# Annual financial report
# at 31 December 2021

INTERPUMP GROUP

# Contents

## Board of Directors

Fulvio Montipò
*Chairman and Chief Executive Officer*

Giovanni Tamburi (b)
*Deputy Chairman*

Fabio Marasi
*Executive Director*

Claudio Berretti
*Non-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*

# 2021 Board of Directors' Report

## *Financial Highlights of the Interpump Group*

| | 31/12/2021<br>(€/000) | 31/12/2020<br>(€/000) | 31/12/2019<br>(€/000) | 31/12/2018<br>(€/000) | 31/12/2017<br>(€/000) |
|---|---|---|---|---|---|
| Consolidated net revenues | 1,604,255 | 1,294,363 | 1,368,618 | 1,279,167 | 1,086,547 |
| Foreign sales | 83% | 85% | 84% | 83% | 82% |
| EBITDA | 379,757 | 294,055 | 317,890 | 288,519 | 248,648 |
| EBITDA % | 23.7% | 22.7% | 23.2% | 22.6% | 22.9% |
| EBIT (Operating profit) | 295,048 | 207,659 | 247,214 | 236,549 | 198,912 |
| EBIT % | 18.4% | 16.0% | 18.1% | 18.5% | 18.3% |
| Consolidated net profit | 198,519 | 173,271 | 180,602 | 173,862 | 135,723 |
| Free cash flow | 133,800 | 203,769 | 124,824 | 82,183 | 93,552 |
| Net indebtedness [b] | 572,718 | 332,186 | 425,100 | 331,866 | 323,808 |
| Consolidated shareholders' equity | 1,339,664 | 1,149,977 | 1,055,074 | 868,905 | 764,729 |
| Net indebtedness / EBITDA | 1.51 | 1.13 | 1.17 | 1.15 | 1.30 |
| Net capital expenditure (Capex) | 106,726 | 61,395 | 73,654 | 68,185 | 47,812 |
| Average headcount | 7,721 | 7,415 | 6,921 | 6,472 | 5,750 |
| ROE | 14.8% | 15.1% | 17.1% | 20.0% | 17.7% |
| ROCE | 15.4% | 14.0% | 16.7% | 19.7% | 18.3% |
| EPS - EUR | 1.836 | 1.596 | 1.699 | 1.619 | 1.257 |
| Dividend per share - EUR | 0.280 | 0.260 | 0.250 | 0.220 | 0.210 |

ROE: Consolidated net profit / Consolidated shareholders' equity

ROCE: Consolidated operating profit / (Consolidated shareholders’ equity + Net indebtedness)

Dividends refer to the year of formation of the distributed profit.

[a] Following application of the amendment to IAS 19, the data has been restated.

[b] Including payables for the acquisition of equity investments.

| | 31/12/2016 | 31/12/2015 | 31/12/2014 | 31/12/2013 | 31/12/2012[(a)] |
|---|---|---|---|---|---|
| | (€/000) | (€/000) | (€/000) | (€/000) | (€/000) |
| Consolidated net revenues | 922,818 | 894,928 | 671,999 | 556,513 | 527,176 |
| Foreign sales | 83% | 85% | 86% | 86% | 86% |
| EBITDA | 198,502 | 180,258 | 136,106 | 105,173 | 105,876 |
| EBITDA % | 21.5% | 20.1% | 20.3% | 18.9% | 20.1% |
| EBIT (Operating profit) | 153,533 | 136,896 | 104,367 | 79,334 | 84,049 |
| EBIT % | 16.6% | 15.3% | 15.5% | 14.3% | 15.9% |
| Consolidated net profit | 94,473 | 118,306 | 57,742 | 44,087 | 53,226 |
| Free cash flow | 89,947 | 85,246 | 38,290 | 34,282 | 38,598 |
| Net indebtedness [(b)] | 300,024 | 278,196 | 226,044 | 121,384 | 102,552 |
| Consolidated shareholders' equity | 677,538 | 622,628 | 466,550 | 432,949 | 396,876 |
| Net indebtedness / EBITDA | 1.51 | 1.54 | 1.66 | 1.15 | 0.97 |
| Net capital expenditure (Capex) | 36,527 | 28,863 | 34,142 | 29,278 | 15,839 |
| Average headcount | 5,016 | 4,830 | 3,575 | 2,998 | 2,685 |
| ROE | 13.9% | 19.0% | 12.4% | 10.2% | 13.4% |
| ROCE | 15.7% | 15.2% | 15.1% | 14.3% | 16.8% |
| EPS - EUR | 0.884 | 1.101 | 0.541 | 0.413 | 0.556 |
| Dividend per share - EUR | 0.200 | 0.190 | 0.180 | 0.170 | 0.170 |

## KEY EVENTS OF 2021

The world economy followed a path of recovery during 2021, after severe impediments throughout 2020 due to the effects of the COVID-19 pandemic. The vaccination campaign contained the pandemic and fueled expectations for a return to social and economic normality. However, a new variant of the virus appeared in the last part of the year. This, together with the increased prices of raw materials and energy, hampered the performance of the Group, which was nevertheless excellent and considerably better than the results achieved in the period prior to the pandemic.

Net sales, €1,604.3m, were 23.9% higher than the €1,294.4m reported in 2020, and 17.2% ahead of the €1,368.6m reported in 2019. Analysis by business sector shows that sales in the Hydraulic Sector rose by 28.6% with respect to 2020, while those in the Water-Jetting Sector experienced growth of 13.9%.

EBITDA was €379.8m (23.7% of sales). In 2020 EBITDA was €294.1m (22.7% of sales), so 29.1% growth was achieved. In 2019, the total was €317.9m (23.2% of sales).

The net profit for 2021, as normalized for the effects of two non-recurring events described later in this report - involving remeasurement of the put options on non-controlling interests held in subsidiaries and measurement of the deferred tax assets recognized on the revaluation of trademarks and the franking of goodwill recorded by the Parent Company solely for tax purposes - amounted to €216.4m compared with €146.7m in 2020, as also normalized to sterilize the effect of the deferred tax assets recognized in 2020 on the revaluation of installations and the franking of goodwill recorded in the separate financial statements of the Parent Company. As a consequence, net profit was 47.5% higher. In 2019, net profit was €180.6m.

Free cash flow was €133.8m in 2021 (€203.8m in 2020). The change was essentially due to the additional investment carried out.

In 2021, the companies of the newly-acquired White Drive Products business were consolidated for the first time for three months, having been acquired on 1 October 2021, while Berma S.r.l. was consolidated for two months, having been acquired on 11 November 2021. Compared with 2020, the 2021 consolidation also includes DZ Trasmissioni (Hydraulic Sector), acquired in January 2021, and Suministros Franquesa (Hydraulic Sector), which was acquired in 2020 but not consolidated then as insignificant. Servizi Industriali (Water-Jetting Sector) was only consolidated for six months in December 2020, having been acquired in July 2020, but was consolidated for the entire period (twelve months) in 2021.

On 1 October 2021, Interpump Group acquired the three companies in the White Drive Motors & Steering business unit from the Danfoss Group. The White Drive Motors & Steering business unit includes three manufacturing facilities: Hopkinsville (Kentucky, USA), Parchim (Germany) and Wroclaw (Poland). Additionally, three production lines will be acquired from the Eaton Hydraulics plants in the USA and transferred to the Hopkinsville facility, and a production line in China was also purchased. This acquisition, which is the biggest in Interpump’s history, will extend the Hydraulic Sector product catalog to include orbital motors and steering systems, thus helping to consolidate Interpump's role as a global player in hydraulics. Based on data provided by Danfoss, the consolidated sales of the business unit acquired for the whole of 2021 (remembering that Interpump acquired control on 1 October 2021) totaled €195m, with a pro-forma EBITDA of around €53m. The consideration for this operation, paid in cash on completion and amounting to €275.4m, was partly determined with reference to the operating capital and net financial position reported at 30 September 2021.

On 11 November 2021, Reggiana Riduttori S.r.l. acquired the entire equity interest in Berma S.r.l., based in Gazzuolo (MN). Berma produces gears specifically designed for conveyor belts and dispersion devices used to spread solid biological fertilizers. It is niche leader in the Italian market, with a strong export vocation (USA, Canada, Germany). The company generated excellent results, with stable high margins. Net sales in 2021 totaled €20m, with a pro-forma EBITDA margin of 30%. After Reggiana Riduttori, Transtecno and DZ Trasmissioni, Interpump continued to strengthen the power transmission hub with the acquisition of a specialist operator with a solid brand, high quality products and excellent profitability. The acquisition of 100% of the quotas involved the payment of €38.4m (including the acquisition of net liquidity totaling €5.7m) and the assignment of 29,598 Interpump Group shares.

Efforts have continued to implement actions in the area of sustainability, consistent with the guidelines for the strategic development of the Group. The Company has appointed an internal ESG manager and engaged a firm of consultants to assist with the preparation of a structured plan for action over the next three years.

# Group Structure

**Interpump Group SpA**

as at 31/12/2021

all holdings 100% unless otherwise specified

## WATER-JETTING

- Inoxihp (52.72%)
- NLB Corporation Inc.
  - NLB Poland ❌
- GP Companies Inc.
  - General Pump China ❗
- Hammelmann GmbH
  - Hammelmann Corporation Inc.
  - Hammelmann Australia Pty Ltd
  - Hammelmann Pumps Systems Co. Ltd (90%)
  - Hammelmann S.L.
  - Hammelmann France SARL
  - Hammelmann Swiss GmbH
  - GS-Hydro HK Ltd.
    - GS-Hydro Piping Systems (Shanghai) Co. Ltd.
- Inoxpa S.A.
  - Inoxpa India Private
  - Inoxpa Solutions France
  - Inoxpa Solution Portugal Lda
  - Inoxpa (UK) Ltd
  - Inoxpa Solutions Moldova (66.67%)
  - Inoxpa Colombia SAS (83.29%)
  - Inoxpa Italia S.r.l.
  - Inoxpa Skandinavien A/S
  - Inoxpa South Africa Proprietary Ltd
  - Inoxpa Special Processing Equipment Co. Ltd
  - Inoxpa Ukraine
  - Inoxpa USA Inc
  - LTD Inoxpa (70%)
  - Inoxpa México (99%) (remaining 1% held by Inoxpa Italia S.r.l.)
- Servizi Industriali Srl (80%)
- Pioli Srl
- Sit SpA (65%)
- Teknova Srl ❌

## HYDRAULICS

- Interpump Hydraulics SpA
  - Oleodinamica Panni Srl
  - Hydroven Srl
  - Hydrocar Chile S.A. (90%)
  - Wuxi Interpump Weifu Hydr. Company Ltd (65%)
  - Interpump Hydraulics India Ltd
  - Interpump Hydraulics Middle East FZE
  - Interpump Hydraulics France Sarl (99.77%)
  - Interpump South Africa Pty Ltd
  - Interpump Hydraulics RUS ❗
    - Hammelmann Vostok ❗
  - Interpump Hydraulics Peru Sac (90%) ❗
  - Interpump Hydraulics Brasil Ltda
  - Contarini Leopoldo Srl
    - Unidró Contarini Sas
    - Copa Hydrosistem Ood
  - Interpump Hydraulics (UK) Ltd
    - Mega Pacific Pty Ltd (65%)
    - Mega Pacific NZ Pty Ltd (65%)
    - IMM Hydraulics Ltd ❌
    - Bristol Hose Ltd ❌
  - Muncie Inc.
    - American Mobile Power Inc.
    - Hydra Dyne Technology Inc. (75%)
    - GS-Hydro U.S. Inc.
  - I.M.M. Hydraulics SpA
    - Interpump Fluid Solutions Germany GmbH
    - FGA Srl
    - IMM Hydro Est
    - Hypress Francia Sarl
    - Tekno Tubi Srl
    - Gummi Tech Srl (60%)
- Walvoil SpA (65%) (remaining 35% held by Interpump Hydraulics SpA)
  - Walvoil Fluid Power Corporation
  - Walvoil Fluid Power Korea Llc
  - Walvoil Fluid Power (India) Pvt. Ltd (99.97%) (remaining 0.03% held by Interpump Hydraulics India Ltd)
  - Walvoil Fluid Power France Sarl
  - Walvoil Fluid Power Australasia
  - Galtech Canada Inc.
  - Walvoil Fluid Power (Dongguan) Co. Ltd
  - HTIL ❌
- White Drive Motors and Steering Sp. ZOO
- White Drive Motors and Steering LLC
- White Drive Motors and Steering GmbH
- Tubiflex SpA
- Interpump Piping GS Srl
  - GS-Hydro AB
  - GS-Hydro Denmark AS
  - GS-Hydro UK Ltd
  - GS-Hydro System GmbH
  - GS-Hydro Sp ZOO
  - GS-Hydro Austria GmbH
  - GS-Hydro S.A.U.
    - Suministros Franquesa S.A.
  - GS-Hydro Benelux B.V.
  - GS-Hydro Korea Ltd.
  - GS-Hydro Singapore Pte Ltd.
  - GS-Hydro do Brasil S.H. Ltda
- Transtecno Srl (60%)
  - Transtecno BV (51%)
    - Transtecno Aandrijftecniek BV (51%)
  - Transtecno Iberica (50,4%)
  - MA Transtecno SAPI de C.V. (50.4%)
    - Transtecno USA LLC ❌
  - Hangzhou Transtecno Power Transmissions (72%)
- Reggiana Riduttori Srl
  - RR India Pvt. Ltd. (99.99%)
  - RR Pacific PTY Ltd.
  - Berma Srl
  - RR Slovakia A.S.
  - RR USA Inc.
  - RR Canada Inc.
  - Reggiana Riduttori (Suzhou) Co. Ltd.
  - RR Holland BV
  - RR France Sarl (95%)

❗ Not consolidated line-by-line

❌ Dormant, being wound up, or otherwise inactive

## ALTERNATIVE PERFORMANCE MEASURES

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 criteria adopted by other groups and hence may not be comparable with them. Such alternative performance indicators 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. The measures in question refer only to performance in the accounting period illustrated in this Annual Financial Report and the periods placed in comparison with it, and not to the expected performance and they must not be considered to replace the indicators provided by the reference accounting standards (IFRS). Finally, the alternative measures are processed continuously and with uniformity of definition and representation for all the periods for which financial information is included in this Annual Financial 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 financial position**: the sum of Loans obtained and Bank borrowing less Cash and cash equivalents;
- **Net indebtedness**: the sum of the Net financial position and debts for the acquisition of equity investments;
- **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 statement

| (€/000) | *2021* | *2020* |
|---|---|---|
| **Net sales** | **1,604,255** | **1,294,363** |
| Cost of sales | (1,029,564) | (830,878) |
| **Gross industrial margin** | **574,691** | **463,485** |
| *% on net sales* | *35.8%* | *35.8%* |
| Other operating income | 25,283 | 18,583 |
| Distribution expenses | (127,471) | (113,353) |
| General and administrative expenses | (166,394) | (147,150) |
| Other operating costs | (11,061) | (13,906) |
| **EBIT** | **295,048** | **207,659** |
| *% on net sales* | *18.4%* | *16.0%* |
| Financial income | 14,578 | 16,178 |
| Financial charges | (34,408) | (21,372) |
| Equity method contribution | 283 | 101 |
| **Profit for the year before taxes** | **275,501** | **202,566** |
| Income taxes | (76,982) | (29,295) |
| **Consolidated profit for the year** | **198,519** | **173,271** |
| *% on net sales* | *12.4%* | *13.4%* |
| **Attributable to:** | | |
| Shareholders of Parent | 195,882 | 170,980 |
| Minority shareholders of subsidiaries | 2,637 | 2,291 |
| **Consolidated profit for the year** | **198,519** | **173,271** |
| **EBITDA** | **379,757** | **294,055** |
| *% on net sales* | *23.7%* | *22.7%* |
| Shareholders' equity | 1,339,664 | 1,149,977 |
| Net financial position | 494,924 | 269,500 |
| Debts for the acquisition of equity investments | 77,794 | 62,686 |
| Capital employed | 1,912,382 | 1,482,163 |
| **ROCE** | **15.4%** | **14.0%** |
| **ROE** | **14.8%** | **15.1%** |
| **Basic earnings per share** | **1.836** | **1.596** |

## NET SALES

Net sales in 2021 totaled €1,604.3m, up by 23.9% from €1,294.4m in 2020 (+19.4% at unchanged perimeter and +20.1% net also of exchange differences).

Sales by business sector and geographical area were as follows:

| (€/000) | Italy | Rest of Europe | North America | Pacific Area | Rest of the World | Total |
|---|---|---|---|---|---|---|
| *2021* | | | | | | |
| Hydraulics | 221,793 | 412,241 | 262,361 | 134,738 | 102,999 | 1,134,132 |
| Water-Jetting | 48,929 | 167,552 | 155,996 | 62,935 | 34,711 | 470,123 |
| Total | 270,722 | 579,793 | 418,357 | 197,673 | 137,710 | 1,604,255 |
| *2020* | | | | | | |
| Hydraulics | 164,095 | 313,234 | 210,552 | 114,075 | 79,614 | 881,570 |
| Water-Jetting | 35,968 | 153,994 | 128,698 | 58,723 | 35,410 | 412,793 |
| Total | 200,063 | 467,228 | 339,250 | 172,798 | 115,024 | 1,294,363 |
| 2021/2020 percentage changes | | | | | | |
| Hydraulics | +35.2% | +31.6% | +24.6% | +18.1% | +29.4% | +28.6% |
| Water-Jetting | +36.0% | +8.8% | +21.2% | +7.2% | -2.0% | +13.9% |
| Total | +35.3% | +24.1% | +23.3% | +14.4% | +19.7% | +23.9% |
| 2021/2020 at unchanged perimeter (%) | | | | | | |
| Hydraulics | +31.9% | +23.5% | +14.5% | +15.6% | +27.6% | +22.3% |
| Water-Jetting | +32.9% | +7.7% | +21.2% | +7.1% | -2.4% | +13.2% |
| Total | +32.1% | +18.3% | +17.0% | +12.7% | +18.4% | +19.4% |

## PROFITABILITY

The cost of sales accounted for 64.2% of turnover (64.2% also in 2020). Production costs totaled €412.0m (€331.1m in 2020, which however did not include the costs of DZ Trasmissioni and Suministros Franquesa, the costs of Servizi Industriali for 6 months, the costs of the three White Drive Products companies for 3 months or the costs of Berma for 2 months), accounting for 25.7% of sales (25.6% in 2020). The purchase cost of raw materials and components sourced on the market, including the change in inventories, was €617.6m (€499.7m in 2020, which however did not include the costs of DZ Trasmissioni and Suministros Franquesa, the costs of Servizi Industriali for 6 months, the costs of the three White Drive Products companies for 3 months or the costs of Berma for 2 months). The incidence of purchase costs, including the change in inventories, was 38.5% (38.6% in 2020).

At unchanged perimeter, distribution expenses were 9.9% higher than in 2020, but their incidence on sales fell by 0.7 percentage points.

Also at unchanged perimeter, general and administrative expenses rose by 9.1% with respect to 2020, while their incidence on sales was 1 percentage point lower.

Total payroll costs were €353.4m (€309.1m in 2020, which however did not include the costs of DZ Trasmissioni and Suministros Franquesa, the costs of Servizi Industriali for 6 months, the costs of the three White Drive Products companies for 3 months or the costs of Berma for 2 months). At unchanged perimeter, payroll costs amounted to €342.8m, up by 10.9% due to a 10.2% rise in per capita cost and an increase in the average headcount by 49 employees. The rise in per capita cost was essentially due to termination in 2021 of the recourse made to government-assisted lay-offs and similar programs, from which the Group benefited in 2020 due to Covid-19. The total number of Group employees in 2021 averaged 7,721 (7,464 at unchanged perimeter) compared to 7,415 in 2020. The increase in average headcount, net of the personnel of the newly-acquired companies, breaks down as follows: minus 55 in Europe, plus 32 in the US and plus 72 in the Rest of the World. In addition, the Group employed 1,111 temporary workers during the year (755 in 2020) at a cost of €25.6m (€14.8m in 2020).

EBITDA totaled €379.8m (23.7% of sales) compared with €294.1m in 2020, which represented 22.7% of sales, reflecting a 29.1% increase. The following table sets out EBITDA by business sector:

| | *2021 €/000* | *% on sales** | *2020 €/000* | *% on sales** | *Increase/ Decrease* |
|---|---|---|---|---|---|
| Hydraulics | 246,913 | 21.7% | 183,473 | 20.8% | +34.6% |
| Water-Jetting | 132,844 | 28.0% | 110,582 | 26.7% | +20.1% |
| ***Total*** | ***379,757*** | ***23.7%*** | ***294,055*** | ***22.7%*** | ***+29.1%*** |

* = 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 4 in the explanatory notes). Accordingly, for consistency, the percentage is calculated on total sales rather than on those reported previously.

EBIT was €295.0m (18.4% of sales) compared to €207.7m in 2020 (16.0% of sales), reflecting growth of 42.1%. This increase was however influenced by the special provision for termination indemnities of €7.4m recorded in 2020 with regard to the Chairman, compared with the adjustment of €0.7m envisaged in the Report on remuneration policy approved at the Shareholders' Meeting and recorded during 2021.

The brilliant results of the subsidiaries resulted in remeasurement of the put options for the purchase of minority interests in subsidiaries and, consequently, the recognition of financial charges totaling €18.3m that had an adverse effect on net profit for the year.

A regulation modifying the amortization period for the revaluation of trademarks and the franking of goodwill recorded by the Parent Company for tax purposes, from the original 18 years to 50 years, was approved on 23 December 2021. This forced a revision of the criteria for the recognition of deferred tax assets recorded in the Interim report on operations at 30 June 2021, amounting to €20.1m with regard to the revaluation of trademarks, and in the consolidated financial statements at 31 December 2020, amounting to €8.7m with regard to the franking of goodwill recorded by the Parent Company. Based on the prevailing interpretation of IAS 12, the recoverability of deferred tax assets over a period of 50 years cannot be justified by suitable supporting documentation, given the length of the observation period that, among other elements, exceeds the duration of Group companies envisaged in their Statutes. Accordingly, it was decided to limit recognition of the recoverability of deferred tax assets to a period of 18 years, which resulted in a partial write-down of deferred tax assets by €19.6m, with an adverse impact on the net profit for the year. As a result, the net positive contribution made to the net profit for 2021, by recognizing deferred tax assets on the revaluation of trademarks and on franking the goodwill of the Parent Company, was limited to €0.5m, being the difference between the deferred tax assets recognized at 30 June 2021 on the revaluation of the trademarks and the write-down recorded at year end.

The net profit for 2021, as normalized for the effects of these two non-recurring events - involving remeasurement of the put options on non-controlling interests held in subsidiaries and measurement of the deferred tax assets recognized on the revaluation of trademarks and the franking of goodwill recorded by the Parent Company solely for tax purposes - amounted to €216.4m compared with €146.7m in 2020, as also normalized to sterilize the effect of the deferred tax assets recognized in 2020 on the revaluation of installations and the franking of goodwill recorded in the separate financial statements of the Parent Company. As a consequence, net profit was 47.5% higher.

The tax rate for 2021, calculated on the normalized net profit, was 26.4% (25.8% in 2020).

Basic earnings per share were 1.836 euro (1.596 euro in 2020). Normalized basic earnings per share were 2.029 euro.

## CASH FLOW

The change in net financial position breaks down as follows:

| | *2021* *€/000* | *2020* *€/000* |
|---|---|---|
| **Opening net financial position** | **(269,500)** | **(370,814)** |
| Adjustment: opening net financial position of companies not consolidated line by line at the end of the prior year | (161) | (2,223) |
| **Adjusted opening net financial position** | **(269,661)** | **(373,037)** |
| Cash flows from operating activities | 317,793 | 228,565 |
| Principal portion of finance lease installments (IFRS 16) | (18,971) | (18,214) |
| Cash flow generated (absorbed) by the management of commercial working capital | (63,226) | 54,890 |
| Cash flow generated (absorbed) by other current assets and liabilities | 2,662 | (2,580) |
| Capital expenditure on property, plant and equipment | (101,869) | (58,571) |
| Proceeds from the sale of tangible fixed assets | 2,284 | 1,542 |
| Increase in intangible assets | (7,141) | (4,366) |
| Financial income received | 627 | 1,069 |
| Other | 1,641 | 1,434 |
| ***Free cash flow*** | ***133,800*** | ***203,769*** |
| Purchase of investments, including received debt and net of treasury shares assigned | (321,362) | (49,046) |
| Dividends paid | (29,536) | (28,322) |
| Disbursements for purchase of treasury shares | (22,397) | (48,488) |
| Proceeds from the sale of treasury shares to stock option beneficiaries | 714 | 14,480 |
| Principal portion of finance lease installments (IFRS 16) | 18,971 | 18,214 |
| Principal portion of new leasing contracts arranged (IFRS 16) | (9,320) | (11,045) |
| Remeasurement and early close-out of leasing contracts (IFRS 16) | 1,156 | 5,267 |
| Change in other financial assets | (18) | (11) |
| ***Net cash generated (used)*** | ***(227,992)*** | ***104,818*** |
| Exchange differences | 2,729 | (1,281) |
| **Closing net financial position** | **(494,924)** | **(269,500)** |

Net liquidity generated by operations totaled €317.8m (€228.6m in 2020), reflecting an increase of 39.0%. Free cash flow was €133.8m (€203.8m in 2020). The decrease was due to greater investment and the increase in working capital.

Net indebtedness, including payables and commitments, determined in accordance with ESMA guidance 32-382-1138 and included in Consob notice no. 5/21, comprises:

| | 31/12/2021 | 31/12/2020 | 01/01/2020 |
|---|---|---|---|
| | €/000 | €/000 | €/000 |
| Cash and cash equivalents | 349,015 | 343,170 | 233,784 |
| Payables to banks (advances and STC amounts) | (7,760) | (10,592) | (22,076) |
| Interest-bearing financial payables (current portion) | (232,213) | (181,603) | (195,110) |
| Interest-bearing financial payables (non-current portion) | (603,966) | (420,475) | (387,412) |
| *Net financial position* | *(494,924)* | *(269,500)* | *(370,814)* |
| Commitments for the acquisition of investments | (77,794) | (62,686) | (54,286) |
| **Total net indebtedness** | **(572,718)** | **(332,186)** | **(425,100)** |

The Net indebtedness/EBITDA ratio of 1.51 is slightly higher than last year (1.13), mainly due to the acquisition of the White Drive business towards the end of the year, which therefore only made a limited contribution to EBITDA.

## GROUP STATEMENT OF FINANCIAL POSITION

The growth in capital employed from €1,482.2m at 31 December 2020 to €1,912.4m at 31 December 2021 was principally due to consolidation of the new companies acquired and the increase in working capital, given the need to build inventories in order to service the economic recovery, as well as to the additional investment in productive capacity carried out during 2021. ROCE was 15.4% (14.0% in 2020). ROE was 14.8% (15.1% in 2020).

The statement of financial position is analyzed below in terms of the sources and applications of funds:

| | *31/12/2021 (€/000)* | *%* | *31/12/2020 (€/000)* | *%* |
|---|---|---|---|---|
| Trade receivables | 361,913 | | 261,707 | |
| Net inventories | 515,958 | | 376,596 | |
| Other current assets | 50,102 | | 33,933 | |
| Trade payables | (285,212) | | (154,098) | |
| Current taxes payable | (34,669) | | (14,483) | |
| Current portion of provisions for risks and charges | (4,694) | | (4,739) | |
| Other current liabilities | (90,448) | | (65,271) | |
| **Net working capital** | **512,950** | **26.8** | **433,645** | **29.3** |
| Net intangible and tangible fixed assets | 613,715 | | 519,991 | |
| Goodwill | 767,413 | | 549,168 | |
| Other financial fixed assets | 44,212 | | 2,269 | |
| Other non-current assets | 70,418 | | 62,456 | |
| Liabilities for employee benefits | (23,937) | | (23,809) | |
| Non-current portion of provisions for risks and charges | (13,028) | | (10,415) | |
| Other non-current liabilities | (59,361) | | (51,142) | |
| **Total net fixed assets** | **1,399,432** | **73.2** | **1,048,518** | **70.7** |
| **Total capital employed** | **1,912,382** | **100** | **1,482,163** | **100** |

| | 31/12/2021 (€/000) | % | 31/12/2020 (€/000) | % |
|---|---|---|---|---|
| *Financed by:* | | | | |
| Group shareholders' equity | 1,328,199 | | 1,139,575 | |
| Minority interests | 11,465 | | 10,402 | |
| **Total shareholders' equity** | **1,339,664** | **70.0** | **1,149,977** | **77.6** |
| Cash and cash equivalents | (349,015) | | (343,170) | |
| Payables to banks | 7,760 | | 10,592 | |
| Interest-bearing financial payables (current portion) | 232,213 | | 181,603 | |
| Debts for the acquisition of equity investments (current portion) | 26,299 | | 8,467 | |
| **Total current financial payables (liquid funds)** | **(82,743)** | **-4.3** | **(142,508)** | **-9.6** |
| Interest-bearing financial payables (non-current portion) | 603,966 | | 420,475 | |
| Debts for the acquisition of equity investments (non-current portion) | 51,495 | | 54,219 | |
| **Total non-current financial payables** | **655,461** | **34.3** | **474,694** | **32.0** |
| **Total sources of financing** | **1,912,382** | **100** | **1,482,163** | **100** |

Interpump Group's equity structure is balanced, with a leverage index of 0.43 (0.29 at 31 December 2020). The leverage index is calculated as the ratio between the short and medium/long-term financial payables and shareholders' equity inclusive of minority interests.

## CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totaled €209.5m, of which €84.8m via the acquisition of equity investments (€82.5m in 2020, of which €14.7m via the acquisition of equity investments). The additions during the year are analyzed in the following table:

| €/000 | *2021* | *2020* |
|---|---|---|
| Increases for the purchase of fixed assets used in the production process | 106,509 | 51,254 |
| Increases for machinery rented to customers | 8,839 | 5,465 |
| Leased assets | 9,320 | 11,071 |
| | 124,668 | 67,790 |
| Increases through the acquisition of equity investments | 84,815 | 14,713 |
| Total increases in the year | 209,483 | 82,503 |

The increases in 2021 include €46.6m invested in land and buildings (€16.2m in 2020).

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

Increases in intangible assets totaled €8.2m, of which €0.9m through the acquisition of equity investments (€20.0m in 2020, including €15.6m via the acquisition of equity investments).

## RESEARCH AND DEVELOPMENT

The Group considers research and development activities as one of the main factors of success and a source of competitive advantage on international markets. In 2021 the Group made significant investments, aimed at placing new product ranges on the market, at optimizing and customizing existing products, and at developing new technological and circuit solutions. In particular, the design and development of new high pressure pumps and related accessories for the Water Jetting Sector is carried out by the parent company Interpump Group S.p.A. In 2021, 10 new projects were completed concerning new pump versions, mechanical components for high and very high pressure pumps, and applications for the food processing and pharmaceuticals industries; in addition, work commenced on 8 new projects. Development activities concerning new very high pressure pumps and systems for the Water Jetting sector are instead carried out by Hammelmann and Inoxihp. In 2021, Hammelmann completed 5 new projects relating to a family of very high pressure pumps and systems, and to new accessories.

R&D activities in the Hydraulic Sector are also carried out by Walvoil, Interpump Hydraulics and IMM. 2021 saw the development of new gear pumps, valves and electro-valves, servo controls and other hydraulic components and the continued development of new technologies applied to the manufacturer of hoses, fittings and other components of higher quality and performance levels than currently available. Again in the Hydraulic sector, Transtecno expanded its range of gears during 2021 and also developed new ancillary components for them.

Group strategy over the next few years is to continue with high levels of expenditure in the area of research and development in order to assure renewed impetus to structured growth. Research costs have been capitalized in accordance with their multi-annual usefulness. Product development costs capitalized in 2021 amounted to €2,367k (€2,528k in 2020), while the costs for design personnel charged to the income statement totaled €27,713k (€24,175k in 2020).

## SUSTAINABILITY

In the context of its production activities and having regard for the specific characteristics of each country in which it operates, the Group strives to build a sustainable economy that will generate benefits over the long term. The Group dedicates particular attention to the various aspects of social responsibility, as this plays an important role in the context of conducting business in a manner that safeguards the environment.
In carrying out its activities, the Interpump Group draws inspiration from the 10 principles issued by the United Nations Global Compact (UNGC) on human rights, employment, the environment and the fight against corruption.
The Group has implemented various initiatives in this context. Specifically, the Interpump Group has adopted the policies and Models outlined briefly below.

**Policies**
The Code of Ethics, adopted by all Group companies based on the social and cultural realities in each country, sets down principles of conduct and guidelines for sustainability (Environmental, Social & Governance), as well as the "whistle-blowing policy", which governs the processes of reporting and managing possible improper or unlawful conduct. Top management has also deemed it appropriate to formalize Group policies with reference to the non-financial aspects of the greatest significance for IPG, taking into account the marked diversification of the companies/production sites and their independence. For further details, see the Global Competence Program described in the next heading.

**Organization and management model**

Given the organizational structure of the Interpump Group, comprising many companies - some small - operating in various countries with highly diversified businesses, and considering the dynamic nature of the Group - even with regard to the scope of consolidation - to date it has not been considered appropriate to define a centralized model for managing sustainability-related topics, but rather to address them in the context of each socio-cultural reality.

Interpump Group S.p.A. has adopted an *Organization and Management Model in compliance with Decree 231/2001* ("231 Model"). Together with the Code of Ethics, this constitutes an additional valid instrument for promoting awareness among all collaborators, both within and external to the Company. Specifically, the 231 Model and the Code of Ethics lay down the foundations and values that guide collaborators in performance of their activities, encouraging them to behave in a proper and transparent manner consistent with the ethical-social values established by the Group in pursuit of its corporate objects and that, in any event, prevents the risk of committing the offenses envisaged in Decree 231/2001. The 231 Model has also been implemented, after using the same methodology to assess the risk of committing the offenses identified in the Model, by those Italian subsidiaries that, considering their size and organizational complexity, have relatively greater exposure to the offenses considered in Decree 231/2001.

Interpump Group has decided to implement a Global Compliance Program, with the dual objectives of, on the one hand, extending the principles of conduct and rules of behavior envisaged in the 231 Model to the foreign companies and the Italian companies within the Group that do not need to adopt that Model and, on the other, to achieve ever greater levels of compliance with all applicable regulations and legislation, by applying the spirit of legality and ethical conduct to their business activities. The Global Compliance Program defines a model for the organization and management of activities in line with International Best Practices, to prevent misconduct in the following areas: *environment, social, personnel, human rights, and the fight against both active and passive corruption.* The Global Compliance Program comprises guidelines that define the principles and rules of conduct to be followed, in order to organize and manage companies in a manner that complies with the applicable regulations and respects the concepts of legality and ethical conduct in the performance of business activities.

The GCP takes account of international best practices, the ten principles issued by the United Nations Global Compact (UNGC); the OECD Convention on combating the bribery of Foreign Public Officials in international business transactions; the UN Convention against corruption and ILO Convention 138.

Several Group companies have adopted and implemented quality management systems certified in compliance with international standard EN ISO 9001; some facilities are certified to UNI ISO/TS 16949:2009. In addition, several companies have adopted and implemented environmental management systems certified in compliance with international standard EN ISO 14001:2004 – in certain cases the system update process has been launched to comply with the new requirements of standard 14001:2015 – and safety management systems certified in compliance with international standard ISO 45001.

Interpump top management recognizes, as an essential principle, respect for the laws and regulations in force in the countries of operation of the Group companies, where they are required to comply with the laws and regulations in question, without any derogation possible.

The Board of Directors is responsible for the strategic leadership of Corporate Social Responsibility matters within the Interpump Group, with investigative assistance from the Audit, Risks and Sustainability Committee, while the Governors are responsible for the operational implementation of individual initiatives.

Specific initiatives promoted by individual Group companies during 2021 included, in the social area: the continuation of internships/apprenticeships (work experience for school students, professional internships, curricula internships for university students), other collaboration with schools and universities and the donation of IT equipment; in the environmental area: further efforts to save energy, lower water consumption and reduce the generation of waste - including the reduction of CO2 emissions - via industrial restructuring projects (linked to Industry 4.0), the installation of PV plants, the implementation of plastic-free policies and the application of job bicycle policies for travel between home and work.

## EXPOSURE TO RISKS, UNCERTAINTIES AND FINANCIAL RISK FACTORS

The Group is exposed to the normal risks and uncertainties of any business activity. The markets in which the Group operates are world niche markets in many cases, with limited dimensions and few significant competitors. These characteristics represent a significant barrier to entry by new competitors, given the major benefits of economies of scale and the doubtful economic returns available to potential competitors. The Interpump Group enjoys a position of world leadership in the fields of high and very-high pressure pumps and power take-offs: these positions accentuate the risks and uncertainties of the business venture.

The following is an illustration of the financial risk factors to which the Group is exposed:

***(a) Market risks***

*(i) Exchange rate risk*

The Group has subsidiaries in 34 countries and translates financial statements denominated in 26 currencies other than the euro. Accordingly, the Group is principally exposed to the risk deriving from the translation of those financial statements.

The Group operates at an international level and mainly produces in the countries in which the destination markets are located; accordingly, sales in local currency are largely absorbed by costs also incurred in that currency. However the Group is also exposed, to a lesser extent, to the exchange rate risk originating from sales made in currencies other than those in which the related costs were incurred.

In order to manage exchange rate risk generated by forecasts of future commercial transactions stated in a currency other than the Group's functional currency (euro), Group companies can use plain vanilla forward contracts or purchase options, when deemed appropriate. The counterparties of these contracts are primary international financial institutions with high ratings.

In particular, the Group is exposed in US dollars for the sales made to its US subsidiaries and, to a lesser extent, for the sales made to third-party customers. The Group also has limited exposures that are mainly denominated in Australian dollars, Canadian dollars, Chinese renminbi, Brazilian reals, Indian rupees, Romanian leu, Korean won, Russian rubles, Danish kroner, Swedish kronas and UK Sterling, principally relating to commercial transactions between Group companies. It is current Group policy not to hedge recurring commercial transactions, taking out exchange risk hedges only in the event of those that are non-recurring, either in terms of amount or of the frequency with which they occur.

In relation to financial exposures, intercompany loans totaling €3.5m were disbursed and collected during 2021 in currencies other than those utilized by the debtor companies. At 31 December 2021 loans granted in currencies other than those used by the debtor companies total €25.0m, down by €1.7m since 31 December 2020. Once again in 2021, the Group made the strategic decision not to hedge these exposures.

(ii) *Interest rate risk*
Interest rate risk derives from medium/long-term loans granted at floating rates. It is currently Group policy not to arrange hedges, in view of the short average duration of the existing loans (around 3.5 years).

***(b) Credit risk***
The Group does not have any significant credit concentrations. Group policy is to sell to customers only after having evaluated their creditworthiness and, therefore, within predetermined credit limits. Historically, the Group has not incurred any major losses for bad debts.

***(c) Liquidity risk***
Prudent management of liquidity risk involves the retention of an appropriate level of cash on hand and sufficient access to lines of credit. Because of the dynamic nature of the Group's business with the associated frequent acquisitions, it is Group policy to have access to stand-by lines of credit that can be utilized at very short notice.

***(d) Price and cash flow risk***
The Group is subject to constant changes in metal prices, especially brass, aluminum, steel, stainless steel and cast iron. Group policy is to hedge this risk where possible by way of medium-term commitments with suppliers, or by means of stocking policies when prices are low, or by entering into agreements with customers to transfer the risk to them.

The Group does not hold listed securities that would be subject to stock market fluctuations. The revenues and cash flow of Group operating activities are not influenced by changes in interest generating assets.

## CORPORATE GOVERNANCE

In relation to corporate governance, Interpump Group's model is based on the provisions of the Corporate Governance Code promoted by Borsa Italiana S.p.A., published in January 2020, to which Interpump Group has adhered. The report on corporate governance and the ownership structure can be found in the Corporate Governance section of the website www.interpumpgroup.it.

The following table provides information on the number of shares held by the directors and statutory auditors, as required by the combined provisions of art. 123-(2), subsection 1.c), and art. 123-(3), subsection 4, TUF:

| Name | Number of shares held at 31/12/2020 | Number of shares purchased and/or subscribed for in 2021 | Number of shares sold in 2021 | Number of shares held at 31/12/2021 |
|---|---|---|---|---|
| Fulvio Montipò | | | | |
| Held directly | 635,233 | - | - | 635,233 |
| Held via subsidiaries | 26,406,799 | - | 26,406,799 [1] | - |

[1]) On 1 April 2021 Fulvio Montipò, Chairman and Chief Executive Officer of Interpump Group S.p.A., transferred to his daughters, Leila Montipò, Laura Montipò, Lucilla Giulia Montipò (minor) and Isabella Montipò (minor), full ownership in common of 462,708 shares representing 75.443% of the share capital of “Leila Montipò & Sorelle S.A.p.A.”.

This company holds 67.825% of the share capital of Gruppo IPG Holding S.p.A. which, in turn, holds 26,406,799 shares in Interpump Group S.p.A., representing 24.253% of the share capital. The residual 32.175% interest in Gruppo IPG Holding S.p.A. is held by Tamburi Investment Partners S.p.A., a company in which Giovanni Tamburi (Deputy Chairman of the Board of Directors of Interpump Group S.p.A.) is the Chairman of the Board of Directors and Chief Executive Officer.

At 31 December 2021, Gruppo IPG Holding S.p.A., domiciled in Milan, held about 24.253% of Interpump Group S.p.A. and therefore control over the Company, without carrying out any management or coordination activities. The resolution adopted by the Board of Directors of Interpump Group S.p.A. on 12 June 2008 acknowledges that "Interpump Group S.p.A." is not subject to management or coordination by "Gruppo IPG Holding S.p.A." because:

- the shareholder has no means or facilities for the execution of such activities, having no employees or other personnel capable of providing support for the activities of the Board of Directors;
- the shareholder does not prepare the budgets or business plans of Interpump Group S.p.A.;
- it does not issue any directives or instructions to its subsidiary, nor does it require to be informed beforehand or to approve either its most significant transactions or its routine administration;
- there are no formal or informal committees or work groups in existence, formed of representatives of Gruppo IPG Holding and representatives of the subsidiary.

At the date of this report there were no changes in relation to the conditions stated above.

## STOCK OPTION PLANS

With the aim of motivating Group management and promoting participation in the goal of value creation for shareholders, there are currently two stock option plans in existence, one approved at the Shareholders' Meeting of 28 April 2016 (**2016/2018** plan) and one approved at the Shareholders' Meeting of 30 April 2019 (**2019/2021** plan).

The Shareholders' Meeting held on 28 April 2016 approved the adoption of an incentive plan known as the "**2016/2018** Interpump Incentive Plan". The plan, which is based on the free assignment of options that grant the beneficiaries the right, on the achievement of specified objectives, to (i) purchase or subscribe the Company's shares up to the maximum number of 2,500,000 or, (ii) at the discretion of the Board of Directors, receive the payment of a differential equivalent to any increase in the market value of the Company's ordinary shares. Beneficiaries of the plan can be employees or directors of the Company and/or its subsidiaries, identified among persons having significant roles or functions. The exercise price has been established at EUR 12.8845 per share, which was their market value on the plan approval date. The options can be exercised between 30 June 2019 and 31 December 2022. The next meeting of the Board of Directors, held on 12 May 2016, set a figure of 2,500,000 for the number of options to be assigned, divided by the total number of options in each tranche (625,000 for the first tranche, 875,000 for the second tranche and 1,000,000 for the third tranche) and established the terms for the exercise of the options, which are connected to the achievement of specific accounting parameters and the performance of Interpump Group stock. The same Board meeting also assigned 1,620,000 options, exercisable subject to the conditions described above, and granted mandates to the Chairman and the Deputy Chairman of Interpump Group, acting separately, to identify the beneficiaries of a further 880,000 options. On 6 and 29 July 2016, 13 December 2016 and 9 November 2017 a total of 531,800 options were assigned to other beneficiaries identified within the Interpump Group.

At 31 December 2021 the situation of the plan was as follows:

| | |
|---|---|
| Number of rights assigned | 2,151,800 |
| Number of rights canceled | (45,000) |
| Number of shares purchased | (1,448,000) |
| Total number of options not yet exercised at 31/12/2021 | 658,800 |

The beneficiaries of the options were:

| | Price per share for the exercise of options | Vesting period | Number of rights assigned, start of year | Number of rights canceled in the year | Number of rights exercised in the year | Number of options exercisable at year end |
|---|---|---|---|---|---|---|
| Directors of the Parent Company | | | | | | |
| ❑ Fulvio Montipò | € 12.8845 | 01.07.2019-31.12.2022 | 620,000 | - | - | 620,000 |
| Other beneficiaries (employees) | € 12.8845 | 01.07.2019-31.12.2022 | 94,200 | - | (55,400) | 38,800 |
| Total | | | 714,200 | - | (55,400) | 658,800 |

The Shareholders' Meeting held on 30 April 2019 approved a new stock option plan, the "Interpump Incentive Plan 2019/2021", that envisages the assignment of up to 2,500,000 options at an exercise price of Euro 28.4952 and, for options assigned after 30 April 2020, at the official price determined by Borsa Italiana on the trading day prior to their assignment.

The options can be exercised between 30 June 2022 and 31 December 2025. The meeting of the Board of Directors held on 27 June 2019 set a figure of 2,500,000 for the number of options to be assigned, divided by the total number of options in each tranche (750,000 for the first tranche, 875,000 for the second tranche and 875,000 for the third tranche) and established conditions for exercising the options that are linked to the achievement of specific financial statement parameters; in addition, 1,800,000 shares were assigned to Fulvio Montipò and 418,500 options were assigned to other beneficiaries. Overall, a total of 2,218,500 options have therefore been granted. The options can be exercised from 30 June 2022 to 31 December 2025. At 31 December 2021 the situation of the plan was as follows:

| | |
|---|---|
| Number of rights assigned, start of year | 2,218,500 |
| Number of rights canceled | (141,744) |
| Number of rights assigned in 2020 | 20,000 |
| Total number of options not yet exercised at 31/12/2021 | 2,096,756 |

## RELATIONS WITH GROUP COMPANIES AND TRANSACTIONS WITH RELATED PARTIES

With regard to transactions entered into with related parties, including intercompany transactions, we point out that they cannot be defined as either atypical or unusual, inasmuch as they form 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 relations with related parties, including the information required by Consob communication of 28 July 2006, is given in Note 34 to the Annual Financial Report.

The Board of Directors of Interpump Group S.p.A. has approved the Procedure for Transactions with Related Parties, in application of the new legislation issued to transpose the relevant European Council Directive and the related Consob Regulation. Further information is provided in the report on corporate governance and the ownership structure, which can be found in the Corporate Governance section of the website www.interpumpgroup.it.

## TREASURY SHARES

At 31 December 2021 the Parent company held 2,480,643 shares, representing 2.278% of capital, acquired at an average unit cost of EUR 32.3556.

## RECONCILIATION WITH THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

The consolidated shareholders' equity and net profit attributable to the owners of the Parent company are reconciled below with the equivalent amounts reported in the separate financial statements:

| | Shareholders' equity at 31/12/2021 | Net profit for 2021 | Shareholders' equity at 31/12/2020 |
|---|---|---|---|
| Parent Company's financial statements | 558,762 | 84,309 | 514,643 |
| Difference between the book value of consolidated investments and their valuation according to the equity method | 771,159 | 111,690 | 626,537 |
| Greater book value of a building owned by the Parent Company | 173 | (5) | 178 |
| Elimination of Parent Company's intercompany profits | (1,895) | (112) | (1,783) |
| Total consolidation adjustments | 769,437 | 195,882 | 624,932 |
| Consolidated shareholders' equity and net profit attributable to the owners of the Parent Company | 1,328,199 | 195,882 | 1,139,575 |

## GROUP COMPANIES

At 31 December 2021 the Interpump Group is led by Interpump Group S.p.A., which holds direct and indirect controlling interests in 108 companies (6 of which are dormant and/or in liquidation) operating in two business segments (known as the Hydraulic Sector and the Water Jetting Sector).

The Parent company, with registered offices in Sant'Ilario d'Enza, mainly produces high and very high pressure plunger pumps for water, as well as high pressure cleaners, which are classified in the Water Jetting Sector.

