the year	152,741	180,602
<i>% on net sales</i>	<i>11.8%</i>	<i>13.2%</i>
Pertaining to:		
Parent company's shareholders	150,440	179,170
Subsidiaries' minority shareholders	2,301	1,432
Consolidated profit for the year	152,741	180,602
EBITDA	294,055	317,890
<i>% on net sales</i>	<i>22.7%</i>	<i>23.2%</i>
Shareholders' equity	1,129,450	1,055,074
Net debt	269,500	370,814
Payables for the acquisition of investments	62,686	54,286
Capital employed	1,461,636	1,480,174
ROCE	14.2%	16.7%
ROE	13.5%	17.1%
Basic earnings per share	1.405	1.699

KEY EVENTS OF 2020

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

Despite these serious economic conditions, the Interpump Group has shown strong resilience, both in absolute terms and with respect to its main manufacturing competitors, due to careful monitoring of each business and an ability to react to the challenges posed by the pandemic. This action made it possible to limit the reduction in sales and achieve exceptional results in terms of EBITDA and the generation of free cash flow.

Sales amounted to €1,294.4m, down by 5.4% with respect to 2019. Analysis by business sector shows that sales in the Hydraulic Sector declined by 2.3% with respect to 2019, while those in the Water Jetting Sector were 11.5% lower.

Compared with 2019, the 2020 consolidation includes the Reggiana Riduttori Group, acquired in October 2019 and therefore only consolidated for three months in that year, and the Transtecno Group, acquired in January 2020, both in the Hydraulic Sector. Hydra Dyne (also in the Hydraulic Sector), acquired on 1 March 2019 and only consolidated for ten months in 2019, has been consolidated for the whole of 2020. In the Water Jetting Sector, Pioli has also been consolidated for the whole of 2020, having been consolidated for just nine months in 2019 since it joined the Group on 1 April 2019. In addition, Servizi Industriali (Water Jetting Sector), acquired in July 2020, has been consolidated for six months in 2020.

EBITDA was €294.1m, equivalent to 22.7% of sales. In 2019, EBITDA was €317.9m (23.2% of sales).

The free cash flow generated during 2020 amounted to €203.8m (€124.8m in 2019), up by 63%.

Net profit for 2020 totaled €152.7m (€180.6m in 2019).

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

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

On 9 November 2020, Interpump Group signed a binding agreement to purchase DZ Trasmissioni S.r.l., a manufacturer of right-angle gear drives based in Zola Predosa (Bologna). With a complete range and the ability to design custom solutions, DZ Trasmissioni products satisfy the demand for right-angle gear drives reaching 3,000 rpm and delivering up to 15kW of power. The 2019 sales of the company amounted to €5.5m, with a normalized EBITDA in excess of 25% of sales. This transaction, completed on 14 January 2021, resulted in acquisition of the entire company for a price, determined with reference to the financial position at year end, reflecting the agreed enterprise value of €5.8m. Payment was made by assigning 75,000 Interpump treasury shares, valued at the official market price on the day prior to the completion date, with the difference settled in cash.

NET SALES

Net sales in 2020 totaled €1,294.4m, down by 5.4% from €1,368.6m in 2019 (-14.1% at unchanged perimeter and -12.6% net also of exchange differences).

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

(€/000)	<u>Italy</u>	<u>Rest of Europe</u>	<u>North America</u>	<u>Far East and Oceania</u>	<u>Rest of the World</u>	<u>Total</u>
<i>2020</i>						
Hydraulic Sector	164,095	313,234	210,552	114,075	79,614	881,570
Water Jetting Sector	<u>35,968</u>	<u>153,994</u>	<u>128,698</u>	<u>58,723</u>	<u>35,410</u>	<u>412,793</u>
Total	<u>200,063</u>	<u>467,228</u>	<u>339,250</u>	<u>172,798</u>	<u>115,024</u>	<u>1,294,363</u>
<i>2019</i>						
Hydraulic Sector	179,158	323,390	225,427	87,348	86,924	902,247
Water Jetting Sector	<u>41,897</u>	<u>163,579</u>	<u>145,602</u>	<u>69,446</u>	<u>45,847</u>	<u>466,371</u>
Total	<u>221,055</u>	<u>486,969</u>	<u>371,029</u>	<u>156,794</u>	<u>132,771</u>	<u>1,368,618</u>
<i>2020/2019 percentage changes</i>						
Hydraulic Sector	-8.4%	-3.1%	-6.6%	+30.6%	-8.4%	-2.3%
Water Jetting Sector	-14.2%	-5.9%	-11.6%	-15.4%	-22.8%	-11.5%
Total	-9.5%	-4.1%	-8.6%	+10.2%	-13.4%	-5.4%
<i>2020/2019 at unchanged perimeter (%)</i>						
Hydraulic Sector	-17.8%	-15.2%	-17.7%	-1.5%	-16.4%	-15.1%
Water Jetting Sector	-17.3%	-6.8%	-11.7%	-15.9%	-23.1%	-12.2%
Total	-17.7%	-12.4%	-15.3%	-7.9%	-18.7%	-14.1%

PROFITABILITY

The cost of sales accounted for 64.2% of turnover (63.3% in 2019). Production costs totaled €331.1m (€357.8m in 2019, which however did not include the costs of the Transtecno Group, the Reggiana Riduttori Group for nine months, Servizi Industriali for six months, Pioli for three months and Hydra Dyne for two months), accounting for 25.6% of sales (26.1% in 2019). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €499.7m (€508.9m in 2019, which however did not include the costs of the Transtecno Group, the Reggiana Riduttori Group for nine months, Servizi Industriali for six months, Pioli for three months and Hydra Dyne for two months). The incidence of purchase costs, including changes in inventories, was 38.6% compared to 37.2% in 2019.

Distribution costs were 16.4% lower at unchanged perimeter (-14.6% also net of exchange differences) with respect to 2019, with an incidence on sales that fell by 0.2 percentage points.

General and administrative expenses fell by 8.3% at unchanged perimeter with respect to 2019 (-7.1% also net of exchange differences), while their incidence on sales rose by 0.8 percentage points.

Total payroll costs were €309.1m (€319.8m in 2019, which however did not include the costs of the Transtecno Group, the Reggiana Riduttori Group for nine months, Servizi Industriali for six months, Pioli for three months and Hydra Dyne for two months). At unchanged perimeter, payroll costs fell by 9.8% following an 11.3% per capita cost reduction, mainly due to the recourse made

to layoff funds during the COVID shutdown, that was partially offset by an increase of 117 in the average headcount. The total number of Group employees in 2020 averaged 7,415 (7,038 at unchanged perimeter) compared to 6,921 persons in 2019. The increase in average headcount in 2020, net of the personnel of the newly acquired companies, breaks down as follows: plus 78 in Europe, minus 24 in the US and plus 63 in the Rest of the World.

EBITDA totaled €294.1 million (22.7% of sales) compared to €317.9m in 2019, which represented 23.2% of sales. EBITDA accounted for 22.9% of sales at unchanged perimeter. The following table shows EBITDA by business sector:

	2020 €/000	% on total sales*	2019 €/000	% on total sales*	Increase/ Decrease
Hydraulic Sector	183,473	20.8%	187,168	20.7%	-2.0%
Water Jetting Sector	<u>110,582</u>	26.7%	<u>130,722</u>	27.9%	-15.4%
Total	<u>294,055</u>	22.7%	<u>317,890</u>	23.2%	-7.5%

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

EBIT was €207.7m (16.0% of sales) compared to €247.2m in 2019 (18.1% of sales).

The tax rate for the year was 24.6% (26.1% in 2019).

Net profit for 2020 totaled €152.7m (€180.7m in 2019). Basic earnings per share declined from EUR 1.699 in 2019 to EUR 1.405 in 2020.

Capital employed eased from €1,480.2m at 31 December 2019 to €1,461.6m at 31 December 2020, principally due to the reduction of working capital, as offset by the acquisition of the Transtecno Group. ROCE was 14.2% (16.7% in 2019). ROE was 13.5% (17.1% in 2019).

