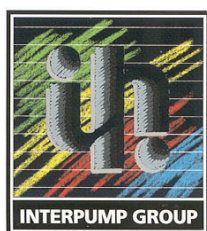


**Half-year report  
at 30 June 2019  
and  
Interim Board of Directors' Report  
for Q2 2019**



**Interpump Group S.p.A. and subsidiaries**



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This document can be accessed on the Internet at:

[www.interpumpgroup.it](http://www.interpumpgroup.it)

**Interpump Group S.p.A.**

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

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

Reggio Emilia Companies Register - Tax Code 11666900151



## **Board of Directors**

Fulvio Montipò  
*Chairman and Chief Executive Officer*

Paolo Marinsek  
*Deputy Chairman*

Angelo Busani (a)  
*Independent Director*

Antonia Di Bella  
*Independent Director*

Franco Garilli (a), (b), (c)  
*Independent Director*  
*Lead Independent Director*

Marcello Margotto (b)  
*Independent Director*

Stefania Petruccioli (a), (c)  
*Independent Director*

Paola Tagliavini (a), (c)  
*Independent Director*

Giovanni Tamburi (b)  
*Non-executive Director*

## **Board of Statutory Auditors**

Fabrizio Fagnola  
*Chairman*

Federica Menichetti  
*Statutory auditor*

Alessandra Tronconi  
*Statutory auditor*

## **Independent Auditors**

EY S.p.A.