The main data of the consolidated subsidiaries are summarized in the table below, whereas for the Parent Company the data are provided in the financial report attached hereto.

| Companies consolidated line by line | Share capital (€/000) | % held at 31/12/21 | Head office | Main activity | Sales €/million 31/12/2021 | Sales €/million 31/12/2020 | Average number of employees 2021 | Average number of employees 2020 |
|---|---|---|---|---|---|---|---|---|
| GP Companies Inc. | 1,854 | 100.00% | Minneapolis - USA | Distributor of high pressure pumps (Water Jetting Sector) | 61.1 | 51.7 | 65 | 63 |
| Hammelmann GmbH | 25 | 100.00% | Oelde - Germany | High pressure systems and pumps (Water Jetting Sector) | 105.9 | 102.2 | 381 | 379 |
| Hammelmann Australia Pty Ltd | 472 | 100.00% | Melbourne - Australia | Sale of high pressure systems and pumps (Water Jetting Sector) | 14.0 | 12.2 | 27 | 26 |
| Hammelmann Corporation Inc. | 39 | 100.00% | Miamisburg - USA | Sale of high pressure systems and pumps (Water Jetting Sector) | 23.6 | 18.3 | 27 | 27 |
| Hammelmann S. L. | 500 | 100.00% | Zaragoza - Spain | Sale of high pressure systems and pumps (Water Jetting Sector) | 4.4 | 3.2 | 7 | 8 |
| Hammelmann Pumps Systems Co Ltd | 871 | 90.00% | Tianjin - China | Sale of high pressure systems and pumps (Water Jetting Sector) | 15.9 | 11.1 | 31 | 30 |
| Hammelmann France | 50 | 100.00% | Etrichè – France | Sale of high pressure systems and pumps (Water Jetting Sector) | 5.5 | 4.0 | 4 | 4 |
| Hammelmann Swiss GmbH | 89 | 100.00% | Dudingen - Switzerland | Sale of high pressure systems and pumps (Water Jetting Sector) | 3.4 | 2.2 | 2 | 2 |
| Inoxihp S.r.l. | 119 | 52.72% | Nova Milanese (MI) | Production and sale of very high pressure systems and pumps (Water Jetting Sector) | 15.9 | 7.5 | 50 | 37 |
| NLB Corporation Inc. | 12 | 100.00% | Detroit - USA | Production and sale of very high pressure systems and pumps (Water Jetting Sector) | 78.2 | 66.1 | 218 | 212 |
| Inoxpa S.A. | 23,000 | 100.00% | Banyoles – Spain | Production and sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 54.0 | 51.1 | 233 | 214 |
| Inoxpa India Private Ltd | 6,779 | 100.00% | Pune - India | Production and sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 14.6 | 10.7 | 95 | 97 |
| Inoxpa Solutions France | 2,071 | 100.00% | Gleize – France | Production and sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 12.3 | 9.5 | 24 | 21 |
| Improved Solutions Unipessoal Ltda (Portugal) | 760 | 100.00% | Vale de Cambra – Portugal | Production and sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 5.6 | 4.9 | 37 | 36 |
| Inoxpa (UK) Ltd | 1,942 | 100.00% | Eastbourne – United Kingdom | Sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 1.3 | 1.3 | 5 | 4 |
| Inoxpa Solutions Moldova | 317 | 66.67% | Chisinau – Moldova | Sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 1.5 | 1.4 | 32 | 28 |

| Companies consolidated line by line | Share capital (€/000) | % held at 31/12/21 | Head office | Main activity | Sales €/million 31/12/2021 | Sales €/million 31/12/2020 | Average number of employees 2021 | Average number of employees 2020 |
|---|---|---|---|---|---|---|---|---|
| Inoxpa Colombia SAS | 133 | 83.29% | Bogotá - Colombia | Sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 3.9 | 2.9 | 16 | 16 |
| Inoxpa Skandinavien A/S | 134 | 100.00% | Horsens – Denmark | Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector) | 1.9 | 2.2 | 5 | 5 |
| Inoxpa South Africa Proprietary Ltd | 104 | 100.00% | Gauteng – South Africa | Sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 4.3 | 3.8 | 16 | 16 |
| Inoxpa Special Processing Equipment Co. Ltd | 1,647 | 100.00% | Jianxing – China | Sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 2.1 | 1.3 | 5 | 5 |
| Inoxpa Ukraine | 113 | 100.00% | Kiev – Ukraine | Sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 0.5 | 0.5 | 4 | 4 |
| Inoxpa USA Inc. | 1,426 | 100.00% | Santa Rosa – USA | Sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 2.4 | 1.8 | 6 | 5 |
| INOXPA LTD | 1,435 | 70.00% | Podolsk - Russia | Sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 8.9 | 7.9 | 55 | 55 |
| Inoxpa Mexico S.A. de C.V. | 309 | 100.00% | Mexico City - Mexico | Sale of machinery for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector) | 0.9 | - | 4 | - |
| Pioli s.r.l | 10 | 100.00% | Reggio Emilia | Galvanic treatment of metals (Water Jetting Sector) | 4.1 | 2.2 | 33 | 28 |
| Servizi Industriali S.r.l. | 100 | 80.00% | Ozzano Emilia (BO) | Sale of centrifugal separators (Water Jetting Sector) | 7.5 | 3.0 c) | 27 | 15 |
| SIT S.p.A. | 105 | 65.00% | S.Ilario d'Enza (RE) | Sheet metal drawing, blanking, and pressing (Water Jetting Sector) | 5.1 | 3.6 | 21 | 22 |
| Interpump Hydraulics S.p.A. | 2,632 | 100.00% | Calderara di Reno (BO) | Production and sale of power take-offs and hydraulic pumps (Hydraulic Sector) | 93.2 | 73.0 | 290 | 302 |
| Contarini Leopoldo S.r.l. | 47 | 100.00% | Lugo (RA) | Production and sale of hydraulic cylinders (Hydraulic Sector) | 28 | 22.8 | 105 | 108 |
| Unidrò Contarini S.a.s. | 8 | 100.00% | Barby - France | Production and sale of hydraulic cylinders (Hydraulic Sector) | 5.8 | 4.8 | 15 | 13 |
| Copa Hydrosystem Ood | 3 | 100.00% | Troyan - Bulgaria | Production and sale of hydraulic cylinders (Hydraulic Sector) | 10.4 | 9.0 | 164 | 167 |
| Hydrocar Chile S.A. | 129 | 90.00% | Santiago - Chile | Sale of hydraulic pumps and power take-offs (Hydraulic Sector) | 7.9 | 6.2 | 51 | 48 |
| Hydroven S.r.l. | 200 | 100.00% | Tezze sul Brenta (VI) | Sale of ancillary products for industrial vehicles, hydraulic pumps and power take-offs (Hydraulic Sector) | 25.3 | 21.0 | 52 | 54 |

| Companies consolidated line by line | Share capital (€/000) | % held at 31/12/21 | Head office | Main activity | Sales €/million 31/12/2021 | Sales €/million 31/12/2020 | Average number of employees 2021 | Average number of employees 2020 |
|---|---|---|---|---|---|---|---|---|
| Interpump Hydraulics Brasil Ltda | 15,126 | 100.00% | Caxia do Sul - Brazil | Production and sale of power take-offs, hydraulic pumps and cylinders (Hydraulic Sector) | 16.7 | 9.7 | 140 | 119 |
| Interpump Hydraulics France S.a.r.l. | 76 | 99.77% | Ennery - France | Sale of hydraulic pumps and power take-offs (Hydraulic Sector) | 4.2 | 4.3 | 12 | 12 |
| Interpump Hydraulics India Private Ltd | 682 | 100.00% | Hosur - India | Production and sale of power take-offs and hydraulic pumps (Hydraulic Sector) | 15 | 10.7 | 106 | 111 |
| Interpump Hydraulics Middle East FZE | 326 | 100.00% | Dubai - United Arab Emirates | Sale of ancillary products for industrial vehicles, hydraulic pumps and power takeoffs (Hydraulic Sector) | 1.1 | 1.1 | 3 | 3 |
| Interpump Hydraulics (UK) Ltd. | 13 | 100.00% | Kidderminster – United Kingdom | Sale of hydraulic pumps and power take-offs (Hydraulic Sector) | 18.8 | 13.6 | 65 | 74 |
| Mega Pacific Pty Ltd | 335 | 65.00% | Newcastle – Australia | Sale of hydraulic products (Hydraulic Sector) | 16.3 | 13.2 | 39 | 38 |
| Mega Pacific NZ Pty Ltd | 557 | 65.00% | Mount Maunganui – New Zealand | Sale of hydraulic products (Hydraulic Sector) | 2.1 | 1.7 | 6 | 8 |
| Muncie Power Prod. Inc. | 784 | 100.00% | Muncie - USA | Power take-offs and hydraulic pumps (Hydraulic Sector) | 94.1 | 94.9 | 386 | 397 |
| American Mobile Power Inc. | 3,410 | 100.00% | Fairmount - USA | Production and sale of hydraulic oil tanks (Hydraulic Sector) | 11.6 | 11.6 | 72 | 79 |
| Hydra Dyne Technology Inc. | 80 | 75.00% | Ingersoll - Canada | Production and sale of hydraulic cylinders, valves and rotary unions (Hydraulic Sector) | 29.3 | 18.8 | 170 | 131 |
| Oleodinamica Panni S.r.l. | 2,000 | 100.00% | Tezze sul Brenta (VI) | Production and sale of hydraulic cylinders (Hydraulic Sector) | 63.6 | 52.7 | 225 | 234 |
| Wuxi Interpump Weifu Hydraulics Company Ltd | 2,095 | 65.00% | Wuxi - China | Production and sale of hydraulic pumps and power take-offs (Hydraulic Sector) | 15.8 | 16.1 | 58 | 57 |
| IMM Hydraulics S.p.A. | 520 | 100.00% | Atessa (Switzerland) | Production and sale of hydraulic hoses and fittings (Hydraulic Sector) | 79.1 | 53.3 | 335 | 330 |
| Hypress France S.a.r.l. | 162 | 100.00% | Strasbourg - France | Sale of hydraulic hoses and fittings (Hydraulic Sector) | 3.3 | 2.8 | 8 | 8 |
| Interpump Fluid Solutions Germany Gmbh | 52 | 100.00% | Meinerzhagen - Germany | Sale of hydraulic hoses and fittings (Hydraulic Sector) | 8.9 | 6.3 | 15 | 20 |
| IMM Hydro Est | 3,155 | 100.00% | Catcau Cluj Napoca - Romania | Production and sale of hydraulic hoses and fittings (Hydraulic Sector) | 14.4 | 11.5 | 178 | 162 |
| FGA S.r.l. | 10 | 100.00% | Fossacesia (CH) | Surface treatments (Hydraulic Sector) | 1.9 | 1.0 | 11 | 10 |
| Innovativ Gummi Tech S.r.l. | 1,700 | 60.00% | Ascoli Piceno (AP) | Production and sale of rubber mixtures (Hydraulic Sector) | 5.6 | 3.1 | 14 | 12 |

| Companies consolidated line by line | Share capital (€/000) | % held at 31/12/21 | Head office | Main activity | Sales €/million 31/12/2021 | Sales €/million 31/12/2020 | Average number of employees 2021 | Average number of employees 2020 |
|---|---|---|---|---|---|---|---|---|
| Tekno Tubi S.r.l. | 100 | 100.00% | Terre del Reno (FE) | Production and sale of rigid and flexible hydraulic lines (Hydraulic Sector) | 18.7 | 12.5 | 82 | 79 |
| Tubiflex S.p.A. | 515 | 100.00% | Orbassano (TO) | Production and sale of flexible hydraulic lines (Hydraulic Sector) | 22.5 | 18.1 | 137 | 143 |
| Walvoil S.p.A. | 7,692 | 100.00% | Reggio Emilia | Production and sale of hydraulic valves and directional controls (Hydraulic Sector) | 253.2 | 192.0 | 1,196 | 1,201 |
| Walvoil Fluid Power Corp. | 137 | 100.00% | Tulsa - USA | Sale of hydraulic valves and directional controls (Hydraulic Sector) | 54.8 | 46.0 | 65 | 63 |
| Walvoil Fluid Power (India) Pvt Ltd | 4,803 | 100.00% | Bangalore - India | Production and sale of hydraulic valves and directional controls (Hydraulic Sector) | 45.7 | 30.4 | 393 | 351 |
| Walvoil Fluid Power Korea Llc | 453 | 100.00% | Pyeongtaek – South Korea | Production and sale of hydraulic valves and directional controls (Hydraulic Sector) | 17.9 | 13.4 | 62 | 51 |
| Walvoil Fluid Power Australasia | 7 | 100.00% | Melbourne - Australia | Agent for the sale of hydraulic valves and directional controls (Hydraulic Sector) | - | - | 1 | 1 |
| Galtech Canada Inc. | 76 | 100.00% | Terrebonne Quebec - Canada | Sale of hydraulic valves and directional controls (Hydraulic Sector) | 5.7 | 4.7 | 17 | 16 |
| Walvoil Fluid Power Dongguan Co. Ltd | 3,720 | 100.00% | Dongguan - China | Production and sale of hydraulic valves and directional controls (Hydraulic Sector) | 22.2 | 16.1 | 130 | 114 |
| Reggiana Riduttori S.r.l. | 6,000 | 100.00% | S. Polo d'Enza (RE) | Production and sale of power transmission systems: planetary gears, ratiomotors and drive wheels. (Hydraulic Sector) | 72.9 | 59.0 | 177 | 180 |
| RR USA Inc. | 1 | 100.00% | Boothwin (USA) | Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector) | 31.6 | 22.4 | 25 | 24 |
| RR Canada Inc. | 1 | 100.00% | Vaughan (Canada) | Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector) | 3.9 | 3.4 | 6 | 6 |
| RR Holland BV | 19 | 100.00% | Oosterhout (Netherlands) | Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector) | 9.2 | 8.7 | 14 | 14 |
| RR France S.a r.l. | 400 | 95.00% | Thouare sur Loire (France) | Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector) | 2.7 | 2.2 | 5 | 7 |
| RR Slovakia A.S. | 340 | 100.00% | Zvolen (Slovakia) | Production and sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector) | 1.2 | 1.1 | 33 | 30 |

| Companies consolidated line by line | Share capital (€/000) | % held at 31/12/21 | Head office | Main activity | Sales €/million 31/12/2021 | Sales €/million 31/12/2020 | Average number of employees 2021 | Average number of employees 2020 |
|---|---|---|---|---|---|---|---|---|
| RR Pacific Pty | - | 100.00% | Victoria (Australia) | Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector) | 2.9 | 1.8 | 8 | 6 |
| RR India Pvt. Ltd | 52 | 99.99% | New Delhi (India) | Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector) | 0.1 | - | 5 | 5 |
| Reggiana Riduttori (Suzhou) Co Ltd | 600 | 100.00% | Suzhou (China) | Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector) | 2.3 | 1.4 | 5 | 7 |
| Transtecno S.r.l. | 100 | 60.00% | Anzola dell'Emilia (BO) | Production and sale of gears and ratiomotors (Hydraulic Sector) | 47.0 | 27.6 | 117 | 93 |
| Hangzhou Transtecno Power Transmission Co. Ltd | 575 | 72.00% | Hangzhou (China) | Production and sale of gears and ratiomotors (Hydraulic Sector) | 31.8 | 27.6 | 163 | 172 |
| Transtecno Iberica the Modular Gearmotor S.A. | 94 | 50.40% | Gava (Spain) | Sale of gears and ratiomotors (Hydraulic Sector) | 2.7 | 2.2 | 10 | 9 |
| MA Transtecno S.A.P.I. de C.V. | 124 | 50.40% | Apodaca (Mexico) | Sale of gears and ratiomotors (Hydraulic Sector) | 3.2 | 2.7 | 18 | 16 |
| Transtecno USA LLC | 3 | 100.00% | Miami (USA) | Sale of gears and ratiomotors (Hydraulic Sector) | - | 1.0 | - | - |
| Transtecno BV | 18 | 51.00% | Amersfoort (Netherlands) | Sale of gears and ratiomotors (Hydraulic Sector) | 4.1 | 2.8 | 9 | 8 |
| Transtecno Aandrijftechniek (Netherlands) | - | 51.00% | Amersfoort (Netherlands) | Sale of gears and ratiomotors (Hydraulic Sector) | 1.2 | 0.9 | 1 | 2 |
| White Drive Motors and Steering Sp zoo | 33,254 | 100.00% | Wroclaw (Poland) | Production and sale of orbital motors and steering systems (Hydraulic Sector) | 30.7 a) | - | 139 | - |
| White Drive Motors and Steering GmbH | 33,595 | 100.00% | Parchim (Germania) | Production and sale of hydraulic valves and directional controls (Hydraulic Sector) | 4.9 a) | - | 36 | - |
| White Drive Motors and Steering, LLC | 46,328 | 100.00% | Hopkinsville (USA) | Production and sale of hydraulic valves and directional controls (Hydraulic Sector) | 20.4 a) | - | 62 | - |
| Berma S.r.l. | 500 | 100.00% | Gazzuolo (MN) | Production and sale of gears and dispersion devices (Hydraulic Sector) | 3.6 b) | - | 5 | - |
| Interpump Piping GS S.r.l. | 10 | 100.00% | Reggio Emilia | Piping holding company (Hydraulic Sector) | - | - | - | - |
| GS-Hydro Singapore Pte Ltd | 624 | 100.00% | Singapore | Design, production and sale of piping systems (Hydraulic Sector) | 2.0 | 1.4 | 3 | 3 |
| GS-Hydro Korea Ltd. | 1,892 | 100.00% | Busan - South Korea | Design, production and sale of piping systems (Hydraulic Sector) | 5.0 | 4.7 | 31 | 31 |
| GS-Hydro Piping Systems (Shanghai) Co. Ltd. | 2,760 | 100.00% | Shanghai (China) | Design, production and sale of piping systems (Hydraulic Sector) | 4.7 | 4.0 | 45 | 46 |

| Companies consolidated line by line | Share capital (€/000) | % held at 31/12/21 | Head office | Main activity | Sales €/million 31/12/2021 | Sales €/million 31/12/2020 | Average number of employees 2021 | Average number of employees 2020 |
|---|---|---|---|---|---|---|---|---|
| GS-Hydro Benelux B.V. | 18 | 100.00% | Barendrecht - Netherlands | Design, production and sale of piping systems (Hydraulic Sector) | 4.1 | 6.4 | 16 | 16 |
| GS-Hydro Austria GmbH | 40 | 100.00% | Pashing - Austria | Design, production and sale of piping systems (Hydraulic Sector) | 6.5 | 6.4 | 25 | 23 |
| GS-Hydro Sp Z O (Poland) | 1,095 | 100.00% | Gdynia - Poland | Design, production and sale of piping systems (Hydraulic Sector) | 3.0 | 4.0 | 28 | 31 |
| GS-Hydro Denmark AS | 67 | 100.00% | Kolding - Denmark | Design, production and sale of piping systems (Hydraulic Sector) | 3.2 | 3.8 | 13 | 14 |
| GS-Hydro S.A.U (Spain) | 90 | 100.00% | Las Rozas - Spain | Design, production and sale of piping systems (Hydraulic Sector) | 9.8 | 8.5 | 75 | 93 |
| Suministros Franquesa S.A. | 160 | 100.00% | Lleida - Spain | Assembly and sale of hydraulic hoses, fittings and other components (Hydraulic Sector) | 1.5 | - | 11 | |
| GS-Hydro U.S. Inc. | 9,903 | 100.00% | Huston - USA | Design, production and sale of piping systems (Hydraulic Sector) | 2.4 | 2.7 | 15 | 15 |
| GS-Hydro do Brasil Sistemas Hidr. Ltda | 252 | 100.00% | Rio de Janeiro (Brazil) | Design, production and sale of piping systems (Hydraulic Sector) | 1.2 | 1.5 | 9 | 9 |
| GS-Hydro System GmbH (Germany) | 179 | 100.00% | Witten - Germany | Design, production and sale of piping systems (Hydraulic Sector) | - | - | 1 | 1 |
| GS- Hydro UK Ltd | 5,095 | 100.00% | Aberdeen - United Kingdom | Design, production and sale of piping systems (Hydraulic Sector) | 13.8 | 15.5 | 66 | 75 |
| GS-Hydro Ab (Sweden) | 120 | 100.00% | Kista - Sweden | Design, production and sale of piping systems (Hydraulic Sector) | 1.4 | 1.2 | 5 | 6 |
| GS-Hydro Hong Kong Ltd | 1 | 100.00% | Hong Kong | Design, production and sale of piping systems (Hydraulic Sector) | 0.8 | 0.6 | - | - |
| NLB Poland Corp. Sp. Z.o.o. | 0 | 100.00% | Warsaw – Poland | Dormant and in liquidation (Water Jetting Sector) | 0.5 | 1.6 | 0 | 1 |
| HTIL | 98 | 100.00% | Hong Kong | Dormant and in liquidation (Hydraulic Sector) | - | - | - | - |
| IMM Hydraulics Ltd | - | 100.00% | Kidderminster - United Kingdom | Dormant (Hydraulic Sector) | - | - | - | - |
| Bristol Hose Ltd | - | 100.00% | Bristol - United Kingdom | Dormant (Hydraulic Sector) | - | - | - | - |
| Teknova S.r.l. | 28 | 100.00% | Reggio Emilia | Dormant and in liquidation (Water Jetting Sector) | - | - | - | - |

| Companies not consolidated line by line | Share capital (€/000) | % held at 31/12/21 | Head office | Main activity |
|---|---|---|---|---|
| General Pump China | 111 | 100% | Ningbo – China | Marketing of components (Water Jetting Sector) |
| Interpump Hydraulics Perù | 318 | 90% | Lima - Peru | Sale of hydraulic pumps and power take-offs (Hydraulic Sector) |
| Interpump Hydraulics Rus | 172 | 100% | Moscow – Russia | Sale of hydraulic pumps and power take-offs (Hydraulic Sector) |
| Hammelmann Vostok | - | 100% | Moscow – Russia | Sale of high pressure systems and pumps (Water Jetting Sector) |

a) = Sales for 3 months in 2021
b) = Sales for 2 months in 2021
c) = Sales for 6 months in 2020

## EVENTS OCCURRING AFTER THE END OF THE YEAR AND BUSINESS OUTLOOK

No atypical or unusual transactions have been carried out subsequent to 31 December 2021 that would call for changes to these consolidated financial statements.

The world economy recovered considerably during 2021, following relaxation of the restrictive measures linked to the pandemic, due to acceleration of the vaccination campaigns. This recovery was also supported by national plans supporting the development of infrastructure, energy transition and digitalization projects. The strong recovery in economic activity was accompanied by a sharp spike in inflation, largely induced by the increase in energy and commodity prices, as well as by constant supply chain interruptions. Towards the end of 2021, a number of central banks confirmed their confidence in the economic recovery by starting to ease certain monetary stimuli, partly in order to contain the rise in inflation.

The results for 2021 evidence the ability of the Group to serve customers proactively, without interruptions, and to manage manufacturing capacity efficiently. This is clear from the business results achieved, which exceeded the pre-pandemic levels with a substantive improvement in margins.

The situation in early 2022 appears to confirm the continuation of these positive trends, not least due to a significant rise in demand after the excellent performance achieved in the prior year. This outcome is supported by an ability to implement pricing policies that help to contain the cost pressures caused by higher inflation.

Although the expectations for economic growth are good and despite a belief that Interpump can continue to deliver the usual standards of excellence, there are still many short-term uncertainties: persistent inflation fueled by supply chain interruptions, steady rises in commodity and energy prices, and the status of the pandemic. The growing geopolitical tensions and the adverse effects of the military conflict in Ukraine represent an additional element of instability. Even though the direct exposure of the Interpump Group to the countries involved in the conflict is very limited, global economic activity will still experience further interruptions. The sales of the Interpump Group to Russia and Ukraine in 2021 amounted to €28.4m, while receivables amount to €2.8m at 31/12/2021.

## FURTHER INFORMATION

With regard to the regulatory requirements envisaged in art.15 of the Consob Market Regulation (previously art. 36, updated by Consob Decision 20249 dated 28 December 2017), on the conditions for listing the parent companies of subsidiaries formed in or governed by the laws of countries that are not EU member states, it is confirmed with respect to the situation at 31 December 2020 that the Group has added GS-Hydro UK Ltd, Interpump Hydraulics UK and White Drive Motors and Steering, LLC to the companies of importance to the consolidated financial statements, given their inclusion in the audit plan, even though they do not exceed individually the limits indicated in art. 151 of the Issuers' Regulation.

The Interpump Group is extremely active in making acquisitions, including of small and medium-sized companies, which is why it comprises a large number of companies, including small enterprises, and has a direct presence in 34 countries. This generally results in a need to update the audit plan every year.

Sant'Ilario d'Enza (RE), 18 March 2022

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

# Consolidated Financial Statements at 31/12/2021

# Interpump Group S.p.A. and subsidiaries

# Consolidated statement of financial position

| (€/000) | ***Notes*** | ***31/12/2021*** | ***31/12/2020*** |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 349,015 | 343,170 |
| Trade receivables | 7, 30 | 361,913 | 261,707 |
| Inventories | 8 | 515,958 | 376,596 |
| Tax receivables | | 27,876 | 23,573 |
| Other current assets | 9, 30 | 20,766 | 10,360 |
| **Total current assets** | | **1,275,528** | **1,015,406** |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | 613,715 | 476,480 |
| Goodwill | 11 | 767,413 | 549,168 |
| Other intangible assets | 12 | 44,212 | 43,511 |
| Other financial assets | 13, 30 | 2,250 | 2,269 |
| Tax receivables | | 2,327 | 757 |
| Deferred tax assets | 14 | 63,658 | 59,610 |
| Other non-current assets | | 2,183 | 2,089 |
| **Total non-current assets** | | **1,495,758** | **1,133,884** |
| Assets held for sale | 15 | 1,460 | - |
| ***Total assets*** | | ***2,772,746*** | ***2,149,290*** |

| (€/000) | *Notes* | *31/12/2021* | *31/12/2020* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables | 6, 30 | 285,212 | 154,098 |
| Payables to banks | 16, 30 | 7,760 | 10,592 |
| Interest-bearing financial payables (current portion) | 16, 30 | 232,213 | 181,603 |
| Tax liabilities | | 34,669 | 14,483 |
| Other current liabilities | 17, 30 | 116,747 | 73,738 |
| Provisions for risks and charges | 18 | 4,694 | 4,739 |
| **Total current liabilities** | | **681,295** | **439,253** |
| **Non-current liabilities** | | | |
| Interest-bearing financial payables | 16, 30 | 603,966 | 420,475 |
| Liabilities for employee benefits | 19 | 23,937 | 23,809 |
| Deferred tax liabilities | 14 | 48,207 | 43,229 |
| Tax liabilities | | 1,764 | 3,809 |
| Other non-current liabilities | 20, 30 | 60,885 | 58,323 |
| Provisions for risks and charges | 18 | 13,028 | 10,415 |
| **Total non-current liabilities** | | **751,787** | **560,060** |
| **Total liabilities** | | **1,433,082** | **999,313** |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 21 | 55,327 | 55,462 |
| Legal reserve | 22 | 11,323 | 11,323 |
| Share premium reserve | 21, 22 | 66,472 | 78,693 |
| Remeasurement reserve for defined benefit plans | 22 | (8,170) | (8,217) |
| Translation reserve | 22 | 6,013 | (27,215) |
| Other reserves | 22 | 1,197,234 | 1,029,529 |
| **Group shareholders' equity** | | **1,328,199** | **1,139,575** |
| Minority interests | 23 | 11,465 | 10,402 |
| **Total shareholders' equity** | | **1,339,664** | **1,149,977** |
| ***Total shareholders' equity and liabilities*** | | ***2,772,746*** | ***2,149,290*** |

## Consolidated income statement

| (€/000) | *Notes* | *2021* | *2020* |
|---|---|---|---|
| **Net sales** | | **1,604,255** | **1,294,363** |
| Cost of sales | 25 | (1,029,564) | (830,878) |
| **Gross industrial margin** | | **574,691** | **463,485** |
| Other operating income | 24 | 25,283 | 18,583 |
| Distribution expenses | 25 | (127,471) | (113,353) |
| General and administrative expenses | 25, 26 | (166,394) | (147,150) |
| Other operating costs | 25 | (11,061) | (13,906) |
| **EBIT** | | **295,048** | **207,659** |
| Financial income | 27 | 14,578 | 16,178 |
| Financial charges | 27 | (34,408) | (21,372) |
| Equity method contribution | | 283 | 101 |
| **Profit for the year before taxes** | | **275,501** | **202,566** |
| Income taxes | 28 | (76,982) | (29,295) |
| **Consolidated profit for the year** | | **198,519** | **173,271** |
| **Attributable to:** | | | |
| Shareholders of Parent | | 195,882 | 170,980 |
| Minority shareholders of subsidiaries | | 2,637 | 2,291 |
| **Consolidated profit for the year** | | **198,519** | **173,271** |
| Basic earnings per share | 29 | 1.836 | 1.596 |
| Diluted earnings per share | 29 | 1.813 | 1.590 |

# Consolidated statement of comprehensive income for the year

| (€/000) | *2021* | *2020* |
|---|---|---|
| **Consolidated profit (A)** | **198,519** | **173,271** |
| *Gains (losses) on translating the financial statements of foreign companies* | *33,950* | *(35,362)* |
| *Gains (losses) from companies accounted for using the equity method* | *96* | *(75)* |
| *Applicable taxes* | *-* | *-* |
| **Total other consolidated income (losses) which will subsequently be reclassified to consolidated profit or loss, net of the tax effect (B)** | **34,046** | **(35,437)** |
| **Other consolidated income (losses) which will not subsequently be reclassified to consolidated profit or loss** | | |
| *Gains (losses) deriving from the remeasurement of defined benefit plans* | *69* | *(1,146)* |
| *Applicable taxes* | *(18)* | *275* |
| **Total other consolidated income (losses) which will not subsequently be reclassified to consolidated profit or loss, net of the tax effect (C)** | **51** | **(871)** |
| **Consolidated comprehensive income for the year (A) + (B) + (C)** | **232,616** | **136,963** |
| **Attributable to:** | | |
| Shareholders of Parent | 229,157 | 135,171 |
| Minority shareholders of subsidiaries | 3,459 | 1,792 |
| **Consolidated comprehensive income for the year** | **232,616** | **136,963** |

# Consolidated cash flow statement

| (€/000) | *2021* | *2020* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxes | 275,501 | 202,566 |
| Adjustments for non-cash items: | | |
| Losses (gains) on the sale of fixed assets | (6,125) | (2,336) |
| Amortization and depreciation | 82,126 | 77,009 |
| Costs recognized in the income statement relative to stock options that do not involve monetary outflows for the Group | 4,386 | 1,919 |
| Losses (profits) from investments | (283) | (101) |
| Net change in risk provisions and allocations to employee benefit provisions | 23 | 7,296 |
| Expenditures for tangible assets to be leased | (8,839) | (5,465) |
| Proceeds from the disposal of leased tangible assets | 11,116 | 5,236 |
| Net financial charges | 19,830 | 5,194 |
| | **377,735** | **291,318** |
| (Increase) decrease in trade receivables and other current assets | (68,440) | 25,866 |
| (Increase) decrease in inventories | (84,342) | 30,070 |
| Increase (decrease) in trade payables and other current liabilities | 92,218 | (3,626) |
| Interest paid | (4,136) | (5,307) |
| Realized exchange differences | 1,147 | (2,959) |
| Taxes paid | (56,953) | (54,487) |
| **Net cash from operating activities** | **257,229** | **280,875** |
| **Cash flows from investing activities** | | |
| Payments for the purchase of investments, net of cash received and net of treasury shares assigned | (306,815) | (39,779) |
| Capital expenditure on property, plant and equipment | (101,869) | (58,571) |
| Proceeds from the sale of tangible fixed assets | 2,284 | 1,542 |
| Increase in intangible assets | (7,141) | (4,366) |
| Financial income received | 627 | 1,069 |
| Other | 1,765 | 1,142 |
| **Net cash (used in) investing activities** | **(411,149)** | **(98,963)** |
| **Cash flows from financing activities** | | |
| Disbursements (repayments) of loans | 227,269 | 22,907 |
| Dividends paid | (29,536) | (28,322) |
| Disbursements for purchase of treasury shares | (22,397) | (48,488) |
| Proceeds from the sale of treasury shares to stock option beneficiaries | 714 | 14,480 |
| Disbursements (repayments) of shareholder loans | - | 1,891 |
| Change in other financial assets | (18) | (11) |
| Payment of finance leasing installments (principal) | (18,971) | (18,214) |
| **Net cash generated by (used in) financing activities** | **157,061** | **(55,757)** |
| **Net increase (decrease) in cash and cash equivalents** | **3,141** | **126,155** |

| (€/000) | *2021* | *2020* |
|---|---|---|
| **Net increase (decrease) in cash and cash equivalents** | **3,141** | **126,155** |
| Translation differences for cash held by non-EU companies | 5,463 | (5,333) |
| Opening cash and cash equivalents of companies consolidated on a line-by-line basis for the first time | 73 | 48 |
| Cash and cash equivalents at the beginning of the year | 332,578 | 211,708 |
| **Cash and cash equivalents at the end of the year** | **341,255** | **332,578** |

For reconciliation of cash and cash equivalents refer to Note 32.

# Consolidated statement of changes in shareholders' equity

| | *Share capital* | *Legal reserve* | *Share premium reserve* | *Remeasurement reserve for defined benefit plans* | *Translation reserve* | *Other reserves* | *Group shareholders' equity* | *Non-controlling interests* | *Total* |
|---|---|---|---|---|---|---|---|---|---|
| *At 1 January 2020* | 55,460 | 11,323 | 96,733 | (7,358) | 7,735 | 885,446 | 1,049,339 | 5,735 | 1,055,074 |
| Recognition in income statement of fair value of stock options granted and exercisable | - | - | 1,919 | - | - | - | 1,919 | - | 1,919 |
| Purchase of treasury shares | (837) | - | (47,650) | - | - | - | (48,487) | - | (48,487) |
| Transfer of treasury shares to stock option beneficiaries | 585 | - | 13,895 | - | - | - | 14,480 | - | 14,480 |
| Transfer of treasury shares as payment for equity investments | 254 | - | 13,796 | - | - | - | 14,050 | - | 14,050 |
| Minorities of companies consolidated for the first time | - | - | - | - | - | - | - | 4,267 | 4,267 |
| Dividends paid | - | - | - | - | - | (26,897) | (26,897) | (1,362) | (28,259) |
| Dividends resolved | - | - | - | - | - | - | - | (30) | (30) |
| Comprehensive income (loss) for 2020 | - | - | - | (859) | (34,950) | 170,980 | 135,171 | 1,792 | 136,963 |
| *At 31 December 2020* | *55,462* | *11,323* | *78,693* | *(8,217)* | *(27,215)* | *1,029,529* | *1,139,575* | *10,402* | *1,149,977* |
| Recognition in income statement of fair value of stock options granted and exercisable | - | - | 4,386 | - | - | - | 4,386 | - | 4,386 |
| Purchase of treasury shares | (218) | - | (22,179) | - | - | - | (22,397) | - | (22,397) |
| Transfer of treasury shares to stock option beneficiaries | 29 | - | 685 | - | - | - | 714 | - | 714 |
| Transfer of treasury shares as payment for equity investments | 54 | - | 4,887 | - | - | - | 4,941 | - | 4,941 |
| Winding up of subsidiaries | - | - | - | - | - | - | - | (82) | (82) |
| Purchase of residual interests in subsidiaries | - | - | - | - | - | (425) | (425) | (240) | (665) |
| Dividends paid | - | - | - | - | - | (27,382) | (27,382) | (2,074) | (29,456) |
| Dividends resolved | - | - | - | - | - | (370) | (370) | - | (370) |
| Comprehensive income (loss) for 2021 | - | - | - | 47 | 33,228 | 195,882 | 229,157 | 3,459 | 232,616 |
| *At 31 December 2021* | *55,327* | *11,323* | *66,472* | *(8,170)* | *6,013* | *1,197,234* | *1,328,199* | *11,465* | *1,339,664* |

# Notes to the annual financial report

## 1. General information

Interpump Group S.p.A. is an Italian company domiciled in Sant'Ilario d'Enza (RE)._The company is listed on the Milan stock exchange in the STAR segment.

The Group manufactures and markets high and very high pressure plunger pumps, very high pressure systems, machines for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector), power take-offs, gear pumps, hydraulic cylinders, directional controls, valves, hydraulic hoses and fittings, gears, orbital motors, steering systems (hydroguide) and other hydraulic components (Hydraulic Sector). The Group has production facilities in Italy, the US, Canada, Germany, France, Portugal, Poland, China, India, Brazil, Bulgaria, Romania and South Korea.

The consolidated financial statements at 31 December 2021 were approved by the Board of Directors on this day (18 March 2022).

### 2. Scope of consolidation

The 2021 consolidation basis includes the Parent Company and the following subsidiaries consolidated on a line-by-line basis (with the information required on the basis of Consob communication DEM/6064293 of 28/07/2006):

| *Company* | *Head office* | *Share capital €/000* | *Shareholders' equity €/000* | *Profit for 2021 €/000* | *% held at 31/12/2021* |
|---|---|---|---|---|---|
| GP Companies Inc. | Minneapolis (USA) | 1,854 | 17,448 | 5,913 | 100.00% |
| Hammelmann GmbH | Oelde (Germany) | 25 | 136,265 | 27,678 | 100.00% |
| Hammelmann Australia Pty Ltd (1) | Melbourne (Australia) | 472 | 7,457 | 1,293 | 100.00% |
| Hammelmann Corporation Inc (1) | Miamisburg (USA) | 39 | 11,327 | 4,359 | 100.00% |
| Hammelmann S. L. (1) | Zaragoza (Spain) | 500 | 2,174 | 853 | 100.00% |
| Hammelmann Pumps Systems Co Ltd (1) | Tianjin (China) | 871 | 15,614 | 1,869 | 90.00% |
| Hammelmann France S.a.r.l. (1) | Etrichè (France) | 50 | 514 | 416 | 100.00% |
| Hammelmann Swiss GmbH (1) | Dudingen (Switzerland) | 89 | 502 | 281 | 100.00% |
| Inoxihp S.r.l. | Nova Milanese (MI) | 119 | 9,174 | 2,721 | 52.72% |
| NLB Corporation Inc. | Detroit (USA) | 12 | 101,099 | 5,699 | 100.00% |
| NLB Poland Corp. Sp. Z.o.o. (2) | Warsaw (Poland) | - | - | 1,479 | 100.00% |
| Inoxpa S.A. | Banyoles (Spain) | 23,000 | 60,860 | 9,755 | 100.00% |
| Inoxpa India Private Ltd (3) | Pune (India) | 6,779 | 14,640 | 2,206 | 100.00% |
| Inoxpa Solutions France Sas (3) | Gleize (France) | 2,071 | 4,041 | 1,615 | 100.00% |
| Improved Solutions Unipessoal Ltda (3) | Vale de Cambra (Portugal) | 760 | 3,633 | 881 | 100.00% |
| Inoxpa (UK) Ltd (3) | Eastbourne (UK) | 1,942 | 618 | 220 | 100.00% |
| Inoxpa Solutions Moldova (3) | Chisinau (Moldova) | 317 | 487 | 83 | 66.67% |
| Inoxpa Colombia Sas (3) | Bogotá (Colombia) | 133 | 999 | 409 | 83.29% |
| Inoxpa Italia S.r.l. (3) | Mirano (VE) | 100 | 415 | 121 | 100.00% |
| Inoxpa Skandinavien A/S (3) | Horsens (Denmark) | 134 | 1,020 | 292 | 100.00% |
| Inoxpa South Africa Proprietary Ltd (3) | Gauteng (South Africa) | 104 | 1,104 | 540 | 100.00% |
| Inoxpa Special Processing Equipment Co. Ltd (3) | Jianxing (China) | 1,647 | 1,331 | 92 | 100.00% |
| Inoxpa Ukraine (3) | Kiev (Ukraine) | 113 | 202 | 47 | 100.00% |
| Inoxpa Mexico (3) | Mexico City (Mexico) | 309 | 377 | 51 | 100.00% |

| Company | Head office | Share capital €/000 | Shareholders' equity €/000 | Profit for 2021 €/000 | % held at 31/12/2021 |
|---|---|---|---|---|---|
| Inoxpa USA Inc (3) | Santa Rosa (USA) | 1,426 | 812 | 55 | 100.00% |
| INOXPA LTD (3) | Podolsk (Russia) | 1,435 | 3,726 | 852 | 70.00% |
| Pioli S.r.l. | Reggio Emilia (RE) | 10 | 2,271 | 772 | 100.00% |
| Servizi Industriali S.r.l. | Ozzano Emilia (BO) | 100 | 2,806 | 1,191 | 80.00% |
| SIT S.p.A. | S. Ilario d'Enza (RE) | 105 | 1,591 | 215 | 65.00% |
| Teknova S.r.l. (in liquidation) | Reggio Emilia (RE) | 28 | 8 | (5) | 100.00% |
| Interpump Hydraulics S.p.A. | Calderara di Reno (BO) | 2,632 | 275,946 | 39,385 | 100.00% |
| Contarini Leopoldo S.r.l. (4) | Lugo (RA) | 47 | 11,542 | 3,378 | 100.00% |
| Unidrò Contarini S.a.s. (5) | Barby (France) | 8 | 3,691 | 825 | 100.00% |
| Copa Hydrosystem Ood (5) | Troyan (Bulgaria) | 3 | 9,584 | 1,096 | 100.00% |
| Hydrocar Chile S.A. (4) | Santiago (Chile) | 129 | 4,730 | 562 | 90.00% |
| Hydroven S.r.l. (4) | Tezze sul Brenta (VI) | 200 | 6,316 | 2,222 | 100.00% |
| Interpump Hydraulics Brasil Ltda (4) | Caxia do Sul (Brazil) | 15,126 | 8,998 | 1,633 | 100.00% |
| Interpump Hydraulics France S.a.r.l. (4) | Ennery (France) | 76 | 1,354 | 304 | 99.77% |
| Interpump Hydraulics India Private Ltd (4) | Hosur (India) | 682 | 14,981 | 1,335 | 100.00% |
| Interpump Hydraulics Middle East FZE (4) | Dubai (UAE) | 326 | (354) | 32 | 100.00% |
| Interpump South Africa Pty Ltd (4) | Johannesburg (South Africa) | - | 2,192 | 245 | 100.00% |
| Interpump Hydraulics (UK) Ltd. (4) | Kidderminster (United Kingdom) | 13 | 17,805 | 3,010 | 100.00% |
| Mega Pacific Pty Ltd (6) | Newcastle (Australia) | 335 | 7,841 | 2,006 | 65.00% |
| Mega Pacific NZ Pty Ltd (6) | Mount Maunganui (New Zealand) | 557 | 2,088 | 439 | 65.00% |
| Muncie Power Prod. Inc. (4) | Muncie (USA) | 784 | 114,681 | 11,656 | 100.00% |
| American Mobile Power Inc. (7) | Fairmount (USA) | 3,410 | 7,386 | 1,388 | 100.00% |
| Hydra Dyne Technology Inc (7) | Ingersoll (Canada) | 80 | 12,267 | 2,562 | 75.00% |
| Oleodinamica Panni S.r.l. (4) | Tezze sul Brenta (VI) | 2,000 | 31,294 | 8,020 | 100.00% |
| Wuxi Interpump Weifu Hydraulics Company Ltd (4) | Wuxi (China) | 2,095 | 8,386 | 1,330 | 65.00% |
| IMM Hydraulics S.p.A. (4) | Atessa (Switzerland) | 520 | 59,300 | 8,951 | 100.00% |
| Hypress France S.a.r.l. (8) | Strasbourg (France) | 162 | 2,056 | 411 | 100.00% |
| Interpump Fluid Solutions Germany GmbH (8) | Meinerzhagen (Germany) | 52 | 1,388 | 191 | 100.00% |
| IMM Hydro Est (8) | Catcau Cluj Napoca (Romania) | 3,155 | 11,598 | 1,576 | 100.00% |
| FGA S.r.l. (8) | Fossacesia (CH) | 10 | 27 | 29 | 100.00% |
| Innovativ Gummi Tech S.r.l. (8) | Ascoli Piceno (AP) | 1,700 | 615 | (252) | 60.00% |
| Tekno Tubi S.r.l. (8) | Terre del Reno (FE) | 100 | 10,213 | 2,481 | 100.00% |
| Tubiflex S.p.A. | Orbassano (TO) | 515 | 12,986 | 3,375 | 100.00% |
| Walvoil S.p.A. | Reggio Emilia (RE) | 7,692 | 192,020 | 54,746 | 100.00% |
| Walvoil Fluid Power Corp. (9) | Tulsa (USA) | 137 | 18,276 | 4,557 | 100.00% |
| Walvoil Fluid Power Pvt. Ltd. (9) | Bangalore (India) | 4,803 | 26,927 | 5,455 | 100.00% |
| Walvoil Fluid Power Korea Llc. (9) | Pyeongtaek (South Korea) | 453 | 6,283 | 1,904 | 100.00% |
| Walvoil Fluid Power France S.a.r.l. (9) | Vritz (France) | 10 | 127 | 69 | 100.00% |
| Walvoil Fluid Power Australasia (9) | Melbourne (Australia) | 7 | 141 | (3) | 100.00% |
| Galtech Canada Inc. (9) | Terrebonne, Quebec (Canada) | 76 | 2,990 | 801 | 100.00% |
| HTIL (9) | Hong Kong | 98 | 113 | (18) | 100.00% |
| Walvoil Fluid Power (Dongguan) Co., Ltd (9) | Dongguan (China) | 3,720 | 19,370 | 3,646 | 100.00% |
| Reggiana Riduttori S.r.l. | S. Polo d’Enza (RE) | 6,000 | 89,633 | 14,255 | 100.00% |
| RR USA Inc. (12) | Boothwyn (USA) | 1 | 17,055 | 2,406 | 100.00% |
| RR Canada Inc. (12) | Vaughan (Canada) | 1 | 3,023 | 266 | 100.00% |
| RR Holland BV (12) | Oosterhout (Netherlands) | 19 | 2,606 | 497 | 100.00% |
| RR France S.a.r.l. (12) | Thouare sur Loire (France) | 400 | 588 | 117 | 95.00% |

| *Company* | *Head office* | *Share capital €/000* | *Shareholders' equity €/000* | *Profit for 2021 €/000* | *% held at 31/12/2021* |
|---|---|---|---|---|---|
| RR Slovakia A.S. (12) | Zvolen (Slovakia) | 340 | 1,003 | 97 | 100.00% |
| RR Pacific Pty Ltd (12) | Victoria (Australia) | - | (16) | 95 | 100.00% |
| RR India Pvt. Ltd (12) | New Delhi (India) | 52 | 20 | 11 | 99.99% |
| Reggiana Riduttori (Suzhou) Co. Ltd (12) | Suzhou (China) | 600 | 259 | 45 | 100.00% |
| Transtecno S.r.l. | Anzola dell'Emilia (BO) | 100 | 19,118 | 8,835 | 60.00% |
| Hangzhou Transtecno Power Transmissions Co. Ltd (13) | Hangzhou (China) | 575 | 12,582 | 3,709 | 72.00% |
| Transtecno Iberica the Modular Gearmotor S.A. (13) | Gava (Spain) | 94 | (42) | 7 | 50.40% |
| MA Transtecno S.A.P.I. de C.V. (13) | Apodaca (Mexico) | 124 | 1,050 | 328 | 50.40% |
| Transtecno USA LLC (15) | Miami (USA) | 3 | 133 | (2) | 100.00% |
| Transtecno BV (13) | Amersfoort (Netherlands) | 18 | 1,509 | 485 | 51.00% |
| Transtecno Aandrijftechniek BV (14) | Amersfoort (Netherlands) | - | 334 | 113 | 51.00% |
| White Drive Motors and Steering Sp zoo | Wroclaw (Poland) | 33,254 | 46,537 | 5,737 | 100.00% |
| White Drive Motors and Steering GmbH | Parchim (Germania) | 33,595 | 30,935 | (784) | 100.00% |
| White Drive Motors and Steering, LLC | Hopkinsville (USA) | 46,328 | 40,923 | 435 | 100.00% |
| Berma S.r.l. (12) | Gazzuolo (MN) | 500 | 9,752 | 506 | 100.00% |
| Interpump Piping GS S.r.l. | Reggio Emilia (RE) | 10 | 3,198 | 1,539 | 100.00% |
| GS-Hydro Singapore Pte Ltd (10) | Singapore | 624 | 920 | 228 | 100.00% |
| GS-Hydro Korea Ltd. (10) | Busan (South Korea) | 1,892 | 3,281 | 361 | 100.00% |
| GS-Hydro Piping Systems (Shanghai) Co. Ltd. (11) | Shanghai (China) | 2,760 | 4,614 | (55) | 100.00% |
| GS-Hydro Benelux B.V. (10) | Barendrecht (Netherlands) | 18 | 2,575 | (15) | 100.00% |
| GS-Hydro Austria GmbH (10) | Pashing (Austria) | 40 | 1,687 | 485 | 100.00% |
| GS-Hydro Sp Z O (10) | Gdynia (Poland) | 1,095 | 653 | (186) | 100.00% |
| GS Hydro Denmark AS (10) | Kolding (Denmark) | 67 | 644 | 35 | 100.00% |
| GS-Hydro S.A.U (10) | Las Rozas (Spain) | 90 | 3,113 | 1,221 | 100.00% |
| Suministros Franquesa S.A. (16) | Lleida (Spain) | 160 | 675 | 137 | 100.00% |
| GS-Hydro U.S. Inc. (7) | Houston (USA) | 9,903 | (516) | (450) | 100.00% |
| GS-Hydro do Brasil Sistemas Hidraulicos Ltda (10) | Rio de Janeiro (Brazil) | 252 | 1,275 | 302 | 100.00% |
| GS-Hydro System GmbH (10) | Witten (Germany) | 179 | (368) | 24 | 100.00% |
| GS- Hydro UK Ltd (10) | Aberdeen (United Kingdom) | 5,095 | 3,976 | 883 | 100.00% |
| GS-Hydro Ab (10) | Sundsbruk (Sweden) | 120 | 66 | (12) | 100.00% |
| GS-Hydro Hong Kong Ltd (1) | Hong Kong | 1 | 1,037 | 257 | 100.00% |
| IMM Hydraulics Ltd (dormant) (6) | Kidderminster (United Kingdom) | - | - | - | 100.00% |
| Bristol Hose Ltd (dormant) (6) | Bristol (United Kingdom) | - | - | - | 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 Reggiana Riduttori S.r.l.
(13) = controlled by Transtecno S.r.l.
(14) = controlled by Transtecno B.V.
(15) = controlled by MA Transtecno S.A.P.I. de C.V.
(16) = controlled by GS Hydro S.A.U.