CASH FLOW

The change in net financial indebtedness breaks down as follows:

	2020 <u>€/000</u>	2019 <u>€/000</u>
Opening net financial position	(370,814)	(287,339)
Adjustment: effect of IFRS 16 on the initial net financial position	-	(68,509)
Adjustment: opening net cash position of companies not consolidated line by line at the end of the prior year	<u>(2,223)</u>	-
Adjusted opening net financial position	(373,037)	(355,848)
Cash flow from operations	229,472	233,063
Principal portion of leasing installments paid (IFRS 16)	(18,188)	(15,324)
Cash flow generated (absorbed) by the management of commercial working capital	55,017	(31,812)
Cash flow generated (absorbed) by other current assets and liabilities	(3,807)	11,271
Investment in tangible fixed assets	(58,657)	(72,517)
Proceeds from the sale of tangible fixed assets	1,602	1,936
Investment in other intangible assets	(4,366)	(3,073)
Received financial income	1,069	850
Other	<u>1,653</u>	<u>430</u>
Free cash flow	203,795	124,824
Acquisition of investments, including received debt and net of treasury stock assigned	(49,046)	(38,969)
Dividends paid	(28,323)	(23,876)
Outlays for the purchase of treasury shares	(48,487)	(78,993)
Proceeds from the sale of treasury shares to beneficiaries of stock options	14,480	3,823
Principal portion of leasing installments paid (IFRS 16)	18,188	15,324
Principal portion of new leasing contracts arranged (IFRS 16)	(11,045)	(16,420)
Remeasurement and early close-out of leasing contracts (IFRS 16)	5,267	247
Loans (granted)/repaid to/by non-consolidated subsidiaries	-	(494)
Change in other financial assets	<u>(11)</u>	<u>(126)</u>
Net cash generated (used)	104,818	(14,660)
Exchange differences	<u>(1,281)</u>	<u>(306)</u>
Closing net financial position	<u>(269,500)</u>	<u>(370,814)</u>

Net liquidity generated by operations totaled €229.5m (€233.1m in 2019). Free cash flow was €203.8m (€124.8m in 2019), up by 63%. As a result, net debt fell by €101.3m, despite outflows of €49.0m to purchase equity investments, €48.5m to acquire treasury shares and €28.3m as dividends.

The net debt/EBITDA ratio has fallen to 0.92, which is very reassuring and leaves ample room for future acquisitions, consistent with the DNA of the Interpump Group.

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

	31/12/2020 <u>€/000</u>	31/12/2019 <u>€/000</u>	01/01/2019 <u>€/000</u>
Cash and cash equivalents	343,170	233,784	118,140
Bank payables (advances and STC amounts)	(10,592)	(22,076)	(21,404)
Interest-bearing financial payables (current portion)	(183,873)	(195,110)	(151,917)
Interest-bearing financial payables (non-current portion)	<u>(418,205)</u>	<u>(387,412)</u>	<u>(232,158)</u>
Total	<u>(269,500)</u>	<u>(370,814)</u>	<u>(287,339)</u>

The Group also has contractual commitments for the purchase of shareholdings in subsidiaries totaling €62.7m (€54.3m at 31 December 2019). Of this amount, €3.2m relates to the acquisition of equity investments (€19.5m at 31 December 2019), while €59.5m relates to contractual agreements for the acquisition of residual interests in subsidiaries (€34.8m at 31 December 2019). The increase mainly comprises the Transtecno put options.

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totaled €82.2m, of which €14.7m via the acquisition of equity investments (€127.6m in 2019, of which €26.8m via the acquisition of equity investments). The additions during the year are analyzed in the following table.

€/000	<u>2020</u>	<u>2019</u>
Increases for the purchase of fixed assets used in the production process	51,048	78,104
Increases for machinery rented to customers	5,465	6,278
Leased assets	<u>11,045</u>	<u>16,421</u>
<i>Capex</i>	67,558	100,803
Increases through the acquisition of equity investments	<u>14,713</u>	<u>26,844</u>
Total increases in the period	<u>82,271</u>	<u>127,647</u>

The increases in 2020 include €14.9m invested in land and buildings (€26.7m in 2019).

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

Increases in intangible assets totaled €20.3m, of which €15.9m through the acquisition of equity investments (€5.8m in 2019, including €2.6m via the acquisition of equity investments). The increase in 2020 includes the fair value of the trademarks obtained by acquiring the Reggiana Riduttori Group and the Transtecno Group, €15.2m, while the remainder mainly relates to investment in new product development. The value of the Reggiana Riduttori trademark has been recognized in 2020, as the information needed for its measurement was not available in 2019, when that Group was acquired; as a consequence, the related PPA has been revised.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

With regard to transactions entered into with related parties, including intercompany transactions, these cannot be defined as either atypical or unusual, as they are part of the normal course of activities of the Group companies. These transactions are regulated at arm's length conditions, taking into account the characteristics of the assets transferred and services rendered. Information on transactions carried out with related parties is given in Note 9 of the Interim Consolidated Financial statements at 31 December 2020.

CHANGES IN THE GROUP STRUCTURE IN 2020

As stated above, control over the Transtecno Group, led by Tecnoholding S.r.l., was acquired on 14 January 2020.

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

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

Pursuant to earlier contractual agreements, the residual 40% interest in Mariotti & Pecini S.r.l. was acquired on 2 July 2020 for €5.2m, increasing the control stake to 100%. Mariotti & Pecini was then absorbed by Interpump Group S.p.A. with legal effect from 1 November 2020.

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

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

EVENTS OCCURRING AFTER THE END OF 2020

No atypical or unusual transactions have been carried out subsequent to 31 December 2020 that would call for changes to the consolidated financial statements at 31 December 2020.

**Directors' remarks on performance
in Q4 2020**

Q4 consolidated income statements

(€/000)	2020	2019
Net sales	340,126	342,485
Cost of sales	(219,178)	(217,779)
Gross industrial margin	120,948	124,706
<i>% on net sales</i>	35.6%	36.4%
Other operating revenues	5,328	5,623
Distribution costs	(28,383)	(32,760)
General and administrative expenses	(36,331)	(38,445)
Other operating costs	(2,387)	(974)
EBIT	59,175	58,150
<i>% on net sales</i>	17.4%	17.0%
Financial income	7,014	5,706
Financial charges	(4,119)	(7,097)
Equity method contribution	(54)	(31)
Profit for the period before taxes	62,016	56,728
Income taxes	(12,282)	(11,635)
Consolidated profit for the period	49,734	45,093
<i>% on net sales</i>	14.6%	13.2%
Pertaining to:		
Parent company's shareholders	48,997	44,595
Subsidiaries' minority shareholders	737	498
Consolidated profit for the period	49,734	45,093
EBITDA	78,801	77,605
<i>% on net sales</i>	23.2%	22.7%
Shareholders' equity	1,129,450	1,055,074
Net debt	269,500	370,814
Payables for the acquisition of investments	62,686	54,286
Capital employed	1,461,636	1,480,174
Unannualized ROCE	4.0%	3.9%
Unannualized ROE	4.4%	4.3%
Basic earnings per share	0.458	0.419

The scope of consolidation in Q4 2020 includes the Transtecno Group and Servizi Industriali, which were not present in Q4 2019.

NET SALES

Net sales in Q4 2020 totaled €340.1m, down by 0.7% on the €342.5m of Q4 2019 (-5.1 % at unchanged perimeter and -1.7% also net of exchange differences).

The following table gives a breakdown of net sales in Q4 by business sector and geographical area:

(€/000)	<u>Italy</u>	<u>Rest of Europe</u>	<u>North America</u>	<u>Far East and Oceania</u>	<u>Rest of the World</u>	<u>Total</u>
<i>Q4 2020</i>						
Hydraulic Sector	45,406	83,760	49,499	31,389	26,631	236,685
Water Jetting Sector	<u>9,730</u>	<u>39,765</u>	<u>30,497</u>	<u>14,919</u>	<u>8,530</u>	<u>103,441</u>
Total	<u>55,136</u>	<u>123,525</u>	<u>79,996</u>	<u>46,308</u>	<u>35,161</u>	<u>340,126</u>
<i>Q4 2019</i>						
Hydraulic Sector	41,339	78,321	56,726	24,178	20,452	221,016
Water Jetting Sector	<u>10,907</u>	<u>39,866</u>	<u>33,443</u>	<u>22,674</u>	<u>14,579</u>	<u>121,469</u>
Total	<u>52,246</u>	<u>118,187</u>	<u>90,169</u>	<u>46,852</u>	<u>35,031</u>	<u>342,485</u>
2020/2019 percentage changes						
Hydraulic Sector	+9.8%	+6.9%	-12.7%	+29.8%	+30.2%	+7.1%
Water Jetting Sector	-10.8%	-0.3%	-8.8%	-34.2%	-41.5%	-14.8%
Total	+5.5%	+4.5%	-11.3%	-1.2%	+0.4%	-0.7%
2020/2019 at unchanged perimeter (%)						
Hydraulic Sector	+4.2%	+0.5%	-13.2%	+9.7%	+24.0%	+0.9%
Water Jetting Sector	-16.1%	-1.2%	-8.8%	-35.3%	-41.6%	-15.8%
Total	0.0%	-0.1%	-11.6%	-12.1%	-3.3%	-5.1%

PROFITABILITY

The cost of sales accounted for 64.4% of turnover (63.6% in Q4 2019). Production costs totaled €87.4m (€88.9m in Q4 2019, which however did not include the production costs of the Transtecno Group or Servizi Industriali), accounting for 25.7% of sales (25.9% in the equivalent period of 2019) which represents a decrease of 0.2 percentage points. The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €131.8m (€128.9m in the equivalent period of 2019, which however did not include the costs of the Transtecno Group or Servizi Industriali). The incidence of purchase costs, including changes in inventories, was 38.7%, compared to 37.6% in Q4 2019.