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

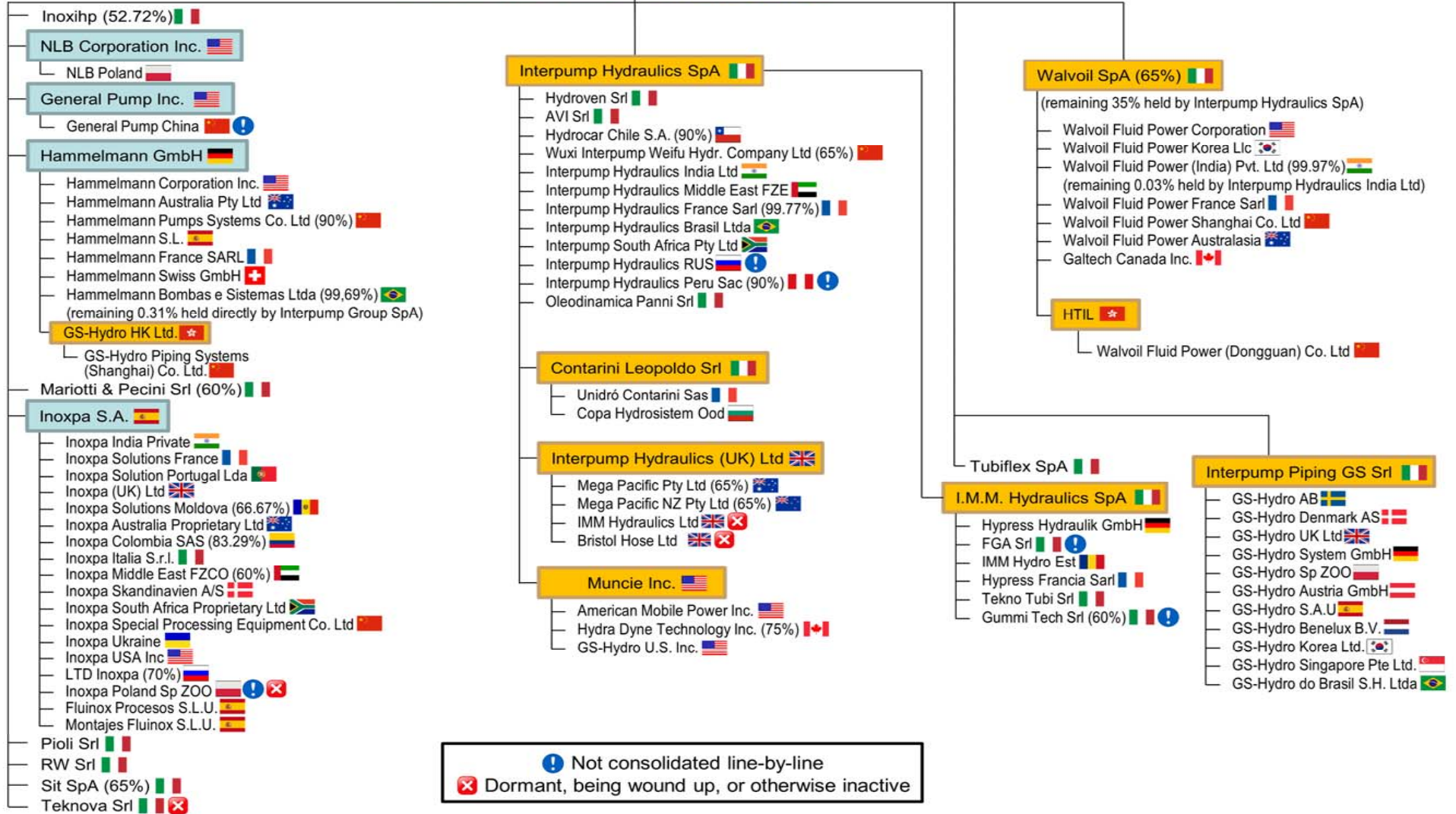


# Group Structure



as at 30/06/2019  
all holdings 100% unless otherwise specified

## WATER-JETTING      HYDRAULICS







## **Interim Board of Directors' Report**



**Directors' remarks on performance  
in H1 2019**

## **PERFORMANCE INDICATORS**

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

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

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

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

The cash flow statement was prepared using the indirect method.

## H1 consolidated income statements

(€000)	<u>2019</u>	<u>2018</u>
<b>Net sales</b>	<b>703,203</b>	<b>643,428</b>
Cost of sales	(446,587)	(402,922)
<b>Gross industrial margin</b>	<b>256,616</b>	<b>240,506</b>
<i>% on net sales</i>	<i>36.5%</i>	<i>37.4%</i>
Other operating revenues	10,124	9,474
Distribution costs	(62,847)	(58,894)
General and administrative expenses	(72,452)	(67,868)
Other operating costs	(3,160)	(1,557)
<b>EBIT</b>	<b>128,281</b>	<b>121,661</b>
<i>% on net sales</i>	<i>18.2%</i>	<i>18.9%</i>
Financial income	6,160	5,631
Financial expenses	(7,162)	(8,732)
Badwill	-	11,623
Equity method contribution	(3)	(158)
<b>Profit for the year before taxes</b>	<b>127,276</b>	<b>130,025</b>
Income taxes	(35,063)	(35,766)
<b>Consolidated net profit for the year</b>	<b>92,213</b>	<b>94,259</b>
<i>% on net sales</i>	<i>13.1%</i>	<i>14.6%</i>
<b>Pertaining to:</b>		
Parent company's shareholders	91,511	93,815
Subsidiaries' minority shareholders	702	444
<b>Consolidated profit for the period</b>	<b>92,213</b>	<b>94,259</b>
<b>EBITDA</b>	<b>162,176</b>	<b>146,813</b>
<i>% on net sales</i>	<i>23.1%</i>	<i>22.8%</i>
Shareholders' equity	926,490	812,899
Net debt	390,970	296,040
Payables for the acquisition of investments	40,235	44,122
Capital employed	<u>1,357,695</u>	<u>1,153,061</u>
<b>Unannualized ROCE</b>	<b>9.4%</b>	<b>10.6%</b>
<b>Unannualized ROE</b>	<b>10.0%</b>	<b>11.6%</b>
<b>Basic earnings per share</b>	<b>0.867</b>	<b>0.766*</b>

\*=adjusted to reflect the effects of badwill

## **SIGNIFICANT EVENTS IN THE HALF-YEAR**

Sales reached €703.2m, up by 9.3% compared to H1 2018 (+7.0% at unchanged perimeter and 5.3% also net of exchange differences). A breakdown by business sector shows a 10.9% sales increase in the Hydraulic Sector (+8.7% at unchanged perimeter and +7.3% also net of exchange differences) compared with H1 2018; Water Jetting Sector sales in the same period were up by 6.2% (+3.6% at unchanged perimeter and 1.3% also net of exchange differences).