Compared with 2020, the 2021 consolidation includes White Drive Motors and Steering Sp. Z.o.o., White Drive Motors and Steering LLC, White Drive Motors and Steering GmbH for three months; in addition, Berma S.r.l. has been consolidated for two months. DZ Trasmissioni and Suministros Franquesa, consolidated for the full year in 2021, were not consolidated in 2020; Servizi Industriali has also been consolidated for the full year, while it was only consolidated for six months in 2020, having been acquired in July.

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. This option has in fact been exercised and price negotiations are now in progress. 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 Technology, 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.

## 3. Accounting standards adopted

### 3.1 Reference accounting standards

The annual financial report as of 31 December 2021 has been prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as with the enabling measures for art. 9 of Law 38 dated 28 February 2005. "IFRS" also means the International Accounting Standards ("IAS") currently in force and all the interpretative documents issued by the IFRS Interpretation Committee, previously denominated International Financial Reporting Interpretations Committee ("IFRIC") and still earlier known as the Standing Interpretations Committee ("SIC").

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 and the obligations deriving from options to acquire minority interests in certain subsidiaries, which are measured at fair value.

Preparation of financial statements in compliance with IFRS (International Financial Reporting Standards) calls for judgments, estimates, and assumptions that have an effect on assets, liabilities, costs and revenues. The final results may differ from the results obtained using estimates of this type. 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, and liabilities for the acquisition of investments included under other liabilities.

Notably, discretionary measurements and significant accounting estimates concern the recoverable value of non-financial assets calculated as the greater amount between the fair value minus the cost of sale and the value in use. The value in use calculation is based on a cash flow actualization model. The recoverable value is highly dependent on the discount rate used for cash flow actualization, as well as on the expected future cash flows and the growth rate applied. The key assumptions used to determine the recoverable value for the two cash flow generating units, including a sensitivity analysis, are described in Note 11 to the Consolidated Financial Statements at 31 December 2021.

Moreover, the use of accounting estimates and significant assumptions concerns also the determination of the fair values of the assets and liabilities acquired in the framework of business combinations. In fact, at the acquisition date the Group must record, separately from the associated fair value, assets, liabilities and potential liabilities identifiable and acquired or assumed in the context of the business combination, and also determine the current value of the exercise price of any purchase options on minority interests. This process calls for the preparation of estimates, based on measurement techniques that involve making judgments about future cash flows and other hypotheses about the long-term growth rates and discount rates used in models developed with, in some cases, assistance from external experts. The accounting impacts of determination of the fair value of acquired assets and assumed liabilities, and of the options to purchase minority interests for operations of business combinations that occurred during the year, are provided in Note 5. Business combinations.

### 3.1.1 Accounting standards, amendments and interpretations in force from 1 January 2021 and adopted by the Group

As from 2021 the Group has applied the following new accounting standards, amendments and interpretations, reviewed by IASB:

- *Amendments to IFRS 16* "*Leases: Covid-19-Related Rent Concessions beyond 30 June 2021*". On 31 March 2021 the IASB published an amendment to this standard that extends, for one year, the May 2020 amendment that clarifies 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. The new amendment took effect on 1 April 2021. It was endorsed by the EU on 31 August 2021; however its application will not result in changes to the economic and financial balances reported by the Group in 2021.

### 3.1.2 New accounting standards and amendments not yet applicable and not adopted early by the Group

- *Amendments to IAS 1 – "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.* The IASB published this amendment on 23 January 2020 in order to clarify the presentation of liabilities in the statement of financial position. In particular, the amendment 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".* On 14 May 2020, the IASB published this amendment that updates the references made to the IAS Conceptual Framework, without making any changes to the accounting for business combinations. The new amendment applies 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 products made while bringing that item to the location or for the time necessary for it to become 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. The Group does not expect these amendments to have a significant effect.
- *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 it applies them for the first time.
- *Annual Improvements 2018-2020 Cycle*. On 14 May 2020 the IASB published a series of amendments, comprising:
  - *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 allowed.
  - *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 allowed. The Group will apply this amendment to those financial liabilities that are amended or exchanged subsequent to or at the start of the financial year in which it is applied for the first time. This amendment is not expected to have a material impact on the Group.

- *Amendments to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2 "Disclosure of Accounting policies"*. The IASB published an amendment to this standard on 12 February 2021 in order to help companies to decide which accounting policies to disclose in their financial statements. The amendment applies to reporting periods beginning on or after 1 January 2023. Early application is allowed.
- *Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates".* The IASB published an amendment to this standard on 12 February 2021 in order to introduce a new definition of accounting estimate and clarify the distinction between changes in accounting estimates, changes in accounting policies and corrections of errors. The amendment applies to reporting periods beginning on or after 1 January 2023. Early application is allowed.
- *Amendments to "IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction"*. On 7 May 2021 IASB published an amendment to this standard, which requires companies to recognize deferred tax assets and liabilities on specific transactions that, at the time of initial booking, give rise to equivalent timing differences (taxable and deductible) – for example, see transactions related to leasing contracts.
- *Amendments to "IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information".* The IASB published this amendment to the transitional instructions for IFRS 17 on 9 December 2021. The amendment gives insurers an option for the purpose of improving the meaningfulness of the information to be provided to investors on initial application of the new standard.
  The amendment applies to reporting periods beginning on or after 1 January 2023. Early application is allowed.

## 3.2 Consolidation principles

*(i) Subsidiaries*
Companies are subsidiaries when the Parent Company is exposed to or is entitled to variable returns deriving from its investment relationship and, at the same time, is able to influence such returns by exercising its power over the entity concerned.

Specifically, the Group controls an investment if, and only if, the Group has:
- power over the entity in which the investment is held (i.e. holds valid rights granting the real ability to direct the significant activities of that entity);
- exposure to or rights to variable returns deriving from its investment relationship with the entity concerned;
- the ability to exercise its power over the entity concerned in order to influence the amounts of its returns.

Generally, ownership of the majority of voting rights is presumed to result in control. In support of this presumption and when the Group holds less than the majority of voting rights (or similar), the Group considers all significant facts and circumstances in order to determine whether or not it controls the entity concerned, including:
- contractual agreements with other owners of voting rights;
- rights deriving from contractual agreements;
- voting rights and potential voting rights held by the Group that are not freely exercisable or convertible.

The Group reviews whether or not it controls an entity, if the facts and circumstances indicate changes in one or more of the three elements that are significant for the definition of control. Said potential voting rights are not considered for the purposes of the consolidation process at the time of attribution to minority interests of the economic result and the portion of shareholders' equity pertaining to them. The financial statements of several subsidiaries were not consolidated in consideration of their limited significance; these investments are carried in accordance with the principles illustrated in note 3.10.

The financial statements of subsidiaries are consolidated starting from the date on which the Group acquires control, and deconsolidated from the date on which control is relinquished.

Acquisitions of stakes in subsidiary companies are recorded in accordance with the purchase account method. The acquisition cost corresponds to the current value of the acquired assets, shares issued, or liabilities assumed at the date of acquisition. Ancillary expenses associated with the acquisition are generally recognized in the income statement when they are incurred. The excess of acquisition cost over the Group interest in the current value of the net assets acquired is recognized in the statement of financial position as goodwill. For all business combinations, the Group decides whether to measure the non-controlling interest in the acquired entity at fair value, or in proportion to the minority equity interest acquired. Any negative goodwill is recorded in the income statement at the date of acquisition.

If the business combination is achieved in several phases, the equity interest previously held is remeasured at fair value at the acquisition date and any profits or losses are recognized in the income statement.

The fair value of any contingent consideration payable is recognized by the purchaser at the acquisition date. Changes in the fair value of contingent consideration classified as an asset or a liability, as a financial instrument governed by IFRS 9 Financial instruments: recognition and measurement, are recognized in the income statement or in the statement of other comprehensive income. Any contingent consideration not falling within the scope of IFRS 9 is measured at fair value and the changes in fair value are recognized in the income statement. If the contingent consideration is classified in equity, its value is not remeasured and the effect of subsequent settlement is also recognized in equity.

After the Group has obtained control of an entity, subsequent acquisitions of interests in said entity that result in an increase or decrease in acquisition cost with respect to the amount attributable to the Group are recognized as equity transactions.

Subsidiaries are consolidated on a line-by-line basis, which combines the entire amount of their assets and liabilities and all their costs and revenues, irrespective of the percentage of control. The accounting value of consolidated equity investments is therefore eliminated against the related interest in their shareholders' equity. The portions of shareholders' equity and profits of minority interests are shown respectively in a specific caption under shareholders' equity and on a separate line of the consolidated income statement. The Group is required to allocate the total statement of comprehensive income to the owners of the parent and to the non-controlling interests, even if this means that the latter have a negative balance.

If the Group losses control over a subsidiary, the related assets (including goodwill), liabilities, non-controlling interests and other components of equity are deconsolidated, while any profits or losses are recognized in the income statement. Any equity interest retained is recognized at fair value.

*(ii) Associates*
Associates are companies over which the Group has significant influence, without exercising control over their operations. The considerations made in order to determine the existence of significant interest or joint control are similar to those made to determine the existence of control over subsidiaries. The Group's investments in associates are measured using the equity method.

Under the equity method, the investment in an associate is initially measured at cost. The carrying amount of the investment is increased or decreased to recognize the interest of the investor in the profits and losses earned by the entity subsequent to the acquisition date. Any goodwill for an associate is included in its carrying amount and is not subject to separate impairment testing.

The income statement reflects the Group's interest in the results for the year of the associate. All changes in the other comprehensive income reported by associates are recognized as part of the other comprehensive income of the Group. In addition, if an associate recognizes a change directly in equity, the Group also recognizes its share of that change, where applicable, in the statement of changes in shareholders' equity. Any unrealized profits and losses deriving from transactions between the Group and associates are eliminated in proportion to the interests held in them.

The total interest of the Group in the results for the year of associates is classified in the income statement below the operating results line. This interest represents their results after taxation and the portion attributable to the other owners of the associate.

The financial statements of associates are prepared at the same reporting date as that used by the Group. Where necessary, they are adjusted to reflect the accounting policies adopted by the Group.

Subsequent to application of the equity method, the Group considers if it is necessary to recognize any impairment in the value of its interests in associates. On each reporting date, the Group determines if there is any objective evidence that the carrying amount of associates might be impaired. If so, the Group calculates the loss as the difference between the recoverable value of the associate and its carrying amount, and charges it to the "interest in the results of associates" caption of the income statement.

When significant interest over an associate is lost, the Group measures and recognizes the residual investment at its fair value. The difference between the carrying amount of an investment on the date when significant influence is lost, and the fair value of the residual investment plus the consideration received, is recognized in the income statement.

*(iii) Investments in other companies*
Information about the investments in other companies that represent financial assets is provided in section 3.12 Financial assets (Trade receivables, Other financial assets and Other assets).

*(iv) Transactions eliminated in the consolidation process*
Intercompany balances and gains and losses arising from intercompany transactions are omitted in the consolidated financial statements. Intercompany gains deriving from transactions with associated companies are omitted in the valuation of the investment with the net equity method. Intercompany losses are only omitted in the presence of evidence that they have not been incurred in relation to third parties.

## 3.3 Business sector information

Based on the definition provided by standard IFRS 8 an operating segment is a component of an entity:

- that undertakes business activity that generates costs and revenues;
- the operating results of which are periodically reviewed at the highest decisional/operating level of the entity in order to make decisions concerning the resources to allocate to the segment and the measurement of the results;
- for which separate accounting information is available.

The business segments in which the Group operates are determined on the basis of the reporting utilized by Group top management to make decisions, and they have been identified as the Water Jetting Sector, which basically includes high and very-high pressure pumps and very high pressure systems, as well as machines for the food processing, chemicals, cosmetics and pharmaceutical industries, and the Hydraulic Sector, which includes power take-offs, hydraulic cylinders, directional controls and hydraulic valves, hydraulic hoses and fittings, gears, orbital motors, steering systems (hydroguide) and other hydraulic components. With the aim of providing more comprehensive disclosure, information is provided for the geographical areas in which the Group operates, namely Italy, the Rest of Europe (including non-EU European countries), North America, the Far East and Oceania, and the Rest of the World.

## 3.4 Treatment of foreign currency transactions

*(i) Foreign currency transactions*
The functional and presentation currency adopted by the Interpump Group is the euro. Foreign currency transactions are translated to euro using the exchange rates in force on the date of the transaction. Monetary assets and liabilities are translated at the exchange rate in force on the reporting date. Foreign exchange differences arising from the translation are recognized in the income statement. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rates in force on the date of the related transactions. Monetary assets and liabilities stated at fair value are translated to euro at the exchange rate in force on the reporting date in respect of which their fair value was determined.

*(ii) Translation to euro of financial statements in foreign currencies*
The assets and liabilities of companies not residing in the EU and whose functional currency is not the Euro, including the goodwill adjustments deriving from the consolidation process and the fair-value adjustments generated by the acquisition of a foreign company outside the EU, are translated at the exchange rates in force on the reporting date. Revenues and costs of the same companies are translated at the average exchange rate in force in the year, which approximates the exchange rates in force on the dates on which the individual transactions were carried out. Foreign exchange differences arising from translation are allocated to a specific equity reserve designated Translation Reserve. At the time of disposal of a foreign economic entity, accumulated exchange differences reported in the Translation Reserve will be recognized in the income statement. The exchange rates used for the translation to euro of the amounts booked to the income statements and statements of financial position of companies with functional currency other than the euro are as follows:

| | 2021 averages | At 31 December 2021 | 2020 averages | At 31 December 2020 |
|---|---|---|---|---|
| Danish Krone | 7.437 | 7.436 | 7.454 | 7.441 |
| Swedish Krona | 10.146 | 10.250 | 10.485 | 10.034 |
| UAE Dirham | 4.344 | 4.160 | 4.195 | 4.507 |
| Australian Dollar | 1.575 | 1.562 | 1.655 | 1.590 |
| Canadian Dollar | 1.483 | 1.439 | 1.530 | 1.563 |
| Hong Kong Dollar | 9.193 | 8.833 | 8.859 | 9.514 |
| New Zealand dollar | 1.672 | 1.658 | 1.756 | 1.698 |
| Singapore Dollar | 1.589 | 1.528 | 1.574 | 1.622 |
| US Dollar | 1.183 | 1.133 | 1.142 | 1.227 |
| Swiss Franc | 1.081 | 1.033 | 1.071 | 1.080 |
| Ukrainian Hryvnia | 32.259 | 30.922 | 30.851 | 34.769 |
| Moldovan Leu | 20.892 | 20.120 | 19.711 | 21.069 |
| Romanian Leu | 4.921 | 4.949 | 4.838 | 4.868 |
| Bulgarian Lev | 1.956 | 1.956 | 1.956 | 1.956 |
| New Peruvian Sol | 4.591 | 4.519 | 3.996 | 4.443 |
| Chilean Peso | 898.395 | 964.350 | 903.137 | 872.520 |
| Columbian Peso | 4,429.479 | 4,598.680 | 4,217.056 | 4,202.340 |
| South African Rand | 17.477 | 18.063 | 18.765 | 18.022 |
| Mexican Peso | 23.985 | 23.144 | 24.519 | 24.416 |
| Brazilian Real | 6.378 | 6.310 | 5.894 | 6.374 |
| Russian Ruble | 87.153 | 85.300 | 82.725 | 91.467 |
| Indian Rupee | 87.439 | 84.229 | 84.639 | 89.661 |
| UK Pound | 0.860 | 0.840 | 0.890 | 0.899 |
| South Korean Won | 1,354.057 | 1,346.380 | 1,345.577 | 1,336.000 |
| Chinese Yuan | 7.628 | 7.195 | 7.875 | 8.023 |
| Polish Zloty | 4.565 | 4.597 | 4.443 | 4.560 |

The economic values of companies that entered the scope of consolidation during the year were converted at the average exchange rate of the period in which they contributed to the Group results.

### 3.5 Non-current assets held for sale and discontinued operations

Non-current assets held for sale and any assets and liabilities pertaining to lines of business destined for sale are measured at the lower of their book value at the time these items were classified as held for sale, and their fair value, net of the costs of sale. Any impairments recorded in application of said principle are recorded in the income statement, both in the event of write-downs for adaptation to the fair value and also in the case of profits and losses deriving from future changes of the fair value.

Business complexes that represent a large portion of the Group's assets are classified as discontinued operations at the time of their disposal or when they fit the description of assets held for sale, if said requirements existed previously.

### 3.6 Property, plant and equipment

*(i) Recognition and measurement*
Property, plant and equipment are measured at the historical cost and stated net of accumulated depreciation (see next point *iii*) and impairment losses (see section 3.9). The cost of goods produced internally includes the cost of raw materials, directly related labor costs, and a portion of indirect production costs. The cost of assets, whether purchased externally or produced internally, includes the ancillary costs that are directly attributable and necessary for use of the asset and, when they are significant and in the presence of contractual obligations, the current value of the cost estimated for the dismantling and removal of the related assets.

Financial charges relative to loans utilized for the purchase of tangible fixed assets are recorded in the income statement on an accruals basis if they are not specifically allocated to the purchase or construction of the asset, otherwise they are capitalized.

Assets held for sale are measured at the lower of the fair value net of ancillary sales charges and their book value.

*(ii) Subsequent costs*
The replacement costs of certain parts of assets are capitalized when it is expected that said costs will result in future economic benefits and they can be measured in a reliable manner. All other costs, including maintenance and repair costs, are ascribed to the income statement when they arise.

*(iii) Depreciation*
Depreciation is charged to the income statement on a straight-line basis in relation to the estimated residual useful life of the associated asset. Land is not depreciated. The estimated useful life of assets is as follows:

| | |
|---|---|
| - Property | 20-25 years |
| - Plant and equipment | 12.5 years |
| - Industrial and commercial equipment | 3-6 years |
| - Other assets | 3-8 years |

The estimated useful life of the assets is reviewed on an annual basis, and any changes in the rates of depreciation are applied, where necessary, to future depreciation charges.

For assets purchased and/or that became operational in the year, depreciation is calculated utilizing annual rates reduced by 50%. Historically, this method has been representative of the effective utilization of the assets concerned.

Any profits/losses emerging on the derecognition of assets, i.e. on disposal (from the date on which the purchaser obtains control over them) or when no further economic benefits are expected from their use or disposal, (being the difference between their carrying amount and the net consideration obtained) are recognized in the income statement at that time.

*(iv) Leasing*
Right-of-use assets are measured at cost and stated net of accumulated depreciation and impairment. They are also adjusted following remeasurement of the related lease liabilities. The cost of right-of-use assets comprises the amount of the lease liabilities recognized, the initial direct costs incurred and the lease payments made at or before the start date, net of any and all incentives received. Right-of-use assets are depreciated on a straight-line basis from the start date until the end of the useful life of the asset, being the end of the usage right (duration of the lease contract).

If the lease contract transfers ownership of the underlying asset to the lessee at the end of the lease period, or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee must depreciate the right-of-use asset from the start date until the end of the useful life of the underlying asset. The corresponding liability to the lessor is classified among the financial payables.

*(v) Leasehold improvements*
Any leasehold improvements with the same characteristics as fixed assets are capitalized in the asset category to which they relate and depreciated over their useful lives or, if shorter, over the residual life of the lease.

## 3.7 Goodwill

As stated in section 3.2 Consolidation principles, goodwill represents the excess amount of the purchase cost with respect to the Group portion of the fair value of current and potential assets and liabilities at the date of purchase.

Goodwill is recorded at cost, net of impairment losses.

Goodwill is allocated to the cash-generating units identified with reference to the organization, management and control structure of the Group, which coincide with the two operational sectors identified by the Group. The book value is measured in order to assess the absence of impairment (see section 3.9). Goodwill related to non-consolidated subsidiaries and associates is included in the value of the investment.

Any negative goodwill originating from acquisitions is entered directly in the income statement.

If the goodwill was allocated to a cash generating unit and the entity retires part of that unit's activities, the goodwill associated with the retired assets is added to their carrying amount when determining the profit or loss on retirement. The goodwill associated with the retired activity is determined with reference to the value of the retired assets with respect to those retained by the cash generating unit.

## 3.8 Other intangible assets

*(i) Research and development costs*
Research costs for the acquisition of new technical know-how are ascribed to the income statement when they arise.

Development costs relating to the creation of new products/accessories or new production processes are capitalized if the Group's companies can prove:

- the technical feasibility and intention of completing the intangible asset in such a way that it is available for use or for sale;
- their ability to use or sell the asset;
- the forecast volumes and realization values indicate that the costs incurred for development activities will generate future economic benefits;
- those costs are measurable in a reliable manner;
- and the resources exist to complete the development project.

The capitalized cost includes the cost of raw materials, directly related labor costs and a portion of indirect costs. Capitalized development costs are valued at cost, net of accumulated amortization, (see next point *v*) and impairment (see section 3.9). Other development costs are ascribed to the income statement when they arise.

*(ii) Loan ancillary costs*
Loan ancillary costs are treated as outlined in section 3.16. Ancillary costs relating to loans still to be paid out are recorded as current assets and deducted from the loan amounts after payment has been received.

*(iii) Other intangible assets*
Other intangible assets, all having a defined useful life, are measured at cost and recorded net of accumulated amortization (see next point *v*) and impairment (see section 3.9).

Trademarks and patents, which constitute almost the entirety of this caption, are amortized as follows: the Hammelmann trademark and NLB trademark and patents, the Inoxihp trademark, Inoxpa and the American Mobile trademark are amortized over 15 years, this period being considered representative of the expected useful life, in consideration of their positions as world leaders in their respective niche markets. The Walvoil, Reggiana Riduttori and Transtecno trademarks are amortized over 10 years, in consideration of their leadership positions in highly competitive markets.

Software licenses are amortized over their period of utilization (3-5 years).

The costs incurred internally for the creation of trademarks or goodwill are recognized in the income statement when they are incurred.

*(iv) Subsequent costs*
Costs incurred subsequently relative to intangible fixed assets are capitalized only if they increase the future economic benefits of the specific capitalized asset, otherwise they are entered in the income statement when they are sustained.

*(v) Amortization*
Amortization amounts are recorded in the income statement on a straight-line basis in accordance with the estimated useful life of the capitalized assets to which they refer. The estimated useful life of assets is as follows:

| | |
|---|---|
| - Patents and trademarks | 5-15 years |
| - Development costs | 5 years |
| - Granting of software and other licenses | 3-5 years |

The useful life is reviewed on an annual basis and any changes in the rates are made, where necessary, for future amounts.

## 3.9 Impairment of assets

The book values of assets, with the exception of inventories (see section 3.14), financial assets regulated by IFRS 9, deferred tax assets (see section 3.18), and non-current assets held for sale regulated by IFRS 5, are subject to measurement at the reporting date in order to identify the existence of possible indicators of impairment. If the valuation process identifies the presence of such indicators, the presumed recoverable value of the asset is calculated using the methods indicated in the following point (*i*).

The recoverable value of goodwill and intangible assets not yet in use is estimated at least annually, or more frequently if specific events provide evidence of possible impairment.

If the estimated recoverable value of the asset or its cash generating unit is lower than its net book value, the asset to which it refers is consequently adjusted for impairment loss with entry into the income statement.

Adjustments for impairment losses made in relation to the cash generating units are allocated initially to goodwill, and, for the remainder, to other assets on a proportional basis.

Goodwill is tested for impairment on a yearly basis even if there are no indicators of potential impairment.

*(i) Calculation of presumed impairment loss*
The estimated recoverable value of other assets is equal to their fair value less selling costs or, if greater, their value in use. The value in use is equivalent to the projected future cash flows, discounted to present value at a rate, including tax, that takes account of the market value, of interest rates and specific risks of the asset to which the presumed realization value refers. For assets that do not give rise to independent cash flows the presumed realization value is determined with reference to the cash generating unit to which the asset belongs.

*(ii) Reinstatement of impairment losses*
An impairment relative to other assets is reinstated if a change has occurred in the estimate used to determine the presumed recovery value.

Impairment is reinstated to the extent of the corresponding book value that would have been determined, net of depreciation/amortization, if no impairment loss had ever been recognized.

Impairment related to goodwill can never be reinstated.

## 3.10 Equity investments

Investments in associates are measured using the equity method, as envisaged in IAS 28 (see section 3.2 *(ii) Associates*).

Information about the investments in equity instruments (investments in other companies) is provided in section 3.12 Financial assets (Trade receivables, Other financial assets and Other assets).

## 3.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and post office deposits, and securities having original maturity date of less than three months. Current account overdrafts and advances with recourse are deducted from cash only for the purposes of the cash-flow statement.

### 3.12 Financial assets (Trade receivables, Other financial assets and Other assets)

On initial recognition, the classification of financial assets depends on how they will be measured subsequently: at amortized cost, at fair value through other components of comprehensive income or at fair value through profit or loss. Again at the time of initial recognition, financial assets are classified with reference to the characteristics of the related contractual cash flows and the business model used by the Group for their management. With the exclusion of trade receivables that do not contain a significant financing component, the Group initially measures financial assets at their fair value, including transaction costs in the case of those not measured at fair value through profit and loss. Trade receivables that do not have a significant financial component are measured at their transaction price, as defined in accordance with IFRS 15.

Financial assets are measured at amortized cost if they are held in order to collect contractual cash flows (*Held to Collect*), represented solely by the payment of principal and interest on the amount of principal still be repaid. All receivables are included in this category. These assets are measured at amortized cost, in accordance with the effective interest criterion, and stated net of impairment losses. Interest income, exchange gains and losses, and impairment losses are recognized in the profit (loss) for the year, as are derecognition gains and losses.

Financial assets are measured at fair value through other components of comprehensive income if they are held by the Group for the dual purpose of collecting contractual cash flows, represented solely by the payment of principal and interest on the amount of principal still be repaid, and of selling them (*Held to Collect and Sell*).

If a financial asset is not measured in one of the two ways described above, it must be measured at fair value through profit or loss. Accordingly, this category includes the assets held for trading and the assets designated on initial recognition as financial assets at fair value through profit or loss, as well as the financial assets whose measurement at fair value is mandatory. The fair value of the financial assets held for trading is determined with reference to market prices on the relevant annual or interim reporting date, or using financial valuation techniques and models.

In accordance with IFRS 9, commencing on 1 January 2018 the Group adopted a new impairment model for financial assets measured at amortized cost or at fair value through other components of comprehensive income, with the exception of equity securities and assets deriving from customer contracts. This new model is based on determining the expected credit loss (ECL), which replaced the incurred loss model envisaged previously. The new standard envisages adoption of the following methodologies: the General deterioration method and the Simplified approach. With regard to the simplified approach adopted by the Group, the standard does not specify how to segment customers, leaving each entity free to select the sample subsets in a manner consistent with its own circumstances. Within the simplified model, an analytical approach has been applied in relation to trade receivables deemed by management to be individually significant, and for which more detailed information is available about the significant increase in credit risk.

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized (i.e. removed from the statement of financial position) when:

- the right to receive cash flows deriving from the asset has expired, or
- the Company has transferred the right to receive cash flows deriving from the asset to a third party, or has accepted a contractual obligation to pay them over in full and without

delay and (a) has transferred substantially all the risks and benefits of ownership of the financial asset, or (b) has not transferred or retained substantially all the risks and benefits of ownership of the financial asset, but has transferred control over it.

The profit (loss) on a financial asset that is measured at amortized cost and is not included in a hedging relationship must be recognized in profit (loss) in the year in which it is derecognized or reclassified, or via the amortization process or when impairment adjustments are recorded.

### 3.13 Derivative financial instruments

It is Group policy to avoid subscribing speculative derivative financial instruments, although, when derivative financial instruments fail to meet the requirements for the accounting of hedging derivatives (hedge accounting), changes to the fair value of such instruments are booked to the income statement as financial charges and/or income.

Derivative financial instruments are brought to account using hedge accounting methods when:

- formal designation and documentation of the hedge relation is present at the start of the hedge;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured and the hedge is highly effective during the periods of designation.

The method used to recognize derivative financial instruments depends on whether or not the conditions and requirements of IFRS 9 are fulfilled. Specifically, it clarifies that:

*(i) Cash flow hedges*
In the case of a derivative financial instrument for which formal documentation is provided of the hedging relation of the variations in cash flows originating from an asset or liability of a future transaction (underlying hedged variable), considered to be highly probable and that could impact on the income statement, the effective hedge portion deriving from the adaptation of the derivative financial instrument to fair value is recognized directly in equity. When the underlying hedged item is delivered or settled, the relative provision is derecognized from equity and attributed at the recording value of the underlying element. The ineffective portion, if present, of the change in value of the hedging instrument is immediately ascribed to the income statement under financial expenses and/or income.

When a hedging financial instrument expires, is sold, terminated, or exercised, or the company changes the relationship with the underlying variable, and the forecast transaction has not yet occurred although it is still considered likely, the relative gains or losses deriving from adjustment of the financial instrument to fair value are still retained in equity and are recognized in the income statement when the transaction takes place in accordance with the situation described above. If the forecast transaction related to the underlying risk is no longer expected to occur, the relative gains or losses of the derivative contract, originally deferred in equity, must be taken to the income statement immediately.

*(ii) Hedges of monetary assets and liabilities (Fair value hedges)*
When a derivative financial instrument is used to hedge changes in value of a monetary asset or liability already recorded in the financial statements that can impact on the income statement, the gains and losses relative to the changes in the fair value of the derivative instrument are taken to the income statement immediately. Likewise, the gains and losses relative to the hedged item modify the book value of said item and are recognized in the income statement.

### 3.14 Inventories

Inventories are measured at the lower of purchase cost or their estimated realizable value. Cost is determined on a weighted-average basis and includes all costs incurred to purchase the materials and transform them into their state and condition at the reporting date. The cost of semi-finished goods and finished products includes a portion of indirect costs determined on the basis of normal production capacity. Write down provisions are calculated for materials, semi-finished goods and finished products considered to be obsolete or slow moving, taking account of their expected future usefulness and their realization value. The net realization value is estimated taking account of the market price during the course of normal business activities, from which the costs of completion and costs of sale are subsequently deducted.

### 3.15 Share capital and treasury shares

In the case of purchase of treasury shares, the price paid, inclusive of any directly attributable ancillary costs, is deducted from share capital for the portion concerning the nominal value of shares and from shareholders' equity for the surplus portion. When said treasury shares are resold or reissued, the price collected, net of any directly attributable ancillary charges and the relative tax effect, is recorded as share capital for the portion concerning the nominal value of shares and as shareholders' equity for the surplus.

### 3.16 Financial liabilities (Trade payables, Bank payables, Interest-bearing financial payables and Other liabilities)

On initial recognition, financial liabilities are measured at fair value through profit and loss and classified either as loans or as derivatives designated as hedging instruments. All financial liabilities are initially recognized at fair value, including directly-attributable transaction costs in the case of loans and payables. Following initial recognition, loans are measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated collections over the expected life of the financial instrument or the future payments to the gross carrying amount of the financial asset or the amortized cost of the financial liability. Profits and losses are recognized in the income statement when liabilities are settled, as well as via the amortization process. Amortization using the effective interest rate is classified among financial expenses in the income statement.

A financial liability is derecognized when the underlying obligation expires or when the obligation specified in the contract is settled, canceled or expires.

Trade payables and other debts, the relative due date of which is within normal commercial terms, are not discounted to present value and are entered at the amortized cost representative of their discharge value.

Current financial liabilities include the short-term portions of the interest-bearing financial payables, bank and lease payables and other financial liabilities.

### 3.17 Liabilities for employee benefits

*(i) Defined contribution plans*
The Group participates in defined pension plans with public administration or private plans on a compulsory, contractual, or voluntary basis. The payment of contributions fulfills the Group's obligations towards its employees. The contributions therefore constitute costs of the period in which they are due.

*(ii) Defined benefit plans*

Defined benefits for employees disbursed on termination of their employment with the Group or thereafter, and which include severance indemnity of Italian companies, are calculated separately for each plan, using actuarial techniques to estimate the amount employees have accrued in the year and in previous years. The resulting benefit is discounted to present value and recorded net of the fair value of any related assets. The discount rate on the reporting date is calculated as required by IAS 19 with reference to the market yield of high quality corporate bonds. Only the securities of corporate issuers with an "AA" rating are considered, on the assumption that this class identifies a high rating level in the context of "Investment Grade" (IG) securities, with the exclusion, therefore, of higher risk securities. Given that IAS 19 does not make explicit reference to a specific business category, the Group has opted for a “Composite” market yield curve that, accordingly, summarizes market conditions on the measurement date for the securities issued by companies active in various sectors, including utilities, telephony, finance, banking and industrials. At 31 December 2021, analysis of the above corporate yield curves for “AA” securities used for actuarial valuation purposes indicates a generalized increase in expected yields (only negative until the third year) for all maturities, with respect to that at 31 December 2020 used for the previous actuarial valuation. This increase in the curve reflects the global economic recovery observed during 2021, albeit with uncertainties connected with the progress of the vaccination campaigns and the possible spread of new virus variants. The corporate credit market remained stable during 2021, encouraged by optimism about the launch of vaccines, the quieter political background and the unwavering monetary and fiscal support provided by central banks and governments throughout the year. Specifically, the market for Investment Grade (IG) corporate bonds continued to recover ground, holding up well in response to the yields seen in 2020, which severely had challenged those companies active in sectors badly affected by the lockdowns. Given their high credit ratings, IG companies had privileged access to the capital markets, and the action taken by central banks and government enabled most to finance themselves at a reasonable cost in order to cover the shortfall in revenues. The spreads charged on the bonds of financial and non-financial companies remained fairly low and, indeed, were lower than those observed prior to the pandemic. The extra yields on high-quality corporates were therefore stable and positive, confirming the optimism of investors and rating agencies about prospects for the profitability and financial strength of companies in Euro area, despite the more uncertain economic outlook. The defined benefit obligation is calculated on an annual basis by an independent actuary using the projected unit credit method.

If the plan benefits increase, the prior-service portion of the increase is charged to the income statement on a straight-line basis over the period in which the related rights will be acquired. If the rights are acquired immediately, the increase is recognized immediately in the income statement.

Actuarial profits and losses are recognized in a specific equity reserve on an accrual basis.

Until 31 December 2006 the severance indemnity provision (TFR) of Italian companies was considered to be a defined benefits plan. The rules governing the provision were amended by Law no. 296 of 27 December 2006 (“2007 Finance Act”) and by subsequent Decrees and Regulations enacted in the initial months of 2007. In the light of these changes, and in particular with reference to companies with at least 50 employees, the TFR severance indemnity should now be classified as a defined benefits plan exclusively for the portions accrued prior to 1 January 2007 (and not yet paid out at the date of the financial statements), while after that date TFR should be considered as a defined contributions plan.

*(iii) Stock options*

On the basis of the stock option plan currently in existence, certain employees and directors are entitled to purchase the treasury shares of Interpump Group S.p.A. The options are measured at their fair value, which is charged to the income statement as an increase in the cost of personnel and directors, with a matching entry to the share premium reserve for share-based payment transactions. Fair value is measured at the grant date of the option and recorded in the income statement in the period that runs between said date and the date on which the options become exercisable (vesting period), after the conditions relating to the achievement of objectives and/or the provision of services have been met. The cumulative costs recognized in relation to these operations at each reporting date until the vesting date are determined with reference to the length of the vesting periods and the best estimate of the number of participating instruments that will actually vest. The cost or income reported in the income statement reflects the change in the accumulated costs between the start and the end of the year.

No costs are recognized for rights that do not vest, except in the case of rights whose assignment is dependent on market conditions or a non-vesting condition. These are treated as if vested, regardless of whether or not the market conditions or other non-vesting conditions have been satisfied, without prejudice to the fact that all other performance and/or service conditions must still be satisfied. If the plan conditions are amended, the minimum cost recognized is that which would have been incurred without the plan amendment. A cost is also recognized for each amendment that increases the total fair value of the payment plan, or that is in any case favorable for employees; this cost is measured with reference to the amendment date.

The diluting effect of unexercised options is reflected in the calculation of diluted earnings per share.

The fair value of the option is determined using the applicable options measurement method (specifically, the binomial lattice model), taking account the terms and conditions at which the options were granted.

### 3.18 Income taxes

Income taxes disclosed in the income statement include current and deferred taxes. Income taxes are generally disclosed in the income statement, except when they refer to types of items that are recorded directly under shareholders' equity. In this case, the income taxes are also recognized directly in equity.

Current taxes are taxes that are expected to be due, calculated by applying to the taxable income the tax rate in force at the reporting date and the adjustments to taxes of prior years.

Deferred taxes are calculated using the liability method on the timing differences between the amount of assets and liabilities in the consolidated financial statements and the corresponding values recognized for tax purposes. Deferred tax liabilities are recognized in relation to all taxable temporary differences, except for:

- the deferred tax liabilities deriving from the initial recognition of goodwill or an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect the reported results or taxable income;
- reversals of taxable temporary differences, associated with investments in subsidiaries, associates and joint ventures, that can be controlled and that are unlikely to occur in the foreseeable future.

Deferred tax assets are recognized in relation to all deductible temporary differences, tax credits and unused tax losses carried forward, to the extent that future taxable income is likely to be sufficient to allow the recovery of the deductible temporary differences, tax credits and tax losses carried forward, except for:

– the deferred tax assets linked to deductible temporary differences that derive from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect the reported results or taxable income;

– the deferred tax assets linked to deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, which are only recognized if they are likely to reverse in the foreseeable future and there will be sufficient taxable income for the recovery of such temporary differences.

Deferred taxes are calculated in accordance with the envisaged method of transfer of timing differences, using the tax rate in force at the reference date of years in which the timing differences arose.

Deferred tax assets are recognized exclusively in the event that it is probable that in future years sufficient taxable incomes will be generated for the realization of said deferred taxes. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that future taxable income is no longer likely to be sufficient to allow the recovery of such assets, in whole or in part. Any unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent that it has become is probable that future taxable income will be sufficient to allow their recovery.

### 3.19 Provisions for risks and charges

In cases where the Group has a legal or substantial obligation resulting from a past event, and when it is probable that the loss of economic benefits must be sustained in order to fulfill such an obligation, a specific provision for risks and charges is created. If the temporal factor of the envisaged loss of benefits is significant, the amount of the future cash outflows is discounted to present values at a rate, gross of taxes, that takes account of the market interest rates and the specific risk of the liability referred to.

*(i) Product warranty provision*
Liabilities for warranty repairs are allocated to the specific product warranty provision at the time of sale of the products. The provision is determined on the basis of historic data describing the cost of warranty repairs.

*(ii) Restructuring provision*
A restructuring provision is formed exclusively in the event that the Group has approved a formal and detailed restructuring plan and has started to implement it or has published it before the reporting date. In other cases, the future costs are not set aside.

*(iii) Onerous contracts*
When the forecast future benefits of a contract are less than the non-eliminable costs relating to it, a specific provision is created equivalent to the difference.

### 3.20 Revenues

*(i) Revenues from the sale of goods and services*
Revenues deriving from contracts with customers are recognized on the basis of the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the contractual performance obligations to be transferred to the customer in exchange for the transaction price; (iii) determination of the transaction price; (iv) allocation of the transaction price to the individual performance obligations; (v) recognition of the revenue when the associated performance obligation is fulfilled. Revenues are recognized at the amount of the consideration to which the Group considers it is entitled on satisfaction of the obligation, when the customer acquires control over the goods or services transferred. The Group has identified a single revenue stream from the sale of products and spare parts representing the obligations satisfied at a given point in time. Revenues from the sale of products are recognized when the significant risks and benefits associated with control over the goods are transferred to the purchaser. The change of control coincides with the transfer of ownership or possession of the goods to the purchaser and, therefore, generally occurs on shipment or on completion of the service.

*(ii) State grants*
State grants are recorded as deferred revenue under other liabilities when it becomes reasonably certain that they will be disbursed and when the Group has fulfilled all the necessary conditions to obtain them. Grants received against costs sustained are recorded in the income statement systematically in the same periods in which the relative costs are incurred.

### 3.21 Costs

*(ii) Lease installments*
The principal portion of lease installments is deducted from the financial payable, while the interest portion is charged to the income statement.

*(ii) Financial income and charges*
Financial revenues and charges are recorded on an accrual basis in accordance with the interest matured on the net value of the relative financial assets and liabilities, using the effective interest rate. Financial charges and income include currency exchange gains and losses and gains and losses on derivative instruments to be charged to the income statement (see section 3.13).

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

Sector information includes directly attributable costs and costs allocated on the basis of reasonable estimates. Holding company costs, i.e. remuneration of directors, statutory auditors and functions of the Group's financial management, control and internal auditing, and also consultancy costs and other related costs, are allocated to each sector on the basis of sales.

The Group comprises the following business sectors:

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

*Hydraulic Sector.* This sector includes the production and sale of power take-offs, hydraulic cylinders and pumps, directional controls, valves, hydraulic hoses and fittings, gears, orbital motors, steering systems (hydroguide) and other hydraulic components. Power take-offs are mechanical units used to transmit energy from the engine or gearbox of an industrial vehicle in order to drive, via hydraulic components, its various applications. 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 and operating mixer trucks. 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. Hydraulic hoses and fittings are used in a vast range of hydraulic equipment and are also employed in 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. Orbital motors are used on industrial vehicles, in the construction sector, in earth-moving machines and in agricultural machinery. The Group also designs and makes piping systems for the industrial, naval and offshore sectors.

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

| | Hydraulics 2021 | Hydraulics 2020 | Water-Jetting 2021 | Water-Jetting 2020 | Elimination entries 2021 | Elimination entries 2020 | **Interpump Group** 2021 | **Interpump Group** 2020 |
|---|---|---|---|---|---|---|---|---|
| Net sales external to the Group | 1,134,132 | 881,570 | 470,123 | 412,793 | - | - | 1,604,255 | 1,294,363 |
| Sales between sectors | 3,074 | 850 | 4,838 | 2,110 | (7,912) | (2,960) | - | - |
| **Total net sales** | **1,137,206** | **882,420** | **474,961** | **414,903** | **(7,912)** | **(2,960)** | **1,604,255** | **1,294,363** |
| Cost of sales | (776,662) | (603,302) | (260,832) | (230,482) | 7,930 | 2,906 | (1,029,564) | (830,878) |
| **Gross industrial margin** | **360,544** | **279,118** | **214,129** | **184,421** | **18** | **(54)** | **574,691** | **463,485** |
| *% on net sales* | *31.7%* | *31.6%* | *45.1%* | *44.4%* | | | *35.8%* | *35.8%* |
| Other operating income | 18,414 | 13,340 | 7,888 | 6,070 | (1,019) | (827) | 25,283 | 18,583 |
| Distribution expenses | (77,705) | (67,972) | (50,326) | (45,794) | 560 | 413 | (127,471) | (113,353) |
| General and administrative expenses | (108,611) | (93,209) | (58,224) | (54,409) | 441 | 468 | (166,394) | (147,150) |
| Other operating costs | (7,727) | (9,621) | (3,334) | (4,285) | - | - | (11,061) | (13,906) |
| **EBIT** | **184,915** | **121,656** | **110,133** | **86,003** | - | - | **295,048** | **207,659** |
| *% on net sales* | *16.3%* | *13.8%* | *23.2%* | *20.7%* | | | *18.4%* | *16.0%* |
| Financial income | 10,548 | 7,481 | 5,354 | 10,106 | (1,324) | (1,409) | 14,578 | 16,178 |
| Financial charges | (27,969) | (14,940) | (7,763) | (7,841) | 1,324 | 1,409 | (34,408) | (21,372) |
| Dividends | - | - | 44,204 | 39,702 | (44,204) | (39,702) | - | - |
| Equity method contribution | 179 | 82 | 104 | 19 | - | - | 283 | 101 |
| **Profit for the year before taxes** | **167,673** | **114,279** | **152,032** | **127,989** | **(44,204)** | **(39,702)** | **275,501** | **202,566** |
| Income taxes | (42,492) | (18,896) | (34,490) | (10,399) | - | - | (76,982) | (29,295) |
| **Consolidated profit for the year** | **125,181** | **95,383** | **117,542** | **117,590** | **(44,204)** | **(39,702)** | **198,519** | **173,271** |
| **Attributable to:** | | | | | | | | |
| Shareholders of Parent | 123,134 | 93,343 | 116,952 | 117,339 | (44,204) | (39,702) | 195,882 | 170,980 |
| Minority shareholders of subsidiaries | 2,047 | 2,040 | 590 | 251 | - | - | 2,637 | 2,291 |
| **Consolidated profit for the year** | **125,181** | **95,383** | **117,542** | **117,590** | **(44,204)** | **(39,702)** | **198,519** | **173,271** |
| **Further information required by IFRS 8** | | | | | | | | |
| Amortization, depreciation and write-downs | 60,346 | 55,430 | 21,780 | 21,677 | - | - | 82,126 | 77,107 |
| Other non-monetary costs | 5,704 | 9,676 | 3,504 | 5,349 | - | - | 9,208 | 15,025 |

**Financial position**
**(Amounts shown in €/000)**

| | Hydraulics | | Water-Jetting | | Elimination entries | | **Interpump Group** | |
|---|---|---|---|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Assets of the sector | 1,785,883 | 1,232,414 | 743,742 | 704,940 | (107,354) | (131,234) | 2,422,271 | 1,806,120 |
| Assets held for sale | 1,460 | - | - | - | - | - | 1,460 | - |
| **Assets of the sector (A)** | **1,787,343** | **1,232,414** | **743,742** | **704,940** | **(107,354)** | **(131,234)** | **2,423,731** | **1,806,120** |
| Cash and cash equivalents | | | | | | | 349,015 | 343,170 |
| **Total assets** | | | | | | | **2,772,746** | **2,149,290** |
| **Liabilities of the sector (B)** | **481,717** | **353,588** | **136,986** | **101,603** | **(107,354)** | **(131,234)** | **511,349** | **323,957** |
| Debts for the acquisition of equity investments | | | | | | | 77,794 | 62,686 |
| Payables to banks | | | | | | | 7,760 | 10,592 |
| Interest-bearing financial payables | | | | | | | 836,179 | 602,078 |
| **Total liabilities** | | | | | | | **1,433,082** | **999,313** |
| **Total assets, net (A-B)** | **1,305,626** | **878,826** | **606,756** | **603,337** | **-** | **-** | **1,912,382** | **1,482,163** |
| **Further information required by IFRS 8** | | | | | | | | |
| Investments measured using the equity method | 529 | 998 | 434 | 270 | - | - | 963 | 1,268 |
| Non-current assets other than financial assets and deferred tax assets | 1,053,327 | 718,913 | 376,523 | 353,092 | - | - | 1,429,850 | 1,072,005 |

The Hydraulic Sector is compared as follows, at unchanged perimeter:

| | Hydraulics | |
|---|---|---|
| | 2021 | 2020 |
| Net sales external to the Group | 1,077,986 | 881,570 |
| Sales between sectors | 3,074 | 850 |
| **Total net sales** | **1,081,060** | **882,420** |
| Cost of sales | (736,771) | (603,302) |
| **Gross industrial margin** | **344,289** | **279,118** |
| *% on net sales* | *31.8%* | *31.6%* |
| Other operating income | 18,142 | 13,340 |
| Distribution expenses | (75,022) | (67,972) |
| General and administrative expenses | (103,457) | (93,209) |
| Other operating costs | (6,701) | (9,621) |
| **EBIT** | **177,251** | **121,656** |
| *% on net sales* | *16.4%* | *13.8%* |
| Financial income | 9,826 | 7,481 |
| Financial charges | (27,073) | (14,940) |
| Dividends | - | - |
| Equity method contribution | 179 | 82 |
| **Profit for the year before taxes** | **160,183** | **114,279** |
| Income taxes | (40,693) | (18,896) |
| **Consolidated profit for the year** | **119,490** | **95,383** |
| **Attributable to:** | | |
| Shareholders of Parent | 117,443 | 93,343 |
| Minority shareholders of subsidiaries | 2,047 | 2,040 |
| **Consolidated profit for the year** | **119,490** | **95,383** |

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

| €/000 | Hydraulics | | Water-Jetting | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Cash flows from: | | | | | | |
| Operating activities | 170,067 | 193,975 | 87,162 | 86,900 | 257,229 | 280,875 |
| Investing activities | (103,278) | (43,338) | (307,871) | (55,625) | (411,149) | (98,963) |
| Financing activities | (63,946) | (73,444) | 221,007 | 17,687 | 157,061 | (55,757) |
| Total | 2,843 | 77,193 | 298 | 48,962 | 3,141 | 126,155 |

The investing activities of the Hydraulic Sector included €30,416k associated with the acquisition of equity investments (€1,990k in 2020). The investing activities of the Water-Jetting Sector included €276,399k associated with the acquisition of equity investments (€37,789k in 2020).

The cash flows deriving from the financing activities of the Hydraulic Sector include the payment of dividends to Water Jetting Sector companies totaling €42,924k (€39,702k in 2020). Moreover, the cash flows deriving from the financing activities of the Water Jetting Sector in 2021 included proceeds from the sale of treasury shares to the beneficiaries of stock options totaling €714k (€14,480k in 2020), outlays for the purchase of treasury shares amounting to €22,397k (€48,488k in 2020) and the payment of dividends of €27,451k (€27,125k in 2020).