Distribution costs were 17.1% lower at unchanged perimeter (-13.8% also net of exchange differences) with respect to Q4 2019, with an incidence on sales that fell by 1.2 percentage points.

At unchanged perimeter, general and administrative expenses fell by 11.0% (-8.4% also net of exchange differences) with respect to Q4 2019, while their incidence on sales decreased by 0.7 percentage points.

EBITDA totaled €78.8m (23.2% of sales) compared to €77.6m in Q4 2019 (22.7% of sales), reflecting a 1.5% increase. EBITDA accounted for 23.4% of sales at unchanged perimeter.

The following table shows EBITDA by business sector:

	<i>Q4 2020</i>	<i>% on</i>	<i>Q4 2019</i>	<i>% on</i>	<i>Increase/ Decrease</i>
	<i>€/000</i>	<i>total</i>	<i>€/000</i>	<i>total</i>	
		<i>sales*</i>		<i>sales*</i>	
Hydraulic Sector	50,588	21.4%	42,570	19.2%	+18.8%
Water Jetting Sector	<u>28,213</u>	27.1%	<u>35,035</u>	28.6%	-19.5%
Total	<u>78,801</u>	23.2%	<u>77,605</u>	22.7%	+1.5%

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

EBIT was €59.2m (17.4% of sales) compared with €58.2m in Q4 2019 (17.0% of sales), reflecting an increase of 1.8%.

Q4 closed with a consolidated net profit of €49.7m (€45.1m in Q4 2019), reflecting growth of 10.3%.

Basic earnings per share were EUR 0.458 (EUR 0.419 in Q4 2019), reflecting a 9.3% increase.

BUSINESS OUTLOOK

Considering the short span of time covered by the Group's order portfolio and the current serious uncertainties linked to the COVID pandemic, it is impractical to formulate reliable forecasts about performance in 2021, for which positive results are nevertheless predicted in terms of both sales and profitability. The Group will continue to devote special attention to controlling costs and to finance management in order to maximize the generation of free cash flow for allocation to internal and external growth and remuneration of the shareholders.

Sant'Ilario d'Enza (RE), 12 February 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), 12 February 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>31/12/2020</u>	<u>31/12/2019</u>
ASSETS			
Current assets			
Cash and cash equivalents		343,170	233,784
Trade receivables		261,707	284,842
Inventories	4	376,596	408,443
Tax receivables		23,962	24,337
Other current assets		10,368	9,077
Total current assets		<u>1,015,803</u>	<u>960,483</u>
Non-current assets			
Property, plant and equipment	5	476,480	484,358
Goodwill	1	549,168	508,670
Other intangible assets		43,511	32,527
Other financial assets		2,269	4,226
Tax receivables		757	1,590
Deferred tax assets		35,335	34,679
Other non-current assets		2,089	2,150
Total non-current assets		<u>1,109,609</u>	<u>1,068,200</u>
Total assets		<u>2,125,412</u>	<u>2,028,683</u>

(€/000)	<u>Notes</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
LIABILITIES			
Current liabilities			
Trade payables		154,101	157,413
Bank payables		10,592	22,076
Interest-bearing financial payables (current portion)		183,873	195,110
Tax payables		13,016	14,965
Other current liabilities		73,720	90,230
Provisions for risks and charges		4,739	4,055
Total current liabilities		<u>440,041</u>	<u>483,849</u>
Non-current liabilities			
Interest-bearing financial payables		418,205	387,412
Liabilities for employee benefits		23,809	21,402
Deferred tax liabilities		43,070	42,154
Tax payables		2,099	125
Other non-current liabilities		58,323	35,610
Provisions for risks and charges		10,415	3,057
Total non-current liabilities		<u>555,921</u>	<u>489,760</u>
Total liabilities		<u>995,962</u>	<u>973,609</u>
SHAREHOLDERS' EQUITY			
	6		
Share capital		55,461	55,460
Legal reserve		11,323	11,323
Share premium reserve		78,694	96,733
Reserve from remeasurement of defined benefit plans		(8,217)	(7,358)
Translation reserve		(27,211)	7,735
Other reserves		1,008,988	885,446
Group shareholders' equity		<u>1,119,038</u>	<u>1,049,339</u>
Minority interests		10,412	5,735
Total shareholders' equity		<u>1,129,450</u>	<u>1,055,074</u>
Total shareholders' equity and liabilities		<u>2,125,412</u>	<u>2,028,683</u>

Consolidated income statements

(€/000)	<u>Note</u> <u>s</u>	<u>2020</u>	<u>2019</u>
Net sales		1,294,363	1,368,618
Cost of sales		(830,878)	(866,701)
Gross industrial margin		463,485	501,917
Other net revenues		18,583	20,115
Distribution costs		(113,353)	(124,323)
General and administrative expenses		(147,150)	(145,556)
Other operating costs		(13,906)	(4,939)
Ordinary profit before financial charges		207,659	247,214
Financial income	7	16,178	15,062
Financial charges	7	(21,372)	(18,038)
Equity method contribution		101	(8)
Profit for the year before taxes		202,566	244,230
Income taxes		(49,825)	(63,628)
Consolidated profit for the year		152,741	180,602
Pertaining to:			
Parent company's shareholders		150,440	179,170
Subsidiaries' minority shareholders		2,301	1,432
Consolidated profit for the year		152,741	180,602
Basic earnings per share	8	1.405	1.699
Diluted earnings per share	8	1.399	1.683

Comprehensive consolidated income statements for the year

(€/000)	2020	2019
Consolidated profit for the year (A)	152,741	180,602
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>	(35,358)	4,687
<i>Profits (Losses) of companies carried at equity</i>	(75)	5
<i>Related taxes</i>		-
Total other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit for the period, net of tax effect (B)	<u>(35,433)</u>	<u>4,692</u>
Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the period		
<i>Profit (loss) deriving from the remeasurement of defined benefit plans</i>	(1,146)	(1,840)
<i>Related taxes</i>	<u>275</u>	<u>442</u>
Total other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit (C)	<u>(871)</u>	<u>(1,398)</u>
Comprehensive consolidated profit for the year (A) + (B) + (C)	<u>116,437</u>	<u>183,896</u>
Pertaining to:		
Parent company's shareholders	114,635	182,370
Subsidiaries' minority shareholders	<u>1,802</u>	<u>1,526</u>
Comprehensive consolidated profit for the year	<u>116,437</u>	<u>183,896</u>

Q4 consolidated income statements

(€/000)		<u>2020</u>	<u>2019</u>
Net sales		340,126	342,485
			(217,779)
Cost of sales		(219,178))
Gross industrial margin		120,948	124,706
Other net revenues		5,328	5,623
Distribution costs		(28,383)	(32,760)
General and administrative expenses		(36,331)	(38,445)
Other operating costs		(2,387)	(974)
Ordinary profit before financial charges		59,175	58,150
Financial income	7	7,014	5,706
Financial charges	7	(4,119)	(7,097)
Equity method contribution		(54)	(31)
Profit for the period before taxes		62,016	56,728
Income taxes		(12,282)	(11,635)
Consolidated net profit for the period		49,734	45,093
Pertaining to:			
Parent company's shareholders		48,997	44,595
Subsidiaries' minority shareholders		737	498
Consolidated profit for the period		49,734	45,093
Basic earnings per share	8	0.458	0.419
Diluted earnings per share	8	0.455	0.416

Comprehensive consolidated income statement for Q4

(€/000)	<u>2020</u>	<u>2019</u>
Consolidated profit of the fourth quarter (A)	49,734	45,093
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>	(11,632)	(10,185)
<i>Profits (Losses) of companies carried at equity</i>	6	(15)
<i>Related taxes</i>	-	-
Total other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit, net of tax effect (B)	<u>(11,626)</u>	<u>(10,200)</u>
Other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit		
<i>Profit (loss) deriving from the remeasurement of defined benefit plans</i>	(1,146)	(1,840)
<i>Related taxes</i>	275	442
Total other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit (C)	<u>(871)</u>	<u>(1,398)</u>
Comprehensive consolidated profit for Q4 (A) + (B) + (C)	<u>37,237</u>	<u>33,495</u>
Pertaining to:		
Parent company's shareholders	36,524	33,050
Subsidiaries' minority shareholders	713	445
Comprehensive consolidated profit for the period	<u>37,237</u>	<u>33,495</u>