In geographical terms, growth in Europe including Italy was 8.5, 14.8% in North America, and 11.2% in the Rest of the World, while the Far East Area and Oceania declined moderately by 1.1%. The geographical breakdown at unchanged perimeter shows growth in Europe, including Italy, of 7.0%, 9.2% in North America, 11.2% in the Rest of the World, while the Far East Area and Oceania declined moderately by 1.3%.

EBITDA was recorded at €162.2m, equivalent to 23.1% of sales. In H1 2018 EBITDA was booked for €146.8m (22.8% of sales). EBITDA was therefore up 10.5% compared to the equivalent figure for the prior year. It should also be noted that 1 January 2019 was the date of enforcement of IFRS 16, which involved recognition of leases payable by assimilating the amounts with finance leasing and hence booking the debt for lease payments (discounted) for the contractual period and booking the right of use in the same amount under fixed assets. The right-of-use asset is amortized over the contractual term, while the lease payments are recognized in reduction of the debt and no longer in the income statement, in which they now appear as amortization amounts. In line with the accounting standards applied in 2018, in 2019 EBITDA would have stood at €154.6m (22.0% of sales).

Net profit for H1 2019 totalled €2.2m (€4.3m in H1 2018) We draw your attention to the fact that in 2018 non-recurring financial income was booked in respect of goodwill in the amount of €1.6m. Net of this extraordinary allocation, net profit was up by 11.6%.

On 1 March 2019, operating through its subsidiary Muncie Power Products, Interpump acquired 75% of Hydra Dyne Tech, based in Ontario, Canada. Hydra Dyne Tech manufactures and markets hydraulic cylinders, valves and rotary unions. The products are designed and customised to meet the needs of some of the leading OEMs in the sectors of agricultural machinery, earthmoving machinery and forestry equipment. The rotary unions, in which Hydra Dyne Tech is a recognised specialist, constitute a major extension of Interpump's range of hydraulic components. Hydra Dyne Tech ended its financial year on 31 August 2018 with sales of CAD 35.8m and EBITDA of CAD 6.1m, while the net financial position was negative in the amount of CAD 7.2m. The price agreed to acquire 75% of the business was €5.1m; the parties agreed put and call options to transfer the minority interest starting in 2023. Hydra Dyne was consolidated for four months (Hydraulic Sector).

Compared to H1 2018, 2019 saw the consolidation of Fluinox Procesos SLU (only the statement of financial position had been consolidated at 31 December 2018) and Ricci Engineering Srl for six months, plus Pioli Srl for three months, all companies operating in the Water Jetting Sector.

## NET SALES

Net sales in H1 2019 totalled €703.2m, up by 9.3% on the €643.4m of H1 2018 (+7.0% at unchanged perimeter and +5.3% also net of exchange differences).