## Geographical areas

Sales are analyzed below by the five geographical areas identified:

| | 2021 (€/000) | % | 2020 (€/000) | % | Growth |
|---|---|---|---|---|---|
| Italy | 270,722 | 17 | 200,063 | 16 | +35.3% |
| Rest of Europe | 579,793 | 36 | 467,228 | 36 | +24.1% |
| North America | 418,357 | 26 | 339,250 | 26 | +23.3% |
| Pacific Area | 197,673 | 12 | 172,798 | 13 | +14.4% |
| Rest of the World | 137,710 | 9 | 115,024 | 9 | +19.7% |
| Total | *1,604,255* | 100 | *1,294,363* | 100 | +23.9% |

Non-current assets other than financial assets and deferred tax assets are analyzed by geographical area below, based on their location:

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Italy | 754,407 | 710,873 |
| Rest of Europe | 406,627 | 179,298 |
| North America | 216,298 | 135,489 |
| Pacific Area | 21,779 | 17,036 |
| Rest of the World | 30,629 | 29,309 |
| Total | 1,429,740 | 1,072,005 |

The geographical areas to which operations are assigned depend on the nationality of the company performing them. No companies have operations in more than one area.

## 5. Business combinations

**DZ Trasmissioni S.r.l.**

The contract for the acquisition of 100% of DZ Trasmissioni S.r.l., active in the design, production and sale of right-angle drives, was signed on 14 January 2021. Solely for accounting purposes, 1 January 2021 was designated as the acquisition date, there being no significant differences between then and the actual acquisition date. The transaction was recorded using the acquisition method.

The definitive purchase price allocation is presented below:

| €/000 | Amounts acquired | Adjustments to fair value | Carrying values in the acquiring company |
|---|---|---|---|
| Cash and cash equivalents | 1,765 | - | 1,765 |
| Trade receivables | 1,215 | - | 1,215 |
| Inventories | 3,155 | - | 3,155 |
| Tax receivables | 33 | - | 33 |
| Other current assets | 48 | - | 48 |
| Property, plant and equipment | 1,529 | - | 1,529 |
| Other intangible assets | 2 | - | 2 |
| Deferred tax assets | 232 | - | 232 |
| Other non-current assets | 13 | - | 13 |
| Trade payables | (958) | - | (958) |
| Payables to banks | (1) | - | (1) |
| Tax liabilities | (77) | - | (77) |
| Other current liabilities | (178) | - | (178) |
| Leasing payables (non-current portion) | (1,189) | - | (1,189) |
| Deferred tax liabilities | (1) | - | (1) |
| Employee benefits (severance indemnity provision) | (281) | - | (281) |
| Net assets acquired | 5,307 | - | 5,307 |
| Goodwill related to the acquisition | | | 2,384 |
| **Total net assets acquired** | | | **7,691** |
| Total amount paid in cash | | | 4,616 |
| Amount paid by assigning treasury shares | | | 3,075 |
| **Total acquisition cost (A)** | | | **7,691** |
| Net financial position acquired (B) | | | (575) |
| Total amount paid in cash | | | 4,616 |
| Total change in net financial position | | | 4,041 |
| **Capital employed (A) + (B)** | | | **7,116** |

Since the acquisition date, DZ Trasmissioni S.r.l. has contributed €5.3m to the revenues of the Group and €1.5m to the pre-tax profits of the Group.

**White Drive Motors and Steering**

On 1 October 2021, Interpump Group acquired the three companies in the White Drive Motors & Steering business unit from the Danfoss Group. The White Drive Motors & Steering business unit includes three manufacturing facilities: Hopkinsville (Kentucky, USA), Parchim (Germany) and Wroclaw (Poland). In addition, three production lines were acquired from the Eaton Hydraulics plants in the USA and moved to the Hopkinsville plant, and a production line was acquired in China.

The acquisition of White Drive Motors and Steering has extended the Hydraulic Sector product catalog to include orbital motors and steering systems, thus helping to consolidate Interpump's role as a global player in hydraulics.

The purchase price allocation is presented below.

| €/000 | Amounts acquired | Adjustments to fair value | Carrying values in the acquiring company |
|---|---|---|---|
| Cash and cash equivalents | 8,708 | - | 8,708 |
| Trade receivables | 30,978 | - | 30,978 |
| Inventories | 30,945 | - | 30,945 |
| Tax receivables | 1,368 | - | 1,368 |
| Other current assets | 565 | - | 565 |
| Property, plant and equipment | 67,001 | 13,893 | 80,894 |
| Other intangible assets | 918 | - | 918 |
| Other financial fixed assets | 34 | - | 34 |
| Other non-current assets | 108 | - | 108 |
| Deferred tax assets | 995 | - | 995 |
| Trade payables | (38,348) | - | (38,348) |
| Tax liabilities | (1,048) | - | (1,048) |
| Other current liabilities | (7,637) | - | (7,637) |
| Provisions for risks and charges (current portion) | (100) | | (100) |
| Leasing payables (non-current portion) | (13,280) | - | (13,280) |
| Deferred tax liabilities | - | (2,640) | (2,640) |
| Provisions for risks and charges (non-current portion) | (909) | - | (909) |
| Net assets acquired | 80,298 | 11,253 | 91,551 |
| Goodwill related to the acquisition | | | 180,745 |
| **Total net assets acquired** | | | **272,296** |
| Total amount paid in cash | | | 274,333 |
| Price adjustment receivable | | | (2,037) |
| **Total acquisition cost (A)** | | | **272,296** |
| Net financial position acquired (B) | | | 4,572 |
| Total amount paid in cash | | | 274,333 |
| Total change in net financial position | | | 279,440 |
| **Capital employed (A) + (B)** | | | **276,868** |

The amounts for companies not resident in the EU were translated using the exchange rates at 30 September 2021. The transaction was recorded using the acquisition method.

Measurement of the fair value of certain assets is still in progress and, accordingly, the purchase price allocation remains provisional.

Since the acquisition date, White Drive Motors and Steering has contributed €49.5m to the revenues of the Group and €6.4m to the pre-tax profits of the Group.

**Berma S.r.l.**

The entire equity interest in Berma S.r.l. was acquired on 11 November 2021. This company produces gears specifically designed for conveyor belts and dispersion devices used to spread solid biological fertilizers.

Solely for accounting purposes, 1 November 2021 was designated as the acquisition date, there being no significant differences between then and the actual acquisition date. The transaction was recorded using the acquisition method.

The provisional purchase price allocation is presented below.

| €/000 | Amounts acquired | Adjustments to fair value | Carrying values in the acquiring company |
|---|---|---|---|
| Cash and cash equivalents | 5,741 | - | 5,741 |
| Trade receivables | 2,996 | - | 2,996 |
| Inventories | 6,313 | - | 6,313 |
| Tax receivables | 181 | - | 181 |
| Other current assets | 20 | - | 20 |
| Property, plant and equipment | 2,110 | - | 2,110 |
| Other intangible assets | 1 | - | 1 |
| Deferred tax assets | 481 | - | 481 |
| Other non-current assets | 1 | - | 1 |
| Trade payables | (4,889) | - | (4,889) |
| Tax liabilities | (241) | - | (241) |
| Other current liabilities | (2,355) | - | (2,355) |
| Leasing payables (non-current portion) | (78) | - | (78) |
| Deferred tax liabilities | (130) | - | (130) |
| Employee benefits (severance indemnity provision) | (905) | | (905) |
| Net assets acquired | 9,246 | - | 9,246 |
| Goodwill related to the acquisition | | | 29,185 |
| **Total net assets acquired** | | | **38,431** |
| Total amount paid in cash | | | 38,431 |
| **Total acquisition cost (A)** | | | **38,431** |
| Net financial position acquired (B) | | | (5,663) |
| Total amount paid in cash | | | 38,431 |
| Total change in net financial position | | | 32,768 |
| **Capital employed (A) + (B)** | | | **32,768** |

Since the acquisition date, Berma S.r.l. has contributed €3.6m to the revenues of the Group and €0.8m to the pre-tax profits of the Group.

## 6. Cash and cash equivalents

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Cash | 221 | 290 |
| Bank deposits | 348,471 | 341,794 |
| Other liquid funds | 323 | 1,086 |
| Total | 349,015 | 343,170 |

Cash and cash equivalents at 31 December 2021 include amounts denominated in foreign currencies, as shown below:

| | Amounts in €/000 | Amount in original currency |
|---|---|---|
| Euro | 270,941 | 270,941 |
| US Dollar | 33,707 | 38,169 |
| Chinese Renminbi | 18,168 | 130,720 |
| Indian Rupee | 7,210 | 607,293 |
| UK Sterling | 4,119 | 3,461 |
| Australian Dollar | 3,957 | 6,179 |
| Korean Won | 1,623 | 2,184,934 |
| Polish Zloty | 1,366 | 6,277 |
| Brazilian Real | 1,069 | 6,746 |
| Colombian Peso | 936 | 4,303,010 |
| South African Rand | 905 | 16,361 |
| New Zealand Dollar | 782 | 1,297 |
| Chilean Peso | 770 | 742,333 |
| Singapore Dollar | 770 | 1,176 |
| Canadian Dollar | 578 | 830 |
| Danish Krone | 518 | 3,854 |
| Bulgarian Lev | 516 | 1,009 |
| Ukrainian Hryvnia | 272 | 8,401 |
| Swiss Franc | 176 | 182 |
| Swedish Krona | 133 | 1,367 |
| Russian Ruble | 130 | 11,090 |
| Hong Kong Dollar | 115 | 1,012 |
| Romanian Leu | 100 | 562 |
| UAE Dirham | 89 | 371 |
| Other minor currencies | 65 | n.a. |
| Total | 349,015 | |

At 31 December 2021, bank deposits include deposits and restricted accounts with a total notional balance of €15.9m at an average fixed interest rate of 0.21%.

Investment of the Group's liquidity made it possible to achieve an average yield of 0.16% in 2021 (0.19% in 2020).

## 7. Trade receivables

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Trade receivables, gross | 374,484 | 272,943 |
| Bad debt provision | (12,571) | (11,236) |
| Trade receivables, net | 361,913 | 261,707 |

Changes in the bad debt provision were as follows:

| | *2021* (€/000) | *2020* (€/000) |
|---|---|---|
| Opening balances | 11,236 | 14,177 |
| Exchange rate difference | 176 | (258) |
| Change in consolidation basis | 337 | 336 |
| Reclassifications | 2 | (11) |
| Provisions in the year | 3,005 | 2,115 |
| Decreases in the year due to surpluses | (771) | (326) |
| Utilizations in the year | (1,414) | (4,797) |
| Closing balance | 12,571 | 11,236 |

Provisions in the year are booked under other operating costs.

At 31 December 2021, trade receivables due beyond 12 months total €356k, while trade payables are all due within 12 months.

## 8. Inventories

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Raw materials and components | 178,913 | 123,592 |
| Semi-finished products | 153,975 | 110,550 |
| Finished products | 183,070 | 142,454 |
| Total inventories | 515,958 | 376,596 |

Inventories are stated net of an allowance that has changed as indicated below:

| | *2021* (€/000) | *2020* (€/000) |
|---|---|---|
| Opening balances | 37,566 | 38,805 |
| Exchange rate difference | 1,050 | (1,240) |
| Change in consolidation basis | 3,200 | 712 |
| Provisions for the year | 3,633 | 3,388 |
| Utilizations in the year | (1,653) | (2,977) |
| Reversal of provisions due to surpluses | (1,039) | (1,122) |
| Closing balance | 42,757 | 37,566 |

## 9. Other current assets

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Accrued income and prepaid expenses | 7,225 | 5,236 |
| Price adjustments receivable | 2,036 | - |
| Other receivables | 9,103 | 3,291 |
| Other current assets | 2,402 | 1,833 |
| Total other current assets | 20,766 | 10,360 |

## 10. Property, plant and equipment

| | *Land and buildings* (€/000) | *Plant and machinery* (€/000) | *Equipment* (€/000) | *Other assets* (€/000) | *Total* (€/000) |
|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | |
| Cost | 300,501 | 478,477 | 141,263 | 101,244 | 1,021,485 |
| Accumulated depreciation | (66,929) | (291,782) | (113,986) | (64,430) | (537,127) |
| Net carrying amount | 233,572 | 186,695 | 27,277 | 36,814 | 484,358 |
| **Changes in 2020** | | | | | |
| Opening net carrying amount | 233,572 | 186,695 | 27,277 | 36,814 | 484,358 |
| Exchange differences | (4,840) | (3,726) | (1,176) | (2,116) | (11,858) |
| Change in consolidation basis | 5,562 | 6,902 | 378 | 1,871 | 14,713 |
| Additions | 16,208 | 25,286 | 7,988 | 7,240 | 56,722 |
| Recognition of right-to-use assets | 8,217 | 677 | 5 | 2,169 | 11,068 |
| Disposals | (14) | (1,188) | (247) | (3,020) | (4,469) |
| Early close-out of right-to-use assets | (4,875) | (6) | - | (110) | (4,991) |
| Remeasurement of right-to-use assets | (230) | - | - | 18 | (212) |
| Reclassifications | 41 | 493 | (1,027) | 68 | (425) |
| Capitalized depreciation | (56) | (6) | (2) | (2) | (66) |
| Write-backs | 98 | - | - | - | 98 |
| Write-downs | - | (39) | - | - | (39) |
| Depreciation | (19,369) | (30,417) | (9,314) | (9,319) | (68,419) |
| Closing net carrying amount | 234,314 | 184,671 | 23,882 | 33,613 | 476,480 |
| **At 31 December 2020** | | | | | |
| Cost | 314,042 | 503,383 | 141,382 | 103,387 | 1,062,194 |
| Accumulated depreciation | (79,728) | (318,712) | (117,500) | (69,774) | (585,714) |
| Net carrying amount | 234,314 | 184,671 | 23,882 | 33,613 | 476,480 |

| | *Land and buildings* (€/000) | *Plant and machinery* (€/000) | *Equipment* (€/000) | *Other assets* (€/000) | *Total* (€/000) |
|---|---|---|---|---|---|
| **Changes in 2021** | | | | | |
| Opening net carrying amount | 234,314 | 184,671 | 23,882 | 33,613 | 476,480 |
| Exchange differences | 5,520 | 3,493 | 1,042 | 2,019 | 12,074 |
| Change in consolidation basis | 32,816 | 48,773 | 1,674 | 1,552 | 84,815 |
| Additions | 45,658 | 42,786 | 11,968 | 14,936 | 115,348 |
| Recognition of right-to-use assets | 7,106 | 12 | 91 | 2,111 | 9,320 |
| Disposals | (618) | (2,066) | (173) | (4,475) | (7,332) |
| Early close-out of right-to-use assets | (1,175) | - | (20) | (208) | (1,403) |
| Remeasurement of right-to-use assets | 295 | - | 6 | (3) | 298 |
| Reclassifications | (1,507) | 661 | 42 | 705 | (99) |
| Reclassification of assets held for sale | (1,449) | (11) | - | - | (1,460) |
| Capitalized depreciation | (64) | (8) | (5) | - | (77) |
| Write-downs | (1,869) | (328) | - | (1) | (2,198) |
| Depreciation | (20,994) | (31,723) | (9,418) | (9,916) | (72,051) |
| Closing net carrying amount | 298,033 | 246,260 | 29,089 | 40,333 | 613,715 |
| **At 31 December 2021** | | | | | |
| Cost | 396,953 | 578,053 | 159,735 | 117,225 | 1,251,966 |
| Accumulated depreciation | (98,920) | (331,793) | (130,646) | (76,892) | (638,251) |
| Net carrying amount | 298,033 | 246,260 | 29,089 | 40,333 | 613,715 |

The cost of assets under construction, included in the net carrying amounts disclosed in the previous table, is as follows:

| | *Land and buildings* (€/000) | *Plant and machinery* (€/000) | *Equipment* (€/000) | *Other assets* (€/000) | *Total* (€/000) |
|---|---|---|---|---|---|
| At 1 January 2020 | 8,646 | 12,017 | 598 | 166 | 21,427 |
| At 31 December 2020 | 7,795 | 13,021 | 601 | 17 | 21,434 |
| At 31 December 2021 | 5,658 | 29,807 | 917 | 323 | 36,705 |

The net carrying amount of leased assets at 31 December 2021 is analyzed below:

| | *Land and buildings* (€/000) | *Plant and machinery* (€/000) | *Equipment* (€/000) | *Other assets* (€/000) | *Total* (€/000) |
|---|---|---|---|---|---|
| At 31 December 2020 | 78,392 | 4,925 | 2,507 | 4,523 | 90,347 |
| At 31 December 2021 | 85,574 | 2,985 | 2,151 | 4,635 | 95,345 |

Depreciation of €59,641k was charged to the cost of sales (€55,704k in 2020), €5,950k to distribution expenses (€5,977k in 2020) and €6,460k for general and administrative expenses (€6,739k in 2020).

At 31 December 2021 the Group has contractual commitments for the purchase of property, plant and equipment totaling €7,640k (€14,309k at 31 December 2020).

## 11. Goodwill

Changes in goodwill were as follows in 2021:

| Company: | Balance at 31/12/2020 | Increases (Decreases) in the year | Changes due to foreign exchange differences | Balance at 31/12/2021 |
|---|---|---|---|---|
| Water-Jetting | 210,570 | - | 3,075 | 213,645 |
| Hydraulics | 338,598 | 212,476 | 2,694 | 553,768 |
| *Total goodwill* | *549,168* | *212,476* | *5,769* | *767,413* |

The 2021 increases in the Hydraulics Sector related to the consolidation of the White Drive Motors and Steering Group, €180,745k; of Berma S.r.l., €29,185k; of DZ Trasmissioni S.r.l., €2,384k, and of Suministros Franquesa SA., €162k.

The Group carried out an impairment test on 31 December 2021. When reviewing its impairment indicators, the Group considered inter alia its stock market capitalization. In fact, the stock market capitalization of Interpump Group was far higher than the Group's net assets, inclusive of goodwill, throughout 2021. The recoverable value identified from the impairment test was determined from the value-in-use calculation carried out using the Discounted Cash Flow (DCF) method, net of taxation. Expected cash flows utilized in the calculation of DCF were determined on the basis of 5-year business plans that take account of the various reference scenarios and on the basis of growth forecasts in the various markets. In particular, the Group considers that the sales policies adopted in prior years, aimed at improving the degree of integration between its production and distribution networks and consolidating the growth of several important outlet markets for the Group, will make it possible to boost sales by around 4% for the "Water Jetting Sector" CGU and about 6% for the "Hydraulic Sector" CGU. A perpetual growth rate of 1% was applied for periods after 2026 for the "Hydraulic Sector" CGU, while a perpetual growth rate of 1.5% was applied for the "Water Jetting Sector" CGU due to the sustainability through time of the competitive advantages of the individual CGUs. The projected cash flows determined in this manner were reduced by a discount factor in order to take account of the risk that future plans could become impracticable. The weighted average cost of capital (WACC) *after tax* was measured for the various CGUs as follows:

| CGU | WACC |
|---|---|
| Water-Jetting | 4.75% |
| Hydraulics | 5.52% |
| Weighted average cost of capital | 5.20% |

The WACC utilized in 2020 was 4.97%. The sensitivity analysis required in the joint Bank of Italy, Consob, ISVAP document dated 3 March 2010 was also carried out. Reducing the expected cash flows of each CGU by 10% would not have resulted in the need to write down goodwill, and nor would increasing the cost of capital utilized by 50 basis points to actualize the expected flows.

## 12. Other intangible assets

| | *Product development costs* (€/000) | *Patents trademarks and industrial rights* (€/000) | *Other intangible assets* (€/000) | *Total* (€/000) |
|---|---|---|---|---|
| **At 31 December 2019** | | | | |
| Cost | 36,273 | 66,320 | 22,295 | 124,888 |
| Accumulated amortization | (29,307) | (43,768) | (19,286) | (92,361) |
| Net carrying amount | 6,966 | 22,552 | 3,009 | 32,527 |
| **Changes in 2020** | | | | |
| Opening net carrying amount | 6,966 | 22,552 | 3,009 | 32,527 |
| Exchange differences | (8) | (261) | (160) | (429) |
| Change in consolidation basis | 330 | 15,206 | 108 | 15,644 |
| Increases | 2,528 | 330 | 1,576 | 4,434 |
| Decreases | - | (5) | (5) | (10) |
| Reclassifications | - | - | - | - |
| Write-downs | (125) | - | (4) | (129) |
| Capitalized amortization | - | - | - | - |
| Amortization | (1,344) | (5,568) | (1,614) | (8,526) |
| Closing net carrying amount | 8,347 | 32,254 | 2,910 | 43,511 |
| **At 31 December 2020** | | | | |
| Cost | 38,758 | 80,498 | 23,268 | 142,524 |
| Accumulated amortization | (30,411) | (48,244) | (20,358) | (99,013) |
| Net carrying amount | 8,347 | 32,254 | 2,910 | 43,511 |
| **Changes in 2021** | | | | |
| Opening net carrying amount | 8,347 | 32,254 | 2,910 | 43,511 |
| Exchange differences | 3 | 126 | 166 | 295 |
| Change in consolidation basis | - | 734 | 192 | 926 |
| Increases | 2,367 | 1,063 | 3,869 | 7,299 |
| Decreases | - | (1) | (80) | (81) |
| Reclassifications | 146 | - | (7) | 139 |
| Write-downs | (92) | - | - | (92) |
| Capitalized amortization | - | - | - | - |
| Amortization | (1,227) | (5,048) | (1,510) | (7,785) |
| Closing net carrying amount | 9,544 | 29,128 | 5,540 | 44,212 |
| **At 31 December 2021** | | | | |
| Cost | 41,405 | 83,125 | 27,190 | 151,720 |
| Accumulated amortization | (31,861) | (53,997) | (21,650) | (107,508) |
| Net carrying amount | 9,544 | 29,128 | 5,540 | 44,212 |

The cost of assets in progress, included in the net carrying amounts reported above, is as follows:

| | *Product development costs* (€/000) | *Patents trademarks and industrial rights* (€/000) | *Other intangible assets* (€/000) | *Total* (€/000) |
|---|---|---|---|---|
| At 1 January 2020 | 3,940 | 17 | 51 | 4,008 |
| At 31 December 2020 | 5,736 | 10 | 111 | 5,857 |
| At 31 December 2021 | 7,201 | 50 | 759 | 8,010 |

Amortization was charged in full to general and administrative costs.
Product development costs consist mainly of capitalized internal costs.

## 13. Other financial assets

This item comprises:

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---:|---:|
| Investments in non-consolidated subsidiaries | 963 | 1,268 |
| Assets servicing employee benefits | 966 | 743 |
| Other financial assets | 321 | 258 |
| Total | 2,250 | 2,269 |

The following changes were recorded:

| | *2021* (€/000) | *2020* (€/000) |
|---|---:|---:|
| Opening balance | 2,269 | 4,226 |
| Exchange differences | 92 | (132) |
| Change in consolidation basis | (666) | (2,780) |
| Reclassifications | 20 | 148 |
| Increases for the year | 1,441 | 950 |
| Change in fair value | 7 | 13 |
| Decreases for the year | (913) | (156) |
| Closing balance | 2,250 | 2,269 |

Breakdown of the value of investments in non-consolidated subsidiaries:

| Company | 31/12/2021 (€/000) | % held | 31/12/2020 (€/000) | % held |
|---|---:|---:|---:|---:|
| Suministros Franquesa S.A. | - | 100% | 700 | 100% |
| Interpump Hydraulics Rus | 434 | 100% | 298 | 100% |
| General Pump China | 529 | 100% | 270 | 100% |
| Hammelmann Vostok | - | 100% | - | - |
| Interpump Hydraulics Perù S.a.c. | - | 90% | - | 90% |
| *Total non-consolidated subsidiaries* | *963* | | *1,268* | |

Sumministro Franquesa has been consolidated on a line-by-line basis in 2021.

General Pump China, Interpump Hydraulics RUS and Interpump Hydraulics Perù S.a.c. are all subsidiaries, but they have not been consolidated in view of their limited size.

Hamlemann Vostok was formed at the end of 2021 in order to support the sales of Hammelmann in Russia and increase the direct presence in that market.

The value of the investment in Interpump Hydraulics Perù, a distribution company based in Lima incorporated at the end of 2015 with the aim of strengthening the Group's direct presence in South America, has been reduced to zero and a provision for risks of €254k has been created to cover losses, which were mainly incurred by the company during the start-up phase and in 2020.

In relation to financial instruments recorded at fair value in the statement of financial position (assets servicing employee benefits and other financial assets), international accounting standards require that said values be classified on the basis of a hierarchy of levels that reflects the significance of the inputs utilized to establish the fair value and subdivided on the basis of the recurrence in their measurement. International accounting standards identify the following levels:

- Level 1 quotations recorded on an active market for assets and liabilities subject to measurement;
- Level 2 inputs other than the price quotations mentioned in the above point, which are directly (prices) or indirectly (price derivatives) observable in the market;
- Level 3 inputs that are not based on empirical market data.

The following table shows the financial instruments measured at fair value at 31 December 2021, broken down by level:

| (€/000) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Other financial assets | 1,145 | - | 142 | 1,287 |
| **Total assets** | **1,145** | **-** | **142** | **1,287** |

No transfers between levels were carried out in 2021.

All fair value measurements shown in the above table are to be considered as recurrent; the Group did not perform any non-recurrent fair value measurements in 2021.

## 14. Deferred tax assets and liabilities

The changes in the year of deferred tax assets and liabilities are listed below:

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (€/000) | (€/000) | (€/000) | (€/000) |
| At 31 December of the previous year | 59,610 | 34,679 | 43,229 | 42,154 |
| Exchange differences | 630 | (618) | 1,595 | (1,867) |
| Change in consolidation basis | 1,708 | 237 | 2,771 | 4,254 |
| Recognized in the income statement | 1,538 | 24,952 | 577 | (1,400) |
| Reclassifications | 190 | 85 | 35 | 88 |
| Recognized directly in equity | (18) | 275 | - | - |
| At 31 December of the current year | 63,658 | 59,610 | 48,207 | 43,229 |

The deferred taxes recognized directly in equity arise from remeasurement of defined benefit plans.

Deferred tax assets and liabilities refer to the following items in the statement of financial position:

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| | 31/12/2021 (€/000) | 31/12/2020 (€/000) | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
| Property, plant and equipment | 19,861 | 21,895 | 29,407 | 26,282 |
| Intangible assets | 12,893 | 10,682 | 15,233 | 16,137 |
| Equity investments | 360 | 357 | 18 | 16 |
| Inventories | 17,944 | 15,910 | 604 | 327 |
| Receivables | 1,471 | 1,083 | 124 | 114 |
| Liabilities for employee benefits | 2,600 | 2,084 | - | - |
| Provisions for risks and charges | 2,869 | 2,393 | - | - |
| Losses to be carried forward | 1,564 | 2,455 | - | - |
| Other | 4,096 | 2,751 | 2,821 | 353 |
| Total | 63,658 | 59,610 | 48,207 | 43,229 |

No deferred tax liabilities were recorded for reserves qualifying for tax relief as they are not expected to be distributed (see note 22).

## 15. Assets and liabilities held for sale

The assets held for sale at 31 December 2021 relate to a building for which sale negotiations are well advanced. The carrying amount at 31 December 2021 was lower than the fair value of the building, net of selling costs.

## 16. Interest-bearing financial payables and bank payables

The main loans are all subject to the following financial covenants, calculated on the consolidated values:

- Net indebtedness / Shareholders' equity;
- Net financial position / EBITDA;
- Net indebtedness / EBITDA;
- EBITDA / Financial charges.

At 31 December 2021 all financial covenants are amply complied with.

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| *Current* | | |
| Payables to banks | 7,760 | 10,592 |
| Bank loans | 213,802 | 164,289 |
| Leases | 18,322 | 17,227 |
| Other financial payables | 89 | 87 |
| Total current interest bearing financial payables | 232,213 | 181,603 |
| *Non-current* | | |
| Bank loans | 533,528 | 354,310 |
| Leases | 67,591 | 63,230 |
| Shareholder loans | 2,270 | 2,270 |
| Other financial payables | 577 | 665 |
| Total non-current interest bearing financial payables | 603,966 | 420,475 |

At 31 December 2021, fixed-rate loans amount to €4,319k, while the remainder are at floating rates.

Payables to banks and loans include €26,963k in currencies other than the euro, mainly comprising US dollars, Indian rupees, UK pounds, Chinese renminbi, Australian dollars and Canadian dollars relating to foreign subsidiaries. Amounts in currencies other than the euro are as follows:

| (€/000) | Payables to banks | Current interest-bearing financial payables | Non-current interest-bearing financial payables | Total |
|---|---|---|---|---|
| US Dollar | 533 | 2,641 | 7,117 | 10,291 |
| Indian Rupee | 737 | 580 | 3,155 | 4,472 |
| UK Pound | 12 | 766 | 2,310 | 3,088 |
| Chinese Renminbi | 7 | 2,043 | 781 | 2,831 |
| Australian Dollar | 6 | 601 | 1,151 | 1,758 |
| Canadian Dollar | 6 | 569 | 1,178 | 1,753 |
| Korean Won | - | 79 | 417 | 496 |
| Brazilian Real | 3 | 219 | 267 | 489 |
| South African Rand | - | 146 | 220 | 366 |
| Chilean Peso | - | 155 | 127 | 282 |
| Danish Krone | - | 175 | 99 | 274 |
| Polish Zloty | - | 94 | 117 | 211 |
| Swiss Franc | - | 48 | 109 | 157 |
| Russian Ruble | - | 55 | 86 | 141 |
| New Zealand Dollar | - | 49 | 85 | 134 |
| Mexican Peso | 2 | 40 | 36 | 78 |
| Colombian Peso | - | 10 | 33 | 43 |
| Ukrainian Hryvnia | - | 8 | 22 | 30 |
| Singapore Dollar | - | 19 | 8 | 27 |
| Bulgarian Lev | - | 9 | 14 | 23 |
| Swedish Krona | - | 8 | 9 | 17 |
| Moldovan Leu | - | 1 | 1 | 2 |
| Total | 1,306 | 8,315 | 17,342 | 26,963 |

The following rates were charged on the interest-bearing financial payables:

| % | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Bank loans | Euribor+0.78 (average spread) | Euribor+0.87 (average spread) |
| Finance leases | 2.73 | 2.80 |

Breakdown of lease payables at 31 December:

| | 31 December 2021 | | | | 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| (€/000) | Within the year | Between one and five years | Beyond five years | Total | Within the year | Between one and five years | Beyond five years | Total |
| Outstanding installments on leasing contracts | 20,641 | 56,739 | 16,613 | 93,993 | 19,349 | 49,550 | 19,099 | 87,998 |
| Interest | (2,319) | (4,618) | (1,143) | (8,080) | (2,122) | (4,275) | (1,144) | (7,541) |
| Present value of lease payables | 18,322 | 52,121 | 15,470 | 85,913 | 17,227 | 45,275 | 17,955 | 80,457 |

At 31 December 2021 the Group is party to several leasing contracts for industrial buildings, plant and machinery, the carrying amount of which, totaling €95,345k (€90,347k at 31 December 2020), is classified under Property, plant and equipment (Note 10). Non-current financial payables have the following due dates:

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Within 2 years | 240,180 | 159,703 |
| From 2 to 5 years | 345,836 | 238,372 |
| Beyond 5 years | 17,950 | 22,400 |
| Total | 603,966 | 420,475 |

The Group has the following lines of credit that were unused at year-end:

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Export advances and Italian portfolio | 115,706 | 115,256 |
| Current account overdrafts | 23,045 | 5,366 |
| Medium/long-term loans | 19,774 | 69,380 |
| Total | 158,525 | 190,002 |

Net indebtedness, including payables and commitments, determined in accordance with ESMA guidance 32-382-1138 and included in Consob notice no. 5/21, comprises:

| | 31/12/2021 €/000 | 31/12/2020 €/000 | 01/01/2020 €/000 |
|---|---|---|---|
| Cash and cash equivalents | 349,015 | 343,170 | 233,784 |
| Payables to banks (advances and STC amounts) | (7,760) | (10,592) | (22,076) |
| Interest-bearing financial payables (current portion) | (232,213) | (181,603) | (195,110) |
| Interest-bearing financial payables (non-current portion) | (603,966) | (420,475) | (387,412) |
| *Net financial position* | *(494,924)* | *(269,500)* | *(370,814)* |
| Commitments for the acquisition of investments | (77,794) | (62,686) | (54,286) |
| **Total net indebtedness** | **(572,718)** | **(332,186)** | **(425,100)** |

## 17. Other current liabilities

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Payables related to the acquisition of investments | 26,299 | 8,467 |
| Other short-term payables | 86,581 | 63,365 |
| Government grants | 729 | 147 |
| Other | 3,138 | 1,759 |
| Total | 116,747 | 73,738 |

Other short-term payables mainly concern amounts due to personnel, directors, statutory auditors and social security institutions.

## 18. Provisions for risks and charges

Changes were as follows:

| (€/000) | Product warranty provision | Directors' termination indemnity provision | Agents' termination indemnity provision | Provision for returns on sales | Provision for risks on investments | Other | Total |
|---|---|---|---|---|---|---|---|
| Balance at 31/12/2020 | 3,465 | 7,443 | 893 | 379 | 359 | 2,615 | 15,154 |
| Exchange rate difference | 99 | - | - | 2 | (4) | 46 | 143 |
| Increase in the year | 1,333 | 750 | 33 | - | - | 467 | 2,583 |
| Surplus released to the income statement | (107) | - | - | - | - | - | (107) |
| Change in the scope consolidation basis | 100 | - | 27 | - | - | 909 | 1,036 |
| Reclassifications | 30 | - | - | - | 20 | 350 | 400 |
| Utilizations in the year | (667) | - | (27) | - | - | (793) | (1,487) |
| Balance at 31/12/2021 | 4,253 | 8,193 | 926 | 381 | 375 | 3,594 | 17,722 |

The balance of other provisions at 31 December 2021 refers to various disputes or estimated liabilities in group companies. In addition, on 16 March 2020, the Board of Directors established a termination indemnity - in line with that already approved at the Shareholders' Meeting - for Fulvio Montipò, founder of Interpump Group S.p.A., who has guided the Group to levels of extraordinary excellence and who plans to continue growing the Interpump Group further in the coming years. The provision represents a maximum of 3 years' remuneration and amounts to €8,193k at 31 December 2021. The closing balance is classified as follows in the statement of financial position:

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Current | 4,694 | 4,739 |
| Non-current | 13,028 | 10,415 |
| Total | 17,222 | 15,154 |

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.

## 19. Liabilities for employee benefits

*Liabilities for defined benefit plans*

The following movements were recorded in liabilities:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Liabilities at 1 January | 23,809 | 21,402 |
| Amount charged to the income statement in the year | 738 | 797 |
| Reclassifications to other current liabilities | (114) | (165) |
| Recognition in equity of actuarial results | (43) | 1,141 |
| Change in consolidation basis | 1,186 | 2,118 |
| Payments | (1,639) | (1,484) |
| Liabilities at 31 December | 23,937 | 23,809 |

The following items were recognized in the income statement:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Current service cost | 866 | 855 |
| Financial expenses (Income) | (128) | (58) |
| Past service cost | - | - |
| Total recognized in the income statement | 738 | 797 |

Items recognized in the income statement were booked as follows:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Cost of sales | 446 | 431 |
| Distribution expenses | 198 | 237 |
| General and administrative expenses | 222 | 187 |
| Financial expenses (Income) | (128) | (58) |
| Total | 738 | 797 |

Liabilities for defined benefit plans (Severance indemnity - TFR) were established with the following actuarial assumptions:

| | Unit of measurement | 2021 | 2020 |
|---|---|---|---|
| Discount rate | % | 0.79 | 0.25 |
| Expected increase in rate of remuneration* | % | 2.64 | 2.67 |
| Percentage of employees expected to resign (turnover)** | % | 4.86 | 4.43 |
| Annual cost-of-living increase | % | 2.20 | 1.30 |
| Average period of employment | Years | 13.64 | 13.65 |

* = restricted to companies with less than 50 employees.
** = average annual resignation percentage, all causes, in the first ten years following the assessment.

## 20. Other non-current liabilities

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Payables related to the acquisition of investments | 51,495 | 54,219 |
| Long-term employee benefits | 3,332 | 3,628 |
| Other | 6,058 | 476 |
| Total | 60,885 | 58,323 |

The changes in other non-current liabilities were as follows:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Liabilities at 1 January | 58,323 | 35,610 |
| Exchange rate difference | 123 | (554) |
| Change in consolidation basis | - | 101 |
| Amount charged to the income statement in the year | 418 | 907 |
| Reclassifications to other current liabilities | (19,174) | (7,288) |
| Change in fair value | 18,534 | (4,892) |
| Increase in medium/long-term payables | 3,794 | 36,632 |
| Payments | (1,133) | (2,193) |
| Liabilities at 31 December | 60,885 | 58,323 |

The portion of other non-current liabilities charged to the income statement mainly relates to the interest expense on put options, while the changes in fair value reflect positive and negative adjustments to the non-current portion of the estimated payables for the acquisition of equity investments.

## 21. Share capital

Share capital comprises 108,879,294 ordinary shares with a unit par value of EUR 0.52 totaling €56,617,232.88. However, the share capital reported in the financial statements amounts to €55,327k, 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 2021 Interpump S.p.A. holds 2,480,643 treasury shares in the portfolio corresponding to 2.278% of the share capital, acquired at an average unit cost of EUR 32.3556.

Changes in treasury shares over the past two years have been as follows:

| | Number |
|---|---|
| *Balance at 31/12/2019* | *2,224,739* |
| 2020 purchases | 1,610,000 |
| Sale of shares to finance subsidiaries' purchases of stock options | (488,533) |
| Sale of shares for the exercise of stock options | (1,123,850) |
| *Balance at 31/12/2020* | *2,222,356* |
| 2021 purchases | 418,285 |
| Sale of shares to finance subsidiaries' purchases of stock options | (104,598) |
| Sale of shares for the exercise of stock options | (55,400) |
| *Balance at 31/12/2021* | *2,480,643* |

Taking treasury shares into consideration, the following changes were recorded in the number of shares in circulation:

| | 2021<br>Number of shares | 2020<br>Number of shares |
|---|---:|---:|
| Ordinary shares in existence at 1 January | 108,879,294 | 108,879,294 |
| Treasury shares held | (2,222,356) | (2,224,739) |
| Shares in circulation at 1 January | 106,656,938 | 106,654,555 |
| Treasury shares purchased | (418,285) | (1,610,000) |
| Treasury shares sold | 159,998 | 1,612,383 |
| Total shares in circulation at 31 December | 106,398,651 | 106,656,938 |

The aims identified by the Group in the management of capital are the creation of value for all shareholders and supporting development of the group, both through internal means and by means of targeted acquisitions. The Group therefore intends to maintain an adequate level of capitalization, which simultaneously makes it possible to generate a satisfactory economic return for shareholders and to guarantee economically effective access to external sources of borrowing. The Group constantly monitors the evolution of the debt to equity ratio and the generation of cash through its industrial operations. In order to attain the aforementioned goals, the Group constantly monitors the cash flows generated by the business sectors in which it operates, both through improvement or maintenance of profitability, and careful management of working capital and of other expenditure. Capital is construed as both the value contributed by Interpump Group shareholders (share capital and share premium reserve, totaling €121,799k at 31 December 2021 and €134,155k at 31 December 2020), and the value generated by Group operations (other reserves and legal reserve, including profit for the year, totaling €1,208,557k at 31 December 2021 and €1,040,852k at 31 December 2020, excluding the translation reserve and the remeasurement reserve for defined benefit plans).

*Treasury shares purchased*
The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. During 2021 Interpump Group purchased 418,285 treasury shares for €22,397k (1,610,000 treasury shares for €48,487k in 2020).

*Treasury shares sold*
In the framework of the exercise of stock options, a total of 55,400 options were exercised, resulting in proceeds of €714k (1,123,850 options were exercised for €14,480k in 2020). Moreover, 75,000 treasury shares were assigned in 2021 as payment for equity investments (488,533 shares in 2020). Additionally, in the context of an acquisition, 29,598 treasury shares were transferred to a director of the company acquired as a signing bonus.

*Stock options*
The fair value of the 2016/2018 and 2019/2021 stock option plans was recorded in the 2021 and 2020 financial statements in compliance with IFRS 2. Costs of €4,386k (€1,919k in 2020) relating to the stock option plans were therefore recognized in the 2021 income statement, with a matching entry to the share premium reserve. Said costs represent the portion for the year of the value of the options assigned to employees and directors, established at the allocation date, corresponding to the value of the services rendered by the latter in addition to normal remuneration.

Items recognized in the income statement were booked as follows:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Cost of sales | - | - |
| Distribution expenses | 55 | 29 |
| General and administrative expenses | 4,331 | 1,890 |
| Total | 4,386 | 1,919 |

Changes in the share premium reserve were as follows:

| | 2021 €/000 | 2020 €/000 |
|---|---|---|
| Share premium reserve at 1 January | 78,693 | 96,733 |
| Increase due to income statement recognition of the fair value of stock options granted | 4,386 | 1,919 |
| Increase for the disposal of treasury shares further to payment for acquisitions of subsidiaries | 4,887 | 13,796 |
| Increase for the disposal of treasury shares further to the exercise of stock options | 685 | 13,895 |
| Utilization to cover purchase of treasury shares | (22,179) | (47,650) |
| Share premium reserve at 31 December | 66,472 | 78,693 |

The Shareholders' Meeting held on 28 April 2016 approved the adoption of an incentive plan known as the "*2016/2018 Interpump Incentive Plan*". The plan, which is based on the free assignment of options that grant the beneficiaries the right, on the achievement of specified objectives, to (i) purchase or subscribe the Company's shares up to the maximum number of 2,500,000 or, (ii) at the discretion of the Board of Directors, receive the payment of a differential equivalent to any increase in the market value of the Company's ordinary shares. Beneficiaries of the plan can be employees or directors of the Company and/or its subsidiaries, identified among persons having significant roles or functions. The exercise price has been established at EUR 12.8845 per share, equivalent to the market value at the time of the decision of the Board of Directors to submit the Plan to the Shareholders' Meeting. The options can be exercised between 30 June 2019 and 31 December 2022. The next meeting of the Board of Directors, held on 12 May 2016, set a figure of 2,500,000 for the number of options to be assigned, divided by the total number of options in each tranche (625,000 for the first tranche, 875,000 for the second tranche and 1,000,000 for the third tranche) and established the terms for the exercise of the options, which are connected to the achievement of specific accounting parameters and the performance of Interpump Group stock. The same Board meeting assigned 1,620,000 options to the Chairman, exercisable subject to the conditions described above, and granted mandates to the Chairman and the Deputy Chairman of Interpump Group, acting separately, to identify the beneficiaries of a further 880,000 options. On 6 and 29 July 2016, 13 December 2016 and 9 November 2017 a total of 531,800 options were assigned to other beneficiaries identified within the Interpump Group.

The changes in options in 2021 and 2022 were as follows:

| | 2021<br>Number of options | 2020<br>Number of options |
|---|---|---|
| Options assigned at 1 January | 714,200 | 1,838,050 |
| Options exercised in the year | (55,400) | (1,123,850) |
| Options canceled in the year | - | - |
| Total options assigned at 31 December | 658,800 | 714,200 |

The Shareholders' Meeting held on 30 April 2019 approved a new stock option plan, the "Interpump Incentive Plan 2019/2021", that envisages the assignment of up to 2,500,000 options at an exercise price of Euro 28.4952 and, for options assigned after 30 April 2020, at the official price determined by Borsa Italiana on the trading day prior to their assignment. In its meeting of 27 June 2019, the Board of Directors assigned 1,800,000 options to Chairman and Chief Executive Officer Fulvio Montipò; subsequently, 418,500 options were assigned to other beneficiaries. A further 20,000 options were assigned to other beneficiaries on 3 June 2020. Overall, a total of 2,238,500 options have therefore been granted. The options can be exercised from 30 June 2022 to 31 December 2025. The options canceled in 2021 totaled 51,144.

The changes in options during the year were as follows:

| | 2021<br>Number of options | 2020<br>Number of options |
|---|---|---|
| Number of rights assigned at 1 January | 2,147,900 | 2,188,500 |
| Number of rights assigned | - | 20,000 |
| Number of shares purchased | - | - |
| Number of rights canceled | (51,144) | (60,600) |
| Total number of options not yet exercised at 31 December | 2,096,756 | 2,147,900 |

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

*2016/2018 Plan*

| *First assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 1,620,000 |
| Grant date | | 12 May 2016 |
| Exercise price | | 12.8845 |
| *Vesting date* | | 1 July 2019 |
| Fair value per option at the grant date | EUR | 2.4585 |
| 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 | 6.583 |
| Expected dividends (compared with share value) | % | 2.50 |
| Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 12 May 2016) | % | From 0.11 to 0.22 |

| *Second assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 483,800 |
| Grant date | | 6 July 2016 |
| Exercise price | | 12.8845 |
| *Vesting date* | | 1 July 2019 |
| Fair value per option at the grant date | EUR | 3.0520 |
| 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 | 6.417 |
| Expected dividends (compared with share value) | % | 2.50 |
| Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 6 July 2016) | % | From -0.094 to -0.004 |

| *Third assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 30,000 |
| Grant date | | 29 July 2016 |
| Exercise price | | 12.8845 |
| *Vesting date* | | 1 July 2019 |
| Fair value per option at the grant date | EUR | 3.7130 |
| 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 | 6.417 |
| Expected dividends (compared with share value) | % | 2.50 |
| Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 29 July 2016) | % | From -0.082 to -0.002 |

| *Fourth assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 6,000 |
| Grant date | | 13 December 2016 |
| Exercise price | | 12.8845 |
| *Vesting date* | | 1 July 2019 |
| Fair value per option at the grant date | EUR | 4.33130 |
| 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 | 6 |
| Expected dividends (compared with share value) | % | 2.50 |
| Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 13 December 2016) | % | 0.264 |

| *Fifth assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 12,000 |
| Grant date | | 9 November 2017 |
| Exercise price | | 12.8845 |
| *Vesting date* | | 1 July 2019 |
| Fair value per option at the grant date | EUR | 13.4162 |
| 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 years and 5 months |
| Expected dividends (compared with share value) | % | 2.50 |
| Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 13 December 2016) | % | -0.0285 |

*<u>2019/2021 Plan</u>*

| *First assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 2,218,500 |
| Grant date | | 28 June 2019 |
| Exercise price | | 28.4952 |
| *Vesting date* | | 1 July 2022 |
| Fair value per option at the grant date | EUR | 4.562 |
| 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 | 4.76 |
| Expected dividends (compared with share value) | % | 1.00 |
| Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 28 June 2019) | % | -0.0182 |

| *Second assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 20,000 |
| Grant date | | 3 June 2020 |
| Exercise price | | 27.9868 |
| *Vesting date* | | 1 July 2022 |
| Fair value per option at the grant date | EUR | 5.226 |
| Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model) | % | 30 |
| Expected average duration of the plan 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 28 June 2019) | % | 0.1557 |

The expected volatility of the underlying variable (Interpump Group share) is a measure of the prospect of price fluctuations in a specific period. The indicator that measures volatility in the model utilized to evaluate the options is the mean square annualized deviation of compound returns of the Interpump Group share through time.

## 22. Reserves

*Translation reserve*

This comprises the exchange differences deriving from translation of the financial statements of foreign consolidated companies resident outside of the EU area, as well as fluctuations in the goodwill attributable to those companies due to exchange-rate fluctuations.

*Reserve from remeasurement of defined benefit plans*

Includes the actuarial component of defined benefit plans (TFR).

*Classification of net equity depending on possibility of utilization*

| (amounts in €/000) | Amount | Possibility of utilization | Available portion | Tax payable in the event of distribution | Summary of utilizations over the past three years | |
|---|---|---|---|---|---|---|
| | | | | | to cover losses | for other reasons |
| **Share capital** | 56,617 | B | - | - | - | - |
| Nominal value of treasury shares in portfolio | (1,290) | | | | | |
| Total share capital | 55,327 | | | | | |
| **Capital reserves** | | | | | | |
| From Parent Company's financial statements: | | | | | | |
| Legal reserve | 6,860 | B | - | - | - | - |
| Share premium reserve | 4,726 | A,B,C | 4,726 | - | - | 18,170 |
| Total from Parent Company's financial statements | 11,586 | | 4,726 | | | |
| Consolidation entries | 36 | | | | | |
| Total from consolidated financial statements | 11,622 | | | | | |
| **Profit reserves** | | | | | | |
| From Parent Company's financial statements: | | | | | | |
| Legal reserve | 4,463 | B | - | - | - | - |
| Share premium reserve | 61,393 | A,B,C | 58,826 | 1,232 | - | - |
| Extraordinary reserve | 342,144 | A,B,C | 306,442 | 7,164 | - | - |
| Reserve for share capital reduction | 1,290 | - | - | - | - | - |
| First Time Adoption Reserve | (73) | | - | - | - | - |
| Merger surplus | 863 | A,B,C | 698 | - | - | - |
| Reserve for restatement of defined benefit plans | (2,540) | - | - | - | - | - |
| Profit for the year | 84,309 | A,B,C | 84,309 | - | - | - |
| Total from Parent Company's financial statements | 491,849 | | 450,275 | | | |
| Consolidation entries | 769,401 | | | | | |
| Total from consolidated financial statements | 1,261,250 | | | | | |
| Reserve for treasury shares held | 80,263 | - | - | - | - | 149,877 |
| Treasury shares | (80,263) | | | | | |
| Non-distributable portion* | | | (3,118) | | | |
| **Remaining distributable portion** | | | 451,883 | | | |

A: for capital increase B: for coverage of losses C: for distribution to shareholders

*= represents the non-distributable portion destined to cover deferred costs that have not yet been amortized.