Consolidated cash flow statement for the year

(€/000)	<u>2020</u>	<u>2019</u>
Cash flow from operating activities		
Pretax profit	202,566	244,230
Adjustments for non-cash items:		
Capital losses (gains) from the sale of fixed assets	(2,336)	(2,774)
Amortization	77,009	69,284
Costs recognized in the income statement related to stock options that do not involve monetary outflows for the Group	1,919	2,585
Loss (profit) from equity investments	(101)	8
Net change in risk funds and allocations for employee benefits	7,232	(806)
Outlays for tangible fixed assets destined for hire	(5,465)	(6,278)
Proceeds from the sale of fixed assets granted for hire	5,236	7,793
Financial charges (income), net	5,194	2,976
	<u>291,254</u>	<u>317,018</u>
(Increase) decrease in trade receivables and other current assets	25,245	16,976
(Increase) decrease in inventories	30,070	5,270
Increase (decrease) in trade payables and other current liabilities	(4,104)	(42,788)
Interest paid	(5,307)	(5,507)
Currency exchange gains	(2,959)	331
Taxes paid	(53,516)	(78,779)
Net cash from operating activities	<u>280,683</u>	<u>212,521</u>
Cash flows from investing activities		
Outlay for the acquisition of equity investments, net of cash received and including treasury shares assigned	(39,779)	(24,719)
Capital expenditure on property, plant and equipment	(58,657)	(72,517)
Proceeds from the sale of tangible fixed assets	1,602	1,936
Capital expenditure on intangible assets	(4,366)	(3,073)
Received financial income	1,069	850
Other	1,334	413
Net liquidity used in investing activities	<u>(98,797)</u>	<u>(97,110)</u>
Cash flows from financing activities		
Disbursals (repayments) of loans	22,907	115,398
Dividends paid	(28,323)	(23,876)
Outlays for purchase of treasury shares	(48,487)	(78,993)
Proceeds from the sale of treasury shares to beneficiaries of stock options	14,480	3,823
Loans repaid (granted) by/to non-consolidated subsidiaries	-	(494)
Disbursals (repayments) of shareholder loans	1,891	-
Change in other financial assets	(11)	(126)
Payment of finance leasing installments (principal portion)	(18,188)	(16,739)
Net liquidity generated (used by) financing activities	<u>(55,731)</u>	<u>(1,007)</u>
Net increase (decrease) in cash and cash equivalents	<u>126,155</u>	<u>114,404</u>

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(€/000)	<u>2020</u>	<u>2019</u>
Net increase (decrease) in cash and cash equivalents	126,155	114,404
Exchange differences on translation of liquidity of non-EU companies	(5,333)	602
Effect of IFRS 16 on opening cash and cash equivalents	-	(34)
Opening cash and equivalents of companies consolidated for the first time using the line-by-line method	48	-
Cash and cash equivalents at beginning of year	<u>211,708</u>	<u>96,736</u>
Cash and cash equivalents at end of year	<u>332,578</u>	<u>211,708</u>

Cash and cash equivalents can be broken down as follows:

	31/12/2020	31/12/2019
	€/000	€/000
Cash and cash equivalents from the statement of financial position	343,170	233,784
Bank payables (current account overdrafts and advances subject to collection)	<u>(10,592)</u>	<u>(22,076)</u>
Cash and cash equivalents from the cash flow statement	<u>332,578</u>	<u>211,708</u>

Statement of changes in consolidated shareholders' equity

	Share capital	Legal reserve	Share premium reserve	Reserve from remeasurement of defined benefit plans	Translation reserve	Other reserves	Group shareholders' equity	Minority interests	Total
<i>Balances at 1 January 2019</i>	54,842	11,323	71,229	(5,965)	3,142	729,373	863,944	4,961	868,905
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	2,585	-	-	-	2,585	-	2,585
Purchase of treasury stock	(1,529)	-	(77,464)	-	-	-	(78,993)	-	(78,993)
Sale of treasury stock to the beneficiaries of stock options	171	-	3,652	-	-	-	3,823	-	3,823
Assignment of treasury shares as payment for equity investments	1,976	-	96,731	-	-	-	98,707	-	98,707
Dividends paid	-	-	-	-	-	(23,200)	(23,200)	(675)	(23,875)
Dividends declared attributable to minority interests	-	-	-	-	-	-	-	(99)	(99)
Minority interest in Reggiana Riduttori	-	-	-	-	-	-	-	175	175
Purchase of residual interests in subsidiaries	-	-	-	-	-	103	103	(153)	(50)
Comprehensive profit (loss) for 2019	-	-	-	(1,393)	4,593	179,170	182,370	1,526	183,896
<i>Balances at 31 December 2019</i>	<i>55,460</i>	<i>11,323</i>	<i>96,733</i>	<i>(7,358)</i>	<i>7,735</i>	<i>885,446</i>	<i>1,049,339</i>	<i>5,735</i>	<i>1,055,074</i>
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	1,919	-	-	-	1,919	-	1,919
Purchase of treasury stock	(837)	-	(47,650)	-	-	-	(48,487)	-	(48,487)
Sale of treasury stock to the beneficiaries of stock options	584	-	13,896	-	-	-	14,480	-	14,480
Assignment of treasury stock as payment for equity investments	254	-	13,796	-	-	-	14,050	-	14,050
Minority interest in companies consolidated for the first time	-	-	-	-	-	-	-	4,267	4,267
Dividends paid	-	-	-	-	-	(26,898)	(26,898)	(1,362)	(28,260)
Dividends declared	-	-	-	-	-	-	-	(30)	(30)
Comprehensive profit (loss) for 2020	-	-	-	(859)	(34,946)	150,440	114,635	1,802	116,437
<i>Balances at 31 December 2020</i>	<i>55,461</i>	<i>11,323</i>	<i>78,694</i>	<i>(8,217)</i>	<i>(27,211)</i>	<i>1,008,988</i>	<i>1,119,038</i>	<i>10,412</i>	<i>1,129,450</i>

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 December 2020 were approved by the Board of Directors on this day (12 February 2021).

Basis of preparation

The consolidated financial statements at 31 December 2020 were drawn up in compliance with the international accounting standards (IAS/IFRS) endorsed by the European Union for interim financial statements (IAS 34). The tables were prepared in compliance with IAS 1, while the notes were prepared in condensed form in application of the 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 December 2020 should be consulted together with the consolidated financial statements for the year ending 31 December 2019.

Preparation of an interim report in compliance with IAS 34 *Interim Financial Reporting* calls for judgments, estimates, and assumptions that have an effect on assets, liabilities, costs and revenues and on information regarding potential assets and liabilities at the report reference date. We draw your attention to the fact that estimates may differ from the effective results, the magnitude of which will only be known in the future. The captions of the financial statements that call for more subjective appraisal by the directors when preparing estimates and for which a change in the conditions underlying the assumptions utilized could have a significant effect on the financial statements are: goodwill, amortization and depreciation of fixed assets, deferred tax assets and liabilities, the allowance for doubtful accounts and the allowance for inventories, provisions for risks and charges, defined benefit plans for employees, liabilities for the acquisition of investments included under other liabilities, and also determination of the fair value of the assets and liabilities acquired in the framework of business combinations. Considering the complexities involved in the measurement of leasing contracts with extension options, not least because of their long-term nature, the first-time adoption of IFRS 16 required significant recourse to professional judgment when determining whether, with reasonable certainty, such extension options would be exercised.

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 2019, with the exception of those adopted as from 1 January 2020 as described hereunder, and they were uniformly applied to all Group companies and all periods presented.

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

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

- *Amendments to IFRS 3 - "Business Combinations"*. IASB published these amendments on 22 October 2018 in order to help determine if a transaction represents the acquisition of a business or a group of activities that does not satisfy the definition of a business pursuant to IFRS 3. Application of the new amendments did not result in adjustments to the financial position of the Group, but could have an impact in future years should the Group carry out any business combinations.
- *Amendments to IAS 1 and IAS 8 - "Definition of Material"*. IASB published these amendments on 31 November 2018 in order to clarify the definition of "material", with a view to helping companies determine if a disclosure should be made in the financial statements. These amendments had no impact on the consolidated financial statements and are not expected to have any effect on the Group in future.
- *Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*. The IASB published these amendments on 26 September 2019 so that companies can make useful financial disclosures during the period of uncertainty caused by the gradual elimination of certain interest-rate parameters, such as the interbank offered rates (IBORs); they amend certain requirements for the recognition of hedges in order to mitigate potential effects deriving from uncertainties linked to the IBOR reform. The amendments also require companies to make additional disclosures to investors about any hedging relationships that are directly affected by those uncertainties. Application of the new amendment did not result in adjustments to the Group's equity balances.
- *Amendments to references to the Conceptual Framework in IFRS Standards*. The IASB published this amendment on 29 March 2018 with the aim of improving both the definitions of "asset" and "liability" and the process for their measurement, elimination and presentation. The document also clarifies a number of important concepts, such as identification of the recipients of financial statements and the objectives they seek to achieve, and discusses application of the concepts of prudence and uncertainty when evaluating financial disclosures. These amendments had no impact on the consolidated financial statements of the Group.
- *Amendment to IFRS 16 Leases Covid 19 – Related rent concessions*. On 28 May 2020 the IASB published an amendment to clarify the circumstances in which a lessee may, as a practical expedient, determine that specific reductions in installments (as a direct consequence of Covid-19) need not be treated as changes in the payment plan and

recognize them accordingly. This amendment became applicable from 1 June 2020, although early adoption was allowed. The amendment had no impact on the consolidated financial statements of the Group.