Utilizations refer to dividends, purchases of treasury shares and reductions of reserves for other causes and do not include transfers between reserves. In particular, the changes in the past three years reflect the purchases of treasury shares and use of the share premium reserve on the sale of treasury shares for less than their carrying amount, following the exercise of stock options.

On the basis of Italian tax legislation the reserves and profits are freely distributable and do not attract tax even in the case of distribution, on the condition that the reserves and residual profits exceed the negative components of income ascribed exclusively in the tax return; otherwise, distributed reserves and profits would be subject to tax in the measure in which the residual reserves and profits were lower than the negative components of income that have been ascribed exclusively to the tax return. At 31 December 2021, this condition has been complied with in full, hence no taxes were payable in the event of distribution of the Parent company's entire profits for the year and the entirety of available reserves, beyond the taxes already indicated in the prior statement.

*Breakdown of components recorded directly in equity*

| (amounts in €/000) | 2021 Pre-tax amount | 2021 Taxation | 2021 Amount net of taxes | 2020 Pre-tax amount | 2020 Taxation | 2020 Amount net of taxes |
|---|---|---|---|---|---|---|
| Profit (Loss) arising from translation of the financial statements of foreign companies | 33,950 | - | 33,950 | (35,362) | - | (35,362) |
| Profit (Loss) of companies measured using the equity method | 96 | - | 96 | (75) | - | (75) |
| Actuarial Profits (Losses) associated with restatement of defined benefit plans | 69 | (18) | 51 | (1,146) | 275 | (871) |
| **Total** | **34,115** | **(18)** | **34,097** | **36,583** | **275** | **36,308** |

## 23. Minority shareholders' equity

This is the portion of consolidated shareholders' equity pertaining to minority shareholders of the consolidated subsidiaries. Minority interest subsidiaries are not individually or cumulatively significant to the Interpump Group.

## 24. Other operating income

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Reimbursement of expenses | 10,310 | 8,736 |
| Income from the sale of waste and scrap | 6,783 | 2,831 |
| Release of surplus provisions and allocations | 878 | 645 |
| Capital gains from the sale of property, plant and equipment | 615 | 544 |
| Income from rent/royalties | 513 | 474 |
| Refunds from insurance | 265 | 238 |
| Writeback of property, plant and equipment | - | 98 |
| Profit from early close-out of right-of-use assets | 56 | 90 |
| Other | 5,863 | 4,927 |
| Total | 25,283 | 18,583 |

The Other caption includes operating grants received by the Group. Pursuant to para. 125-bis of art. 1 of Law 124/2017, the grants, subsidies, contributions and aid (in cash and/or in kind), not of a general nature and not representing consideration, remuneration or compensation for losses, received by the Group from Public Administrations during 2021 are listed below:

- grant of €215k from Cassa per i servizi energetici e ambientali (CSEA) in the context of relief for businesses that are heavy consumers of electricity;

Some Group companies also obtained grants, subsidies, contributions and State aid that are properly listed in the register of State aid available on the website: www.rna.gov.it

## 25. Costs by nature

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Raw materials and components | 617,558 | 499,748 |
| Personnel and temporary staff | 379,007 | 323,899 |
| Services | 159,223 | 123,211 |
| Amortization / depreciation (Notes 10 and 12) | 79,836 | 76,939 |
| Directors' and statutory auditors' remuneration | 11,092 | 8,754 |
| Hire purchase and leasing charges | 3,391 | 2,912 |
| Provisions / impairment of tangible and intangible fixed assets (Notes 10, 12 and 18) | 4,873 | 9,457 |
| Other operating costs | 79,510 | 60,367 |
| Total cost of sales, distribution costs, general and administrative expenses, other operating costs and impairment losses on intangible and tangible fixed assets | 1,334,490 | 1,105,287 |

In accordance with the requirements of article 149-(12) of the Issuers' Regulation as amended by Consob Resolution no. 15915 of 3 May 2007 published in the Official Journal of the Italian Republic no. 111 of 15 May 2007 (S.O. no. 115), the remuneration amounts for 2021 are listed below for services rendered to the Group by the independent auditors and the entities belonging to the network of the independent auditors:

- assignments for auditing of the parent company, €128k;
- assignments for auditing of subsidiaries, €931k;
- limited assurance of the Parent company's Non-Financial Statement, €48k.

The above amounts are included under Other costs within general and administrative expenses.

**26. Directors' and statutory auditors' remuneration**

The emoluments of the Directors and Statutory Auditors of Interpump Group S.p.A., for their functions performed at the Parent Company and at other consolidated companies, are summarized below:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Parent Company | 8,150 | 5,274 |
| Statutory auditors | 105 | 130 |
| Total remuneration | 8,255 | 5,404 |

The amounts include the emoluments authorized at the Shareholders' Meeting and those established by the Board of Directors for directors with special duties, including bonuses, fringe benefits, payments to cover the cost of personal security, adjustment of the termination indemnities of the Chairman and Chief Executive Officer, and the components of remuneration deriving from salaries and stock option plans, as represented by the period portion of the fair value of the options calculated at the assignment date. Further details about the compensation due to persons with power and strategic responsibilities at Interpump Group S.p.A. are available in the Report on remuneration policy and compensation paid.

**27. Financial income and expenses**

| | 2021 €/000 | 2020 €/000 |
|---|---|---|
| Financial income | | |
| Interest income from liquid funds | 482 | 499 |
| Interest income from other assets | 86 | 371 |
| Financial income to adjust estimated debt for commitment to purchase residual interests in subsidiaries | 831 | 5,246 |
| Foreign exchange gains | 12,990 | 9,594 |
| TFR financial income | 100 | 57 |
| Other financial income | 89 | 411 |
| Total financial income | 14,578 | 16,178 |

| | 2021 €/000 | 2020 €/000 |
|---|---|---|
| Financial charges | | |
| Interest expense on loans | 1,502 | 2,479 |
| Lease interest expense | 2,184 | 2,441 |
| Interest expense on put options | 560 | 626 |
| Financial charges to adjust estimated debt for commitment to purchase residual interests in subsidiaries | 19,180 | 319 |
| Foreign exchange losses | 10,496 | 15,232 |
| Other financial charges | 486 | 275 |
| Total financial charges | 34,408 | 21,372 |
| Total financial charges (income), net | 19,830 | 5,194 |

The interest expense on put options relates to the release of the discounting effect on payables for the purchase of equity investments. Adjustments of the estimated liability for the purchase of residual interests in subsidiaries may result in financial charges due to an increase in the liability, if the actual performance of the companies concerned is better than initially expected, or if the related put options are exercised later than initially expected. Conversely, financial income is recognized if actual performance is worse than initially expected, or if the put options are exercised earlier than initially expected.

## 28. Income taxes

The effective tax rate for the year was 27.9% (14.5% in 2020).

Taxes recognized in the income statement can be broken down as follows:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Current taxes | (75,041) | (53,639) |
| Current taxes for prior financial years | (496) | 557 |
| Flat tax | (2,406) | (2,564) |
| Deferred taxes | 961 | 26,351 |
| Total taxes | (76,982) | (29,295) |

Deferred tax recognized in the income statement can be broken down as follows:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Deferred tax assets generated in the year | 16,474 | 29,043 |
| Deferred tax liabilities generated in the year | (4,400) | (2,202) |
| Deferred tax assets transferred to the income statement | (14,936) | (4,299) |
| Deferred tax liabilities recognized in the income statement | 3,823 | 3,549 |
| Deferred tax assets resulting from change in rate | - | - |
| Deferred tax liabilities resulting from change in rate | - | 53 |
| Derecognized deferred tax assets | - | - |
| Deferred taxes not calculated in previous years | - | 207 |
| Total deferred taxes | 961 | 26,351 |

The reconciliation of taxes calculated on the basis of the nominal rates in force in the different countries and the effective tax burden is as follows:

| | 2021 | 2020 |
|---|---|---|
| IRES/National tax | (€/000) | (€/000) |
| Profit before taxes from the income statement | 275,501 | 202,566 |
| Theoretical taxes at the Italian rate (24.0%) | 66,120 | 48,616 |
| Effect of different rates applicable to foreign subsidiaries | (4,731) | (3,809) |
| Tax on dividends from consolidated companies | 3,529 | 3,051 |
| Higher (Lower) taxes resulting from the measurement of investments at equity | (68) | (23) |
| Higher taxes for non-deductible stock option costs | 53 | 35 |
| Lower taxes due to IRAP deduction relating to expenses for employees and similar for the year | (232) | (271) |
| Lower taxes due to IRAP deduction on interest expenses in the year | (81) | (51) |
| Lower taxes due to super and hyper-depreciation | (3,766) | (3,543) |
| Lower taxes resulting from Economic Growth Assistance (ACE) | (1,550) | (753) |
| Lower taxes due to tax benefit of franking goodwill | - | (7,164) |
| Higher taxes on the franking of goodwill | 5,076 | - |
| Lower taxes due to tax benefit of revaluing plant and machinery | - | (10,779) |
| Lower taxes due to tax benefit of revaluing trademarks | (5,217) | - |
| Higher taxes due to not recognizing deferred tax assets on current year tax losses | 116 | 223 |
| Lower taxes due to not recognizing deferred tax assets on prior year tax losses | (101) | (214) |
| Taxes relating to previous years (current plus deferred) | 524 | (577) |
| Higher taxes on charges related to the acquisition of investments | 697 | 57 |
| Higher (Lower) taxes on financial expenses relative to discounting of debts for the purchase of investments and related adjustments | 4,496 | (1,080) |
| Effect of change in the expected tax rate of Indian companies from 2020 | - | 136 |
| Higher (Lower) taxes for non-taxable revenues and non-deductible costs | (426) | (363) |
| *Total IRES/National tax* | *64,439* | *23,491* |
| IRAP/Local income taxes | | |
| Profit before taxes from the income statement | 275,501 | 202,566 |
| Theoretical taxes at the Italian rate (3.9%) | 10,745 | 7,900 |
| Effect of different rates applicable to foreign subsidiaries and for holding companies | 491 | 1,460 |
| Higher taxes for non-deductible payroll costs | 321 | 239 |
| Higher taxes for non-deductible directors' emoluments | 432 | 634 |
| Higher (lower) taxes due to non-deductible financial expenses and non-taxable financial income | 804 | (130) |
| Higher taxes due to measuring investments at equity | (11) | (3) |
| Lower taxes due to tax benefit of franking goodwill | - | (1,585) |
| Higher taxes on the franking of goodwill | 983 | - |
| Lower taxes due to tax benefit of revaluing plant and machinery | - | (2,121) |
| Lower taxes due to tax benefit of revaluing trademarks | (1,288) | - |
| Lower taxes due to IRAP exemption (balance 2019 and 1st advance 2020) | (688) | (742) |
| Taxes relating to previous years (current plus deferred) | 277 | (129) |
| Higher (Lower) taxes for non-taxable revenues and non-deductible costs | 477 | 281 |
| *Total IRAP/Local income taxes* | *12,543* | *5,804* |
| *Total income taxes recognized in the income statement* | *76,982* | *29,295* |

In 2021, Interpump Group S.p.A. confirmed the domestic tax group election made together with Interpump Piping S.r.l.

## 29. 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:

| | 2021 | 2020 |
|---|---|---|
| Consolidated net profit attributable to the owners of the Parent company (€/000) | 195,882 | 170,980 |
| Average number of shares in circulation | 106,664,662 | 107,104,047 |
| Basic earnings per share (€) | 1.836 | 1.596 |

*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:

| | 2021 | 2020 |
|---|---|---|
| Consolidated net profit attributable to the owners of the Parent company (€/000) | 195,882 | 170,980 |
| Average number of shares in circulation | 106,664,662 | 107,104,047 |
| Number of potential shares for stock option plans (*) | 1,399,025 | 424,299 |
| Average number of shares (diluted) | 108,063,687 | 107,528,346 |
| Diluted earnings per share (€) | 1.813 | 1.590 |

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

## 30. Information on financial assets and liabilities

Financial assets and liabilities, broken down by the categories identified by IFRS 7, are summarized in the following table:

| (€/000) | At fair value through profit and loss – Initially | At fair value through profit and loss – Subsequently | *Financial assets at 31/12/2021* Measured at amortized cost | At fair value through the Comprehensive income statement | *Financial liabilities at 31/12/2021* Measured at amortized cost | Total |
|---|---|---|---|---|---|---|
| Trade receivables | - | - | 361,913 | - | - | 361,913 |
| Other current assets | - | - | 13,541 | - | - | 13,541 |
| Other financial assets | 2,250 | - | - | - | - | 2,250 |
| Trade payables | - | - | - | - | (285,212) | (285,212) |
| Payables to banks | - | - | - | - | (7,760) | (7,760) |
| Current interest-bearing financial payables | - | - | - | - | (232,213) | (232,213) |
| Other current liabilities | - | - | - | - | (113,609) | (113,609) |
| Non-current interest-bearing financial payables | - | - | - | - | (603,966) | (603,966) |
| Other non-current financial assets | - | - | - | - | (60,885) | (60,885) |
| Total | 2,250 | - | 375,454 | - - | (1,303,645) | (925,941) |

| (€/000) | At fair value through profit and loss – Initially | At fair value through profit and loss – Subsequently | *Financial assets at 31/12/2020* Measured at amortized cost | At fair value through the Comprehensive income statement | *Financial liabilities at 31/12/2020* Measured at amortized cost | Total |
|---|---|---|---|---|---|---|
| Trade receivables | - | - | 261,707 | - | - | 261,707 |
| Other current assets | - | - | 5,124 | - | - | 5,124 |
| Other financial assets | 2,269 | - | - | - | - | 2,269 |
| Trade payables | - | - | - | - | (154,098) | (154,098) |
| Payables to banks | - | - | - | - | (10,317) | (10,317) |
| Current interest-bearing financial payables | - | - | - | - | (181,603) | (181,603) |
| Other current liabilities | - | - | - | - | (71,961) | (71,961) |
| Non-current interest-bearing financial payables | - | - | - | - | (420,475) | (420,475) |
| Other non-current financial assets | - | - | - | - | (58,323) | (58,323) |
| Total | 2,269 | - | 266,831 | - | (896,777) | (627,677) |

The financial assets measured at amortized cost generated revenues and costs. Revenues comprise exchange gains of €4,810k (€4,899k in 2020). Costs, on the other hand, comprise losses on receivables of €3,559k (€2,256k in 2020), classified in the income statement as other operating costs, and exchange losses of €5,063k (€5,430k in 2020).

The financial liabilities measured at amortized cost also generated costs and revenues in the income statement. Revenues comprise exchange gains of €5,282k (€3,003k in 2020), while costs refer to exchange losses of €3,502k (€7,488k in 2020) and the portion of ancillary charges initially incurred to obtain the loans and subsequently expensed over the duration of the loan in accordance with the financial method. Ancillary charges of €112k (€96k in 2020) were charged to the 2021 income statement.

Financial assets and liabilities measured at amortized cost generated respectively interest income of €917k (€5,990k in 2020) and interest expense of €23,800k (€6,044k in 2020); in addition, general and administrative expenses include commission amounts and bank charges of €1,673k (€1,597k in 2020).

## 31. Information on financial risks

The Group is exposed to financial risks associated with its activities:

- market risk (mainly related to currency exchange rates and interest rates) since the Group does business internationally and is exposed to the exchange risk;
- credit risk connected with business relations with customers;
- liquidity risk, with special reference to the availability of financial resources and access to the lending market and financial instruments in general;
- price risk in relation to metal price fluctuations that constitute a significant portion of the raw materials purchase price.

The Group is not exposed to significant risk concentrations.

As described in the Board of Directors' Report, the Interpump Group constantly monitors the financial risks to which it is exposed so that the potential negative effects can be evaluated in advance and appropriate actions can be taken to mitigate them.

The following section provides reference qualitative and quantitative indications concerning the uncertainty of such risks for the Interpump Group.

The quantitative data given below are not to be construed as forecasts; specifically, the sensitivity analyses concerning market risks are unable to reflect the complexity and correlated relations of markets that may derive from each prospected change.

### Exchange risk

The Group is exposed to risks deriving from fluctuations in currency exchange rates that can impact on the economic result and shareholders' equity value. Specifically, it clarifies that:

- Some of the Group's subsidiaries are located in countries outside the Eurozone, notably in the USA, Mexico, Canada, Brazil, Chile, Peru, Australia, New Zealand, China, Hong Kong, Singapore, India, South Korea, Denmark, Sweden, Poland, Romania, Moldova, Bulgaria, Ukraine, UK, UAE, Russia, Colombia and South Africa. Since the Group's functional currency is the euro, the income statements of these companies are translated into euro at the average exchange rate of the year. Changes in exchange rates can impact on the corresponding value of revenues, costs and economic result in euro.
- The Euro value of the assets and liabilities of consolidated companies whose functional currency is not the Euro may vary due to exchange-rate fluctuations. As provided for by the reference accounting standards, the effects of changes in the exchange rate are recognized directly in equity in the Translation reserve. The Group monitors the main exposures to translation risk; at the date of the financial statements no hedges have been arranged in relation to these exposures.
- Wherever Group companies generate revenues in currencies other than the currencies in which the respective costs are denominated, exchange rate fluctuations can impact on the relative companies' operating profit.

  In 2021 the total amount of cash flows directly exposed to exchange risks corresponded to approximately 14% of Group turnover (approximately 12% in 2020). The main exchange rates to which the Group is exposed are:

  - Euro/USD in relation to dollar sales of high pressure pumps, very high pressure systems, directional controls, gears and valves in North America and Mexico through the Group's distribution companies and, to a lesser degree, to customers external to the Group;

- Euro/CAD in relation to sales in Canadian dollars of valves and directional controls on the Canadian market to customers external to the Group;
- Euro/AUD in relation to sales in Australian dollars of very high pressure systems in Australia through one of the Group's distribution companies;
- Euro/GBP in relation to sales in pounds sterling of hydraulic components, hoses and fittings in the UK market to third parties and, to a lesser extent, to the Group's distribution companies;
- USD/Euro in relation to euro sales of high pressure pumps, directional controls and valves in North America by the Group's distribution companies;
- RON/Euro in relation to euro sales of hoses and fittings made in Romania for the Italian market;
- Chilean Peso/USD, in relation to sales in US dollars of various hydraulic components in South America;
- Renminbi/USD, Indian rupee/USD, Renminbi/Euro, Indian rupee/Euro, in relation to euro and dollar sales of components for food processing machines, hydraulic components, directional controls, gears and valves in North America, Korea and Italy;
- Mexican Peso/USD in relation to sales in US dollars of gears in North America through the Group's distribution companies;

If macro-hedges of currency revenues and costs are not possible, current Group policy is to hedge the exchange risk solely for those commercial transactions deemed unusual in terms of their size or frequency. To proceed in this manner, the Interpump Group has set up a hedging procedure for commercial transactions in foreign currency, in the framework of which the most effective derivative instruments for the achievement of the preset goals have been identified and the associated responsibilities, duties and system of delegations have been attributed.

- Whenever Group companies sustain costs denominated in foreign currencies other than the currencies of denomination of the relative revenues, fluctuations in the exchange rates can affect the operating profit of the companies in question.
  In 2021 the commercial cash flows directly exposed to exchange risks were equivalent to approximately 29% of Group purchases (30% in 2020) and mainly related to intercompany transactions involving the USD/Euro, Renminbi/Euro, Euro/USD, Korean Won/Euro, GBP/Euro, Indian Rupee/Euro, Romanian Leu/Euro, AUD/Euro, USD/Renminbi, CAD/USD and Zloty/Euro exchange rates and, to a lesser extent, the Rand/Euro, CAD/EUR, Zloty/USD, Ruble/Euro, Chilean Peso/Euro and Brazilian Real/Euro exchange rates, carried out in local markets (in primis the North American market) via the Group's distribution companies. Current Group policy regarding purchases in currencies other than those used locally does not envisage systematic hedges. The decision to refrain from systematic hedging is due to the large number of transactions, usually between Group companies, that occur constantly throughout the year and that can therefore be considered to be recurrent in terms of amount and also of the frequency with which they take place. Nevertheless, the Group monitors this phenomenon constantly, not only in relation to exchange-rate trends, but also with regard to business trends.
- Again in relation to commercial activities, Group companies may be obliged to hold trade receivables or payables denominated in currencies other than the account currency of the holding entity. Fluctuations in exchange rates can therefore result in the realization or assessment of positive or negative exchange differences.
- In relation to financial exposure, wherever the monetary outflows/inflows are denominated in a currency other than the account currency utilized by the creditor/debtor company, fluctuation of the exchange rates can impact negatively on the net profits of said companies.

In relation to financial exposures, intercompany loans totaling €3.5m were disbursed and collected during 2021 in currencies other than those utilized by the debtor companies. At 31 December 2021 loans granted in currencies other than those used by the debtor companies total €25.0m, down by €1.7m since 31 December 2020. Once again in 2021, the Group made the strategic decision not to hedge these exposures.

The nature and structure of the exposure to exchange risk and the related hedging policies adopted by the Group were substantially unchanged in 2021.

**Exchange risk sensitivity analysis**

The potential loss deriving from the change in the fair value of financial assets and liabilities caused by a hypothetical and sudden increase in the value of the euro of 10% with respect to the main foreign currencies would be approximately €4,737k at 31 December 2021 (€4,615k at 31 December 2020).

The sensitivity analysis did not take account of changes in the receivables and payables in relation to which the hedge operations were arranged. It is reasonable to assume that the fluctuation in exchange rates could produce an opposite economic effect on the derivative financial instruments of an amount that is identical to the change in the underlying hedged transactions thereby effectively offsetting the fluctuation.

**Interest rate risk**

Group companies use external financial resources in the form of debt and employ cash on hand available in bank deposits. Changes in the market interest rate influence the cost and return of various forms of financing and investment, thus impacting on the Group's level of financial expenses.

It is Group policy not to arrange hedges, in view of the short average duration of the existing loans (around 3.5 years). As more fully described in Note 16, loans at fixed rates of interest total €4,319k at 31 December 2021.

At 31 December 2021, liquidity of €15.9m is held in the form of unrestricted deposits at fixed interest rates, while the remainder is held at floating rates consistent with the Group's financial payables and bank debt.

**Sensitivity analysis related to interest rate risk**

The effects on the Group of a hypothetical and immediate upward variation in interest rates of 50 basis points would be higher financial expenses, net of the increase in financial income, totaling €2,521k (€1,414k in 2020). It is reasonable to assume that a 50 basis points decrease in interest rates would produce an equivalent effect, although this time in terms of lower financial expenses. The sensitivity analysis did not take account of loans in relation to which hedges have been taken out, those at fixed interest rates and liquidity invested at fixed rates. It is reasonable to assume that the fluctuation in interest rates could produce an opposite economic effect on the derivative financial instruments of an amount that is identical to the change in the underlying hedged transactions thereby effectively offsetting the fluctuation.

**Credit risk**

The maximum theoretical credit risk exposure of the Group at 31 December 2021 and 2020 is represented by the carrying value of the financial assets recorded in the financial statements.

Historically, the Group has not suffered significant bad debts (0.2% of sales in 2021 compared with 0.2% in 2020). This is because Group companies generally grant extended payment terms only to their long-term customers of known solvency and reliability. In contrast, after having passed an initial credit rating analysis, new customers are required to make payments in advance or to open a letter of credit for amounts due.

Individual write-downs are applied in relation to positions, if of significant magnitude, in relation to which an objective condition of uncollectability is present for all or part of the outstanding amount. The amount of the write-down takes account of an estimate of the recoverable flows and the associated collection date, and the expenses and costs for future debt recovery. Collective provisions are allocated in relation to receivables that are not subject to individual write-downs, taking account of the historic exposure and statistical data.

At 31 December 2021 the Loans and Receivables booked under financial assets for the purposes of IFRS 7 total €375,454k (€266,831k at 31 December 2020), and include €12,571k related to written down receivables (€11,236k at 31 December 2020); on the residual amount, payments overdue by less than three months total €74,481k (€43,226k at 31 December 2020), while those overdue beyond three months total €19,036k (€19,313k at 31 December 2020). The increases were mainly due to the change in consolidation basis.

The Group is not exposed to any significant concentrations of sales. In fact, in 2021 the top customer in terms of sales accounted for about 2% (2% in 2020 as well), while the top 15 customers accounted for about 12% of total sales (about 11% in 2020). The concentration is similar at sector level, since the top customer accounts for about 2% of the sales of the Water Jetting Sector and of the Hydraulic Sector, while the top 15 customers account for 13% of the sales of the Water Jetting Sector and 17% for the Hydraulic Sector.

**Liquidity risk**

The liquidity risk can arise if it becomes impossible to obtain, at acceptable economic conditions, the financial resources needed for the Group's business operations.

The two main factors that define the Group's liquidity situation are the resources generated by or used in operating and spending activities, and the characteristics of expiry and renewal of debt or liquidity of financial investments and the relative market conditions.

The Group has adopted a series of policies and processes aimed at optimizing the management of resources in order to reduce the liquidity risk:

- retention of an appropriate level of cash on hand;
- diversification of the banks with which the Group operates;
- access to adequate lines of credit;
- negotiation of covenants at a consolidated level;
- monitoring of the prospective conditions of liquidity in relation to the corporate process.

The maturity characteristics of interest bearing financial debts and bank debts are described in Note 16.

Management considers that the currently available funds and lines of credit, in addition to resources that will be generated by operating and financing activities will allow the Group to meet requirements deriving from investing activities, management of working capital and repayment of debts at the natural due date, in addition to ensuring the pursuit of a strategy of growth also by means of targeted acquisitions able to create value for shareholders. Liquid funds at 31 December 2021 total €349.0m. These funds, combined with the significant cash generation from operations that the Group has proved able to achieve in 2021 and in prior years, are definitely factors that make it possible to reduce the Group's exposure to liquidity risk. The decision to maintain a high level of liquidity was taken in order to pick up on any acquisition opportunities that may arise and to minimize the liquidity risk due to possible periods of uncertainty of the macroeconomic context that may emerge in the future.

**Price risk**

The Group is exposed to risks deriving from fluctuations in the prices of metals that can impact on economic results and profit margins. In particular, the purchase cost of metals represented 30% of the total costs incurred by the Group in 2021 to purchase raw materials, semi-finished products and finished products (31% in 2020). The main metals utilized by the Group include steel, cast iron, stainless steel, mild steel, aluminum, brass and, to a lesser extent, copper and sheet metal. The average prices of the raw materials used by the Group increased substantially during 2021. The Group sectors feature differing levels of propensity towards the risk of fluctuations in the prices of metals, notably:

- in the Water Jetting Sector, the cost of metals represented about 15% of the costs incurred in 2021 to purchase raw materials, semi-finished products and finished products (15% in 2020 as well). The metals utilized are primarily stainless steel, brass, aluminum, steel and copper. The policy is to leave the cost of storage of materials to vendors; this means that the risk is hedged by means of orders for periods and quantities made at fixed price. Agreements in place at 31 December 2021 cover 6% of projected brass consumption and 4% of expected aluminum consumption in 2021 (85% coverage of projected brass consumption and 100% coverage of projected aluminum consumption in the following year, at 31 December 2020). Brass and aluminum consumption in 2022 is also partially covered if the inventories on hand at 31 December 2021 are considered (45% coverage of expected brass consumption and 55% coverage of expected aluminum consumption) in addition to the agreements signed;
- the cost of metals in the Hydraulic Sector constituted around 34% of purchase costs for raw materials, semi-finished products and finished products in 2021 (37% in 2020). The metals utilized are primarily steel, cast iron, mild steel and aluminum. Historically, except for aluminum, the prices of these commodities have not been subject to marked price fluctuations; accordingly, the Group believes that a strategy based on a detailed analysis of price trends is sufficient to limit the price risk. In relation to aluminum, no hedging transactions are undertaken because of the limited incidence on purchase costs.

The selling prices of the various Group companies are usually revised on an annual basis but, in 2021, due to the exceptional rise in commodity prices, companies had to amend their price lists several times in order to transfer downstream the burden of higher purchasing costs.

**Risks associated with climate change**

Following recent remarks by the European Securities and Markets Authority (ESMA) about the importance of aspects linked to climate change and the energy transition to the activities of the Group, as well as changes in the EU regulatory environment, the Group has begun to assess the potential physical and transitional risks deriving from climate change. In this context, these initial assessments indicate that the Group is not particularly exposed in the short term to the physical risks of climate change, given the nature of its business and the geographical location of its plants. At present, these factors have not had a significant impact on the judgments and estimates used to prepare this Financial Report. Nevertheless, these aspects will be examined further in the coming months, especially with regard to the transitional risks and recent developments in the international situation.

## 32. Notes to the cash flow statement

### Property, plant and equipment

In 2021, the Group purchased property, plant and machinery totaling €115,348k (€56,719k in 2020). This investment involved payments of €71,595k, including the purchase of assets for subsequent rental and considering the dynamics of the payables incurred for this reason (€64,036k in 2020).

### Cash and cash equivalents

This item can be broken down as follows:

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Cash and cash equivalents as per the consolidated statement of financial position | 349,015 | 343,170 |
| Bank payables (overdrafts and subject to collection advances) | (7,760) | (10,592) |
| Cash and cash equivalents as per the consolidated cash flow statement | 341,255 | 332,578 |

### Net financial position and cash flow statement

For the amount and detail of the main components of the net financial position and the changes that occurred in 2021 and 2020 we invite you to refer to the "Cash Flow" section of the Report on operations.

## 33. Commitments

At 31 December 2021 the Group has commitments to purchase raw materials totaling €13,197k (€1,524k at 31 December 2020).

Furthermore, the Group also has commitments to purchase property, plant and equipment totaling €7,640k (€14,309k at 31 December 2020).

## 34. Transactions with related parties

The Group has business relations with unconsolidated subsidiaries, associates and other related parties at arm's length conditions considered to be normal in the relevant reference markets, taking account of the characteristics of the goods and services rendered. Transactions between Interpump Group S.p.A. and its consolidated subsidiaries, which are related parties of the Company, were eliminated in the consolidated financial statements and are not described in this note.

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

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| (€/000) | Consolidated Total | Non-consolidated subsidiaries | Associates | Other related parties | Total related parties | % incidence on F.S. caption |
| Net sales | 1,604,255 | 2,390 | - | 565 | 2,955 | 0.2% |
| Cost of sales | 1,029,564 | 1,080 | - | 7,577 | 8,657 | 0.8% |
| Other revenues | 25,283 | 4 | - | - | 4 | 0.0% |
| Distribution expenses | 127,471 | 36 | - | 723 | 759 | 0.6% |
| G&A expenses | 166,394 | - | - | 649 | 649 | 0.4% |
| Financial charges | 34,401 | - | - | 501 | 501 | 1.5% |

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| (€/000) | Consolidated Total | Non-consolidated subsidiaries | Associates | Other related parties | Total related parties | % incidence on F.S. caption |
| Net sales | 1,294,363 | 1,983 | - | 372 | 2,355 | 0.2% |
| Cost of sales | 830,878 | 7 | - | 6,510 | 6,517 | 0.8% |
| Other revenues | 18,583 | 7 | - | - | 7 | 0.0% |
| Distribution expenses | 113,353 | 52 | - | 712 | 764 | 0.7% |
| G&A expenses | 147,150 | - | - | 697 | 697 | 0.5% |
| Financial charges | 21,372 | - | | 552 | 552 | 2.6% |

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

| | 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|
| (€/000) | Consolidated Total | Non-consolidated subsidiaries | Associates | Other related parties | Total related parties | % incidence on F.S. caption |
| Trade receivables | 361,913 | 2,119 | - | 403 | 2,522 | 0.7% |
| Trade payables | 285,212 | 147 | - | 1,525 | 1,672 | 0.6% |
| Interest-bearing financial payables (current and non-current portions) | 836,179 | - | - | 22,492 | 22,492 | 2.7% |

| | 31 December 2020 | | | | | |
|---|---|---|---|---|---|---|
| (€/000) | Consolidated Total | Non-consolidated subsidiaries | Associates | Other related parties | Total related parties | % incidence on F.S. caption |
| Trade receivables | 261,707 | 1,904 | - | 908 | 2,812 | 1.1% |
| Trade payables | 154,098 | 72 | - | 1,259 | 1,331 | 0.9% |
| Interest-bearing financial payables (current and non-current portions) | 602,078 | - | - | 26,583 | 26,583 | 4.4% |

*Relations with non fully-consolidated subsidiaries*

Relations with subsidiaries that are not fully consolidated are as follows:

| (€/000) | Receivables | | Net sales | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 2021 | 2020 |
| Interpump Hydraulics Perù | 1,011 | 1,003 | 201 | 236 |
| Interpump Hydraulics Russia | 461 | 337 | 1,436 | 969 |
| General Pump China Inc. | 647 | 564 | 757 | 785 |
| *Total subsidiaries* | *2,119* | *1,904* | *2,394* | *1,990* |

| (€/000) | Payables | | Costs | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 2021 | 2020 |
| General Pump China Inc. | 96 | 61 | 1,039 | 707 |
| Interpump Hydraulics Perù | 51 | 11 | 51 | 82 |
| Interpump Hydraulics Russia | - | - | - | 4 |
| *Total subsidiaries* | *147* | *72* | *1,090* | *793* |

*Relations with associates*

The Group does not have any associated companies.

*Transactions with other related parties*

The income statement includes consultancy provided by entities associated with Group directors and statutory auditors totaling €41k (€145k in 2020). The consultancy costs incurred in 2021 have been allocated in full to general and administrative expenses (€85k to general and administrative expenses and €60k to distribution costs in 2020). Revenues from sales in 2021 included revenues from sales to companies owned by Group shareholders or directors totaling €565k (€372k in 2020). In addition, the cost of sales includes purchases from companies controlled by minority shareholders or Group company directors totaling €7,070k (€5,979k in 2020).

## 35. Events occurring after the close of the year

No significant events worthy of mention have taken place subsequent to 31 December 2021.

**Annex 1**

# Certification of the consolidated financial statements pursuant to art. 81-(3) of Consob regulation no. 11971 (which refers to art. 154-(2), subsection 5, of the Consolidated Finance Act) of 14 May 1999, as amended

1. The undersigned, Fulvio Montipò and Carlo Banci, respectively Executive Director and Chief Reporting Officer of Interpump Group S.p.A., taking account also of the provisions of art. 154-(2), subsections 3 and 4 of legislative decree no. 58 of 24 February 1998, attest to:
   - adequacy in relation to the characteristics of the business and
   - effective application

   of the administrative and accounting procedures for the formation of the consolidated financial statements during 2021.

2. It is further attested that the consolidated financial statements of Interpump Group S.p.A. and its subsidiaries for the year ended 31 December 2021, which show consolidated total assets of €2,772,746k, consolidated net profit of €198,519k and consolidated shareholders' equity of €1,339,664k:
   a) correspond to the results of the company books and accounting entries;
   b) were prepared in compliance with the international accounting standards approved by the European Commission further to the enforcement of Ruling (CE) no. 1606/2002 of the European Parliament and the European Council of 19 July 2002, and the provisions issued in implementation of art. 9 of Italian legislative decree 38/2005 and the contents are suitable for providing a truthful and fair representation of the equity, economic and financial situation of the Parent company and the group of companies included in the scope of consolidation;
   c) include the Board of Directors' Report, which contains a reliable analysis of performance and results and the situation of the issuer and the companies included in the consolidation together with a description of the main risks and uncertainties to which they are exposed.

Sant'Ilario d'Enza (RE), 18 March 2022

Fulvio Montipò
Chairman and
Chief Executive Officer

Carlo Banci
Chief Reporting
Officer

# Report of the Board of Statutory Auditors

## Report of the Board of Statutory Auditors to the Shareholders' Meeting of Interpump Group S.p.A. pursuant to art. 153 of Decree no. 58/1998 and art. 2429 of the Italian civil code

To the Shareholders' Meeting of Interpump Group S.p.A.

**Introduction**

The Board of Statutory Auditors of Interpump Group S.p.A. (hereinafter also referred to as "IPG" or the "Company") is required, pursuant to art. 153 of Decree no. 58/1998 (hereinafter also referred to as the "TUF") and art. 2429, subsection 2 of the Italian Civil Code, and in compliance with the recommendations provided by CO.N.SO.B. ("CONSOB") with Communication no. DEM/1025564 of 6 April 2001 and amendments, to report to the Shareholders' Meeting, called to approve the financial statements for the year ended 31 December 2021, on the supervisory activities carried out during the year in the fulfillment of our duties, in part in our role as the Audit Committee, as well as on any omissions or inappropriate conduct that we identified, and on the results of the year. We are also required to make proposals regarding the financial statements, their approval and other matters for which we are responsible.

During the year ended 31 December 2021, and subsequently to date, the Board of Statutory Auditors has carried out the supervisory activities required by law, taking account of the Rules of conduct for Boards of Statutory Auditors of listed companies (hereinafter, the Rules) issued by the Italian Accounting Profession, the CONSOB instructions on the audit of companies, and the provisions of art. 19 of Decree no. 39/ 2010.

The separate and consolidated financial statements of IPG were prepared in accordance with the IAS/IFRS international accounting and financial reporting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and with the CONSOB instructions implementing art. 9, subsection 3, of Decree no. 38/2005.

The financial statements were prepared in compliance with the law and are accompanied by the documents specified by the Italian civil code and the TUF. Moreover, in accordance with legal requirements, the Company has also presented consolidated financial statements and the consolidated non-financial statement for 2021.

We obtained the information needed to carry out our assigned supervisory activities by attending the meetings of the Board of Directors and the established Board Committees, as well as by interviewing the management of the Company and the Group, gathering information from the competent corporate functions, and performing additional monitoring activities. This Board has further enhanced the exchanges of information with Board Committees and the Independent Auditors of the Company, having due regard for the contents of the Notice issued by Consob on 16 February 2021.

**Appointment and Independence of the Board of Statutory Auditors**

The Board of Statutory Auditors in office at the date of this Report was appointed at the Shareholders' Meeting held on 30 April 2020: its members are Anna Maria Allievi (Chair), Roberta De Simone (Serving Auditor), Mario Tagliaferri (Serving Auditor), and Roberta Senni and Andrea Romersa (Alternate Auditors). The Board will remain in office for three years and will lapse on the date of the Shareholders' Meeting called to approve the 2022 financial statements.

The appointments were made from the two lists submitted, one by the majority shareholder and one by a number of institutional investors representing non-controlling interests, in compliance with the law, applicable regulations and the corporate bylaws. The Chair of the Board of Statutory Auditors and one Alternate Auditor were drawn from the minority list. The composition of the Board of Statutory Auditors complies with the gender balance criterion specified in art. 148, subsection 1-*(2)*, of Decree no. 58/1998 (T.U.F.), as amended by art. 1, subsection 303, of Law no. 160 dated 27 December 2019 and taking account of the clarifications contained in CONSOB Communication no. 1/2020 dated 30 January 2020.

The Board of Statutory Auditors checked that the independence requirements placed upon its members were satisfied both upon appointment and, subsequently for each year. Lastly, this check was carried out on 28 February 2022 in accordance with the criteria specified in the Rules published in April 2018, as supplemented in May 2019, and in the Code of Self-Regulation in force during 2020, which was replaced by the Corporate Governance Code from 1 January 2021. The outcome of these checks and the self-assessment (envisaged in standard Q.1.1. of the Rules) was communicated pursuant to art. 144-*(9)*, subsection 1-*(3)* of CONSOB Regulation no. 11971, and recommendation 19 of Art. 4 of the Corporate Governance Code, to the Board of Directors on 18 March 2022.

**Supervisory and control activities of the Board of Statutory Auditors**

**Supervision of compliance with the law and the bylaws**

In the performance of its duties, the Board of Statutory Auditors has carried out the supervisory activities required by art. 2403 of the Italian civil code, art. 149 of Decree no. 58/1998, art. 19 of Decree no. 39/2010, and the CONSOB recommendations on company audits and the activities of the Board of Statutory Auditors, while also making reference to the provisions of the Corporate Governance Code and the Standards of Conduct for Boards of Statutory Auditors issued by the Italian Accounting Profession

In the context of our duties we have therefore:

- attended the meetings of the Shareholders and the Board of Directors, supervising their compliance with the bylaws, current legislation and the regulations governing the operation of corporate bodies, as well as with the principles of proper administration;
- monitored, to the extent of our responsibilities, the adequacy of the organizational structure of the Company and compliance with the principles of proper administration, by means of direct observation, collection of information from the managers of certain business functions, and meetings with the Independent Auditors as part of the reciprocal exchange of data and significant information;
- assessed and monitored the adequacy of the internal control system and the administrative and accounting system, and the reliability of the latter in terms of representing operating events correctly, by means of the information provided by the managers of the respective functions, examination of the corporate documents and analysis of the results of the work carried out by the Independent Auditors;
- attended 7 meetings with the 100% participation of its members for an average duration of 2 hours each. The Board also attended all 10 meetings of the Board of Directors, as well as the meetings the Board Committees (Control, Risks and Sustainability Committee, Related-Party Transactions Committee, Remuneration Committee and

Appointments Committee);

- supervised the adequacy of the reciprocal flow of information between IPG and its subsidiaries pursuant to art. 114, subsection 2, of Decree no. 58/1998, which complies with the instructions issued by the management of the Company to the various Group companies;
- monitored compliance with the "*Market abuse*", "Investor protection" and "*Internal Dealing*" rules, with special reference to the treatment of inside information and the procedures for the dissemination of communications and information to the public and monitored the changes made to the procedure adopted by the Company for the management of inside and significant information, having regard for CONSOB Guidelines no. 1/2017.

Moreover, the Board of Statutory Auditors:

- obtained adequate information from the Directors about the activities undertaken and the operations of greatest economic, financial and capital significance performed by the Company and its subsidiaries pursuant to art. 150, subsection 1, TUF. In this regard, both jointly and individually, the Board of Statutory Auditors paid special attention to ensuring that the operations authorized and carried out were performed in compliance with the law and with the bylaws, and were not imprudent or subject to undue risk, in contrast with resolutions adopted at the Shareholders' Meeting, in potential conflict of interest, or capable of jeopardizing the integrity of net equity;
- held meetings with the representatives of the Independent Auditors pursuant to art. 150, subsection 3, TUF, from which no significant data and/or information emerged that should be mentioned in this Report;
- exchanged information with the boards of statutory auditors of the companies directly or indirectly controlled by IPG pursuant to art. 151, paras. 1 and 2, TUF;
- supervised the practical implementation of the rules of corporate governance set down in the Corporate Governance Code to which the Company adheres, as adequately described in the Report on Corporate Governance and the Ownership Structure, in compliance with art. 124-*(3)* TUF and art. 89-*(2)* of the Issuers' Code;
- checked, in relation to the periodic assessment required pursuant to the Corporate Governance Code, in the framework of our supervision of the practical implementation of the corporate governance rules, the proper application of the appraisal criteria and procedures adopted by the Board of Directors to confirm the independence of the Directors.

The Board of Statutory Auditors agreed with the positive evaluation expressed by the Appointments Committee and adopted by the Board of Directors on 14 February 2022, as required by recommendation no. 19 of Art. 4 of the Corporate Governance Code, concerning the size and composition of the administrative body and its operation, and the size, composition and operation of the board committees. The assessment was carried out using specific measurement criteria, updating those adopted in the prior year, based on the results of a self-assessment questionnaire revised and reformulated in February 2022 by the Appointments Committee and completed by all members of the Board of Directors.
The Board of Statutory Auditors also issued its opinion pursuant to art. 2389, subsection 3, of the Italian civil code, having regard for the conclusions of the Remuneration Committee concerning the proposal made for the remuneration of the Directors with special duties.

***Supervision of the adequacy of the administrative-accounting system and the legal audit of the accounts***

Pursuant to art. 19 of Decree no. 39/2010 (consolidated legal auditing law), the Board of Statutory Auditors, in our role as the "Internal Control and Audit Committee", is required to supervise:

- the financial reporting process;
- the efficacy of the internal control and risk management system;
- the legal audit of the annual and consolidated financial statements;
- the independence of the Independent Auditors, particularly with regard to the provision of non-auditing services.

We performed our work in collaboration with the current Control, Risks and Sustainability Committee, in order to coordinate the respective duties and avoid the overlap of activities.

***Financial reporting process***

We supervised the presence of rules and procedures governing the preparation and dissemination of financial information. In this regard, the Report on corporate governance and the ownership structure illustrates the ways in which the Group has defined its Internal Control and Risks Management System in relation to the financial reporting process at a consolidated level. The post of Chief Reporting Officer is held by Carlo Banci.

The Chief Reporting Officer makes use of support from the Internal Audit function to check the operation of the administrative and accounting procedures via the testing of controls. We confirm that we have received adequate information on the work to monitor the corporate processes with an administrative-accounting impact, in the framework of the internal control system, that was carried out both during the year, in relation to the interim financial reports, and at the time of closing the accounts for preparation of the financial statements, in compliance with the monitoring and certification obligations to which IPG is subject pursuant to the provisions of Law no. 262/2005. In particular, we took account of the Risk Assessment and the half-yearly update of test activities pursuant to Law no. 262/2005.

The adequacy of the administrative-reporting system was also assessed via the acquisition of information from the managers of the respective functions and analysis of the results of the work carried out by the Independent Auditors.

No particular issues or impediments emerged to prevent the release of certification by the Chief reporting officer and the Chief executive officer concerning the adequacy of the administrative and accounting procedures for the preparation of the separate financial statements of IPG and the consolidated financial statements for 2021.

We supervised compliance with the rules concerning the preparation and publication of the Interim Financial Report and the Interim Board of Directors' Reports, their format and the proper application of accounting standards, partly by reference to information obtained from the Independent Auditors.

Furthermore, we acknowledge that:

- the Independent Auditors responsible for legal audit of the accounts have explained their checks to the Board of Statutory Auditors and did not highlight any matters during the periodic meetings;
- the Board of Statutory Auditors supervised the audit of the annual and consolidated accounts, obtaining information from and holding discussions with the Independent Auditors, which also covered the innovations introduced with regard to their auditors' report concerning, in particular, Key Audit Matters.

With regard to the above, the Board of Statutory Auditors was informed of all the main stages of the auditing activity, including identification of the areas of risk, with a description of the related procedures adopted, and the main accounting policies applied by IPG. The Board of Statutory Auditors also acknowledges that the Independent Auditors EY S.p.A. have issued their opinions on the consolidated financial statements and the financial statements today (30 March 2022), and have also issued today the Supplementary Report for the Board of Statutory Auditors required by art. 11 of Regulation (EU) 2014/537.

We have supervised the independence of the Independent Auditors EY S.p.A., checking the nature and extent of any services rendered other than the audit of IPG and subsidiaries, and have obtained explicit confirmation from the Independent Auditors that their independence requirements have been met. The declaration regarding independence is included, pursuant to art. 11, para. 2, letter a), of Regulation (EU) 2014/537, in the above-mentioned Supplementary Report.

As required by art. 149-*(12)* of the Issuers' Regulation, as amended by CONSOB Decision no. 15915 dated 3 May 2007, the fees earned in 2021 for services provided to the Group by the Independent Auditors, and firms belonging to its network, are listed below:

- audit of the Parent Company, €128k;
- audits of subsidiaries, €931k;
- limited assurance of the Parent Company's Non-Financial Statement, €48k.

The above amounts are included under other costs within general and administrative expenses.

The scope of the audit changed in 2021 as a result of acquisitions made by the Group and corresponding fee adjustments were made. In the light of the matters presented above, the Board of Statutory Auditors deems that independence requirements placed on EY S.p.A. are satisfied.

***Supervision of the adequacy of the system of internal control and the organizational structure***
We have assessed and supervised the adequacy of the internal controls and the efficacy of the internal control and risk management systems. We confirm that we have checked the most significant activities performed by the internal control and risk management system, taken as a whole, by attending the meetings of the Control, Risks and Sustainability Committee and the Related-Party Transactions Committee together with:

- the Director in charge of the internal control and risk management system;
- the Internal Audit, Risk & Compliance function;
- the Chief Reporting Officer;
- the Supervisory Body;
- the information systems manager;
- the investor relations officer.

In the framework of this activity, in particular, we acknowledge that we have received and examined:

- the periodic reports on the activities performed, prepared by the Control, Risks and Sustainability Committee and by the Internal Audit, Risk & Compliance function;
- the reports prepared by the Internal Audit, Risk & Compliance function on conclusion of the checking and monitoring activities, the actions recommended and the checks on their implementation;
- periodic updates on the changes in the risk management process, the results of the monitoring and assessment activities performed by the Internal Audit, Risk & Compliance function and the Group Risk Management & Corporate Finance function, and the objectives reached.

We acknowledge and agree with the update of the risk management policy for the IPG Group. We also examined, on a half-yearly basis, the periodic reports on the activities carried out by the Supervisory Body and the related activity plan and 2022 budget. Similarly, we acknowledge the work on compliance with Decree no. 231/2001 and the plan of activities for 2022, examining and agreeing the proposed update to the Organization and Management Model pursuant to Decree no. 231/2001.

Further to our activity during the year, as illustrated in detail above, we agreed with the positive assessment expressed by the Control, Risks and Sustainability Committee regarding the adequacy of the System of internal control and risk management.

**Supervision of compliance with the principles of proper administration**
Based on the information obtained and the analyses conducted, our supervisory activities confirm that the transactions of greatest financial and economic significance performed by the Company, or via directly held subsidiaries, are those described below and illustrated in detail in the report of the Board of Directors.

In particular, as in prior years, the operations of Interpump Group S.p.A. consisted in ordinary industrial activities, the strategic and operational coordination of the Group, the drive to optimize the Group's cash flows, and the search for and selection of new equity investments that can help to accelerate the growth of the Group.
In 2021, the companies of the newly-acquired White Drive Products business were consolidated for the first time for only three months, while Berma S.r.l. was consolidated for two months, having been acquired on 11 November. Compared to 2020 the companies DZ Trasmissioni, purchased in January 2021, and Servizi Industriali S.r.l. (Water-Jetting sector) were consolidated for the whole year, in contrast to the previous year in which it was consolidated for only six months.

Within the ordinary industrial activities of the Group, efforts continue to tackle sustainability issues, consistent with the guidelines for strategic development of the Group. The Company has appointed an internal ESG manager and engaged a firm of consultants to soon be able to prepare a structured plan for action over the next three years.

Further to the activity of supervision and control performed in the year, we can attest to the fact that:
- the activities performed did not reveal any omissions, irregularities, inappropriate conduct or significant violations that should be reported to the supervisory authorities or mentioned in this Report;
- we have not received any complaints pursuant to art. 2408 of the Italian civil code, nor have we received petitions from third parties;
- we have not identified any transactions with third parties, within the Group and/or with related parties that were atypical or unusual in terms of their content, type, size, or timing.

**Supervision of the implementation of corporate governance rules**
We have assessed the application of the rules of corporate governance set down in the Corporate Governance Code adopted by IPG, principally by analyzing the Report on Corporate Governance and the Ownership Structure and comparing its content with the results of our general supervisory activities. In particular, we considered the degree of compliance by IPG with the requirement to inform the market, in the report on corporate governance, on its application of the Code, having regard for the provisions of art. 123-*(2)* TUF

The Board of Statutory Auditors believes that the Report on Corporate Governance has been prepared in accordance with the instructions accompanying the Regulations for Markets Organized and Managed by Borsa Italiana.

**Additional supervisory activity in relation to the separate financial statements, the consolidated financial statements and the consolidated statement of non-financial information**

With regard to the financial statements of the Parent Company at 31 December 2021, the consolidated financial statements at that date and the related Board of Directors' Report, we draw your attention to the following matters:

- by means of direct checks and information obtained from the Independent Auditors, we ascertained compliance with the laws governing the preparation and content of the financial statements, the consolidated financial statements and the Board of Directors' report, as well as the formats adopted for the accounting schedules, confirming proper application of the accounting standards and policies described in the notes to the financial statements and the report of the Board of Directors;
- in application of CONSOB Resolution no. 15519/2006, the effects of transactions with related parties are expressly indicated in the accounting schedules;
- The Board of Statutory Auditors also reports that, applying the amending regulation of the European Commission 2019/815 (so-called ESEF Regulation) transposing Directive 2013/50/EU which provides for, starting from 1 January 2021, the obligation for listed issuers to prepare their Annual financial reports (AFRs) in a *European Single Electronic Format* (ESEF), the company has completed the project for the implementation of the ESEF Regulation requirements for year 2021. The Consolidated Annual Financial Report of Interpump Group S.p.A. at 31 December 2021 was therefore drafted in XHTML format, marking some information in the IFRS consolidated statements with specific *Inline* XBRL. Starting from 1 January 2022, the XBRL marking will also apply to the "notes" to the consolidated financial statements.
- the financial statements reflect the events and information that came to our attention in the performance of our supervisory duties and the exercise of our powers of monitoring and inspection;
- to our knowledge, during preparation of the financial statements the Directors did not make any exceptions to the law, as would be allowed under certain circumstances pursuant to art. 2423, subsection 5, of the Italian civil code;
- the Chief executive officer and the Chief reporting officer have issued the certification required by art. 81-*(3)* of CONSOB Regulation no. 11971/1999 as amended, and art. 154-*(2)* of Decree no. 58/1998 (TUF);
- the Board of Directors' Report complies with the relevant legal requirements and is consistent with the data and results reflected in the financial statements; it makes the necessary disclosures about the significant activities and transactions that were drawn to our attention during the year, about the principal risks faced by the Company and its subsidiaries, about intercompany and related-party transactions, and about the alignment of the organization with the principles of corporate governance, consistent with the Code of Corporate Governance for listed companies; The Management Report appears complete in relation to the legal requirements, also with reference to the assessment of the impacts of the COVID-19 pandemic and the effects on the business of the military conflict involving Russia and Ukraine.

- pursuant to the terms of art. 123-*(3)* of Decree no. 58/1998 (TUF), the Shareholders' Meeting will receive the Remuneration report that we have examined, agreeing its format in a joint meeting held with the Remuneration Committee.
- The impairment procedures implemented by the Company in conformity with IAS 36 are subject to precise approval by the Board of Directors before the draft financial statements are approved.

In relation to the Consolidated non-financial statement, in conformity with the provisions of Decree no. 254 dated 30 December 2016 we monitored compliance with the requirements of the Decree and CONSOB resolution no. 20267 dated 18/01/2018 regarding preparation of the statement, obtaining the attestation dated 30 March 2022 issued by the designated independent auditing firm, EY S.p.A. This activity did not reveal any matters that should be mentioned in this report.

**Assessment of the impacts of COVID-19**

2021 was another year affected economically and socially by the COVID-19 pandemic.

From the outset, the Company monitored the developments of the pandemic very closely, establishing a specific *task force* and promptly adopting the necessary virus prevention, control and containment measures in its sites worldwide, aiming to protect the health of employees and collaborators (modification of production layouts, sanitization of premises, personal protective equipment, temperature measuring, thermal scanners, serological tests, hygiene rules and social distancing, *smart working*).

Still today, the Safety managers and top management organize periodic calls to analyze and monitor the implementation, application and effectiveness of the measures adopted in relation to the provisions issues time by time by the competent authorities and the pandemic trends in the various countries where the Group has its operations.

The Audit, Risks and Sustainability Committee, the Board of Statutory Auditors and the Supervisory Body have always been promptly informed on the company's management of the epidemiologic emergency, and all the measures have always been monitored and verified to guarantee business continuity and personal protection.

The Board of Statutory Auditors, also in relation to the CONSOB Notice of 18 March 2021, has checked that, in accordance with the recommendations of CONSOB and ESMA (*European Securities and Markets Authority*), the Directors have included the above information in the 2021 Financial Report.

With regard to the Shareholders' Meeting called for 29 April 2022, the Board of Statutory Auditors notes that Decree no. 18 dated 17 March 2020, "Cure Italy" converted with amendments from Law no. 27 of 24 April 2020 (as most recently extended by Decree no. 183 dated no. 228 of 31 December 2021 "Blanket extensions") authorizes ordinary and extraordinary meetings to be held "behind closed doors", enabling companies to include in their notices of calling, as exceptions to the requirements of their by-laws, recourse to instruments - such as voting by correspondence, electronic voting, meeting attendance via remote communications, appointment of a designated representative - that allow participation and the exercise of voting rights without need for the physical presence of the shareholders in a single location.

In this regard, the Board of Statutory Auditors will work closely with the Board of Directors, so that the Shareholders' Meeting can be held in an orderly manner, with the proper exercise of shareholder rights in compliance with the above instructions.

**Proposals to the Shareholders' Meeting for the Financial Statements closed on 31 December 2021 and allocation of the operating results**

Considering the financial statements for the year ended 31 December 2021, the Board of Statutory Auditors - after taking account of the specific tasks assigned to the Independent Auditors with regard to the accounting checks and verification of the reliability of the financial statements - has no objections to make about their approval or the resolutions proposed by the Board of Directors regarding allocation of an (ordinary) gross dividend of EUR 0.28 for each (ordinary) share outstanding and to carry forward the remaining ascertained profit for the year.

S. Ilario d'Enza, 30 March 2022

The Board of Statutory Auditors

Anna Maria Allievi

Roberta De Simone

Mario Tagliaferri

Building a better
working world

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# Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014 (Translation from the original Italian text)

To the Shareholders of
Interpump Group S.p.A.

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Interpump Group S.p.A. and its subsidiaries ("Interpump Group" or "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Interpump Group S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
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Sede Secondaria: Via Lombardia, 31 – 00187 Roma
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Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matters:

| Key Audit Matter | Audit Response |
|---|---|
| Business combinations<br><br>During the fiscal year 2021, the Group completed the acquisition of the business unit White Drive Motors & Steering, acquiring the control of three entities and four manufacturing activities, as well as the total share capital of Berma S.r.l. and of DZ Trasmissioni S.r.l.. These business combinations led to the recognition of, among others, a provisional goodwill of Euro 212,5 million, allocated to the CGU related to the Oil Sector, and of property, plant and machinery for an amount, gross of the related deferred taxes, of Euro 13,9 million.<br><br>The processes and accounting policies for business combinations and acquisitions require, for each transaction, the identification of intangible assets acquired, and the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, which are based on complex assumptions that, due to their nature, involve the Directors' judgment, in particular with reference to the estimate of future earnings and forecasted cash flows that such companies will generate in the future.<br><br>Considering the significance of the acquisitions and the judgment required and the complexity of the assumptions used in the estimate by Directors with reference to the identification of the acquired intangible assets and the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed we considered such business combinations as a key audit matter.<br><br>The financial statement disclosures related to business combinations are included in note 3.1 "Accounting standards" and note 5 "Business combinations". | Our audit procedures performed to address this key audit matter included, among others:<br>• the assessment of the signed acquisition agreements in order to understand the key terms and conditions;<br>• the assessment of the accounting for such transactions;<br>• the identification and assessment of the estimated fair values of the assets acquired and liabilities assumed at the acquisition date, although provisional at the financial statement date;<br>• the analysis of the report issued by the Directors' expert who assisted the Group, as well as the assessment of their expertise, capabilities and objectivity.<br><br>Lastly, we reviewed the adequacy of the disclosures provided in the notes to the financial statements in relation to the business combination transactions. |

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Valuation of goodwill

Goodwill as of December 31, 2021 amounts to Euro 767,4 million, allocated to the Cash Generating Units ("CGUs") related to the Water Sector, for Euro 213,6 million, and to the Oil Sector for Euro 553,8 million.

The processes and valuation methodologies for assessing and determining the recoverable amount of each CGU, in terms of value in use, are based on assumptions, sometimes complex, that by their nature require the Directors' judgment, in particular with reference to the forecasted future cash flows for the period covered by the Group's business plan, the determination of the normalized future cash flows underlying the estimated terminal value, as well as the determination of long-term growth rates and discount rates applied to the forecasted future cash flows.

Considering the judgment required and the complexity of the assumptions underlying the estimation of the recoverable amount of goodwill, we considered this area as a key audit matter.

The financial statements disclosures related to valuation of goodwill are included in note 3.1 "Accounting standards" and note 11 "Goodwill".

Our audit procedures performed to address this key audit matter include, among others:

- the assessment of the process and key controls implemented by the Group regarding the assessment of goodwill, considering the impairment test procedure approved by the Board of Directors;
- the assessment of the CGUs' perimeter and the allocation of the carrying values of the assets and liabilities to the individual CGUs;
- the assessment of forecasted future cash flows;
- the assessment of the consistency of the forecasted future cash flows of each CGU with the Group's business plan for the period 2022-2026;
- the assessment of the reasonableness of the estimates made by Directors, also by comparing actual figures and estimates made in previous periods;
- the assessment of the long-term growth rates and discount rates.

In performing our audit procedures, we also involved our expert in valuation techniques who independently performed a recalculation and sensitivity analyses on key assumptions in order to determine any changes in assumptions that could significantly impact the valuation of the recoverable amount.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the financial statements in relation to the valuation of goodwill.

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Interpump Group S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

### Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Interpump Group S.p.A., in the general meeting held on April 30, 2014, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2014 to 31 December 2022.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

## Report on compliance with other legal and regulatory requirements

### Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Interpump Group S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

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## Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Interpump Group S.p.A. are responsible for the preparation of the Board of Directors' Report and of the Report on Corporate Governance and Ownership Structure of Interpump Group as at 31 December 2021, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Board of Directors' Report and of specific information included in the Report on Corporate Governance and Ownership Structure, published in the section "Corporate Governance" of Interpump Group S.p.A.'s website, as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Interpump Group as at 31 December 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Board of Directors' Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Interpump Group as at 31 December 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

## Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Interpump Group S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Bologna, March 30, 2022

EY S.p.A.
Signed by: Elisa Vicenzi, Auditor

*The accompanying consolidated financial statements of Interpump Group S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*

# Interpump Group S.p.A.

# Separate Financial Statements at 31 December 2021

# Contents

# 2021 Board of Directors' Report
# of the Parent Company Interpump Group S.p.A.

## ALTERNATIVE PERFORMANCE MEASURES

The Company monitors its operations using several alternative performance 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 Company'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 Company may differ from the criterion adopted by other companies and hence the Company may not be comparable with such other companies. Such alternative performance measures are constituted exclusively starting from the Company's historic data and measured in compliance with the matters established by the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by Consob with communication no. 92543 of 3 December 2015. The measures in question refer only to performance in the accounting period illustrated in this Annual Financial Report and the periods placed in comparison with it, and not to the expected performance and they must not be considered to replace the indicators provided by the reference accounting standards (IFRS). Finally, the alternative measures are processed continuously and with uniformity of definition and representation for all the periods for which financial information is included in this Annual Financial Report.

The performance indicators used by the Company 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 financial position**: 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 Company, defined as the difference between the Cash flow from operating activities and the Cash flow absorbed by 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.

Interpump Group S.p.A. presents its income statement by functional areas (also called the "cost of sales" method). This form is deemed 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.

As in previous years, the operations of Interpump Group S.p.A. consisted, in addition to ordinary industrial activities, in the strategic and management coordination of the Group, in the drive to optimize its financial flows, and in research activities and the selection of equity investments to acquire with the aim of maximizing the Group's rate of growth. The acquisitions of DZ Trasmissioni S.r.l., the three companies in the White Drive Motors & Steering business unit purchased from the Danfoss Group, and Berma S.r.l. during 2021 were consistent with this external growth strategy. A more complete discussion of these operations is given in the “Report on operations” accompanying the Consolidated Annual Financial Report at 31 December 2021.

## 1 Profitability

Interpump Group S.p.A. booked net revenues of €112.4m (€100.5m in 2020). An analysis by geographic area of the revenues from sales and services is given in the commentary on this item in the notes to the financial statements.

The cost of sales accounted for 61.7% of turnover (62.4% in 2020). Production costs, which totaled €35.5m (€32.1m in 2020), accounted for 31.6% of sales (31.9% in 2020). The purchase cost of raw materials and components sourced on the market, including changes in inventories, totaled €33.9m equivalent to 30.1% of sales (€30.6m in 2020).

Distribution costs totaled €6.4m (€6.0m in 2020), reflecting a decrease in their incidence on sales by 0.3 percentage points compared to 2020.

General and administrative expenses amounted to €21.5m (€25.9m in 2020). Net of non-recurring provisions for risks and charges, these expenses totaled €20.7m (€18.4m in 2020), reflecting an increase in their incidence on sales by 0.2 percentage points compared to 2020.

Total payroll costs were €28.9m (€28.7m in 2020) with an average of 464 employees (478 employees in 2020). The per capita cost was slightly higher than in the prior year (+3.8%).

The reconciliation of the income statement to obtain sub-totals is shown below:

| | *2021 (€/000)* | *% on sales* | *2020 (€/000)* | *% on sales* |
|---|---|---|---|---|
| Ordinary profit before financial charges | 94,568 | | 95,997 | |
| Dividends | (77,653) | | (88,679) | |
| Impairment losses on investments | 5 | | 4 | |
| ***Operating profit (EBIT)*** | ***16,920*** | ***15.0%*** | ***7,322*** | ***7.3%*** |
| Amortization, depreciation and write-downs | 6,335 | | 13,076 | |
| ***Gross operating profit (EBITDA)*** | ***23,255*** | ***20.7%*** | ***20,398*** | ***20.3%*** |

EBIT amounted to €16.9m (15.0% of sales) compared with €7.3m in 2020 (7.3% of sales), which was affected by non-recurring provisions for risks and charges totaling €7,443k.

EBITDA totaled €23.3 million or 20.7% of sales, compared to €20.4 million in 2020, which represented 20.3% of sales.

The year ended 31 December 2021 closed with a net profit of €84.3m (€101.8m in 2020). Dividends from subsidiaries recognized in the income statement totaled €77.7m in 2021 and €88.7m in 2020.

The effective tax rate for 2021, net of dividends and the effect of franking goodwill, was 23.6% compared with 22.6% in 2020.

## 2 Statement of financial position

The statement of financial position is analyzed below in terms of the sources and applications of funds:

| | *31/12/2021 (€/000)* | *%* | *31/12/2020 (€/000)* | *%* |
|---|---|---|---|---|
| Trade receivables | 18,665 | | 15,975 | |
| Net inventories | 25,793 | | 22,945 | |
| Other current assets | 34,675 | | 44,294 | |
| Trade payables | (17,433) | | (14,976) | |
| Current taxes payable | (1,633) | | (739) | |
| Current portion of provisions for risks and charges | (30) | | - | |
| Other current liabilities | (8,901) | | (8,045) | |
| **Net working capital** | **51,136** | **4.5** | **59,454** | **6.9** |
| Net intangible and tangible fixed assets | 40,759 | | 38,848 | |
| Goodwill | 44,537 | | 44,537 | |
| Equity investments | 943,317 | | 632,902 | |
| Other financial fixed assets | 65,937 | | 82,771 | |
| Other non-current assets | 7,297 | | 13,377 | |
| Liabilities for employee benefits | (5,026) | | (5,250) | |
| Non-current portion of provisions for risks and charges | (8,278) | | (7,521) | |
| Other non-current liabilities | (1,217) | | (1,339) | |
| **Total net fixed assets** | **1,087,326** | **95.5** | **798,325** | **93.1** |
| **Total capital employed** | **1,138,462** | **100.0** | **857,779** | **100.0** |
| *Financed by:* | | | | |
| **Total shareholders' equity** | **558,762** | **49.1** | **514,643** | **60.0** |
| Cash and cash equivalents | (135,514) | | (136,677) | |
| Payables to banks | 106 | | 207 | |
| Interest-bearing financial payables (current portion) | 201,419 | | 143,390 | |
| Debts for the acquisition of equity investments (current portion) | - | | 1,125 | |
| **Total current financial payables (liquid funds)** | **66,011** | **5.8** | **8,045** | **0.9** |
| **Total non-current financial payables** | **513,689** | **45.1** | **335,091** | **39.1** |
| **Total sources of financing** | **1,138,462** | **100.0** | **857,779** | **100.0** |

The format of the reclassified statement of financial position makes it possible to appreciate the financial strength of the Company, highlighting its ability to maintain financial equilibrium over the long term.

## 3 Capital expenditure

Capital expenditure on property, plant and equipment was €7.1m (€5.3m in 2020) and related to the normal renewal and modernization of plant and equipment.

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

Increases in intangible assets amounted to €0.7m (€0.6m in 2020), mostly due to the capitalization of product development costs.

## 4 Loans

The net financial position at 31 December 2021 is €579.7m (€342.0m at 31/12/2020). The changes during the year are analyzed in the table below:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| **Opening net financial position** | **(342,011)** | **(358,991)** |
| Adjustment: Opening net financial position of absorbed companies | - | 2,777 |
| **Adjusted opening net financial position** | **(342,011)** | **(356,214)** |
| Cash flow from operations | 23,460 | 14,050 |
| Payment of finance lease installments (principal) | (801) | (867) |
| Liquidity generated (absorbed) by operating capital | (4,154) | 2,672 |
| Liquidity generated (absorbed) by other current assets and liabilities | 1,509 | 554 |
| Net investment in tangible and intangible fixed assets | (6,299) | (7,290) |
| Financial income received | 1,438 | 1,838 |
| Other | 200 | 119 |
| *Free cash flow* | *15,353* | *11,076* |
| Proceeds (payments) from the disposal (purchase) of investments | (313,363) | (47,179) |
| Purchase of treasury shares | (22,397) | (48,487) |
| Proceeds from the sale of treasury shares to stock option beneficiaries | 714 | 14,480 |
| Payment of finance lease installments (principal) | 801 | 867 |
| Principal portion of new leasing contracts arranged | (108) | (313) |
| Remeasurement and early close-out of leasing contracts | 18 | (95) |
| Dividends received | 79,890 | 93,077 |
| Dividends paid | (27,382) | (26,897) |
| Change in other financial assets | (28) | 390 |
| Reimbursement (Disbursement) of loans from (to) subsidiaries | 28,813 | 17,284 |
| *Net cash generated (used)* | *(237,689)* | *14,203* |
| **Net financial position at end of year** | **(579,700)** | **(342,011)** |

Net indebtedness, including payables and commitments, determined in accordance with ESMA guidance 32-382-1138 and included in Consob notice no. 5/21, comprises:

| | 31/12/2021 | 31/12/2020 | 01/01/2020 |
|---|---|---|---|
| | €/000 | €/000 | €/000 |
| Cash and cash equivalents | 135,514 | 136,677 | 95,371 |
| Current financial payables (excluding the current portion of non-current financial payables) | (901) | (998) | (1,133) |
| Current portion of non-current financial payables | (200,624) | (142,599) | (150,094) |
| ***Net indebtedness - current*** | ***(66,011)*** | ***(6,920)*** | ***(55,856)*** |
| Non-current financial payables | (513,689) | (335,091) | (303,134) |
| ***Net financial position*** | ***(579,700)*** | ***(335,091)*** | ***(303,134)*** |
| Commitments for the acquisition of investments | - | (1,125) | (16,877) |
| **Total net indebtedness** | **(579,700)** | **(343,136)** | **(375,867)** |

At 31 December 2021 all the loan covenants had been amply complied with.

## 5 Relations with subsidiaries

The Company also operates through subsidiaries with which it maintains commercial and financial relations. These relations are detailed in the table below (amounts expressed in €/000):

| | Trade receivables | | Net sales | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 2021 | 2020 |
| *Subsidiaries:* | | | | |
| GP Companies Inc. | 4,814 | 2,176 | 23,493 | 19,417 |
| NLB Corporation Inc. | 872 | 170 | 2,248 | 1,969 |
| Interpump Hydraulics India Ltd | 439 | 532 | 1,359 | 862 |
| General Pump China Inc. | 588 | 530 | 641 | 667 |
| IMM Hydraulics S.p.A. | 235 | 125 | 432 | 268 |
| Muncie Power Inc. | 67 | 82 | 266 | 182 |
| Inoxpa S.A. | 7 | 16 | 204 | 136 |
| Inoxihp S.r.l. | 113 | 14 | 193 | 80 |
| Interpump Hydraulics Brasil | 41 | 20 | 186 | 20 |
| Inoxpa Ltd | 13 | 37 | 128 | 193 |
| Hammelmann S. L. | 10 | 33 | 125 | 84 |
| Pioli S.r.l. | - | 1 | 101 | 4 |
| GS-Hydro UK Ltd | 22 | 19 | 81 | 77 |
| Inoxpa Colombia Sas | 3 | 1 | 51 | 72 |
| GS-Hydro Sp Z O O | 8 | 7 | 50 | 28 |
| Hammelmann GmbH | 10 | - | 49 | 167 |
| GS-Hydro Korea Ltd | 12 | 18 | 46 | 40 |
| GS-Hydro Piping Systems Co. Ltd | 11 | 9 | 42 | 37 |
| GS-Hydro Austria GmbH | 10 | 9 | 37 | 37 |
| Interpump Hydraulics Middle East FZE | 14 | 14 | 35 | 32 |
| GS-Hydro S.A.U | 66 | 151 | 34 | 53 |
| Inoxpa Italia S.r.l. | - | - | 34 | - |
| GS-Hydro Benelux B.V. | 7 | 6 | 27 | 25 |

| | Trade receivables | | Net sales | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 2021 | 2020 |
| Interpump Hydraulics (UK) Ltd | 14 | - | 25 | 2 |
| GS-Hydro Denmark AS | 11 | 8 | 21 | 19 |
| Inoxpa South Africa | 3 | 11 | 20 | 23 |
| Inoxpa Solutions France Sas | - | 7 | 20 | 16 |
| *Subsidiaries:* | | | | |
| Interpump Hydraulics S.p.A. | 68 | 29 | 18 | 86 |
| Interpump Hydraulics France S.a.r.l. | 2 | - | 15 | 15 |
| GS-Hydro U.S. Inc. | 48 | 30 | 15 | 14 |
| Hydroven S.r.l. | 4 | 4 | 11 | 13 |
| Interpump Hydraulics Rus | - | - | 11 | - |
| Inoxpa Ukraine | - | - | 11 | 14 |
| Interpump Piping GS S.r.l. | - | 6 | 10 | 10 |
| GS-Hydro Ab | 2 | 2 | 9 | 10 |
| Improved Solutions Unipessoal Ltda | - | - | 8 | 37 |
| Hydrocar Chile S.A. | - | - | 8 | - |
| Walvoil S.p.A. | 21 | 21 | 7 | 7 |
| GS-Hydro Singapore Pte Ltd | 2 | 1 | 7 | 4 |
| SIT S.p.A. | - | - | 4 | 4 |
| GS-Hydro do Brasil Sistemas Hidraulicos Ltda | 4 | 18 | 4 | 6 |
| Unidrò Contarini Sarl | - | 2 | 3 | 8 |
| Walvoil Fluid Power Korea Llc | - | - | 3 | 1 |
| Tubiflex S.p.A. | - | 1 | 3 | 3 |
| Inoxpa Solutions Moldova | 3 | - | 3 | 5 |
| GS-Hydro System GmbH | - | 1 | 3 | 2 |
| Servizi Industriali S.r.l. | - | - | 3 | 1 |
| Inoxpa India Private Ltd | - | - | 3 | - |
| Tekno Tubi S.r.l. | - | 1 | 2 | 2 |
| Transtecno S.r.l. | 2 | 2 | 2 | 1 |
| Hammelmann Australia Pty Ltd | - | - | 1 | - |
| Mega Pacific Pty Ltd | - | - | 1 | 1 |
| AVI S.r.l. | - | 12 | - | 53 |
| Hammelmann Bombas e Sistemas Ltda | - | 62 | - | 84 |
| Interpump South Africa Pty Ltd | - | - | - | 2 |
| Inoxpa Australia Proprietary Ltd | - | - | - | 5 |
| Reggiana Riduttori S.r.l. | 7 | 6 | - | 1 |
| White Drive Motors and Steering LLC | 94 | - | - | - |
| Hydra Dyne Technology Inc. | 3 | 2 | - | - |
| Oleodinamica Panni S.r.l. | 2 | 2 | - | - |
| Contarini Leopoldo S.r.l. | 2 | 1 | - | - |
| FGA S.r.l. | 1 | - | - | - |
| White Drive Motors and Steering GmbH | 1 | - | - | - |
| *Total* | *7,656* | *4,199* | *30,113* | *24,899* |

| | Trade payables | | Costs | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 2021 | 2020 |
| *Subsidiaries:* | | | | |
| Pioli S.r.l. | 326 | 16 | 1,287 | 93 |
| Interpump Hydraulics S.p.A. | 202 | 132 | 428 | 274 |
| IMM Hydraulics S.p.A. | 131 | 84 | 321 | 198 |
| SIT S.p.A. | 92 | 97 | 293 | 271 |
| Hammelmann GmbH | 4 | - | 127 | 22 |
| Walvoil S.p.A. | 13 | 19 | 102 | 109 |
| Inoxpa Solution Moldova | - | - | 95 | 44 |
| General Pump China Inc. | 27 | - | 85 | 49 |
| Improved Solutions Unipessoal Ltda | - | 10 | 83 | 54 |
| Servizi Industriali S.r.l. | - | - | 50 | - |
| GP Companies Inc. | 6 | 7 | 42 | 111 |
| Transtecno S.r.l. | 13 | - | 41 | - |
| Inoxpa Ltd | - | - | 33 | 41 |
| Inoxpa Italia S.r.l. | 15 | - | 31 | - |
| Hydroven S.r.l. | 3 | 2 | 24 | 23 |
| GS-Hydro UK Ltd | - | 7 | 7 | 31 |
| Interpump Hydraulics India Ltd | 8 | - | - | - |
| Inoxpa S.A. | - | - | - | 73 |
| Tubiflex S.p.A. | - | - | - | 8 |
| Inoxpa Solutions France Sas | - | - | - | 4 |
| Inoxihp S.r.l. | - | 4 | - | - |
| *Total* | *840* | *378* | *3,049* | *1,405* |

The amount due to Interpump Hydraulics S.p.A. (€6k in 2020) was settled by the Company during 2021. The amount related to prior membership of the domestic tax group, which was not renewed on expiry of the election in 2016. The Company does however have a payable to Interpump Piping GS S.r.l. of €4k (€12k in 2020) following membership of the domestic tax group from 2018.

Financial relations are outlined below (amounts shown in €/000):

| | Loans granted | | Interest income | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 2021 | 2020 |
| *Subsidiaries:* | | | | |
| Interpump Hydraulics S.p.A. | 32,590 | 62,590 | 553 | 795 |
| IMM Hydraulics S.p.A. | 33,000 | 35,000 | 336 | 313 |
| Hydra Dyne Technology Inc. | 10,000 | 10,000 | 195 | 191 |
| Transtecno S.r.l. | 4,556 | - | 83 | - |
| Interpump Piping GS S.r.l. | 6,000 | 7,000 | 65 | 70 |
| GS-Hydro Korea Ltd | 2,100 | - | 46 | - |
| Inoxihp S.r.l. | 2,109 | 2,109 | 32 | 4 |
| Tekno Tubi S.r.l. | 2,760 | 3,020 | 30 | 33 |
| GS-Hydro UK Ltd | 500 | 500 | 5 | 5 |
| Unidrò Contarini Sarl | 233 | 367 | 4 | 2 |

| | Loans granted | | Interest income | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 2021 | 2020 |
| *Subsidiaries:* | | | | |
| Berma S.r.l. | 1,867 | - | 4 | - |
| White Drive Motors and Steering GmbH | 1,000 | - | 3 | - |
| *Total* | *96,715* | *120,586* | *1,356* | *1,413* |

The intercompany loans outstanding at 31 December 2021 earn interest at 3-month Euribor uplifted by a spread that fluctuated during the year between 80 and 100 basis points, except for the loan to Hydra Dyne Technology Inc., on which a fixed rate of 1.95% is applied, the loans to Inoxihp S.r.l., Unidrò Contarini Sarl, Berma S.r.l., Transtecno S.r.l. and White Drive Motors and Steering GmbH, on which a fixed rate of 1.50% is applied, and the loan to GS-Hydro Korea Ltd, on which a fixed rate of 3% is applied. At 31 December 2021, interest receivable amounts to €297k (€345k at 31 December 2020), as analyzed below:

| | Interest receivable | |
|---|---|---|
| | 31/12/2021 | 31/12/2020 |
| *Subsidiaries:* | | |
| Interpump Hydraulics S.p.A. | 89 | 168 |
| IMM Hydraulics S.p.A. | 83 | 85 |
| Hydra Dyne Technology Inc. | 49 | 49 |
| Transtecno S.r.l. | 20 | - |
| GS-Hydro Korea Ltd | 16 | - |
| Interpump Piping GS S.r.l. | 15 | 18 |
| Teknova S.r.l. (in liquidation) | 12 | 12 |
| Tekno Tubi S.r.l. | 8 | 8 |
| Berma S.r.l. | 4 | - |
| GS-Hydro UK | 1 | 1 |
| Inoxihp S.r.l. | - | 4 |
| *Total* | *297* | *345* |

The following dividends have been credited to the income statement (amounts expressed in €/000):

| | Dividends receivable | | Dividends | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 2021 | 2020 |
| *Subsidiaries:* | | | | |
| Hammelmann GmbH | - | 3,500 | 20,000 | 30,000 |
| Walvoil S.p.A. | - | - | 26,000 | 19,500 |
| Reggiana Riduttori S.r.l. | - | - | 15,000 | 15,000 |
| Inoxpa S.A. | - | - | 7,000 | 5,000 |
| GP Companies Inc. | - | - | 5,973 | 6,046 |
| Tubiflex S.p.A. | 1,280 | - | 2,000 | 4,000 |
| Transtecno S.r.l. | - | - | 900 | 1,200 |
| Servizi Industriali S.r.l. | - | | 776 | - |
| | Dividends receivable | | Dividends | |
| | 31/12/2021 | 31/12/2020 | 2021 | 2020 |
| *Subsidiaries:* | | | | |
| Walvoil Fluid Power Pvt Ltd. | - | - | 4 | 2 |
| NLB Corporation Inc. | - | - | - | 6,841 |
| Inoxihp S.r.l. | - | - | - | 791 |
| Pioli S.r.l. | - | - | - | 300 |
| *Total* | *1,280* | *3,500* | *77,653* | *88,680* |

## 6 Transactions with related parties

In accordance with IFRS 16, the financial statements report interest-bearing financial payables of €3,276k (€3,906k at 31 December 2020) and financial charges due to discounting the rentals payable to related parties of €48k (€56k at 31 December 2020). Other costs totaling €12k (€16k in 2020) have also been charged to the income statement.

The above transactions were carried out on arm's-length conditions.

## 7 Exposure to risks and uncertainties and Financial risk factors

The Company is exposed to the normal risks and uncertainties of any business activity. The markets in which the Company operates are world niche markets of moderate size and with few competitors. These market characteristics constitute a high barrier to the entry of new competitors, due to significant economy of scale effects against the backdrop of uncertain economic returns for potential new entrants. The Company retains world leadership positions that mitigate the risks and uncertainties of the business activity.

The business of the Company is exposed to various financial risks: market risk (including the exchange rate risk and interest rate risk), credit risk and liquidity risk. The financial risks management program is based on the unpredictability of financial markets and it is aimed at minimizing any negative impact on the Company's financial performance. Interpump Group S.p.A. can use derivative financial instruments to hedge against exchange and interest rate risks. The Company does not hold derivative financial instruments of a speculative nature, in compliance with the rulings established by the procedure approved by the Board of Directors.

***Market risks***

*(i) Exchange rate risk*

The Company does business internationally and is exposed to the exchange risk related to business conducted in US dollars. In particular, the Company invoices its American subsidiaries and a major American customer in US dollars. The Company's current policy is to refrain from hedging recurring transactions and instead to hedge only exposures that are non-recurring in terms of amount or frequency of occurrence.

*(ii) Interest rate risk*

Interest rate risk derives from medium/long-term loans granted at floating rates. It is currently Company policy not to arrange hedges, in view of the short average duration of the existing loans (around 3.5 years).

***(a) Credit risk***

The Company does not have any significant concentrations of receivables. It is Company policy to make sales to customers following a careful assessment of their credit rating and therefore within preset credit limits. Historically, the Company has not had to support any significant losses on receivables.

***(b) Liquidity risk***

Prudent management of liquidity risk involves the retention of an appropriate level of cash on hand and sufficient access to lines of credit. Because of the dynamic nature of the business, which includes frequent acquisitions, it is Company policy to have access to stand-by lines of credit that can be utilized at short notice.

***(c) Price and cash flow risk***

The Company is subject to constant changes in metal prices, especially brass, aluminum, copper and steel. It is Company policy to hedge this risk where possible by way of medium-term commitments with suppliers or stockpiling policies when prices are at the low point of their cycle.

The income and cash flow from the Company's operating activities are not influenced much by changes in interest generating assets.

## 8 Environment, health and safety

The Company is engaged exclusively in mechanical engineering and components assembly activities that are not accompanied by the emission of pollutants into the environment. The production process is performed in compliance with statutory legislation. The Company is exposed to risks associated with occupational health and safety and the environment, typical of a company that performs manufacturing and sales activities in different geographical contexts.
In relation to occupational health and safety and the environment the Company applies international standards ISO 9001, ISO 14001 and OHSAS 18001.
Pursuant to art. 5, para. 3.b, of Decree 254/2016, the Company has prepared a consolidated non-financial statement, which is provided as a separate document with respect to this Annual Financial Report. The consolidated non-financial statement, prepared in compliance with GRI Standards and subjected to limited examination by EY S.p.A., is available on the Company's website.

## 9 Further information

Ten projects were completed in 2021, all of which related to new pump versions and to mechanical components for high and very high pressure pumps for the food processing and pharmaceuticals industries; in addition, work commenced on 8 new projects.

During 2021, the Company carried out work that satisfies the eligibility criteria envisaged in the 2020 Budget Law (Law 160/2019 as amended) and, in that regard, dedicated significant resources to the completion of projects for the acquisition of new knowledge and new technical skills for the development of:

- innovative methodologies and techniques for the assembly, handling, quality control, traceability and testing of a major family of pumps;
- innovative solutions for the revamping of electro-mechanical machines using cobots and latest-generation vision systems;
- innovative technical solutions specific to the food processing and pharma sectors;
- innovative solutions for product prototyping;
- an experimental family of high-performance, highly-reliable homogenizers.

The positive outcome of these innovations is expected to generate good results in terms of sales, with a beneficial effect on the results of the Company.

The Company expects to benefit from the tax credit for R&D activities envisaged in the 2020 Budget Law (art. 1, paras. 198/209 of Law 160/2019), as amended by the 2021 Budget Law (art. 1, para. 1064 of Law 178/2020, as amended); this tax credit amounts to about €42k in 2021.

It is Company policy to continue to invest heavily in research and development in future years in order to add further impetus to organic growth. Product development costs totaling €573k were capitalized in 2021, since they will benefit future years, while an amount of €261k was charged to the income statement.

At 31 December 2021 the Company held 2,480,643 shares, representing 2.278% of capital, acquired at an average unit cost of EUR 32.3556.

With regard to stock option plans and the shares in the Company and in subsidiaries held by directors, statutory auditors and general managers, you are invited to consult the “Board of Directors' Report”, which is attached to the Consolidated Annual Financial Report.

The Company is not subject to management and coordination activities; Gruppo IPG Holding S.r.l., with registered office in Milan, is the company that prepares the consolidated financial statements that include data of Interpump Group S.p.A. and its subsidiaries. The consolidated financial statements are available from the Milan business register.

## 10 Events occurring after the end of the year and business outlook

Considering the short time since 31 December 2021, and in the light of the short period of time historically covered by the order portfolio, we do not yet have enough information to make a reliable forecast of expected trends in the current year. No other events worthy of mention in this report have taken place, and the activities of the Company's have proceeded smoothly.

The world economy recovered considerably during 2021, following relaxation of the restrictive measures linked to the pandemic, due to acceleration of the vaccination campaigns. This recovery was also supported by national plans supporting the development of infrastructure, energy transition and digitalization projects. The strong recovery in economic activity was accompanied by a sharp spike in inflation, largely induced by the increase in energy and commodity prices, as well as by constant supply chain interruptions. Towards the end of 2021, a number of central banks confirmed their confidence in the economic recovery by starting to ease certain monetary stimuli, partly in order to contain the rise in inflation.

The results for 2021 evidence the ability of the Company and the Group to serve customers proactively, without interruptions, and to manage manufacturing capacity efficiently. This is clear from the business results achieved, which exceeded the pre-pandemic levels with a substantive improvement in margins.

The situation in early 2022 appears to confirm the continuation of these positive trends, not least due to a significant rise in demand after the excellent performance achieved in the prior year. This outcome is supported by an ability to implement pricing policies that help to contain the cost pressures caused by higher inflation.

Although the expectations for economic growth are good and despite a belief that Interpump can continue to deliver the usual standards of excellence, there are still many short-term uncertainties: persistent inflation fueled by supply chain interruptions, steady rises in commodity and energy prices, and the status of the pandemic. The growing geopolitical tensions and the adverse effects of the military conflict in Ukraine represent an additional element of instability. Even though the direct exposure of the Interpump Group to the countries involved in the conflict is very limited, global economic activity will still experience further interruptions. The sales of Interpump Group S.p.A. to Russia and Ukraine in 2021 amounted to €4.0m, while receivables amount to €0.3m at 31/12/2021.

## 11 Proposal to the Shareholders' Meeting

The profit for the year was EUR 84,308,858. We propose:

- allocation of the net profit for the year to the Extraordinary Reserve, since the legal reserve has already reached the limit of one-fifth of the subscribed and fully paid up share capital;
- partial distribution of the Extraordinary Reserve by declaring a dividend of EUR 0.28 for each share in circulation including the right as per art. 2357-(3) subsection 2 of the Italian Civil Code. It should be noted that, for tax purposes, the provisions of the Ministerial Decree dated 26 April 2017 will be applied, since the entire dividend of Euro 0.28 per share is taxable in the hands of the recipient and is considered to have been drawn from profit reserves accumulated subsequent to the tax year in progress at 31 December 2007 and up to that in progress at 31 December 2016.

Sant'Ilario d'Enza (RE), 18 March 2022

For the Board of Directors

Fulvio Montipò

Chairman and Chief Executive Officer

# Separate financial statements at 31 December 2021
# of the Parent Company Interpump Group S.p.A.

**INTERPUMP GROUP S.p.A.**
Registered Office: S. Ilario d'Enza (RE)
Via E. Fermi 25
Share Capital: € 56,617,232.88
Reggio Emilia Court - Company Register no. 117217
Tax code 11666900151
VAT number 01682900350

## Statement of financial position

| Euro | ***Notes*** | ***31/12/2021*** | ***31/12/2020*** |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3 | 135,513,852 | 136,676,885 |
| Trade receivables | 4, 20 | 18,665,388 | 15,974,664 |
| Dividends receivable | 20 | 1,279,700 | 3,500,000 |
| Inventories | 5 | 25,793,110 | 22,944,737 |
| Tax receivables | | 97,541 | 2,520,041 |
| Current financial assets | 11, 20 | 30,777,999 | 37,815,092 |
| Other current assets | 6, 20 | 2,519,460 | 459,356 |
| **Total current assets** | | **214,647,050** | **219,890,775** |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 37,640,913 | 35,676,788 |
| Goodwill | 8 | 44,536,997 | 44,536,997 |
| Other intangible assets | 9 | 3,118,490 | 3,171,422 |
| Investments in subsidiaries | 10 | 943,317,056 | 632,902,110 |
| Other financial assets | 11, 20 | 65,936,560 | 82,770,715 |
| Tax receivables | | 111,658 | 131,425 |
| Deferred tax assets | 12 | 7,168,827 | 13,228,610 |
| Other non-current assets | | 16,474 | 17,492 |
| **Total non-current assets** | | **1,101,846,975** | **812,435,559** |
| ***Total assets*** | | ***1,316,494,025*** | ***1,032,326,334*** |

| Euro | ***Notes*** | ***31/12/2021*** | ***31/12/2020*** |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables | 4, 20 | 17,433,309 | 14,976,085 |
| Payables to banks | | 106,169 | 207,178 |
| Interest-bearing financial payables (current portion) | 13, 20 | 201,418,719 | 143,390,053 |
| Tax liabilities | | 1,632,827 | 738,668 |
| Other current liabilities | 14, 20 | 8,837,815 | 9,043,578 |
| Accrued expenses and deferred income | | 62,681 | 126,784 |
| Provisions for risks and charges | 15 | 30,000 | - |
| **Total current liabilities** | | **229,521,520** | **168,482,346** |
| **Non-current liabilities** | | | |
| Interest-bearing financial payables | 13, 20 | 513,689,616 | 335,090,977 |
| Liabilities for employee benefits | 16 | 5,025,520 | 5,249,658 |
| Tax liabilities | | 341,120 | 682,241 |
| Deferred tax liabilities | 12 | 652,547 | 657,168 |
| Other non-current liabilities | 17 | 223,334 | - |
| Provisions for risks and charges | 15 | 8,278,432 | 7,520,893 |
| **Total non-current liabilities** | | **528,210,569** | **349,200,937** |
| **Total liabilities** | | **757,732,089** | **517,683,283** |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 18 | 55,327,299 | 55,461,608 |
| Legal reserve | 19 | 11,323,447 | 11,323,447 |
| Share premium reserve | 18 | 66,119,099 | 78,475,076 |
| Remeasurement reserve for defined benefit plans | | (2,539,920) | (2,457,813) |
| Other reserves | 19 | 428,532,011 | 371,840,733 |
| **Total shareholders' equity** | | **558,761,936** | **514,643,051** |
| ***Total shareholders' equity and liabilities*** | | ***1,316,494,025*** | ***1,032,326,334*** |

# Income statement

| Euro | ***Notes*** | ***2021*** | ***2020*** |
|---|---|---|---|
| **Net sales** | 22 | **112,389,053** | **100,518,164** |
| Cost of sales | 24 | (69,367,863) | (62,688,846) |
| **Gross industrial margin** | | **43,021,190** | **37,829,318** |
| Other operating income | 23 | 2,332,929 | 1,839,499 |
| Distribution expenses | 24 | (6,427,229) | (6,041,147) |
| General and administrative expenses | 24 | (21,517,233) | (25,857,877) |
| Impairment losses on assets | 9, 10 | (97,609) | (122,713) |
| Other operating costs | 24 | (397,765) | (329,838) |
| Dividends | | 77,653,343 | 88,679,298 |
| **EBIT** | | **94,567,626** | **95,996,540** |
| Financial income | 25 | 2,103,177 | 1,690,984 |
| Financial charges | 25 | (1,089,346) | (2,760,366) |
| **Profit for the year before taxes** | | **95,581,457** | **94,927,158** |
| Income taxes | 26 | (11,272,599) | 6,875,046 |
| **Net profit for the year** | | **84,308,858** | **101,802,204** |
| Basic earnings per share | 27 | 0.790 | 0.950 |
| Diluted earnings per share | 27 | 0.780 | 0.947 |

## Statement of comprehensive income

| (€/000) | ***2021*** | ***2020*** |
|---|---|---|
| **Net profit (A)** | **84,309** | **101,802** |
| **Other comprehensive income (losses) which will not subsequently be reclassified to profit or loss** | | |
| *Gains (losses) deriving from the remeasurement of defined benefit plans* | *(108)* | *(109)* |
| *Applicable taxes* | *26* | *26* |
| **Total other comprehensive income (losses) which will not subsequently be reclassified to profit or loss, net of the tax effect (B)** | **(82)** | **(83)** |
| **Comprehensive net profit (A) + (B)** | **84,227** | **101,719** |

## Cash flow statement

| (€/000) | **2021** | **2020** |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxes | 95,581 | 94,927 |
| Profit before taxes earned by Mariotti & Pecini prior to absorption | - | (1,123) |
| Adjustments for non-cash items: | | |
| Gains on the sale of fixed assets | (27) | (2) |
| Amortization, depreciation and impairment | 5,548 | 5,558 |
| Costs recognized in the income statement relative to stock options that do not involve monetary outflows for the Company | 4,167 | 1,775 |
| Impairment losses (writebacks) on assets | 5 | 4 |
| Net change in risk provisions and allocations to employee benefit provisions | 454 | 6,980 |
| Dividends recognized in the income statement | (77,653) | (88,679) |
| Net financial charges | (1,013) | 1,070 |
| | 27,062 | 20,510 |
| (Increase) decrease in trade receivables and other current assets | (291) | 238 |
| (Increase) decrease in inventories | (2,848) | 1,370 |
| Increase (decrease) in trade payables and other current liabilities | 494 | 1,618 |
| Taxes paid | (3,162) | (3,960) |
| Interest paid | (993) | (2,131) |
| Realized exchange differences | 553 | (369) |
| **Net cash from operating activities** | **20,815** | **17,276** |
| **Cash flows from investing activities** | | |
| Payments for the purchase of investments, net of treasury shares assigned | (313,363) | (47,179) |
| Disbursements for purchase of treasury shares | (22,397) | (48,487) |
| Proceeds from the sale of treasury shares to stock option beneficiaries | 714 | 14,480 |
| Capital expenditure on property, plant and equipment | (5,910) | (6,750) |
| Proceeds from the sale of tangible fixed assets | 228 | 24 |
| Increase in intangible assets | (617) | (564) |
| Financial income received | 1,438 | 1,838 |
| Other | (28) | 377 |
| **Net cash (used) by investing activities** | **(339,935)** | **(86,261)** |

| (€/000) | 2021 | 2020 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Dividends received | 79,890 | 93,077 |
| Dividends paid | (27,382) | (26,897) |
| (Disbursements) repayments of intercompany loans, net of treasury shares sold | 28,813 | 17,284 |
| Disbursements (repayments) of loans | 237,315 | 25,068 |
| Change in other financial assets | - | 13 |
| Payment of finance leasing installments (principal) | (801) | (867) |
| Other | 223 | - |
| **Net cash generated by financing activities** | **318,058** | **107,678** |
| **Net increase (decrease) in cash and cash equivalents** | **(1,062)** | **38,693** |
| Opening cash and cash equivalents of merged companies | **-** | **2,794** |
| Cash and cash equivalents at the beginning of the year | **136,470** | **94,983** |
| Cash and cash equivalents at the end of the year | **135,408** | **136,470** |

For reconciliation of cash and cash equivalents refer to Note 28.