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

- *IFRS 17 – Insurance Contracts.* On 18 May 2017, IASB published a new standard to replace IFRS 4, which was issued in 2004. The new standard seeks to improve the understanding of investors and others about the risk exposure, profitability and financial position of insurers. IFRS 17 is applicable from 1 January 2021, although early adoption is permitted. This standard does not apply to 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.

Notes to the consolidated financial statements at 31 December 2020

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1. Scope of consolidation and goodwill

The scope of consolidation at 31 December 2020 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 31/12/2020</u>
GP Companies Inc.	Minneapolis (USA)	1,854	Water Jetting	100.00%
Hammelmann GmbH	Oelde (Germany)	25	Water Jetting	100.00%
Hammelmann Australia Pty Ltd (1)	Melbourne (Australia)	472	Water Jetting	100.00%
Hammelmann Corporation Inc (1)	Miamisburg (USA)	39	Water Jetting	100.00%
Hammelmann S. L. (1)	Zaragoza (Spain)	500	Water Jetting	100.00%
Hammelmann Pumps Systems Co Ltd (1)	Tianjin (China)	871	Water Jetting	90.00%
Hammelmann Bombas e Sistemas Ltda (12)	San Paolo (Brazil)	1,515	Water Jetting	100.00%
Hammelmann France S.a.r.l. (1)	Etrichè (France)	50	Water Jetting	100.00%
Hammelmann Swiss GmbH (1)	Dudingén (Switzerland)	89	Water Jetting	100.00%
Inoxihp S.r.l.	Nova Milanese (MI)	119	Water Jetting	52.72%
NLB Corporation Inc.	Detroit (USA)	12	Water Jetting	100.00%
NLB Poland Corp. Sp. Z.o.o. (2)	Warsaw (Poland)	1	Water Jetting	100.00%
Inoxpa S.A.	Banyoles (Spain)	23,000	Water Jetting	100.00%
Inoxpa India Private Ltd (3)	Pune (India)	6,779	Water Jetting	100.00%
Inoxpa Solutions France (3)	Gleize (France)	2,071	Water Jetting	100.00%
Improved Solutions Unipessoal Ltda (Portugal) (3)	Vale de Cambra (Portugal)	760	Water Jetting	100.00%
Inoxpa (UK) Ltd (3)	Eastbourne (UK)	1,942	Water Jetting	100.00%
Inoxpa Solutions Moldova (3)	Chisinau (Moldova)	317	Water Jetting	66.67%
Inoxpa Australia 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%
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%

Interim Board of Directors' Report at 31 December 2020 - Interpump Group

<u>Company</u>	<u>Head office</u>	<u>Share capital</u>		<u>% held at 31/12/2020</u>
		<u>€/000</u>	<u>Sector</u>	
Interpump Hydraulics Middle East FZE (4)	Dubai (UAE)	326	Hydraulic	100.00%
Interpump South Africa Pty Ltd (4)	Johannesburg (South Africa)	-	Hydraulic	100.00%
Interpump Hydraulics (UK) Ltd. (4)	Kidderminster (United Kingdom)	13	Hydraulic	100.00%
Mega Pacific Pty Ltd (6)	Newcastle (Australia)	335	Hydraulic	65.00%
Mega Pacific NZ Pty Ltd (6)	Mount Maunganui (New Zealand)	557	Hydraulic	65.00%
Muncie Power Prod. Inc. (4)	Muncie (USA)	784	Hydraulic	100.00%
American Mobile Power Inc. (7)	Fairmount (USA)	3,410	Hydraulic	100.00%
Hydra Dyne Tech Inc (7)	Ingersoll (Canada)	80	Hydraulic	75.00%
Oleodinamica Panni S.r.l. (4)	Tezze sul Brenta (VI)	2,000	Hydraulic	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (4)	Wuxi (China)	2,095	Hydraulic	65.00%
IMM Hydraulics S.p.A. (4)	Atessa (Switzerland)	520	Hydraulic	100.00%
Hypress France S.a.r.l. (8)	Strasbourg (France)	162	Hydraulic	100.00%
Interpump Fluid Solutions Germany GmbH (8)	Meinerzhagen (Germany)	52	Hydraulic	100.00%
IMM Hydro Est (8)	Catcau Cluj Napoca (Romania)	3,155	Hydraulic	100.00%
FGA S.r.l. (8)	Fossacesia (CH)	10	Hydraulic	100.00%
Innovativ Gummi Tech S.r.l. (8)	Ascoli Piceno (AP)	25	Hydraulic	60.00%
Tekno Tubi S.r.l. (8)	Terre del Reno (FE)	100	Hydraulic	100.00%
Tubiflex S.p.A.	Orbassano (TO)	515	Hydraulic	100.00%
Walvoil S.p.A.	Reggio Emilia	7,692	Hydraulic	100.00%
Walvoil Fluid Power Corp. (9)	Tulsa (USA)	137	Hydraulic	100.00%
Walvoil Fluid Power (India) Pvt. Ltd. (9)	Bangalore (India)	4,803	Hydraulic	100.00%
Walvoil Fluid Power Korea Llc. (9)	Pyeongtaek (South Korea)	453	Hydraulic	100.00%
Walvoil Fluid Power France S.a.r.l. (9)	Vritz (France)	10	Hydraulic	100.00%
Walvoil Fluid Power Australasia (9)	Melbourne (Australia)	7	Hydraulic	100.00%
Galtech Canada Inc. (9)	Terrebonne, Quebec (Canada)	76	Hydraulic	100.00%
HTIL (9)	Hong Kong	98	Hydraulic	100.00%
Walvoil Fluid Power (Dongguan) Co., Ltd (9)	Dongguan (China)	3,720	Hydraulic	100.00%
Reggiana Riduttori S.r.l.	S. Polo d'Enza (RE)	6,000	Hydraulic	100.00%
RR USA Inc. (13)	Boothwyn (USA)	1	Hydraulic	100.00%
RR Canada Inc. (13)	Vaughan (Canada)	1	Hydraulic	100.00%
RR Holland BV (13)	Oosterhout (Netherlands)	19	Hydraulic	100.00%
RR France 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%
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 December 2020 - Interpump Group

<u>Company</u>	<u>Head office</u>	<u>Share capital</u>		<u>% held at 31/12/2020</u>
		<u>€/000</u>	<u>Sector</u>	
GS-Hydro Piping Systems (Shanghai) Co. Ltd. (11)	Shanghai (China)	2,760	Hydraulic	100.00%
GS-Hydro Benelux B.V. (10)	Barendrecht (Netherlands)	18	Hydraulic	100.00%
GS-Hydro Austria GmbH (10)	Pashing (Austria)	40	Hydraulic	100.00%
GS-Hydro Sp Z O (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%
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.

Compared with 2019, the 2020 consolidation includes the Transtecno Group and six months of Servizi Industriali S.r.l. (Water Jetting Sector), acquired in July 2020. The Reggiana Riduttori Group was consolidated for the full year in 2020, but only for three months in 2019, since it was acquired on 15 October 2019. Hydra Dyne (Hydraulic Sector), acquired on 1 March 2019, was only consolidated for ten months of 2019, but has been consolidated for the full year in 2020. FGA and Innovativ Gummi Tech (Hydraulic Sector) have also been consolidated on a line-by-line basis from 1 January 2020. They were not consolidated in 2019 due to their insignificance. Lastly, Pioli (Water Jetting Sector), acquired on 1 April 2019, was consolidated for nine months in 2019, but has been consolidated for the full year in 2020.

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

Furthermore, Interpump Group S.p.A. is required to purchase the residual 20% interest in Servizi Industriali S.r.l., commencing from 2024.