# Statement of changes in shareholders' equity

| | *Share capital* | *Legal reserve* | *Share premium reserve* | *Remeasure-ment reserve for defined benefit plans* | *Other reserves* | *Total share-holders' equity* |
|---|---|---|---|---|---|---|
| *At 1 January 2020* | *55,460* | *11,323* | *96,513* | *(2,334)* | *296,938* | *457,900* |
| Dividends paid | - | - | - | - | (26,897) | *(26,897)* |
| Recognition in income statement of fair value of stock options granted to and exercisable by employees of Interpump Group S.p.A. | - | - | 1,775 | - | - | *1,775* |
| Fair value measurement of stock options granted to and exercisable by employees of subsidiaries | - | - | 144 | - | - | *144* |
| Effect of absorbing Mariotti & Pecini S.r.l. | - | - | - | (41) | - | *(41)* |
| Purchase of treasury shares | (837) | - | (48,487) | - | 837 | *(48,487)* |
| Sale of treasury shares to stock option beneficiaries | 585 | - | 14,480 | - | (585) | *14,480* |
| Transfer of treasury shares as payment for equity investments | 254 | - | 14,050 | - | (254) | *14,050* |
| Comprehensive net profit for the year | - | - | - | (83) | 101,802 | *101,719* |
| *At 31 December 2020* | *55,462* | *11,323* | *78,475* | *(2,458)* | *371,841* | *514,643* |
| Dividends paid | - | - | - | - | (27,382) | *(27,382)* |
| Dividends resolved | - | - | - | - | (370) | *(370)* |
| Recognition in income statement of fair value of stock options granted to and exercisable by employees of Interpump Group S.p.A. | - | - | 4,167 | - | - | *4,167* |
| Fair value measurement of stock options granted to and exercisable by employees of subsidiaries | - | - | 219 | - | - | *219* |
| Purchase of treasury shares | (218) | - | (22,397) | - | 218 | *(22,397)* |
| Sale of treasury shares to stock option beneficiaries | 29 | - | 714 | - | (29) | *714* |
| Transfer of treasury shares as payment for equity investments | 54 | - | 4,941 | - | (54) | *4,941* |
| Comprehensive net profit for the year | - | - | - | (82) | 84,309 | *84,227* |
| *At 31 December 2021* | *55,327* | *11,323* | *66,119* | *(2,540)* | *428,533* | *558,762* |

# Notes to the financial statements of Interpump Group S.p.A.

## 1. General information

Interpump Group S.p.A. is a company, incorporated under Italian law with registered offices in Sant'Ilario d'Enza (RE), that is listed on the Milan Stock Exchange.

The Company manufactures and markets high and very high pressure plunger pumps, and has direct and indirect controlling interests in 108 companies. Interpump Group S.p.A. has production facilities in Sant'Ilario d'Enza (RE). For information on the Group's operations, refer to the "Board of Directors' Report" attached to the Consolidated Financial Report.

The financial statements at 31 December 2021, prepared on a going concern basis, were approved by the Board of Directors at the meeting held on 18 March 2022.

## 2. Accounting standards adopted

### 2.1 Reference accounting standards

The financial statements at 31 December 2021 have been prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. "IFRS" also means the International Accounting Standards ("IAS") currently in force and all the interpretative documents issued by the IFRS Interpretation Committee, previously denominated International Financial Reporting Interpretations Committee ("IFRIC") and still earlier known as the Standing Interpretations Committee ("SIC").

The statement of financial position and the income statement are presented in euro, while the other schedules and notes 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.

Preparation of a report in compliance with IFRS (International Financial Reporting Standards) calls for judgments, estimates, and assumptions that effect assets, liabilities, costs and revenues. The final results may differ from the results obtained using estimates of this type. 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, the recoverability of the value of equity investments, and liabilities for the acquisition of investments included under other liabilities.

Notably, discretionary measurements and significant accounting estimates concern determination of the recoverable value of each equity investment, in particular with reference to the identification of any indicators of impairment, expectations about their future profitability during the period covered by the Group business plan, determination of the normalized cash flows underlying the estimate of terminal value, as well as determination of the long-term growth rate and the discount rate applied to the forecasts of their future profitability. The key assumptions used to measure the equity investments, including a sensitivity analysis, are described in Note 10.

The Company's income statement is prepared by functional areas (or cost of sales), this form being considered more representative than presentation by type of sales, this information being specified in the notes to the financial statements. The chosen form, in fact, complies with the internal reporting and business management methods. For a comprehensive analysis of the Group's economic results, see the “Board of Director's Report” attached to the Consolidated Annual Financial Report.

The cash flow statement was prepared using the indirect method.

### 2.1.1 Accounting standards, amendments and interpretations in force from 1 January 2021 and adopted by the Company

As from 2021 the Company has applied the following new accounting standards, amendments and interpretations, reviewed by IASB:

- *Amendment to IFRS 16 - “Lease Covid 19 - Related rent concessions beyond 30 June 2021”.* On 31 March 2021 the IASB published an amendment to this standard that extends, for one year, the May 2020 amendment that clarifies 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. The new amendment applied from 1 April 2021 and was endorsed by the EU on 31 August 2021. Application of the new amendment did not result in adjustments to the economic and financial balances of the Company.

### 2.1.2 Accounting standards and amendments not yet applicable and not adopted early by the Company

- *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. In particular, the amendment 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 Company is currently assessing the impact of this amendment on the existing situation.

- *Amendments to IFRS 3 - “Business combinations”.* On 14 May 2020, the IASB published this amendment that updates the references made to the IAS Conceptual Framework, without making any changes to the accounting for business combinations. The new amendment applies 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 products made while bringing that item to the location or for the time necessary for it to become 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. The Company does not expect these amendments to have a material effect.

- *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 Company 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.

- *Annual Improvements 2018-2020 Cycle*. On 14 May 2020 the IASB published a series of amendments, comprising:

  - *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. This amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is allowed.

  - *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. This amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is allowed. The Company 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. The Company does not expect this amendment to have a material effect.

- *Amendments to IAS 1 – "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and IFRS Practice Statement 2 - "Disclosure of Accounting policies*". The IASB published an amendment to this standard on 12 February 2021 in order to help companies to decide which accounting policies to disclose in their financial statements. This amendment is effective for annual periods beginning on or after 1 January 2023. Early adoption is allowed.
- *Amendments to IAS 8 - "Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates".* The IASB published an amendment to this standard on 12 February 2021 in order to introduce a new definition of accounting estimate and clarify the distinction between changes in accounting estimates, changes in accounting policies and corrections of errors. This amendment is effective for annual periods beginning on or after 1 January 2023. Early adoption is allowed.
- *Amendments to IAS 12 – "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction".* On 7 May 2021 IASB published an amendment to this standard, which requires companies to recognize deferred tax assets and liabilities on specific transactions that, at the time of initial booking, give rise to equivalent timing differences (taxable and deductible) – for example, see transactions related to leasing contracts.
- *Amendments to IFRS 17 – "Insurance Contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information".* On 9 December 2021 IASB published an amendment to the transitional instructions for IFRS 17. The amendment gives insurers an option for the purpose of improving the meaningfulness of the information to be provided to investors on initial application of the new standard. This amendment is effective for annual periods beginning on or after 1 January 2023. Early adoption is allowed.

### 2.2 Segment information

Based on the definition provided by standard IFRS 8 an operating segment is a component of an entity:

- that undertakes a business activity that generates costs and revenues;
- the operating results of which are periodically reviewed at the highest decisional/operating level of the entity in order to make decisions concerning the resources to allocate to the segment and the measurement of the results;
- for which separate accounting information is available.

The business segments in which the Group operates are determined on the basis of the reporting utilized by Group top management to make decisions, and they have been identified as the Water Jetting Sector, which basically includes high and very-high pressure pumps, very high pressure systems, high pressure homogenizers, mixers, agitators, piston pumps, valves and other machines mainly for the food processing industry, but also for chemicals and cosmetics, and the Hydraulic Sector, which includes power take-offs, gear pumps, hydraulic cylinders, directional controls, valves, gears and dispersion devices used to spread solid biological fertilizers, hydraulic hoses and fittings, gears, right-angle drives, orbital motors, steering systems and other hydraulic components. Interpump Group S.p.A. operates entirely in the Water Jetting Sector so it was not considered necessary to present the associated sector information.
With the aim of providing more comprehensive disclosure, information is provided for the geographical areas in which the Company operates, namely Italy, the Rest of Europe (including non-EU European countries) and the Rest of the World.

### 2.3 Treatment of foreign currency transactions

The functional and presentation currency adopted by Interpump Group S.p.A. is the euro. Foreign currency transactions are translated to euro using the exchange rates in force on the date of the transaction. Monetary assets and liabilities are translated at the exchange rate in force on the reporting date. Foreign exchange differences arising from the translation are recognized in the income statement. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rates in force on the date of the related transactions. Monetary assets and liabilities stated at fair value are translated to euro at the exchange rate in force on the date in respect of which the relative fair value was determined.

### 2.4 Non-current assets held for sale and discontinued operations

Non-current assets held for sale and any assets and liabilities pertaining to lines of business or consolidated investments held for sale, are measured at the lower of their book value at the time of classification of said captions as "held for sale", and their fair value, net of the costs of sale. Any impairments recorded in application of said principle are recorded in the income statement, both in the event of write-downs for adaptation to the fair value and also in the case of profits and losses deriving from future changes of the fair value.

Assets and liabilities that satisfy the definition of discontinued operations are classified as discontinued operations at the time of their disposal or when they satisfy the description of assets held for sale, if said requirements existed previously.

### 2.5 Property, plant and equipment

*(i) Recognition and measurement*

Property, plant and equipment are measured at the historical cost and stated net of accumulated depreciation (see next point *iii*) and impairment losses (see section 2.8). The cost of goods produced internally includes the cost of raw materials, directly related labor costs, and a portion of indirect production costs. The cost of assets, whether purchased externally or produced internally, includes the ancillary costs that are directly attributable and necessary for use of the asset and, when they are significant and in the presence of contractual obligations, the current value of the cost estimated for the dismantling and removal of the related assets.

Financial charges relating to loans utilized for the purchase of tangible fixed assets are recorded in the income statement on an accruals basis if they are not specifically allocated to the purchase or construction of the asset, otherwise they are capitalized.

Assets held for sale are measured at the lower of the fair value net of ancillary charges to the sale and their book value at the time of classification of said captions as held for sale.

*(ii) Subsequent costs*

The replacement costs of certain parts of assets are capitalized when it is expected that said costs will result in future economic benefits and they can be measured in a reliable manner. All other costs, including maintenance and repair costs, are ascribed to the income statement when they arise.

*(iii) Depreciation*

Depreciation is charged to the income statement on a straight-line basis in relation to the estimated residual useful life of the associated asset. Land is not depreciated. The estimated useful life of assets is as follows:

| | |
|---|---|
| - Buildings | 25 years |
| - Plant and equipment | 12.5 years |
| - Industrial and commercial equipment | 4 years |
| - Other assets | 4-8 years |

The estimated useful life of the assets is reviewed on an annual basis, and any changes in the rates of depreciation are applied, where necessary, to future depreciation charges.

For assets purchased and/or that became operational in the year, depreciation is calculated utilizing annual rates reduced by 50%. Historically, this method of calculation has been representative of the effective use of the assets in question.

Any profits/losses emerging on the derecognition of assets, i.e. on disposal (from the date on which the purchaser obtains control over them) or when no further economic benefits are expected from their use or disposal, (being the difference between their carrying amount and the net consideration obtained) are recognized in the income statement at that time.

*(iv) Leases*

Right-of-use assets are measured at cost and stated net of accumulated depreciation and impairment. They are also adjusted following remeasurement of the related lease liabilities. The cost of right-of-use assets comprises the amount of the lease liabilities recognized, the initial direct costs incurred and the lease payments made at or before the start date, net of any and all incentives received. Right-of-use assets are depreciated on a straight-line basis from the start date until the end of the useful life of the asset, being the end of the usage right (duration of the lease contract).

If the lease contract transfers ownership of the underlying asset to the lessee at the end of the lease period, or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee must depreciate the right-of-use asset from the start date until the end of the useful life of the underlying asset. The corresponding liability to the lessor is classified among the financial payables.

*(v) Leasehold improvements*

Any leasehold improvements with the same characteristics as fixed assets are capitalized in the asset category to which they relate and depreciated over their useful lives or, if shorter, over the residual life of the lease.

## 2.6 Goodwill

Goodwill is represented by the merger deficit portions paid for this reason and arising from the merger operations.

Goodwill is recorded at cost, net of impairment losses. Goodwill is allocated to a single cash generating unit and is no longer amortized as from 1 January 2004. The book value is measured in order to assess the absence of impairment (see section 2.8).

## 2.7 Other intangible assets

*(i) Research and development costs*

Research costs for the acquisition of new technical know-how are ascribed to the income statement when they arise.

Development costs relating to the creation of new products/accessories or new production processes are capitalized if the Company can prove:

- the technical feasibility and intention of completing the intangible asset in such a way that it is available for use or for sale;
- its ability to use or sell the asset;
- the forecast volumes and realization values indicate that the costs incurred for development activities will generate future economic benefits;
- those costs are measurable in a reliable manner; and
- the resources exist to complete the development project.

The capitalized costs relate to development projects that meet the requirements for deferral. Capitalized development costs are valued at cost, net of accumulated amortization (see next point *v*) and impairment (see section 2.8).

*(ii) Loan ancillary costs*

Loan ancillary costs are deducted from the nominal amount of the loan and treated as outlined in section 2.15.

*(iii) Other intangible assets*

Other intangible assets, all having a defined useful life, are measured at cost and recorded net of accumulated amortization (see next point *v*) and impairment (see section 2.8).

Software licenses are amortized over their period of utilization (5 years).

The costs incurred internally for the creation of trademarks or goodwill are recognized in the income statement when they are incurred.

*(iv) Subsequent costs*

Costs incurred subsequently relative to intangible fixed assets are capitalized only if they increase the future economic benefits of the specific capitalized asset, otherwise they are entered in the income statement when they are sustained.

*(v) Amortization*

Amortization amounts are recorded in the income statement on a straight-line basis in accordance with the estimated useful life of the capitalized assets to which they refer. The estimated useful life of assets is as follows:

| | |
|---|---|
| - Patents and trademarks | 3 years |
| - Development costs | 5 years |
| - Software licenses | 5 years |

The estimated useful life is reviewed on an annual basis and any changes in the rates are made, where necessary, for future amounts.

## 2.8 Impairment of assets

The book values of assets, with the exception of inventories (see section 2.13), financial assets regulated by IFRS 9, deferred tax assets (see section 2.17), and non-current assets held for sale regulated by IFRS 5, are subject to measurement at the reporting date in order to identify the existence of possible indicators of impairment. If the valuation process identifies the presence of such indicators, the presumed recoverable value of the asset is calculated using the methods indicated in the following point (*i*).

The presumed recovery value of goodwill and intangible assets that have not yet been used is estimated at intervals of no longer than once a year or more frequently if specific events occur that point to the possible existence of impairment. If the estimated recoverable value of the asset or its cash generating unit is lower than its net book value, the asset to which it refers is consequently adjusted for impairment loss with entry into the income statement.

Goodwill is systematically measured (impairment test) at least once a year or more as prescribed by IAS 36.

### *(i) Calculation of estimated recoverable value*

The estimated recoverable value of other assets is equal to their fair value less selling costs or, if greater, their value in use. The value in use is equivalent to the projected future cash flows, discounted to a rate, including taxes, that takes account of the market value of interest rates and the specific risks of the asset to which the presumed realization value refers. For assets that do not give rise to independent cash flows the presumed realization value is determined with reference to the cash generating unit to which the asset belongs.

### *(ii) Reinstatement of impairment losses*

An impairment relative to other assets is reinstated if a change has occurred in the estimate used to determine the presumed recovery value.

Impairment is reinstated to the extent of the corresponding book value that would have been determined, net of depreciation/amortization, had no impairment loss ever been recognized.

Impairment related to goodwill can never be reinstated.

## 2.9 Equity investments

Investments in subsidiaries and associates are measured at cost.

Should any impairment of value arise at the reporting date in comparison to the value determined according to the above method, the investment in question will be written down.

## 2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and post office deposits, and securities having original maturity date of less than three months. Current account overdrafts and advances with recourse are deducted from cash only for the purposes of the cash-flow statement.

## 2.11 Financial assets (Trade receivables, Other financial assets and Other assets)

On initial recognition, the classification of financial assets depends on how they will be measured subsequently: at amortized cost, at fair value through other components of comprehensive income or at fair value through profit or loss. Again at the time of initial recognition, financial assets are classified with reference to the characteristics of the related contractual cash flows and the business model used by the Company for their management. With the exclusion of trade receivables that do not contain a significant financing component, the Company initially measures financial assets at their fair value, including transaction costs in the case of those not measured at fair value through profit and loss. Trade receivables that do not have a significant financial component are measured at their transaction price, as defined in accordance with IFRS 15.

Financial assets are measured at amortized cost if they are held in order to collect contractual cash flows (*Held to Collect*), represented solely by the payment of principal and interest on the amount of principal still be repaid. All receivables are included in this category. These assets are measured at amortized cost, in accordance with the effective interest criterion, and stated net of impairment losses. Interest income, exchange gains and losses, and impairment losses are recognized in the profit (loss) for the year, as are derecognition gains and losses.

Financial assets are measured at fair value through other components of comprehensive income if they are held by the Group for the dual purpose of collecting contractual cash flows, represented solely by the payment of principal and interest on the amount of principal still be repaid, and of selling them (*Held to Collect and Sell*).

If a financial asset is not measured in one of the two ways described above, it must be measured at fair value through profit or loss. Accordingly, this category includes the assets held for trading and the assets designated on initial recognition as financial assets at fair value through profit or loss, as well as the financial assets whose measurement at fair value is mandatory. The fair value of the financial assets held for trading is determined with reference to market prices on the relevant annual or interim reporting date, or using financial valuation techniques and models.

In accordance with IFRS 9, commencing on 1 January 2018 the Company adopted a new impairment model for financial assets measured at amortized cost or at fair value through other components of comprehensive income, with the exception of equity securities and assets deriving from customer contracts. This new model is based on determining the expected credit loss (ECL), which replaced the incurred loss model previously envisaged in IAS 39.

The new standard envisages adoption of the following methodologies: the General deterioration method and the Simplified approach. The standard does not specify how to segment customers, leaving the entity free to select the sample subsets in a manner consistent with its own circumstances.

Within the simplified model, an analytical approach has been applied in relation to trade receivables deemed by management to be individually significant, and for which more detailed information is available about the significant increase in credit risk.

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized (i.e. removed from the statement of financial position) when:

- the right to receive cash flows deriving from the asset has expired, or
- the Company has transferred the right to receive cash flows deriving from the asset to a third party, or has accepted a contractual obligation to pay them over in full and without delay and (a) has transferred substantially all the risks and benefits of ownership of the financial asset, or (b) has not transferred or retained substantially all the risks and benefits of ownership of the financial asset, but has transferred control over it.

The profit (loss) on a financial asset that is measured at amortized cost and is not included in a hedging relationship must be recognized in profit (loss) in the year in which it is derecognized or reclassified, or via the amortization process or to recognize the gains or loss on impairment adjustments.

### 2.12 Derivative financial instruments

It is Company policy to avoid speculative derivative financial instruments; however, when derivative financial instruments fail to meet all the requirements for hedge accounting, any changes in their fair value are recognized in the income statement as financial charges and/or income. Derivative financial instruments are brought to account using hedge accounting methods when:

- formal designation and documentation of the hedge relation is present at the start of the hedge;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured and the hedge is highly effective during the periods of designation.

The method used to recognize derivative financial instruments depends on whether or not the conditions and requirements of IFRS 9 are fulfilled. Specifically, it clarifies that:

*(i) Cash flow hedges*

In the case of a derivative financial instrument for which formal documentation is provided of the hedging relation of the variations in cash flows originating from an asset or liability of a future transaction (underlying hedged variable), considered to be highly probable and that could impact on the income statement, the effective hedge portion deriving from the adaptation of the derivative financial instrument to fair value is recognized directly in equity. When the underlying hedged item is delivered or settled, the relative provision is derecognized from equity and attributed at the recording value of the underlying element. The ineffective portion, if present, of the change in value of the hedging instrument is immediately ascribed to the income statement under financial expenses and/or income. When a hedging financial instrument expires, is sold, terminated, or exercised, or the company changes the relationship with the underlying variable, and the forecast transaction has not yet occurred although it is still considered likely, the relative gains or losses deriving from adjustment of the financial instrument to fair value are still retained in equity and are recognized in the income statement when the transaction takes place in accordance with the situation described above. If the forecast transaction related to the underlying risk is no longer expected to occur, the relative gains or losses of the derivative contract, originally deferred in equity, must be taken to the income statement immediately.

*(ii) Hedges of monetary assets and liabilities (Fair value hedges)*

When a derivative financial instrument is used to hedge changes in value of a monetary asset or liability already recorded in the financial statements that can impact on the income statement, the gains and losses relative to the changes in the fair value of the derivative instrument are taken to the income statement immediately. Likewise, the gains and losses relative to the hedged item modify the book value of said item and are recognized in the income statement.

### 2.13 Inventories

Inventories are measured at the lower of purchase cost or their estimated realizable value. The cost is determined with the criterion of the average weighted cost and it includes all the costs incurred to purchase the materials and transform them at the conditions in force on the reporting date. The cost of semi-finished goods and finished products includes a portion of indirect costs determined on the basis of normal production capacity. Write down provisions are calculated for materials, semi-finished goods and finished products considered to be obsolete or slow moving, taking account of their expected future usefulness and their realization value. The net realization value is estimated taking account of the market price during the course of normal business activities, from which the costs of completion and costs of sale are subsequently deducted.

### 2.14 Share capital and Treasury shares

In the case of purchase of treasury shares, the price paid, inclusive of any directly attributable ancillary costs, is deducted from share capital for the portion concerning the nominal value of shares and from shareholders' equity for the surplus portion. When treasury shares are sold or reissued, the price collected, net of any directly attributable ancillary charges and the associated tax effect, is recorded as share capital for the portion concerning the nominal value of shares and as shareholders' equity for the surplus.

### 2.15 Financial liabilities (Trade payables, Bank payables, Interest-bearing financial payables and Other liabilities)

On initial recognition, financial liabilities are measured at fair value through profit and loss and classified either as loans or as derivatives designated as hedging instruments. All financial liabilities are initially recognized at fair value, including directly-attributable transaction costs in the case of loans and payables. Following initial recognition, loans are measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated collections over the expected life of the financial instrument or the future payments to the gross carrying amount of the financial asset or the amortized cost of the financial liability. Profits and losses are recognized in the income statement when liabilities are settled, as well as via the amortization process. Amortization using the effective interest rate is classified among financial expenses in the income statement.

A financial liability is derecognized when the underlying obligation expires or when the obligation specified in the contract is settled, canceled or expires.

Trade payables and other debts, the relative due date of which is within normal commercial terms, are not discounted to present value and are entered at the amortized cost representative of their discharge value.

Current financial liabilities include the short-term portions of the interest-bearing financial payables, bank and lease payables and other financial liabilities.

### 2.16 Liabilities for employee benefits

*(i) Defined contribution plans*

The Company participates in defined pension plans with public administration or private plans on a compulsory, contractual or voluntary basis. The payment of contributions fulfills the Company's obligations towards its employees. The contributions therefore constitute costs of the period in which they are due.

*(ii) Defined benefit plans*

Defined benefit plans for employees - disbursed at the time of termination of the period of employment with the Company or thereafter - that include severance indemnity, are calculated separately for each plan, estimating the amount of the future benefit that the employees have accrued during the year and in previous years by means of actuarial techniques. The resulting benefit is discounted to present value and recorded net of the fair value of any related assets. As required by IAS 19, the discount rate at the reporting date is calculated by reference to the market yields on high-quality corporate bonds, being securities with a low credit risk profile. Only the securities of corporate issuers with an "AA" rating are considered, on the assumption that this class identifies a high rating level in the context of "Investment Grade" securities, with the exclusion, therefore, of higher risk securities. Given that IAS 19 does not make explicit reference to a specific business category, the Company has opted for a “Composite” market yield curve that, accordingly, summarizes market conditions on the measurement date for the securities issued by companies active in various sectors, including utilities, telephony, finance, banking and industrials. At 31 December 2021, analysis of the above corporate yield curves for “AA” securities used for actuarial valuation purposes indicates a generalized increase in expected yields (only negative until the third year) for all maturities, with respect to that at 31 December 2020 used for the previous actuarial valuation. This increase in the curve reflects the global economic recovery observed during 2021, albeit with uncertainties connected with the progress of the vaccination campaigns and the possible spread of new virus variants. The corporate credit market remained stable during 2021, encouraged by optimism about the launch of vaccines, the quieter political background and the unwavering monetary and fiscal support provided by central banks and governments throughout the year. Specifically, the market for Investment Grade (IG) corporate bonds continued to recover ground, holding up well in response to the yields seen in 2020, which severely had challenged those companies active in sectors badly affected by the lockdowns. Given their high credit ratings, IG companies had privileged access to the capital markets, and the action taken by central banks and government enabled most to finance themselves at a reasonable cost in order to cover the shortfall in revenues. The spreads charged on the bonds of financial and non-financial companies remained fairly low and, indeed, were lower than those observed prior to the pandemic. The extra yields on high-quality corporates were therefore stable and positive, confirming the optimism of investors and rating agencies about prospects for the profitability and financial strength of companies in Euro area, despite the more uncertain economic outlook. The defined benefit obligation is calculated on an annual basis by an independent actuary using the projected unit credit method.

If the plan benefits increase, the prior-service portion of the increase is charged to the income statement on a straight-line basis over the period in which the related rights will be acquired. If the rights are acquired immediately, the increase is recognized immediately in the income statement.

Actuarial profits and losses are recognized in a specific equity reserve on an accrual basis.

Until 31 December 2006 the severance indemnity provision (TFR) of Italian companies was considered to be a defined benefits plan. The rules governing the provision were amended by Law no. 296 of 27 December 2006 (“2007 Finance Act”) and by subsequent Decrees and Regulations enacted in the initial months of 2007. In the light of these changes, and in particular with reference to companies with at least 50 employees, as is the case of Interpump Group S.p.A., the TFR severance indemnity provision should now be classified as a defined benefits plan exclusively for the portions accrued prior to 1 January 2007 (and not yet paid out at the date of the financial statements), while after that date TFR should be considered as a defined contributions plan.

(iii) *Stock options*

On the basis of the stock option plan currently in existence, certain employees and directors are entitled to purchase the treasury shares of Interpump Group S.p.A. The options are measured at fair value, this being booked to the income statement as an addition to the cost of personnel and directors, with a matching entry in the share premium reserve. The fair value is measured at the grant date of the option and recorded in the income statement in the period that runs between said date and the date on which the options become exercisable (vesting period). The fair value of the option is determined using the applicable options measurement method (specifically, the binomial lattice model), taking account the terms and conditions at which the options were granted.

The remuneration component deriving from stock option plans with Interpump Group S.p.A. shares as the underlying, in accordance with the matters envisaged by interpretation IFRIC 11, is recognized as a capital grant disbursed to subsidiaries wherein the beneficiaries of the stock option plans are employees and consequently recorded as an increase of the relative value of the shareholdings, with a matching entry recorded directly in equity.

### 2.17 Income taxes

Income taxes disclosed in the income statement include current and deferred taxes. Income taxes are generally disclosed in the income statement, except when they refer to types of items that are recorded directly under shareholders' equity. In this case, the income taxes are also recognized directly in equity.

Current taxes are taxes that are expected to be due, calculated by applying to the taxable income the tax rate in force at the reporting date and the adjustments to taxes of prior years.

Deferred taxes are calculated using the liability method on the temporary differences between the amount of assets and liabilities in the financial statements and the corresponding values recognized for tax purposes. Deferred tax liabilities are recognized in relation to all taxable temporary differences, except for:

- the deferred tax liabilities deriving from the initial recognition of goodwill or an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect the reported results or taxable income;
- reversals of taxable temporary differences, associated with investments in subsidiaries, associates and joint ventures, that can be controlled and that are unlikely to occur in the foreseeable future.

Deferred tax assets are recognized in relation to all deductible temporary differences, tax credits and unused tax losses carried forward, to the extent that future taxable income is likely to be sufficient to allow the recovery of the deductible temporary differences, tax credits and tax losses carried forward, except for:

- the deferred tax assets linked to deductible temporary differences that derive from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect the reported results or taxable income;
- the deferred tax assets linked to deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, which are only recognized if they are likely to reverse in the foreseeable future and there will be sufficient taxable income for

the recovery of such temporary differences. Deferred taxes are calculated in accordance with the envisaged method of transfer of timing differences, using the tax rate in force at the reference date of years in which the timing differences arose.

Deferred taxes are calculated in accordance with the envisaged method of transfer of timing differences, using the tax rate in force at the reference date of years in which the timing differences arose.

Deferred tax assets are recognized exclusively in the event that it is probable that in future years sufficient taxable incomes will be generated for the realization of said deferred taxes. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that future taxable income is no longer likely to be sufficient to allow the recovery of such assets, in whole or in part. Any unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent that it has become is probable that future taxable income will be sufficient to allow their recovery.

### 2.18 Provisions for risks and charges

In cases wherein the Company has a legal or substantial obligation resulting from a past event, and when it is probable that the loss of economic benefits must be sustained in order to fulfill such an obligation, a specific provision for risks and charges is created. If the temporal factor of the envisaged loss of benefits is significant, the amount of the future cash outflows is discounted to present values at a rate, gross of taxes, that takes account of the market interest rates and the specific risk of the liability referred to.

### 2.19 Revenues

*(i) Revenues from the sale of goods and services*

Revenues deriving from contracts with customers are recognized on the basis of the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the contractual performance obligations to be transferred to the customer in exchange for the transaction price; (iii) determination of the transaction price; (iv) allocation of the transaction price to the individual performance obligations; (v) recognition of the revenue when the associated performance obligation is fulfilled. Revenues are recognized at the amount of the consideration to which the Company considers it is entitled on satisfaction of the obligation, when the customer acquires control over the goods or services transferred. The Company has identified a single revenue stream from the sale of products and spare parts representing the obligations satisfied at a given point in time. Revenues from the sale of products are recognized when the significant risks and benefits associated with control over the goods are transferred to the purchaser. The change of control coincides with the transfer of ownership or possession of the goods to the purchaser and, therefore, generally occurs on shipment or on completion of the service.

*(ii) Dividends*

Dividends are recognized in the income statement on the date they became payable, and are classified under ordinary earnings before interest and tax because they are considered to represent the ordinary holding activities performed by the Company.

### 2.20 Costs

*(i) Lease installments*

The principal portion of lease installments is deducted from the financial payable, while the interest portion is charged to the income statement.

*(ii) Financial income and expenses*

Financial income and charges are recorded on an accrual basis in accordance with the interest matured on the net value of the relative financial assets and liabilities, using the effective interest rate. Financial income and charges include foreign exchange gains and losses and the gains and losses on derivative instruments booked to the income statement.

## 3. Cash and cash equivalents

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Cash | 13 | 12 |
| Bank deposits | 135,501 | 136,665 |
| Total | 135,514 | 136,677 |

Bank deposits include €158k held in US dollars ($179k).

The Company continued its strategy of maintaining immediately available liquidity in 2021, relinquishing the very modest yields that can be achieved only by accepting conditions of limited access.

## 4. Trade receivables

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Trade receivables, gross | 19,293 | 16,633 |
| Bad debt provision | (628) | (658) |
| Trade receivables, net | 18,665 | 15,975 |

Changes in the bad debt provision were as follows:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Opening balance | 658 | 506 |
| Provisions in the year | 89 | 75 |
| Merger effect | - | 85 |
| Releases in the year to cover losses | (119) | (8) |
| Closing balance | 628 | 658 |

Provisions in the year are booked under other operating costs.

Receivables denominated in US dollars total €5,093k ($5,768k). At 31 December 2021 no receivables were hedged against the risk of exchange rate fluctuations.

No trade receivables or payables are due beyond twelve months.

## 5. Inventories

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Raw materials and components | 12,548 | 11,902 |
| Semi-finished products | 10,396 | 9,192 |
| Finished products | 2,849 | 1,851 |
| Total inventories | 25,793 | 22,945 |

Inventories are stated net of an allowance that has changed as indicated below:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Opening balance | 2,147 | 2,373 |
| Provisions in the year | 100 | - |
| Releases in the year to cover losses | - | (226) |
| Closing balance | 2,247 | 2,147 |

## 6. Other current assets

This item comprises:

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Price adjustments receivable | 2,036 | - |
| Other receivables | 235 | 228 |
| Accrued income and prepaid expenses | 248 | 231 |
| Total | 2,519 | 459 |

## 7. Property, plant and equipment

| At 1 January 2020 | *Land and buildings* (€/000) | *Plant and machinery* (€/000) | *Equipment* (€/000) | *Other assets* (€/000) | *Total* (€/000) |
|---|---|---|---|---|---|
| Cost | 16,973 | 50,568 | 19,584 | 4,377 | 91,502 |
| Accumulated depreciation | (5,582) | (29,950) | (17,525) | (3,297) | (56,354) |
| Allowance for impairment | - | (4) | (146) | - | (150) |
| Net carrying amount | 11,391 | 20,614 | 1,913 | 1,080 | 34,998 |
| **Changes in 2020** | | | | | |
| Opening net carrying amount | 11,391 | 20,614 | 1,913 | 1,080 | 34,998 |
| Merger effect | - | 17 | - | 69 | 86 |
| Additions | 143 | 3,652 | 967 | 202 | 4,964 |
| Recognition of right-to-use assets (IFRS 16) | 104 | - | - | 209 | 313 |
| Disposals | - | - | - | (26) | (26) |
| Early close-out (IFRS 16) | 110 | - | - | (25) | 85 |
| Remeasurement (IFRS 16) | 12 | - | - | 2 | 14 |
| Capitalized depreciation | (56) | (6) | (2) | (2) | (66) |
| Depreciation | (903) | (2,617) | (799) | (372) | (4,691) |
| Closing net carrying amount | 10,801 | 21,660 | 2,079 | 1,137 | 35,677 |
| **At 31 December 2020** | | | | | |
| Cost | 16,432 | 54,363 | 20,573 | 4,859 | 96,227 |
| Accumulated depreciation | (5,631) | (32,699) | (18,348) | (3,722) | (60,400) |
| Allowance for impairment | - | (4) | (146) | - | (150) |
| Net carrying amount | 10,801 | 21,660 | 2,079 | 1,137 | 35,677 |
| **Changes in 2021** | | | | | |
| Opening net carrying amount | 10,801 | 21,660 | 2,079 | 1,137 | 35,677 |
| Additions | 760 | 4,617 | 1,366 | 235 | 6,978 |
| Recognition of right-to-use assets (IFRS 16) | - | - | - | 108 | 108 |
| Disposals | - | (150) | (41) | (10) | (201) |
| Early close-out (IFRS 16) | - | - | - | (17) | (17) |
| Remeasurement (IFRS 16) | - | - | - | (1) | (1) |
| Capitalized depreciation | (64) | (8) | (5) | - | (77) |
| Depreciation | (797) | (2,752) | (878) | (399) | (4,826) |
| Closing net carrying amount | 10,700 | 23,367 | 2,521 | 1,053 | 37,641 |
| **At 31 December 2021** | (€/000) | (€/000) | (€/000) | (€/000) | (€/000) |
| Cost | 17,192 | 57,209 | 21,647 | 4,880 | 100,928 |
| Accumulated depreciation | (6,492) | (33,838) | (18,980) | (3,827) | (63,137) |
| Allowance for impairment | - | (4) | (146) | - | (150) |
| Net carrying amount | 10,700 | 23,367 | 2,521 | 1,053 | 37,641 |

The cost of assets in progress, included in the net carrying amounts reported above, is as follows:

| | *Land and buildings* (€/000) | *Plant and machinery* (€/000) | *Equipment* (€/000) | *Other assets* (€/000) | *Total* (€/000) |
|---|---|---|---|---|---|
| At 1 January 2020 | - | 3,672 | 270 | 24 | 3,966 |
| At 31 December 2020 | - | 3,672 | 483 | - | 4,155 |
| At 31 December 2021 | - | 4,015 | 419 | 5 | 4,439 |

The net carrying amount of leased assets at 31 December 2021 is analyzed below:

| | *Land and buildings* (€/000) | *Plant and machinery* (€/000) | *Equipment* (€/000) | *Other assets* (€/000) | *Total* (€/000) |
|---|---|---|---|---|---|
| At 31 December 2020 | 3,953 | - | - | 410 | 4,363 |
| At 31 December 2021 | 3,294 | - | - | 344 | 3,638 |

Depreciation of €4,213k was charged to the cost of sales (€4,093k in 2020), €50k to distribution expenses (€45k in 2020) and €563k for general and administrative expenses (€553k in 2020).

At 31 December 2021 the Company has contractual commitments for the purchase of property, plant of equipment totaling €4,720k (€1,801k at 31 December 2020).

## 8. Goodwill

Goodwill is represented by the merger deficit portions paid for this reason and arising from the merger operations. Goodwill at 31 December 2021 amounts to €44,537k (also €44,537k at 31 December 2020). The value of goodwill is assigned to the sole CGU in which the Company is active.

The Company carried out an impairment test on 31 December 2021. When reviewing its impairment indicators, the Company considered inter alia its stock market capitalization. In fact, the stock market capitalization of Interpump Group S.p.A. was far higher than the Company's net assets, inclusive of goodwill, throughout 2021. The recoverable value identified from the impairment test was determined from the value-in-use calculation carried out using the Discounted Cash Flow (DCF) method, net of taxation. The projected cash flows used in the DCF calculation is determined on the basis of a 5-year business plan that takes account of the various reference scenarios and on the basis of growth forecasts in the various markets. A perpetual growth rate of 1.5% was used for periods after 2026. The projected cash flows determined in this manner were reduced by a discount factor in order to take account of the risk that future plans could become impracticable. The after tax weighted average cost of capital (WACC) was measured at 4.75%. The WACC was 4.58% at 31 December 2020. In addition, a sensitivity analysis was carried out in compliance with the requirements of the joint document issued by Banca d'Italia, Consob, and ISVAP on 3 March 2010. Even reducing the projected cash flows of the CGU by 10% would not have led to any impairment, and nor would an 0.5% increase in the cost of capital used to actualize the projected cash flows.

## 9. Other intangible assets

| | *Product development expenses (€/000)* | *Patents trademarks and industrial rights (€/000)* | *Other intangible assets (€/000)* | *Total (€/000)* |
|---|---|---|---|---|
| **At 1 January 2020** | | | | |
| Cost | 22,191 | 137 | 2,866 | 25,194 |
| Accumulated amortization | (17,778) | (137) | (2,506) | (20,421) |
| Allowance for impairment | (1,369) | - | - | (1,369) |
| Net carrying amount | 3,044 | - | 360 | 3,404 |
| | | | | |
| **Changes in 2020** | | | | |
| Opening net carrying amount | 3,044 | - | 360 | 3,404 |
| Merger effect | - | 4 | - | 4 |
| Increases | 568 | - | 62 | 630 |
| Write-downs | (118) | - | - | (118) |
| Amortization | (620) | - | (129) | (749) |
| Closing net carrying amount | 2,874 | 4 | 293 | 3,171 |
| | | | | |
| **At 31 December 2020** | | | | |
| Cost | 22,641 | 149 | 2,931 | 25,721 |
| Accumulated amortization | (18,398) | (145) | (2,638) | (21,181) |
| Allowance for impairment | (1,369) | - | - | (1,369) |
| Net carrying amount | 2,874 | 4 | 293 | 3,171 |
| | | | | |
| **Changes in 2021** | | | | |
| Opening net carrying amount | 2,874 | 4 | 293 | 3,171 |
| Increases | 573 | - | 121 | 694 |
| Reclassifications | (25) | - | - | (25) |
| Write-downs | (92) | - | - | (92) |
| Amortization | (512) | - | (118) | (630) |
| Closing net carrying amount | 2,818 | 4 | 296 | 3,118 |
| | | | | |
| **At 31 December 2021** | | | | |
| Cost | 23,097 | 149 | 3,052 | 26,298 |
| Accumulated amortization | (18,910) | (145) | (2,756) | (21,811) |
| Allowance for impairment | (1,369) | - | - | (1,369) |
| Net carrying amount | 2,818 | 4 | 296 | 3,118 |

Product development costs refer to the cost of developing new products, which is capitalized when the criteria set down in IAS 38 are satisfied. Such projects are written off subsequently, if they are no longer deemed to be recoverable.

Other intangible assets mainly reflect the cost of purchasing licenses.

The cost of assets in progress, included in the net carrying amounts reported above, is as follows:

| | *Product development expenses* (€/000) | *Other intangible assets* (€/000) | *Total* (€/000) |
|---|---|---|---|
| At 1 January 2020 | 1,890 | 19 | 1,909 |
| At 31 December 2020 | 1,978 | 33 | 2,011 |
| At 31 December 2021 | 2,144 | 78 | 2,222 |

Amortization of €630k (€749k in 2020) was booked entirely to general and administrative expenses.

## 10. Investments in subsidiaries

| (€/000) | Balance at 31 December 2020 | Increases due to assignment of stock options | Increases | Impairment | Balance at 31 December 2021 |
|---|---|---|---|---|---|
| *Subsidiaries:* | | | | | |
| Walvoil S.p.A. | 118,172 | - | - | - | 118,172 |
| Walvoil Fluid Power India Pvt. Ltd. | 14 | - | - | - | 14 |
| NLB Corporation Inc. | 62,048 | - | - | - | 62,048 |
| GP Companies Inc. | 8,903 | - | - | - | 8,903 |
| Interpump Hydraulics S.p.A. | 104,258 | - | - | - | 104,258 |
| Hammelmann GmbH | 26,032 | - | - | - | 26,032 |
| Inoxpa S.A. | 93,127 | - | - | - | 93,127 |
| Reggiana Riduttori S.r.l. | 130,226 | - | 35,000 | - | 165,226 |
| Transtecno S.r.l. | 36,161 | - | - | - | 36,161 |
| Inoxihp S.r.l. | 8,704 | - | - | - | 8,704 |
| Interpump Piping GS S.r.l. | 310 | - | - | - | 310 |
| Teknova S.r.l. (in liquidation) | 13 | - | - | (5) | 8 |
| SIT S.p.A. | 814 | - | - | - | 814 |
| Tubiflex S.p.A. | 34,485 | - | | - | 34,485 |
| Pioli S.r.l. | 3,008 | - | | - | 3,008 |
| Servizi Industriali S.r.l. | 4,059 | - | - | - | 4,059 |
| White Drive Motors and Steering Sp. z.o.o. | - | - | 191,119 | | 191,119 |
| White Drive Motors and Steering GmbH | - | - | 40,277 | | 40,277 |
| White Drive Motors and Steering LLC | - | - | 43,805 | | 43,805 |
| Fair value of the stock options of the employees of subsidiaries | 2,568 | 219 | - | - | 2,787 |
| *Total subsidiaries* | *632,902* | *219* | *310,201* | *(5)* | *943,317* |

The entire equity interests in three companies belonging the White Drive Motors & Steering business unit were acquired from the Danfoss Group on 1 October 2021. This purchase included three production plants: Hopkinsville (Kentucky, USA), Parchim (Germany) and Wroclaw (Poland). The acquisition, which is the biggest in Interpump's history, has extended the Hydraulic Sector product catalog to include orbital motors and steering systems, thus helping to consolidate Interpump's role as a global player in hydraulics. Based on data provided by Danfoss, the consolidated sales for the whole of 2021 of the business unit acquired from 1 October 2021 (date on which control was acquired) totaled €195m, with a pro-forma EBITDA of around €53m. The consideration for this operation, paid in cash on completion and amounting to €275.4m, was partly determined with reference to the operating capital and net financial position reported at 30 September 2021.

On 11 November 2021, 100% of Berma S.r.l. based in Gazzuolo (MN) was acquired via Reggiana Riduttori S.r.l. Berma produces gears specifically designed for the conveyors and dispersion devices used to spread solid biological fertilizers. This company, niche leader in the Italian market with a strong vocation for exports (USA, Canada, Germany), achieves excellent results with consistently high margins. Sales totaled €20m in 2021 with a pro-forma EBITDA margin of 30%. After Reggiana Riduttori, Transtecno and DZ Trasmissioni, Interpump continued to strengthen the power transmission hub with the acquisition of a specialist operator with a solid brand, high quality products and excellent profitability. The acquisition of 100% of the quotas involved the payment of €38.4m (inclusive of net liquidity totaling €5.7m) and the assignment of 29,598 Interpump Group shares. In order to facilitate this operation, Interpump Group S.p.A. made a payment for future capital increases to Reggiana Riduttori S.r.l.

The impairment of Teknova S.r.l. (in liquidation) reflects alignment with the book value of its quotaholders' equity following the loss incurred during the year.

All the equity investments held by Interpump Group S.p.A., with the exception of the investment in Sit S.p.A., are considered financial fixed assets from the date of acquisition and, therefore, not held-for-sale instruments (as defined in IFRS 9).

Share-based payment agreements (stock option plans) that make equity instruments of the Parent company available to employees of its subsidiaries are recognized in accordance with IFRIC 11. The fair value of the stock options assigned to and exercisable by employees of subsidiaries, €219k, has been added to the value of the investments, with an increase in the share premium reserve as the matching entry.

The following breakdown shows the cost of investments in subsidiaries at 31 December 2021, compared with the related portion of equity pertaining to Interpump Group S.p.A.:

| (€/000) | Share capital | Shareholders' equity | Profit (Loss) | % held | Carrying amount | % Shareholders' equity | Difference |
|---|---|---|---|---|---|---|---|
| Walvoil S.p.A. | 7,692 | 192,906 | 55,632 | 65% | 118,172 | 125,389 | 7,217 |
| Walvoil Fluid Power India Pvt. Ltd. | 4,803 | 26,927 | 5,455 | - | 14 | 32 | 18 |
| NLB Corporation Inc. | 12 | 101,099 | 5,699 | 100% | 62,048 | 101,099 | 39,051 |
| GP Companies Inc. | 1,854 | 17,448 | 5,913 | 100% | 8,903 | 17,448 | 8,545 |
| Interpump Hydraulics S.p.A. | 2,632 | 275,787 | 39,226 | 100% | 104,258 | 275,787 | 171,529 |
| Hammelmann GmbH | 25 | 136,265 | 27,678 | 100% | 26,032 | 136,265 | 110,233 |
| Inoxpa S.A. | 23,000 | 60,860 | 9,755 | 100% | 93,127 | 60,860 | (32,267) |
| Reggiana Riduttori S.r.l. | 6,000 | 89,633 | 14,255 | 100% | 165,226 | 89,633 | (75,593) |
| Transtecno S.r.l. | 100 | 19,118 | 8,835 | 60% | 36,161 | 11,471 | (24,690) |
| Inoxihp S.r.l. | 119 | 9,174 | 2,721 | 53% | 8,704 | 4,837 | (3,867) |
| Interpump Piping GS S.r.l. | 10 | 3,198 | 1,539 | 100% | 310 | 3,198 | 2,888 |

| (€/000) | Share capital | Shareholders' equity | Profit (Loss) | % held | Carrying amount | % Shareholders' equity | Difference |
|---|---|---|---|---|---|---|---|
| Teknova S.r.l. (in liquidation) | 28 | 8 | (5) | 100% | 8 | 8 | - |
| SIT S.p.A. | 105 | 1,591 | 215 | 65% | 814 | 1,034 | 220 |
| Tubiflex S.p.A. | 515 | 12,986 | 3,375 | 100% | 34,485 | 12,986 | (21,499) |
| Pioli S.r.l. | 10 | 2,262 | 772 | 100% | 3,008 | 2,262 | (746) |
| Servizi Industriali S.r.l. | 100 | 2,806 | 1.1191 | 80% | 4,059 | 2,245 | (1,814) |
| White Drive Motors and Steering Sp. z.o.o. | 33,254 | 46,550 | 5,750 | 100% | 191,119 | 46,550 | (144,569) |
| White Drive Motors and Steering GmbH | 33,595 | 30,935 | (784) | 100% | 40,277 | 30,935 | (9,342) |
| White Drive Motors and Steering LLC | 46,328 | 40,923 | 435 | 100% | 43,805 | 40,923 | (2,882) |

As shown in the above table, for certain investments the carrying value booked to the financial statements of Interpump Group S.p.A. is higher than the corresponding portion of shareholders' equity held.

The Company therefore subjected the values of the investments to impairment testing by means of the Discounted Cash Flow method (DCF), net of taxation. The projected cash flows used in the DCF calculation were determined on the basis of a 5-year business plan that takes account of the various reference scenarios and on the basis of growth forecasts in the various markets. A perpetual growth rate of 1-1.5% was used for periods after 2026. The projected cash flows determined in this manner were reduced by a discount factor in order to take account of the risk that future plans could become impracticable. In addition, a sensitivity analysis was performed, reducing the projected cash flows of the single companies and increasing the cost of capital employed to actualize the prospective cash flows. No value impairment emerged in any of the cases examined. The negative differentials are solely related to investments acquired in recent years, for which the capital gains that emerged and the related goodwill are booked to the Group's consolidated financial statements.

## 11. Other financial assets

Other financial assets mostly comprise loans granted to subsidiaries.

The following table shows existing financial relations (amounts expressed in €/000):

| | Loans granted | | Interest income | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 2021 | 2020 |
| *Subsidiaries:* | | | | |
| Interpump Hydraulics S.p.A. | 32,590 | 62,590 | 553 | 795 |
| IMM Hydraulics S.p.A. | 33,000 | 35,000 | 336 | 313 |
| Hydra Dyne Technology Inc. | 10,000 | 10,000 | 195 | 191 |
| Transtecno S.r.l. | 4,556 | - | 83 | - |
| Interpump Piping GS S.r.l. | 6,000 | 7,000 | 65 | 70 |
| GS-Hydro Korea Ltd | 2,100 | - | 46 | - |
| Inoxihp S.r.l. | 2,109 | 2,109 | 32 | 4 |
| Tekno Tubi S.r.l. | 2,760 | 3,020 | 30 | 33 |
| GS-Hydro UK Ltd | 500 | 500 | 5 | 5 |
| Unidrò Contarini Sarl | 233 | 367 | 4 | 2 |
| Berma S.r.l. | 1,867 | - | 4 | - |
| White Drive Motors and Steering GmbH | 1,000 | - | 3 | - |
| *Total* | *96,715* | *120,586* | *1,356* | *1,413* |

The intercompany loans outstanding at 31 December 2021 earn interest at 3-month Euribor uplifted by a spread that fluctuated during the year between 80 and 100 basis points, except for the loan to Hydra Dyne Technology Inc., on which a fixed rate of 1.95% is applied, the loans to Inoxihp S.r.l., Unidrò Contarini Sarl, Berma S.r.l., Transtecno S.r.l. and White Drive Motors and Steering GmbH, on which a fixed rate of 1.50% is applied, and the loan to GS-Hydro Korea Ltd, on which a fixed rate of 3% is applied.

In relation to the loans granted, €30,778k are current, while the remaining €65,937k are considered non-current.

## 12. Deferred tax assets and liabilities

The changes during the year in deferred tax assets and liabilities are analyzed below:

| | *Deferred tax assets* | | *Deferred tax liabilities* | |
|---|---|---|---|---|
| | *2021* (€/000) | *2020* (€/000) | *2021* (€/000) | *2020* (€/000) |
| At 1 January | 13,229 | 1,700 | 657 | 764 |
| Recognized in the income statement | (6,086) | 11,425 | (4) | (107) |
| Merger effect | - | 78 | - | - |
| Recognized in equity reserves | 26 | 26 | - | - |
| At 31 December | 7,169 | 13,229 | 653 | 657 |

Deferred tax assets and liabilities may be classified in the following captions of the statement of financial position:

| | *31/12/2021* *Deferred tax assets* (€/000) | *31/12/2020* *Deferred tax assets* (€/000) | *31/12/2021* *Deferred tax liabilities* (€/000) | *31/12/2020* *Deferred tax liabilities* (€/000) |
|---|---|---|---|---|
| Property, plant and equipment | 80 | 83 | 617 | 647 |
| Intangible assets | 3,575 | 9,773 | - | - |
| Inventories | 644 | 615 | - | - |
| Receivables | 61 | 85 | 10 | - |
| Dividends receivable | - | - | 16 | - |
| Equity investments | 318 | 318 | 10 | 10 |
| Liabilities for employee benefits | (614) | (588) | - | - |
| Provision for risks | 1,977 | 1,786 | - | - |
| Shareholders' equity: | | | | |
| - liabilities for employee benefits | 802 | 776 | - | - |
| Other | 326 | 381 | - | - |
| Total | 7,169 | 13,229 | 653 | 657 |

In 2020, the Company decided to make the election envisaged in art. 110, subsection 8(2) of Decree 104/2020, as amended by art. 1, subsection 83, of Law 178 dated 30 December 2020, in order to obtain tax recognition for the net carrying amount of the goodwill reported in the statement of financial position at 31 December 2020, €44,537k, by paying a flat-rate tax of 3% of the amount to be realigned. Exercise of this election resulted in recognition in the 2020 income statement of the related change in deferred tax assets of €9,773k. Approval on 23 December 2021 of the 2022 Budget Law (Law 234/2021), which amended the tax amortization period for the cost of franking goodwill from 18 years to 50 years, forced in a change in the criteria adopted to recognize the deferred tax assets recorded at 31 December 2020. Adopting the prevalent interpretation of IAS 12, the Company has considered the deferred tax assets to be recoverable over an observation period of 50 years, which inter alia exceeds the duration of the Company envisaged in the By-laws and cannot be supported by suitable documentation. This decision has resulted in the recognition of deferred tax assets for just 18 years, as originally envisaged, and a partial writedown of deferred tax assets by €6,059k: the only taxes deemed to be reasonably recoverable are those that do not exceed the 18-year limit.

Deferred taxes recognized directly in equity are related to remeasurement of liabilities for employee benefits (TFR) connected to the actuarial component.

No deferred tax liabilities were recorded on provisions qualifying for tax relief due to the fact that distribution is not anticipated (see Note 18).

## 13. Interest-bearing financial payables and bank payables

The main loans are all subject to the following financial covenants, calculated on the consolidated values:

- Net indebtedness / Shareholders' equity;
- Net indebtedness / EBITDA;
- EBITDA / Financial charges.

At 31 December 2021 all financial covenants are amply complied with.

Interest-bearing financial payables at 31 December 2021 include lease payables of €3,746k (€4,427k in 2020) in relation to rental and hiring contracts (IFRS 16) that are analyzed below at 31 December 2021:

| | 31 December 2021 | | | | 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| (€/000) | Within the year | Between one and five years | Beyond five years | Total | Within the year | Between one and five years | Beyond five years | Total |
| Outstanding installments on leasing contracts | 838 | 2,997 | 5 | 3,840 | 842 | 3,064 | 691 | 4,597 |
| Interest | (43) | (81) | - | (124) | (51) | (113) | (6) | (170) |
| Present value of lease payables | 795 | 2,916 | 5 | 3,716 | 791 | 2,951 | 685 | 4,427 |

Non-current financial payables have the following due dates:

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| From 1 to 2 years | 214,891 | 139,498 |
| From 2 to 5 years | 298,793 | 194,908 |
| Beyond 5 years | 5 | 685 |
| Total | 513,689 | 335,091 |

The average interest rate on loans in 2021 was approximately 0.14% (0.40% in 2020).

All loans at 31 December 2021 are at floating rates.

The Company has the following lines of credit which were unused at year-end:

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Current account overdrafts and export advances | 39,054 | 21,295 |
| Medium/long-term loans | - | 50,000 |
| Total | 39,054 | 71,295 |

Net indebtedness, including payables and commitments, determined in accordance with ESMA guidance 32-382-1138 and included in Consob notice no. 5/21, comprises:

| | 31/12/2021 €/000 | 31/12/2020 €/000 | 01/01/2020 €/000 |
|---|---|---|---|
| Cash and cash equivalents | 135,514 | 136,677 | 95,371 |
| Current financial payables (excluding the current portion of non-current financial payables) | (901) | (998) | (1,133) |
| Current portion of non-current financial payables | (200,624) | (142,599) | (150,094) |
| ***Net indebtedness - current*** | ***(66,011)*** | ***(6,920)*** | ***(55,856)*** |
| Non-current financial payables | (513,689) | (335,091) | (303,134) |
| ***Net financial position*** | ***(579,700)*** | ***(335,091)*** | ***(303,134)*** |
| Commitments for the acquisition of investments | - | (1,125) | (16,877) |
| **Total net indebtedness** | **(579,700)** | **(343,136)** | **(375,867)** |

## 14. Other current liabilities

Other current liabilities are analyzed below:

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) |
|---|---|---|
| Payables to personnel | 3,646 | 3,616 |
| Payables to social security institutions | 1,694 | 1,620 |
| Payables related to the acquisition of investments | - | 1,125 |
| Customer advances | 1,542 | 1,194 |
| Customer credit balance | 387 | 275 |
| Customers for credit notes to issue | 40 | 75 |
| Payables for remuneration of directors/auditors | 1,038 | 1,000 |
| Other | 491 | 139 |
| Total | 8,838 | 9,044 |

## 15. Provisions for risks and charges

On 16 March 2020, the Board of Directors established a termination indemnity - in line with that already approved at the Shareholders' Meeting - for Fulvio Montipò, founder of Interpump Group S.p.A., amounting to €8,193k, which was increased by €750k during 2021.

Other non-current provisions for risks and charges include the agents' termination indemnity of €85k, which was increased during 2021 by €7k but not used (use of €63k, including the release of excess amounts totaling €23k, in 2020).

The Company is also party to a dispute for a small amount, €30k, that has been provided to the current portion of the other provisions for risks and charges.

## 16. Liabilities for employee benefits

*Liabilities for defined benefit plans*

The changes in these liabilities are analyzed below:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Liabilities at 1 January | 5,250 | 5,216 |
| Amount charged to the income statement in the year | (22) | (14) |
| Recognition in equity of actuarial results | 108 | 109 |
| Reclassifications | - | (53) |
| Merger effect | - | 311 |
| Payments | (310) | (319) |
| Liabilities at 31 December | 5,026 | 5,250 |

The following items were recognized in the income statement:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Current service cost | - | - |
| Financial Income / Expenses | (22) | (14) |
| Past service cost | - | - |
| Total recognized in the income statement | (22) | (14) |

Refer to the "Board of Directors' Report" in chapter "1. Profitability" for a breakdown of labor costs.

The average number of employees broken down by category is as follows:

| | 2021 | 2020 |
|---|---|---|
| Executives | 13 | 14 |
| Managers | 19 | 19 |
| White collar | 113 | 108 |
| Blue collar | 317 | 336 |
| Fixed-contract personnel | 2 | 1 |
| Total | 464 | 478 |

Liabilities for defined benefit plans (Severance indemnity - TFR) are determined using the following actuarial assumptions:

| | Unit of measurement | 2021 | 2020 |
|---|---|---|---|
| Discount rate | % | 0.79 | 0.25 |
| Percentage of employees expected to resign before retirement age (*turnover)** | % | 5.76 | 5.27 |
| Annual cost-of-living increase | % | 2.20 | 1.30 |
| Average period of employment | Years | 17.71 | 16.63 |

* = average annual resignation percentage, all causes, in the first ten years following the assessment.

## 17. Other non-current liabilities

Non-current deferred income relates to tax credits on the purchase of "non-4.0" property, plant and equipment (2020 Budget Law - art. 1, Law 160/2019 as amended by the 2021 Budget Law - art. 1, Law 178/2020) that have been recognized as advance revenues and will be released to the income statement to match the duration of the depreciation of the assisted assets.

## 18. Share capital

Share capital comprises 108,879,294 ordinary shares with a unit par value of EUR 0.52 totaling €56,617,232.88. However, the share capital reported in the financial statements amounts to €55,327k, 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 2021 Interpump S.p.A. holds 2,480,643 treasury shares in the portfolio corresponding to 2.278% of the share capital, acquired at an average unit cost of EUR 32.3556.

Changes in treasury shares over the past two years have been as follows:

| | Number |
|---|---|
| *Balance at 31/12/2019* | *2,224,739* |
| 2020 purchases | 1,610,000 |
| Sale of shares to finance subsidiaries' purchases | (488,533) |
| Sale of shares for the exercise of stock options | (1,123,850) |
| *Balance at 31/12/2020* | *2,222,356* |
| 2021 purchases | 418,285 |
| Sale of shares to finance subsidiaries' purchases | (104,598) |
| Sale of shares for the exercise of stock options | (55,400) |
| *Balance at 31/12/2021* | *2,480,643* |

Taking treasury shares into consideration, the following changes were recorded in the number of shares in circulation:

| | 2021<br>Number of shares | 2020<br>Number of shares |
|---|---|---|
| Ordinary shares in existence at 1 January | 108,879,294 | 108,879,294 |
| Treasury shares held | (2,222,356) | (2,224,739) |
| Shares in circulation at 1 January | 106,656,938 | 106,654,555 |
| Treasury shares purchased | (418,285) | (1,610,000) |
| Treasury shares sold | 159,998 | 1,612,383 |
| Total shares in circulation at 31 December | 106,398,651 | 106,656,938 |

The aims identified by the Group in the management of capital are the creation of value for all shareholders and supporting development of the group, both through internal means and by means of targeted acquisitions. The Group therefore intends to maintain an adequate level of capitalization, which simultaneously makes it possible to generate a satisfactory economic return for shareholders and to guarantee economically effective access to external sources of borrowing. The Group constantly monitors the evolution of the debt to equity ratio and the generation of cash through its industrial operations. In order to attain the aforementioned goals, the Group constantly monitors the cash flows generated by the business sectors in which it operates, both through improvement or maintenance of profitability, and careful management of working capital and of other expenditure. Capital is construed as both the value contributed by Interpump Group shareholders (share capital and share premium reserve, totaling €121,446k at 31 December 2021 and €133,937k at 31 December 2020), and the value generated by Group operations (other reserves and legal reserve, including profit for the year, totaling €439,856k at 31 December 2021 and €383,164k at 31 December 2020, excluding the translation reserve and the remeasurement reserve for defined benefit plans).

*Treasury shares purchased*

The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. The Company acquired 418,285 treasury shares in 2021 for €22,397k, at an average price of €53.5448 (1,610,000 treasury shares were purchased in 2020 for €48,487k, at an average price of €30.1162).

*Treasury shares sold*

In the framework of the execution of stock option plans, a total of 55,400 options have been exercised resulting in the collection of €714k (1,123,850 options were exercised for €14,480k in 2020). Moreover, 75,000 treasury shares were transferred in 2021 as payment for DZ Trasmissioni S.r.l. (488,533 shares in 2020). Additionally, in the context of an acquisition, 29,598 treasury shares were transferred to a director of the company acquired as a signing bonus.

*Stock options*

The fair value of the 2016/2018 and 2019/2021 stock option plans was recorded in the 2021 and 2020 financial statements in compliance with IFRS 2. Costs of €4,167k (€1,775k in 2020) relating to the stock option plans were therefore recognized in the 2021 income statement, with a matching entry to the share premium reserve. Said costs represent the portion for the year of the value of the options assigned to employees and directors, established at the allocation date, corresponding to the value of the services rendered by the latter in addition to normal remuneration.

The income statement effects were booked as follows:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Distribution expenses | 17 | 13 |
| General and administrative expenses | 4,150 | 1,762 |
| Total | 4,167 | 1,775 |

Changes in the share premium reserve were as follows:

| | 2021 €/000 | 2020 €/000 |
|---|---|---|
| Share premium reserve at 1 January | 78,475 | 96,513 |
| Increase due to income statement recognition of the fair value of stock options granted | 4,167 | 1,775 |
| Increase due to the recognition in equity of the fair value of stock options assigned to employees of subsidiaries | 219 | 144 |
| Increase for the disposal of treasury shares further to payment for acquisitions of subsidiaries | 4,941 | 14,050 |
| Increase for the disposal of treasury shares further to stock options exercised | 714 | 14,480 |
| Utilization to cover purchase of treasury shares | (22,397) | (48,487) |
| Share premium reserve at 31 December | 66,119 | 78,475 |

The Shareholders' Meeting held on 28 April 2016 approved the adoption of an incentive plan known as the "*2016/2018 Interpump Incentive Plan*". The plan, which is based on the free assignment of options that grant the beneficiaries the right, on the achievement of specified objectives, to (i) purchase or subscribe the Company's shares up to the maximum number of 2,500,000 or, (ii) at the discretion of the Board of Directors, receive the payment of a differential equivalent to any increase in the market value of the Company's ordinary shares. Beneficiaries of the plan can be employees or directors of the Company and/or its subsidiaries, identified among persons having significant roles or functions. The exercise price has been established at EUR 12.8845 per share, equivalent to the market value at the time of the decision of the Board of Directors to submit the Plan to the Shareholders' Meeting. The options can be exercised between 30 June 2019 and 31 December 2022. The next meeting of the Board of Directors, held on 12 May 2016, set a figure of 2,500,000 for the number of options to be assigned, divided by the total number of options in each tranche (625,000 for the first tranche, 875,000 for the second tranche and 1,000,000 for the third tranche) and established the terms for the exercise of the options, which are connected to the achievement of specific accounting parameters and the performance of Interpump Group stock. The same Board meeting assigned 1,620,000 options to the Chairman, exercisable subject to the conditions described above, and granted mandates to the Chairman and the Deputy Chairman of Interpump Group, acting separately, to identify the beneficiaries of a further 880,000 options. On 6 and 29 July 2016, 13 December 2016 and 9 November 2017 a total of 531,800 options were assigned to other beneficiaries identified within the Interpump Group.

The changes in options in 2021 and 2020 were as follows:

| | 2021<br>Number of options | 2020<br>Number of options |
|---|---|---|
| Options assigned at 1 January | 714,200 | 1,838,050 |
| Options assigned in the year | - | - |
| Options exercised in the year | (55,400) | (1,123,850) |
| Options canceled in the year | - | - |
| Total options assigned at 31 December | 658,800 | 714,200 |

The Shareholders' Meeting held on 30 April 2019 approved a new stock option plan, the "Interpump Incentive Plan 2019/2021", that envisages the assignment of up to 2,500,000 options at an exercise price of Euro 28.4952 and, for options assigned after 30 April 2020, at the official price determined by Borsa Italiana on the trading day prior to their assignment. In its meeting of 27 June 2019, the Board of Directors assigned 1,800,000 options to Chairman and Chief Executive Officer Fulvio Montipò; subsequently, 418,500 options were assigned to other beneficiaries during 2019. A further 20,000 options were assigned to other beneficiaries on 3 June 2020. Overall, a total of 2,238,500 options have therefore been granted. The options can be exercised from 30 June 2022 to 31 December 2025. The options canceled in 2021 totaled 51,144.

The changes in options in 2021 and 2020 were as follows:

| | 2021<br>Number of options | 2020<br>Number of options |
|---|---|---|
| Number of rights assigned at 1 January | 2,147,900 | 2,188,500 |
| Number of rights assigned | - | 20,000 |
| Number of shares purchased | - | - |
| Number of rights canceled | (51,144) | (60,600) |
| Total number of options not yet exercised at 31 December | 2,096,756 | 2,147,900 |

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

*2016/2018 Plan*

| *First assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 1,620,000 |
| Grant date | | 12 May 2016 |
| Exercise price | | 12.8845 |
| *Vesting date* | | 1 July 2019 |
| Fair value per option at the grant date | EUR | 2.4585 |
| 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 | 6.583 |
| Expected dividends (compared with share value) | % | 2.50 |
| Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 12 May 2016) | % | From 0.11 to 0.22 |

| *Second assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 483,800 |
| Grant date | | 6 July 2016 |
| Exercise price | | 12.8845 |
| *Vesting date* | | 1 July 2019 |
| Fair value per option at the grant date | EUR | 3.0520 |
| 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 | 6.417 |
| Expected dividends (compared with share value) | % | 2.50 |
| Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 6 July 2016) | % | From -0.094 to -0.004 |

| *Third assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 30,000 |
| Grant date | | 29 July 2016 |
| Exercise price | | 12.8845 |
| *Vesting date* | | 1 July 2019 |
| Fair value per option at the grant date | EUR | 3.7130 |
| 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 | 6.417 |
| Expected dividends (compared with share value) | % | 2.50 |
| Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 29 July 2016) | % | From -0.082 to -0.002 |

| *Fourth assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 6,000 |
| Grant date | | 13 December 2016 |
| Exercise price | | 12.8845 |
| *Vesting date* | | 1 July 2019 |
| Fair value per option at the grant date | EUR | 4.33130 |
| 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 | 6 |
| Expected dividends (compared with share value) | % | 2.50 |
| Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 13 December 2016) | % | 0.264 |

| *Fifth assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 12,000 |
| Grant date | | 9 November 2017 |
| Exercise price | | 12.8845 |
| *Vesting date* | | 1 July 2019 |
| Fair value per option at the grant date | EUR | 13.4162 |
| 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 years and 5 months |
| Expected dividends (compared with share value) | % | 2.50 |
| Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 13 December 2016) | % | -0.0285 |

<u>*2019/2021 Plan*</u>

| *First assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 2,218,500 |
| Grant date | | 28 June 2019 |
| Exercise price | | 28.4952 |
| *Vesting date* | | 1 July 2022 |
| Fair value per option at the grant date | EUR | 4.562 |
| 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 | 4.76 |
| Expected dividends (compared with share value) | % | 1.00 |
| Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 28 June 2019) | % | -0.0182 |

| *Second assignment* | Unit of measurement | |
|---|---|---|
| Number of shares granted | no. | 20,000 |
| Grant date | | 3 June 2020 |
| Exercise price | | 27.9868 |
| *Vesting date* | | 1 July 2022 |
| Fair value per option at the grant date | EUR | 5.226 |
| Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model) | % | 30 |
| Expected average duration of the plan 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 |

The expected volatility of the underlying variable (Interpump Group share) is a measure of the prospect of price fluctuations in a specific period. The indicator that measures volatility in the model utilized to evaluate the options is the mean square annualized deviation of compound returns of the Interpump Group share through time.

## 19. Reserves

*(i) Reserve from remeasurement of defined benefit plans*

Includes the actuarial component of defined benefit plans (TFR).

*(ii) Classification of net equity depending on possibility of utilization*

| (€/000) | Amount | Possibility of utilization | Available portion | Tax payable in the event of distribution | Summary of utilizations over the past three years | |
|---|---|---|---|---|---|---|
| | | | | | to cover losses | for other reasons |
| **Share capital** | | | | | | |
| Subscribed and fully paid-up share capital | 56,617 | B | - | - | - | - |
| Nominal value of treasury shares in portfolio | (1,290) | - | - | - | - | - |
| Total share capital | 55,327 | | | | | |
| **Capital reserves** | | | | | | |
| Legal reserve | 6,860 | B | - | - | - | - |
| Share premium reserve | 4,726 | A,B,C | 4,726 | - | - | 18,170 |
| Total capital reserves | 11,586 | | 4,726 | | | |
| **Profit reserves** | | | | | | |
| Legal reserve | 4,463 | B | - | - | - | - |
| Share premium reserve | 61,393 | A,B,C | 58,826 | 1,232 | - | - |
| Extraordinary reserve | 342,144 | A,B,C | 306,442 | 7,164 | - | - |
| Reserve for share capital reduction | 1,290 | - | - | - | - | - |
| First Time Adoption Reserve | (73) | - | - | - | - | - |
| Merger surplus | 863 | A,B,C | 698 | - | - | - |
| Reserve for restatement of defined benefit plans | (2,540) | - | - | - | - | - |
| Profit for the year | 84,309 | A,B,C | 84,309 | - | - | - |
| Total profit reserves | 491,849 | | 450,275 | | | |
| Reserve for treasury shares held | 80,263 | - | - | - | - | 149,877 |
| Treasury shares | (80,263) | - | - | - | - | - |
| Non-distributable portion* | | | (3,118) | | | |
| **Remaining distributable portion** | | | 451,883 | | | |

A: for capital increase B: for coverage of losses C: for distribution to shareholders

*= represents the non-distributable portion destined to cover deferred costs that have not yet been amortized.

We draw your attention to the fact that €12,987k of the share premium reserve qualifies for tax relief in that it was fiscally formed from the revaluation reserve, Law 342/2000 and Law 266/2005.

In 2020, the Company decided to make the election envisaged in art. 110, subsection 8(2) of Decree 104/2020, as amended by art. 1, subsection 83, of Law 178 dated 30 December 2020, in order to obtain tax recognition for the net carrying amount of the goodwill reported in the statement of financial position at 31 December 2020, €44,536,997, by paying a flat-rate tax of 3% of the amount to be realigned. The realignment took tax effect from the tax year subsequent to that in which it was made (31 December 2021) and, accordingly, from that tax year, the tax amortization of the realigned amount is deductible for IRES and IRAP purposes. After making that election, pursuant to art. 14, subsection 2, of Law 342 dated 21 November 2000, the Company subjected part of the extraordinary reserve, €33,088,663, representing the additional realigned amount net of the flat-rate tax due, to the suspended taxation regime. Approval on 23 December 2021 of the 2022 Budget Law (Law 234/2021), which amended the tax amortization period for the cost of franking goodwill from 18 years to 50 years, forced in a change in the criteria adopted to recognize the deferred tax assets recorded at 31 December 2020. Adopting the prevalent interpretation of IAS 12, the Company has considered the deferred tax assets to be recoverable over an observation period of 50 years, which inter alia exceeds the duration of the Company envisaged in the By-laws and cannot be supported by suitable documentation. This decision has resulted in the recognition of deferred tax assets for just 18 years, as originally envisaged, and a partial writedown of deferred tax assets: the only taxes deemed to be reasonably recoverable are those that do not exceed the 18-year limit.

Utilizations refer to dividends, purchases of treasury shares and reductions of reserves for other causes and do not include transfers between reserves. In particular, the changes in the past three years reflect the purchases of treasury shares and use of the share premium reserve on the sale of treasury shares for less than their carrying amount, following the exercise of stock options.

On the basis of tax legislation the reserves and profits are freely distributable and do not attract tax even in the case of distribution, on the condition that the reserves and residual profits exceed the negative components of income ascribed exclusively to the tax return; otherwise, distributed reserves and profits are subject to tax in the measure in which the residual reserves and profits are lower than the negative components of income that have been ascribed exclusively to the tax return. This condition is satisfied at 31 December 2021, hence no taxes would be payable in the event of distribution of the Company's entire profit for the year and all available reserves, beyond those already indicated in the prior statement.

*(iii)* *Breakdown of components recorded directly in equity*

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| (€/000) | Pre-tax amount | Taxation | Amount net of taxes | Pre-tax amount | Taxation | Amount net of taxes |
| Restatement of defined benefit plans | (108) | 26 | (82) | (109) | 26 | (83) |
| **Total** | **(108)** | **26** | **(82)** | **(109)** | **26** | **(83)** |

## 20. Information on financial assets and liabilities

Financial assets and liabilities, broken down by the categories identified by IFRS 7, are summarized in the following tables:

| (€/000) | At fair value through profit and loss | | *Financial assets at 31/12/2021* | | *Financial liabilities at 31/12/2021* | |
|---|---|---|---|---|---|---|
| | Initially | Subsequently | Measured at amortized cost | At fair value through the Comprehensive income statement | Measured at amortized cost | Total |
| Trade receivables | - | - | 18,665 | - | - | 18,665 |
| Dividends receivable | | | 1,280 | | | 1,280 |
| Other current assets | - | - | 2,271 | - | - | 2,271 |
| Other financial assets financial assets | - | - | 30,778 | - | - | 30,778 |
| Other financial assets financial assets | | | 65,937 | | | 65,937 |
| Trade payables | - | - | - | - | (17,433) | (17,433) |
| Current interest-bearing financial payables | - | - | - | - | (201,525) | (201,525) |
| Other current liabilities | - | - | - | - | (8,838) | (8,838) |
| Non-current interest-bearing financial payables | - | - | - | - | (513,689) | (513,689) |
| Total | - | - | 118,931 | - | (741,485) | (622,554) |

| (€/000) | At fair value through profit and loss | | *Financial assets at 31/12/2020* | | *Financial liabilities at 31/12/2020* | |
|---|---|---|---|---|---|---|
| | Initially | Subsequently | Measured at amortized cost | At fair value through the Comprehensive income statement | Measured at amortized cost | Total |
| Trade receivables | - | - | 15,975 | - | - | 15,975 |
| Dividends receivable | | | 3,500 | | | 3,500 |
| Other current assets | - | - | 228 | - | - | 228 |
| Other financial assets financial assets | - | - | 37,815 | - | - | 37,815 |
| Other financial assets financial assets | | | 82,771 | | | 82,771 |
| Trade payables | - | - | - | - | (14,976) | (14,976) |
| Current interest-bearing financial payables | - | - | - | - | (143,597) | (143,597) |
| Debts for the acquisition of equity investments | - | - | - | - | (1,125) | (1,125) |
| Other current liabilities | - | - | - | - | (7,918) | (7,918) |
| Non-current interest-bearing financial payables | - | - | - | - | (335,091) | (335,091) |
| Total | - | - | 140,289 | - | (502,707) | (362,418) |

The financial assets measured at amortized cost generated revenues and costs. Revenues comprise exchange gains of €444k (€176k in 2020). Costs, on the other hand, refer to exchange losses of €74k (€533k in 2020) and to bad debts for €89k (€75k in 2020) classified under other operating costs.

Financial liabilities measured at amortized cost have generated costs relating to the portion of ancillary charges initially incurred to obtain the loans and subsequently expensed over the duration of the loan in accordance with the financial method. Ancillary charges of €112k (€96k in 2020) were charged to the 2021 income statement.

Financial assets and liabilities measured at amortized cost generated interest income of €1,356k (€1,413k in 2020), interest expense of €764k (€1,695k in 2020) and interest expense on leasing payables of €53k (€62k in 2020); in addition, general and administrative expenses include commission amounts and bank charges of €95k (€111k in 2020).

## 21. Information on financial risks

The Company is exposed to financial risks associated with its activities:

- market risks (mainly related to currency exchange rates and interest rates) since the Company does business internationally and is exposed to the exchange risk deriving from exposure to the US dollar;
- credit risk connected with business relations with customers;
- liquidity risk, with special reference to the availability of financial resources and access to the lending market and financial instruments in general;
- price risk in relation to metal price fluctuations that constitute a significant portion of the raw materials purchase price.

The Company is not exposed to significant concentrations of risk.

The Company constantly monitors the financial risks to which it is exposed in such a way as to make an advance assessment of potential negative effects and take appropriate actions to mitigate them.

The following section contains reference qualitative and quantitative indications regarding the uncertainty of these risks for Interpump Group S.p.A.

The quantitative data given below are not to be construed as forecasts; specifically, the sensitivity analyses concerning market risks are unable to reflect the complexity and correlated relations of markets that may derive from each prospected change.

**Exchange risk**

The Company is exposed to risks arising from fluctuations in currency exchange rates, which may affect economic results. Specifically, it clarifies that:

- for revenues denominated in currencies other than the currencies in which the respective costs are denominated, exchange rate fluctuations can impact on the Company's operating profit.
  In 2021 the total amount of cash flow exposed directly to exchange risks was approximately 22% of Company sales (about 20% in 2020), none of which is hedged against the risk of exchange-rate fluctuations.
  The exchange rates to which the Company is exposed are EUR/USD in relation to sales in dollars of high pressure pumps in North America through GP Companies Inc., which is located in this market, and in direct relation to an important US customer. The Company also bills in USD to its other US subsidiary, NLB Corporation Inc.
  The Interpump Group has adopted a policy of hedging commercial transactions denominated in foreign currency in the framework of which the most effective derivative instruments for the achievement of the preset goals have been identified and the relative responsibilities, duties and system of delegations have been defined.
  In relation to the dollar exposure on recurring sales in the American market, Company policy is not to hedge those foreign currency transactions, while in relation to non-recurring sales in the US market (in terms of their amount or frequency), it is Company policy to arrange hedges only when deemed appropriate.
- Again in relation to commercial activities, the Company may be in a position wherein it holds commercial receivables denominated in currencies other than the account currency.

Fluctuations in exchange rates can therefore result in the realization or assessment of positive or negative exchange differences.

- With regard to the financial exposures, if monetary outflows are not denominated in the functional currency, a change in exchange rates might adversely affect the net results of the Company. At 31 December 2021 and 31 December 2020 the Company had no financial exposures in foreign currency.

The nature and structure of the exposure to exchange risk and the related hedging policies were substantially unchanged in 2021 and 2020.

**Exchange risk sensitivity analysis**

The potential profit deriving from the change in the fair value of financial assets and liabilities caused by a hypothetical and immediate increase in the value of the euro of 10% with respect to the US dollar would be about €472k (€422k in 2020).

**Interest rate risk**

It is currently Company policy not to arrange hedges, in view of the short average duration of the existing loans (around 3.5 years). At 31 December 2021 all liquid funds were subject to floating interest rates, as were all financial and bank debts. In addition, in 2021 and in prior years the Company granted loans to subsidiaries totaling €96.7m (€120.6m at 31 December 2020). As described in Note 11, these loans were all granted at floating rates, with the exception of those made to Hydra Dyne Technology Inc., Inoxihp S.r.l., Unidrò Contarini Sarl, Berma S.r.l., Transtecno S.r.l. and White Drive Motors and Steering GmbH.

**Sensitivity analysis related to interest rate risk**

The effects of a hypothetical and immediate upward variation in interest rates of 50 basis points would subject Interpump Group S.p.A. to higher financial expenses, net of the increase in financial income, totaling €2,414k (€1,106k in 2020). It is reasonable to assume that a 50 basis points decrease in interest rates would produce an equivalent effect, although this time in terms of lower financial expenses.

**Credit risk**

The maximum theoretical credit risk exposure of the Company at 31 December 2021 and 2020 is represented by the accounting value of the financial assets recorded in the financial statements.

Historically however, the Company has not incurred any major losses for bad debts. This is because the Company generally allows extended payments only to its long-term customers, whose solvency and economic stability are known. In contrast, after having passed an initial credit rating analysis, new customers are required to make payments in advance or to open a letter of credit for amounts due.

Individual write-downs are applied in relation to positions, if of significant magnitude, in relation to which an objective condition of uncollectability is present for all or part of the outstanding amount. The amount of the write-down takes account of an estimate of the recoverable flows and the associated collection date, and the expenses and costs for future debt recovery. Collective provisions are allocated in relation to receivables that are not subject to individual write-downs, taking account of the historic exposure and statistical data.

At 31 December 2021, Loans and Receivables from financial activities total €118,931k (€140,289k at 31 December 2020), and include €628k for written down receivables (€658k at 31 December 2020); amounts overdue by less than three months are €4,187k (€3,171k at 31

December 2020), while those overdue beyond three months total €502k (€651k at 31 December 2020).

The Company is not exposed to significant concentrations of sales; in fact, the top customer in terms of sales is a member of the Interpump Group and, in 2021, accounted for about 21% of sales (19% in 2020). The top customer outside the Group accounted for approximately 2% of sales in 2021 (3% in 2020) while, in total, the top 10 customers after the first intercompany customer accounted for 17% of sales (17% also in 2020).

**Liquidity risk**

The liquidity risk can arise if it becomes impossible to obtain, at acceptable economic conditions, the financial resources needed for the Company's business operations. The two main factors that define the Company's liquidity situation are the resources generated by or used in business activities and investment, and the characteristics of expiry and renewal of debt or liquidity of financial investments and the relative market conditions.

The Company has adopted a series of policies and processes aimed at optimizing the management of resources in order to reduce the liquidity risk:

- retention of an appropriate level of cash on hand;
- diversification of the banks with which the Company operates;
- access to adequate lines of credit;
- negotiation of covenants at a consolidated level;
- monitoring of the prospective conditions of liquidity in relation to the corporate process.

The maturity characteristics of interest bearing financial debts and bank debts are described in Note 13. Together with the resources generated by operating and financing activities, management considers that the funds and lines of credit currently available will enable the Company to meet the requirements deriving from investing activities, the management of working capital and the settlement of payables as they fall due, while also supporting the pursuit of a growth strategy that includes targeted acquisitions capable of creating value for the shareholders. Liquid funds at 31 December 2021 total €135.5m. These funds and the cash generated by the Company in 2021 are definitely factors that serve to reduce the exposure to liquidity risk. The decision to maintain a high level of cash was adopted in order to minimize the liquidity risk, which is considered important given the current state of uncertainty of the economy, and to pick up on any acquisition opportunities that may arise.

**Price risk**

Interpump Group S.p.A. is exposed to risks deriving from price fluctuations of metals, which may affect economic results and profitability. In particular, the purchase cost of metals represented about 26% of the total costs incurred by the Company in 2021 to purchase raw materials, semi-finished products and finished products (26% in 2020 as well). The main metals utilized by the Company include brass, aluminum, stainless steel and steel.

Company policy is to transfer the cost of stocking materials to suppliers; in this scenario the risk is hedged by means of orders for specific periods and quantities agreed at a fixed price; at 31 December 2021 signed commitments are in place covering 85% of the projected 2022 consumption of steel (16% at 31 December 2020), 29% of stainless steel consumption (68% at 31 December 2020), 6% of brass consumption (96% at 31 December 2020) and 4% of aluminum consumption (no commitments at 31 December 2020). In addition, at 31 December 2021 stocks covered about 36% of forecast brass consumption (20% at 31 December 2020), about 48% of aluminum consumption (100% at 31 December 2020), 16% of steel consumption (52% at 31 December 2020) and 24% of stainless steel consumption (20% at 31 December 2020).

The index for non-energy commodity prices spiked strongly during 2021, reaching +45% with respect to the pre-Covid period, with major differences between the various commodities: among the ferrous raw materials, the steel price rose strongly until November 2021, when it touched an historical high before falling back in later months; in the non-ferrous sector, the aluminum price spiked multiple times during 2021, before slowing in November and then starting to climb again. The picture is further clouded by the sharp rise in energy commodities, especially gas, which has transferred to the price of electricity in Italy. In this context, the Company has been forced to revise several times the selling prices applied to customers.

These rising prices have also been accompanied by availability problems and bottlenecks in the supply chains; as a consequence, production has been impeded due to material shortages and delivery lead times have been extended. The Company has reacted by paying even closer attention to the organization of processes and by monitoring constantly the supply chain, sometimes choosing to purchase larger batches in order to stock the production materials needed.

## 22. Revenues

The following table gives a breakdown of net sales by geographical area:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Italy | 25,602 | 22,477 |
| Rest of Europe | 35,004 | 30,948 |
| Rest of the World | 51,783 | 47,093 |
| Total | 112,389 | 100,518 |

Details of net sales in each invoicing currency are provided below:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Euro | 87,698 | 80,321 |
| USD | 24,667 | 20,195 |
| GBP | 24 | 2 |
| Total | 112,389 | 100,518 |

Sales in USD refer primarily to invoices issued to the US subsidiaries GP Companies Inc. and NLB Corporation Inc.

## 23. Other operating income

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Capital gains on the sale of tangible assets | 27 | 2 |
| Gain on early close-out (IFRS 16) | - | 4 |
| Income from rent/royalties | 443 | 242 |
| Revenues from consultancy | 10 | 10 |
| Sale of scrap | 208 | 111 |
| Reimbursement of expenses | 839 | 755 |
| Release of excess provisions | - | 38 |
| Other | 806 | 677 |
| Total | 2,333 | 1,839 |

## 24. Costs by nature

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Raw materials and components | 33,877 | 30,583 |
| Personnel and temporary staff | 30,316 | 29,123 |
| Services | 15,276 | 12,063 |
| Amortization and depreciation of intangible and tangible fixed assets (notes 7 and 9) | 5,456 | 5,440 |
| Directors' and statutory auditors' remuneration | 7,147 | 5,171 |
| Hire purchase and leasing charges | 175 | 171 |
| Provisions and impairment of tangible and intangible fixed assets (notes 7, 9 and 15) | 879 | 7,636 |
| Other operating costs | 4,676 | 4,849 |
| Total cost of sales, distribution expenses, general and administrative expenses, other operating costs and impairment losses on intangible and tangible fixed assets | 97,802 | 95,036 |

The emoluments of the Directors and Statutory Auditors of Interpump Group S.p.A. in 2021 were, respectively, €7,042k and €105k and they include remuneration resolved by the Shareholders' Meeting, the remuneration established by the Board of Directors for directors vested with special offices, including bonuses and the remunerative component deriving from stock option plans represented by the fair value of the options calculated at the time of their allocation, for the current portion.

## 25. Financial income and expenses

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Financial income | | |
| Interest income from liquid funds | 3 | 18 |
| Interest income from financial assets (intercompany loans) | 1,356 | 1,413 |
| Other financial income | 72 | 84 |
| Foreign exchange gains | 672 | 176 |
| Total | 2,103 | 1,691 |

| | 2021 (€/000) | 2020 (€/000) |
|---|---:|---:|
| Financial charges | | |
| Interest expense on bank loans | 859 | 1,791 |
| Interest expense on leasing payables (IFRS 16) | 53 | 62 |
| Interest expense on liquid funds | 17 | - |
| Financial charges for adjustment of estimated debt | - | 42 |
| Other financial charges | 87 | 159 |
| Foreign exchange losses | 74 | 706 |
| Total | 1,090 | 2,760 |

## 26. Income taxes

The reconciliation of taxes calculated on the basis of the nominal rates in force and the effective tax burden is a follows:

| | 2021 (€/000) | 2020 (€/000) |
|---|---:|---:|
| IRES | | |
| Profit before taxes from the income statement | 95,581 | 94,927 |
| Theoretical taxes at nominal rate (24%) | 22,939 | 22,782 |
| Lower taxes for non-taxable dividends | (17,660) | (19,971) |
| Higher taxes due to non-deductible write-downs of investments | 1 | 1 |
| Lower taxes due to IRAP deduction relating to expenses for employees and similar | (78) | (143) |
| Lower taxes due to IRAP deduction on interest expenses | (23) | (22) |
| Lower taxes due to super and hyper depreciation | (533) | (535) |
| Lower taxes resulting from Economic Growth Assistance (ACE) | (759) | (422) |
| Higher (Lower) taxes due to tax benefit of franking goodwill | 5,076 | (7,164) |
| Taxes for prior financial years | (16) | (801) |
| Other | 82 | 95 |
| *Total IRES* | 9,029 | (6,180) |

| | 2021 (€/000) | 2020 (€/000) |
|---|---:|---:|
| IRAP (regional tax) | | |
| Profit before taxes from the income statement | 95,581 | 94,927 |
| Theoretical taxes at nominal rate (4.65%) | 4,445 | 4,414 |
| Lower taxes for non-taxable dividends | (3,611) | (4,124) |
| Higher (Lower) taxes due to tax benefit of franking goodwill | 983 | (1,585) |
| Lower taxes on exemption from 1st advance by absorbed company | - | (43) |
| Higher taxes for non-deductible payroll costs | 68 | 31 |
| Higher taxes for non-deductible directors' emoluments | 344 | 555 |
| Higher (Lower) taxes due to non-deductible financial charges | (22) | 35 |
| Taxes for prior financial years | 12 | (9) |
| Other | 24 | 31 |
| *Total IRAP* | 2,243 | (695) |
| *Total income taxes recognized in the income statement* | 11,272 | (6,875) |

Taxes recognized in the income statement can be broken down as follows:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Current taxes | (5,194) | (4,443) |
| Current taxes for prior financial years | 4 | 810 |
| Flat tax | - | (1,024) |
| Deferred taxes | (6,082) | 11,532 |
| Total taxes | (11,272) | 6,875 |

Deferred tax recognized in the income statement can be broken down as follows:

| | 2021 (€/000) | 2020 (€/000) |
|---|---|---|
| Deferred tax assets generated in the year | 561 | 11,893 |
| Deferred tax liabilities generated in the year | (25) | - |
| Deferred tax assets transferred to the income statement | (6,647) | (468) |
| Deferred tax liabilities recognized in the income statement | 29 | 107 |
| Total deferred taxes | (6,082) | 11,532 |

## 27. Earnings per share

*Basic earnings per share*

Earnings per share are calculated on the basis of profit for the year divided by the weighted average number of ordinary shares during the year as follows:

| | 2021 | 2020 |
|---|---|---|
| Profit for the year attributable to shareholders (€/000) | 84,309 | 101,802 |
| Average number of shares in circulation | 106,664,662 | 107,104,047 |
| Basic earnings per share for the year | 0.790 | 0.950 |

*Diluted earnings per share*

Diluted earnings per share are calculated on the basis of diluted profit of the year 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:

| | 2021 | 2020 |
|---|---|---|
| Profit for the year attributable to shareholders (€/000) | 84,309 | 101,802 |
| Average number of shares in circulation | 106,664,662 | 107,104,047 |
| Number of potential shares for stock option plans (*) | 1,399,025 | 424,299 |
| Average number of shares (diluted) | 108,063,687 | 107,528,346 |
| Earnings per diluted share at 31 December (EUR) | 0.780 | 0.947 |

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

## 28. Notes to the cash flow statement

***Property, plant and equipment***

In 2021 the Company purchased property, plant and equipment totaling €6,978k (€4,964k in 2020). This expenditure involved the payment of €5,910k, inclusive of the payment of past debts for the same purpose and net of payables deferred to the following year (€6,750k in 2020).

***Cash and cash equivalents***

This item can be broken down as follows:

| | 31/12/2021 (€/000) | 31/12/2020 (€/000) | 01/01/2020 (€/000) |
|---|---|---|---|
| Cash and cash equivalents as per the consolidated statement of financial position | 135,514 | 136,677 | 95,371 |
| Bank payables (current account overdrafts and advances subject to collection and accrued interest payable) | (106) | (207) | (388) |
| Cash and cash equivalents as per the cash flow statement | 135,408 | 136,470 | 94,983 |

***Net financial position and cash flow statement***

For the amount and details of the main components of the net financial position and the changes in 2021 and 2020, please see Section 4 “Loans” in the “Report on operations” accompanying the financial statements of Interpump Group S.p.A. at 31 December 2021.

## 29. Commitments

The Company has commitments to purchase property plant and equipment totaling €4,720k (€1,801k at 31 December 2020) and intangible assets totaling €181k (no commitments at 31 December 2020).

## 30. Transactions with related parties

With regard to transactions with Group companies, please see sections 5 and 6 of the "Report on operations" accompanying the financial statements of Interpump Group S.p.A. at 31 December 2021.

The above transactions were carried out on arm's-length conditions.

## 31. Events occurring after the close of the year

With regard to Interpump Group S.p.A., no events occurred after 31 December 2021 that require mention in this report, while we invite you to refer to the "Report on operations" accompanying the Consolidated Annual Financial Report at 31 December 2021 with regard to events after the close of the year concerning the Group.

## 32. Proposal to the Shareholders' Meeting

The profit for the year was EUR 84,308,858. We propose:

- allocation of the net profit for the year to the Extraordinary Reserve, since the legal reserve has already reached the limit of one-fifth of the subscribed and fully paid up share capital;
- partial distribution of the Extraordinary Reserve by declaring a dividend of EUR 0.28 for each share in circulation including the right as per art. 2357-(3) subsection 2 of the Italian Civil Code. It should be noted that, for tax purposes, the provisions of the Ministerial Decree dated 26 April 2017 will be applied, since the entire dividend of Euro 0.28 per share is taxable in the hands of the recipient and is considered to have been drawn from profit reserves accumulated subsequent to the tax year in progress at 31 December 2007 and up to that in progress at 31 December 2016.

**Annex 1**

## Certification of the separate financial statements pursuant to art. 81-(3) of Consob regulation no. 11971 of 14 May 1999, as amended

1. The undersigned, Fulvio Montipò and Carlo Banci, respectively Executive Director and Chief Reporting Officer of Interpump Group S.p.A., taking account also of the provisions of art. 154-(2), subsections 3 and 4 of legislative decree no. 58 of 24 February 1998, attest to:
   - adequacy in relation to the characteristics of the business and
   - effective application of the administrative and accounting procedures for formation of the financial statements during 2021.
2. We further confirm that the separate financial statements of Interpump Group S.p.A. for the year ended 31 December 2021, showing total assets of €1,316,494,025, net profit of €84,308,858 and shareholders' equity of €558,761,936:
   a. correspond to the results of the company books and accounting entries;
   b. were prepared in compliance with the international accounting standards approved by the European Commission further to the enforcement of Ruling (CE) no. 1606/2002 of the European Parliament and the European Council of 19 July 2002, and the provisions issued in implementation of art. 9 of Italian legislative decree 38/2005 and the contents are suitable for providing a truthful and fair representation of the equity, economic and financial situation of the Company;
   c. include the Board of Directors' Report, which contains a reliable analysis of performance and results and the situation of the issuer together with a description of the main risks and uncertainties to which it is exposed.

Sant'Ilario d'Enza (RE), 18 March 2022

| | |
|---|---|
| Fulvio Montipò<br>Chairman and<br>Chief Executive Officer | Carlo Banci<br>Chief Reporting<br>Officer |

Building a better working world

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# Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014 (Translation from the original Italian text)

To the Shareholders of
Interpump Group S.p.A.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Interpump Group S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2021, and the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matter:

| Key Audit Matter | Audit Response |
|---|---|
| Valuation of investments in subsidiaries | |
| Investments in subsidiaries as at December 31, 2021 amount to Euro 943,3 million.<br><br>The processes and valuation methodologies for assessing and determining the recoverable amount of each investments in subsidiaries are based on assumptions, sometimes complex, that by their nature require the Directors' judgment, in particular with reference to the identification of impairment indicators, forecasted future cash flows for the period covered by the Group's business plan, the determination of the normalized future cash flows underlying the estimated terminal value, as well as the determination of long-term growth rates and discount rates applied to the forecasted future cash flows.<br><br>Considering the judgment required and the complexity of the assumptions underlying the estimation of the recoverable amount of investments in subsidiaries, we considered this area as a key audit matter.<br><br>The financial statements disclosures related to the valuation of investments in subsidiaries are included in note 2.1 "Accounting standards" and note 10 "Investments in subsidiaries". | Our audit procedures performed to address this key audit matter include, among others, consistent with the impairment test for the consolidated financial statements:<br>• the assessment of the process and key controls implemented by the Company regarding the valuation of investments in subsidiaries;<br>• the assessment of the process adopted by the Company regarding the presence of any impairment indicator on the recoverability;<br>• the assessment of forecasted future cash flows;<br>• the assessment of the consistency of the forecasted future cash flows of each investments in subsidiaries with the Group's business plan for the period 2022-2026;<br>• the assessment of the reasonableness of the estimates made by Directors, also by comparing actual figures and estimates made in previous periods;<br>• the assessment of the long-term growth rates and discount rates.<br><br>In performing our audit procedures, we also involved our expert in valuation techniques who independently performed a recalculation and sensitivity analyses on key assumptions in order to determine any changes in assumptions that could significantly impact the valuation of the recoverable amount of investments in subsidiaries.<br><br>Lastly, we reviewed the adequacy of the disclosures provided in the notes to the financial statements regarding this key audit matter. |

## Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the

date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

### Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Interpump Group S.p.A., in the general meeting held on April 30, 2014, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2014 to 31 December 2022.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

## Report on compliance with other legal and regulatory requirements

### Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Interpump Group S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in the XHTML format, in compliance with the provisions of the Delegated Regulation.

## Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Interpump Group S.p.A. are responsible for the preparation of the Board of Directors' Report and of the Report on Corporate Governance and Ownership Structure of Interpump Group S.p.A. as at 31 December 2021, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Board of Directors' Report and of specific information included in the Report on Corporate Governance and Ownership Structure, published in the section "Corporate Governance" of Interpump Group S.p.A.'s website, as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Interpump Group S.p.A. as at 31 December 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Board of Directors' Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Interpump Group S.p.A. as at 31 December 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

## Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Interpump Group S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Bologna, March 30, 2022

EY S.p.A.
Signed by: Elisa Vicenzi, Auditor

*The accompanying financial statements of Interpump Group S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*