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

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

Changes in goodwill were as follows in 2020:

<u>Company:</u>	Balance at 31/12/2019	Increases (Decreases) in the year	Changes due to foreign exchange differences	Balance at 31/12/2020
Water Jetting Sector	210,703	3,268	(3,401)	210,570
Hydraulic Sector	<u>297,967</u>	<u>44,771</u>	<u>(4,140)</u>	<u>338,598</u>
<i>Total goodwill</i>	<u>508,670</u>	<u>48,039</u>	<u>(7,541)</u>	<u>549,168</u>

The increases in the Hydraulic Sector during 2020 comprise €50,817k on consolidation of the Transtecno Group and €140k on consolidation of Innovativ Gummi. In addition, with respect to the amounts reported at 31 December 2019, the PPA for the Reggiana Riduttori Group has been determined more precisely following an assessment of the brand value. This was not possible at the end of 2019, since certain required elements were not available. As a consequence, the carrying amount of goodwill was reduced by €6,186k. The increases in the Water Jetting Sector reflect the acquisition of Servizi Industriali.

2. Business sector information

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

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

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

Business sectors

The Group is composed of the following business sectors:

Water Jetting Sector. This sector is mainly composed of high and very high-pressure pumps and pumping systems used in a wide range of industrial sectors for the conveyance of fluids. High pressure plunger pumps are the main component of professional pressure washers. These pumps are also utilized for a broad range of industrial applications including car wash installations, forced lubrication systems for machine tools, and inverse osmosis systems for water desalination plants. Very high pressure pumps and systems are used for cleaning surfaces, ships, various types of hoses, and also for removing burrs, cutting and removing cement, asphalt, and paint coatings from stone, cement and metal surfaces, and for cutting solid materials. The Sector also includes high pressure homogenizers, mixers, agitators, piston pumps, valves, 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 mixer truck drums, and so forth. Hydraulic cylinders are components of the hydraulic system of various vehicle types employed in a wide range of applications depending on the type. Front-end and underbody cylinders (single acting) are fitted mainly on industrial vehicles in the building construction sector, while double acting cylinders are employed in a range of applications: earthmoving machinery, agricultural machinery, cranes and truck cranes, waste compactors, etc. The hydraulic hoses and fittings are designed for use in a broad range of hydraulic systems and also for very high pressure water systems. Gears facilitate the mechanical transmission of energy, with applications in various industrial sectors including agriculture, materials handling, mining, heavy industry, marine & offshore, aerial platforms, forestry and sugar production. The Group also designs and makes piping systems for the industrial, naval and offshore sectors.

Interpump Group business sector information

(Amounts shown in €'000)

Cumulative at 31 December (twelve months)

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales external to the Group	881,570	902,247	412,793	466,371			1,294,363	1,368,618
Sales between sectors	850	894	2,110	2,537	(2,960)	(3,431)	-	-
Total net sales	882,420	903,141	414,903	468,908	(2,960)	(3,431)	1,294,363	1,368,618
Cost of sales	(603,302)	(616,570)	(230,482)	(253,555)	2,906	3,424	(830,878)	(866,701)
Gross industrial margin	279,118	286,571	184,421	215,353	(54)	(7)	463,485	501,917
<i>% on net sales</i>	<i>31.6%</i>	<i>31.7%</i>	<i>44.4%</i>	<i>45.9%</i>			<i>35.8%</i>	<i>36.7%</i>
Other net revenues	13,340	14,225	6,070	6,762	(827)	(872)	18,583	20,115
Distribution costs	(67,972)	(69,911)	(45,794)	(54,792)	413	380	(113,353)	(124,323)
General and administrative expenses	(93,209)	(88,216)	(54,409)	(57,839)	468	499	(147,150)	(145,556)
Other operating costs	(9,621)	(3,873)	(4,285)	(1,066)	-	-	(13,906)	(4,939)
Ordinary profit before financial charges	121,656	138,796	86,003	108,418	-	-	207,659	247,214
<i>% on net sales</i>	<i>13.8%</i>	<i>15.4%</i>	<i>20.7%</i>	<i>23.1%</i>			<i>16.0%</i>	<i>18.1%</i>
Financial income	7,481	9,713	10,106	6,877	(1,409)	(1,528)	16,178	15,062
Financial charges	(14,940)	(9,595)	(7,841)	(9,971)	1,409	1,528	(21,372)	(18,038)
Dividends	-	-	39,702	15,001	(39,702)	(15,001)	-	-
Equity method contribution	82	(111)	15	103	4	-	101	(8)
Profit for the year before taxes	114,279	138,803	127,985	120,428	(39,698)	(15,001)	202,566	244,230
Income taxes	(30,650)	(36,255)	(19,175)	(27,373)	-	-	(49,825)	(63,628)
Consolidated profit for the year	83,629	102,548	108,810	93,055	(39,698)	(15,001)	152,741	180,602
Pertaining to:								
Parent company's shareholders	81,579	101,764	108,559	92,407	(39,698)	(15,001)	150,440	179,170
Subsidiaries' minority shareholders	2,050	784	251	648	-	-	2,301	1,432
Consolidated profit for the year	83,629	102,548	108,810	93,055	(39,698)	(15,001)	152,741	180,602
Further information required by IFRS 8								
Amortization, depreciation and write-downs	55,430	47,548	21,677	21,736	-	-	77,107	69,284
Other non-monetary costs	9,618	3,227	5,353	2,756	(4)	-	14,967	5,983

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

Q4

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales external to the Group	236,685	221,016	103,441	121,469			340,126	342,485
Sales between sectors	171	306	629	914	(800)	(1,220)	-	-
Total net sales	236,856	221,322	104,070	122,383	(800)	(1,220)	340,126	342,485
Cost of sales	(161,963)	(153,336)	(58,004)	(65,655)	789	1,212	(219,178)	(217,779)
Gross industrial margin	74,893	67,986	46,066	56,728	(11)	(8)	120,948	124,706
<i>% on net sales</i>	<i>31.6%</i>	<i>30.7%</i>	<i>44.3%</i>	<i>46.4%</i>			<i>35.6%</i>	<i>36.4%</i>
Other net revenues	3,801	3,874	1,863	2,010	(336)	(261)	5,328	5,623
Distribution costs	(17,207)	(18,654)	(11,410)	(14,244)	234	138	(28,383)	(32,760)
General and administrative expenses	(23,245)	(23,414)	(13,199)	(15,162)	113	131	(36,331)	(38,445)
Other operating costs	(1,803)	(594)	(584)	(380)	-	-	(2,387)	(974)
Ordinary profit before financial charges	36,439	29,198	22,736	28,952	-	-	59,175	58,150
<i>% on net sales</i>	<i>15.4%</i>	<i>13.2%</i>	<i>21.8%</i>	<i>23.7%</i>			<i>17.4%</i>	<i>17.0%</i>
Financial income	1,533	5,050	5,814	1,044	(333)	(388)	7,014	5,706
Financial charges	(2,851)	(2,705)	(1,599)	(4,780)	331	388	(4,119)	(7,097)
Equity method contribution	(5)	(57)	(53)	26	4	-	(54)	(31)
Profit for the period before taxes	35,116	31,486	26,898	25,242	2	-	62,016	56,728
Income taxes	(7,608)	(6,070)	(4,674)	(5,565)	-	-	(12,282)	(11,635)
Consolidated profit for the period	27,508	25,416	22,224	19,677	2	-	49,734	45,093
Pertaining to:								
Parent company's shareholders	26,850	25,191	22,145	19,404	2	-	48,997	44,595
Subsidiaries' minority shareholders	658	225	79	273	-	-	737	498
Consolidated profit for the period	27,508	25,416	22,224	19,677	2	-	49,734	45,093
Further information required by IFRS 8								
Amortization, depreciation and write-downs	13,374	13,093	5,369	5,850	-	-	18,743	18,943
Other non-monetary costs	1,744	1,032	791	1,143	(4)	-	2,531	2,175

Financial position
(Amounts shown in €(000))

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Assets of the sector (A)	1,218,579	1,203,237	694,897	738,412	(131,234)	(146,750)	1,782,242	1,794,899
Cash and cash equivalents							343,170	233,784
Total assets							2,125,412	2,028,683
Liabilities of the sector (B)	351,504	356,475	100,336	105,000	(131,234)	(146,750)	320,606	314,725
Debts for the payment of investments							62,686	54,286
Bank payables							10,592	22,076
Interest-bearing financial payables							602,078	582,522
Total liabilities							995,962	973,609
Total assets, net (A-B)	867,075	846,762	594,561	633,412			1,461,636	1,480,174
Further information required by IFRS 8								
Investments carried equity	298	1,050	270	272	-	-	568	1,322
Non-current assets other than financial assets and deferred tax assets	718,913	670,210	353,092	359,085	-	-	1,072,005	1,029,295

The full year and Q4 comparison of the Hydraulic Sector at unchanged perimeter is as follows:

	Year		Q4	
	2020	2019	2020	2019
Net sales external to the Group	765,561	902,247	222,895	221,016
Sales between sectors	850	894	171	306
Total net sales	766,411	903,141	223,066	221,322
Cost of sales	(525,130)	(616,570)	(153,195)	(153,336)
Gross industrial margin	241,281	286,571	69,871	67,986
<i>% on net sales</i>	<i>31.5%</i>	<i>31.7%</i>	<i>31.3%</i>	<i>30.7%</i>
Other net revenues	11,958	14,225	3,806	3,874
Distribution costs	(58,815)	(69,911)	(16,098)	(18,654)
General and administrative expenses	(80,214)	(88,216)	(21,404)	(23,414)
Other operating costs	(9,324)	(3,873)	(1,796)	(594)
Ordinary profit before financial charges	104,886	138,796	34,379	29,198
<i>% on net sales</i>	<i>13.7%</i>	<i>15.4%</i>	<i>15.4%</i>	<i>13.2%</i>
Financial income	5,608	9,713	1,650	5,050
Financial charges	(11,796)	(9,595)	(2,470)	(2,705)
Equity method contribution	82	(111)	(5)	(57)
Profit for the period before taxes	98,780	138,803	33,554	31,486
Income taxes	(27,697)	(36,255)	(7,570)	(6,070)
Consolidated profit for the period	71,083	102,548	25,984	25,416
Pertaining to:				
Parent company's shareholders	70,539	101,764	25,805	25,191
Subsidiaries' minority shareholders	544	784	179	225
Consolidated profit for the period	71,083	102,548	25,984	25,416

The full year and Q4 comparison of the Water Jetting Sector at unchanged perimeter is as follows:

	Year		Q4	
	2020	2019	2020	2019
Net sales external to the Group	409,433	466,371	102,220	121,469
Sales between sectors	2,006	2,537	629	914
Total net sales	411,439	468,908	102,849	122,383
Cost of sales	(228,667)	(253,555)	(57,349)	(65,655)
Gross industrial margin	182,772	215,353	45,500	56,728
<i>% on net sales</i>	44.4%	45.9%	44.2%	46.4%
Other net revenues	5,944	6,762	1,761	2,010
Distribution costs	(45,586)	(54,792)	(11,298)	(14,244)
General and administrative expenses	(53,714)	(57,839)	(12,923)	(15,162)
Other operating costs	(4,258)	(1,066)	(571)	(380)
Ordinary profit before financial charges	85,158	108,418	22,469	28,952
<i>% on net sales</i>	20.7%	23.1%	21.8%	23.7%
Financial income	10,106	6,877	5,812	1,044
Financial charges	(7,826)	(9,971)	(1,593)	(4,780)
Dividends	38,502	15,001	15,002	-
Equity method contribution	15	103	(53)	26
Profit for the period before taxes	125,955	120,428	41,637	25,242
Income taxes	(18,964)	(27,373)	(4,635)	(5,565)
Consolidated profit for the period	106,991	93,055	37,002	19,677
Pertaining to:				
Parent company's shareholders	106,740	92,407	36,923	19,404
Subsidiaries' minority shareholders	251	648	79	273
Consolidated profit for the period	106,991	93,055	37,002	19,677

Cash flows for the year by business sector are as follows:

€/000	Hydraulic		Water Jetting		Total	
	2020	2019	2020	2019	2020	2019
Cash flows from:						
Operating activities	194,314	126,472	86,369	86,049	280,683	212,521
Investing activities	(43,703)	(55,047)	(55,094)	(42,063)	(98,797)	(97,110)
Financing activities	(73,418)	(43,404)	17,687	42,397	(55,731)	(1,007)
Total	<u>77,193</u>	<u>28,021</u>	<u>48,962</u>	<u>86,383</u>	<u>126,155</u>	<u>114,404</u>

The investing activities of the Hydraulic Sector included €1,990k associated with the acquisition of equity investments (€16,347k in 2019). The investing activities of the Water Jetting Sector included €37,789k associated with the acquisition of equity investments (€26,505k in 2019).

The cash flows deriving from the financing activities of the Hydraulic Sector include the payment of dividends to Water Jetting Sector companies totalling €39,702k (€15,001k in 2019). Moreover, the cash flows deriving from the financing activities of the Water Jetting Sector in 2020 included proceeds from the sale of treasury shares to the beneficiaries of stock options totaling €14,480k (€3,823k in 2019), outlays for the purchase of treasury shares amounting to €48,487k (€78,993k in 2019) and the payment of dividends of €27,126k (€23,324k in 2019).

3. Acquisition of investments

Details of the purchase price allocation for the Reggiana Riduttori Group are provided in the Financial Report for H1 2020, while those for Servizi Industriali are provided in the Interim Board of Directors' Report for Q3 2020. The PPA for the Transtecno Group was amended in Q4 as a result of the additional information that became available in the meantime. The final situation is presented below:

€/000	Amount acquired	Adjustments to fair value <u>at fair value</u>	Carrying values in the acquiring company
Cash and cash equivalents	10,531	-	10,531
Trade receivables	8,730	-	8,730
Inventories	11,990	-	11,990
Tax receivables	892	-	892
Other current assets	523	-	523
Property, plant and equipment	8,407	-	8,407
Other intangible assets	108	5,982	6,090
Other financial fixed assets	1	-	1
Deferred tax assets	559	-	559
Other non-current assets	143	-	143
Trade payables	(6,951)	-	(6,951)
Bank payables	(2,630)	-	(2,630)
Financial payables to banks (current portion)	(2,829)	-	(2,829)
Tax payables	(849)	-	(849)
Other current liabilities	(2,288)	-	(2,288)
Payable for purchase of investments (current portion)	(84)	-	(84)
Financial payables to banks (non-current portion)	(916)	-	(916)
Leasing payables (non-current portion)	(4,260)	-	(4,260)
Deferred tax liabilities	(15)	(1,669)	(1,684)
Employee benefits (severance indemnity provision)	(1,220)	-	(1,220)
Minority interests	<u>(3,795)</u>	-	<u>(3,795)</u>
Net assets acquired	<u>16,047</u>	<u>4,313</u>	20,360
Goodwill related to the acquisition			<u>50,817</u>
Total net assets acquired			<u>71,177</u>
Total amount paid in cash			21,934
Amount paid by assigning treasury shares			14,051
Amount due in medium/long-term			<u>35,192</u>
Total acquisition cost (A)			<u>71,177</u>
Net financial position acquired (B)			104
Total amount paid in cash			21,934
Medium-/long-term payables for the purchase of equity investments			<u>35,192</u>
Total change in the net financial position including change in debt for the acquisition of investments			57,230
Amount paid by assigning treasury shares			<u>14,051</u>
Total			<u>71,281</u>
Capital employed (A) - (B)			71,281

The amounts for subsidiaries not resident in the EU were translated using the exchange rates at 31 December 2019. The transaction was recorded using the acquisition method.

The fair value of the trademark classified in other intangible assets was measured by an internal appraisal.

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

	31/12/2020	31/12/2019
	€/000	€/000
Inventories gross value	414,162	447,248
Allowance for inventories	<u>(37,566)</u>	<u>(38,805)</u>
Inventories	<u>376,596</u>	<u>408,443</u>

Changes in the allowance for inventories were as follows:

	<i>Year</i> 2020	<i>Year</i> 2019
	€/000	€/000
Opening balances	38,805	36,888
Exchange rate difference	(1,240)	128
Change in consolidation basis	712	3,081
Provisions for the year	3,330	2,886
Releases in the year to cover losses	(2,919)	(3,239)
Release of excess provisions in the year	<u>(1,122)</u>	<u>(939)</u>
Closing balance	<u>37,566</u>	<u>38,805</u>

5. Property, plant and equipment

Purchases and disposals

In 2020 Interpump Group acquired assets for €82,271k, of which €14,713k via the acquisition of equity investments (€127,647k in 2019, of which €26,844k via the acquisition of equity investments). Assets were disposed of in 2020 for a net book value of €/000 4,529 (€/000 7,063 in 2019). Divested assets produced a net capital gain of €/000 2,336 (€/000 2,774 in 2019).

Contractual commitments

At 31 December 2020 the Group has contractual commitments for the purchase of tangible fixed assets totalling €15,561k (€6,637k at 31 December 2019).

6. Shareholders' equity

Share capital

Share capital comprises 108,879,294 ordinary shares with a unit par value of €0.52 totalling EUR 56,617,232.88. However, the share capital reported in the financial statements amounts to €55,461k, since the nominal value of purchased treasury shares, net of those sold, has been deducted from share capital in compliance with the reference accounting standards. At 31 December 2020 Interpump Group S.p.A. held 2,222,356 treasury shares in the portfolio corresponding to 2.04% 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. During 2020 Interpump Group purchased 1,610,000 treasury shares for €48,487k (2,940,000 treasury shares for €78,993k in 2019).

Treasury shares sold

In the context of the stock option plans, a total of 1,123,850 options were exercised during the year, resulting in the receipt of €14,480k (a total of 328,750 options were exercised in 2019, with the collection of €3,823k). Moreover, 488,533 treasury shares were assigned in 2020 as payment for equity investments (3,800,000 shares in 2019).

Dividends

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

Stock options

The Shareholders' Meeting held on 30 April 2019 approved a new stock option plan, known as the "Interpump Incentive Plan 2019/2021", which envisages granting a maximum of 2,500,000 options at an exercise price of EUR 28.4952 each and, for options granted after 30 April 2020, at the official price quoted on the Italian Stock Exchange on the day prior to the grant date. At the meeting held on 27 June 2019, the Board of Directors granted 1,800,000 options to Chairman and Chief Executive Officer Fulvio Montipò, while 418,500 options were granted to other beneficiaries during 2019. A further 20,000 options were granted to other beneficiaries on 3 June 2020. Overall, a total of 2,238,500 options have therefore been granted.

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

	Unit of measurement	
Number of shares granted	no.	20,000
Grant date		3 June 2020
Exercise price		28.4952
<i>Vesting date</i>		1 July 2022
Fair value per option at the grant date	EUR	5.226
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	3.83
Expected dividends (compared with share value)	%	1.00
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 3 June 2020)	%	0.1557

7. Financial income and expenses

The analysis is as follows:

	2020	2019
	€/000	€/000
<u>Financial income</u>		
Interest income from liquid funds	517	321
Interest income from other assets	269	312
Foreign exchange gains	9,594	8,840
Financial income to adjust estimated debt for commitment to purchase residual interests in subsidiaries	5,246	5,240
Other financial income	<u>552</u>	<u>349</u>
Total financial income	<u>16,178</u>	<u>15,062</u>
<u>Financial charges</u>		
Interest expense on bank loans	2,289	2,317
Interest expense in respect of leasing	2,441	2,455
Interest expense on put options	626	599
Financial charges for adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	319	3,488
Foreign exchange losses	15,232	8,541
Other financial charges	<u>465</u>	<u>638</u>
Total financial charges	<u>21,372</u>	<u>18,038</u>
Total financial charges (income), net	<u>5,194</u>	<u>2,976</u>

The breakdown for Q4 is as follows:

	2020	2019
	€/000	€/000
<u>Financial income</u>		
Interest income	135	94
Interest income from other assets	44	58
Foreign exchange gains	2,183	1,399
Financial income to adjust estimated debt for commitment to purchase residual interests in subsidiaries	4,567	4,047
Other financial income	<u>85</u>	<u>108</u>
Total financial income	<u>7,014</u>	<u>5,706</u>
<u>Financial charges</u>		
Interest expense on bank loans	590	570
Interest expense in respect of leasing	596	570
Interest expense on put options	(9)	117
Financial charges for adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	290	3,422
Foreign exchange losses	2,465	2,236
Other financial charges	<u>187</u>	<u>182</u>
Total financial charges	<u>4,119</u>	<u>7,097</u>
Total financial charges (income), net	<u>(2,895)</u>	<u>1,391</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>Year</i>	<u>2020</u>	<u>2019</u>
Consolidated net profit attributable to the owners of the Parent company (€/000)	<u>150,440</u>	<u>179,170</u>
Average number of shares in circulation	107,104,047	105,452,384
Basic earnings per share for the year (€)	<u>1.405</u>	<u>1.699</u>
<i>Q4</i>	<u>2020</u>	<u>2019</u>
Consolidated net profit attributable to the owners of the Parent company (€/000)	<u>48,997</u>	<u>44,595</u>
Average number of shares in circulation	106,869,825	106,375,266
Basic earnings per share for the quarter (€)	<u>0.458</u>	<u>0.419</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>Year</i>	<u>2020</u>	<u>2019</u>
Consolidated net profit attributable to the owners of the Parent company (€/000)	<u>150,440</u>	<u>179,170</u>
Average number of shares in circulation	107,104,047	105,452,384
Number of potential shares for stock option plans (*)	<u>424,299</u>	<u>983,990</u>
Average number of shares (diluted)	<u>107,528,346</u>	<u>106,436,374</u>
Earnings per diluted share for the period (€)	<u>1.399</u>	<u>1.683</u>
<i>Q4</i>	<u>2020</u>	<u>2019</u>
Consolidated net profit attributable to the owners of the Parent company (€/000)	<u>48,997</u>	<u>44,595</u>
Average number of shares in circulation	106,869,825	106,375,266
Number of potential shares for stock option plans (*)	<u>854,235</u>	<u>952,944</u>
Average number of shares (diluted)	<u>107,724,060</u>	<u>107,328,210</u>
Earnings per diluted share for the quarter (€)	<u>0.455</u>	<u>0.416</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 2020 and 2019 are shown below:

	2020					%
	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€/000)						incidence on F.S. caption
Net sales	1,294,363	1,983	-	372	2,355	0.2%
Cost of sales	830,878	741	-	6,510	7,251	0.9%
Other revenues	18,583	7	-	-	7	0.0%
Distribution costs	113,353	52	-	712	764	0.7%
G&A expenses	147,150	-	-	697	697	0.5%
Financial charges	21,372	-	-	552	552	2.6%

	2019					%
	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€/000)						incidence on F.S. caption
Net sales	1,368,618	2,779	-	1,581	4,360	0.3%
Cost of sales	866,701	3,507	-	7,591	11,098	1.3%
Other revenues	20,115	9	-	-	9	0.0%
Distribution costs	124,323	38	-	793	831	0.7%
G&A expenses	145,556	-	-	610	610	0.4%
Financial charges	18,038	-	-	376	376	2.1%

Financial charges 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 December 2020 and 2019 are described below:

	31 dicembre 2020					%
	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€/000)						incidence on F.S. caption
Trade receivables	261,707	1,904	-	908	2,812	1.1%
Trade payables	154,101	72	-	1,259	1,331	0.9%
Interest-bearing financial payables (current and non-current portions)	602,078	-	-	26,583	26,583	4.4%

31 dicembre 2019						%
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	incidence on F.S. caption
Trade receivables	284,842	2,361	-	1,359	3,720	1.3%
Other financial assets	4,226	1,931	-	-	1,931	45.7%
Trade payables	157,413	53	-	1,127	1,180	0.7%
Interest-bearing financial payables (current and non-current portions)	582,522	-	-	26,461	26,461	4.5%

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	
	31/12/2020	31/12/2019	2020	2019
Interpump Hydraulics Perù	1,003	1,183	236	549
General Pump China Inc.	564	261	785	620
Interpump Hydraulics Russia	337	695	969	1,619
FGA S.r.l.*	-	220	-	-
Innovativ Gummi S.r.l.*	-	2	-	-
<i>Total subsidiaries</i>	<u>1,904</u>	<u>2,361</u>	<u>1,990</u>	<u>2,788</u>

(€/000)	Payables		Costs	
	31/12/2020	31/12/2019	2020	2019
General Pump China Inc.	61	32	707	628
Interpump Hydraulics Perù	11	1	82	15
Interpump Hydraulics Russia	-	-	4	-
Innovativ Gummi Tech S.r.l.*	-	-	-	2,264
FGA S.r.l.*	-	20	-	638
<i>Total subsidiaries</i>	<u>72</u>	<u>53</u>	<u>793</u>	<u>3,545</u>

(€/000)	Loans		Financial income	
	31/12/2020	31/12/2019	2020	2019
FGA S.r.l.*	-	1,400	-	-
Innovative Gummi Tech S.r.l.*	-	529	-	-
Inoxpa Poland Sp ZOO	=	2	=	=
<i>Total subsidiaries</i>	=	<u>1,931</u>	=	=

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

Relations with associates

The Group does not hold investments in associated companies.

Transactions with other related parties

The 2020 income statement includes consultancy provided by entities associated with Group directors and statutory auditors totaling €145k (€101k in 2019). The above consultancy costs were allocated to distribution costs, €60k (€70k in 2019), and to general and administrative expenses, €85k (€31k in 2019). Revenues from sales in 2020 included those made to companies owned by Group shareholders or directors totaling €372k (€1,581k in 2019). In addition, the cost of sales includes purchases from companies controlled by minority shareholders or Group company directors totaling €5,979k (€7,246k in 2019).

10. Disputes, Contingent liabilities and Contingent assets

The Parent company and some of its subsidiaries are directly involved in lawsuits for limited amounts. The settlement of said lawsuits is not expected to generate any significant liabilities for the Group that are not covered by the risk provisions already made. There are no substantial changes to report in relation to the disputes or contingent liabilities that were outstanding at 31 December 2019.