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

(€000)	<u>Italy</u>	<u>Rest of Europe</u>	<u>North America</u>	<u>Far East and Oceania</u>	<u>Rest of the World</u>	<u>Total</u>
<i>H1 2019</i>						
Hydraulic Sector	98,499	172,297	112,335	43,762	47,510	474,403
Water Jetting Sector	<u>21,089</u>	<u>85,721</u>	<u>74,350</u>	<u>27,817</u>	<u>19,823</u>	<u>228,800</u>
Total	<u>119,588</u>	<u>258,018</u>	<u>186,685</u>	<u>71,579</u>	<u>67,333</u>	<u>703,203</u>
<i>H1 2018</i>						
Hydraulic Sector	89,968	162,001	90,579	40,941	44,448	427,937
Water Jetting Sector	<u>20,876</u>	<u>75,050</u>	<u>72,055</u>	<u>31,410</u>	<u>16,100</u>	<u>215,491</u>
Total	<u>110,844</u>	<u>237,051</u>	<u>162,634</u>	<u>72,351</u>	<u>60,548</u>	<u>643,428</u>
2019/2018 percentage changes						
Hydraulic Sector	+9.5%	+6.4%	+24.0%	+6.9%	+6.9%	+10.9%
Water Jetting Sector	+1.0%	+14.2%	+3.2%	-11.4%	+23.1%	+6.2%
Total	+7.9%	+8.8%	+14.8%	-1.1%	+11.2%	+9.3%
2019/2018 at unchanged perimeter (%)						
Hydraulic Sector	+9.5%	+6.4%	+14.0%	+6.4%	+6.9%	+8.7%
Water Jetting Sector	-2.6%	+7.9%	+3.2%	-11.4%	+23.2%	+3.6%
Total	+7.2%	+6.9%	+9.2%	-1.3%	+11.2%	+7.0%

## PROFITABILITY

The cost of sales accounted for 63.5% of turnover (62.6% in the first half of 2018). Production costs, which totalled €185.6m (€167.0m in H1 2018 which however did not include the costs of Hydra Dyne for four months, Fluinox and Ricci Engineering for six months, and Pioli Srl for three months), accounted for 26.4% of sales (26.0% in the equivalent period of 2018). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €261.0m (€235.9m in the equivalent period of 2018, which however did not include the costs of Hydra Dyne for four months, Fluinox and Ricci Engineering for six months, and Pioli Srl for three months). The incidence of purchase costs, including changes in inventories, was 37.1% with respect to the 36.7% in the first half of 2018.

Distribution costs were higher, at unchanged perimeter, by 5.4% with respect to H1 2018 (+3.7% net also of exchange differences), but the incidence on sales decreased by 0.2 percentage points.

With respect to H1 2018, general and administrative expenses increased by 4.8% at unchanged perimeter (+3.2% net also of exchange differences) but their incidence on sales fell by 0.2 percentage points.

Total payroll costs were €162.3m (€151.2m in H1 2018, which however did not include the costs of Hydra Dyne for four months, Fluinox and Ricci Engineering for six months, and Pioli

Srl for three months). Payroll costs at unchanged perimeter rose by 4.6% due to an increase of 143 in the average headcount and a 2.2% rise in the per capita cost. The average total number of Group employees in H1 2019 was 6,783 (6,603 at unchanged perimeter) compared to 6,460 in H1 2018. The increase in average headcount in H1 2019, net of the personnel of the newly acquired companies, breaks down as follows: plus 113 in Europe, plus 50 in North America and minus 20 in the Rest of the World

EBITDA was booked at €162.2m (23.1% of sales), reflecting an increase of 10.5% on the €146.8m of H1 2018, which accounted for 22.8% sales. EBITDA accounted for 23.2% of sales at unchanged perimeter. EBITDA by business sector is shown in the table below:

	<i>H1 2019</i>	<i>% on</i>	<i>H1 2018</i>	<i>% on</i>	<i>Increase/</i>
	<i>€/000</i>	<i>total</i>	<i>€/000</i>	<i>total</i>	<i>Decrease</i>
		<i>sales*</i>		<i>sales*</i>	
Hydraulic Sector	101,430	21.4%	88,411	20.6%	+14.7%
Water Jetting Sector	<u>60,746</u>	26.4%	<u>58,402</u>	27.0%	+4.0%
<b>Total</b>	<b><u>162,176</u></b>	<b>23.1%</b>	<b><u>146,813</u></b>	<b>22.8%</b>	<b>+10.5%</b>

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

It should also be observed, as already mentioned above, that 1 January 2019 was the date of enforcement of IFRS 16, which involved recognition of rent payable by assimilating the amounts with finance leasing. In line with the accounting standards applied in 2018, in 2019 EBITDA would have stood at €154.6m (22.0% of sales and 22.1% at unchanged perimeter).

EBIT, which is not substantially impacted by the change in the aforesaid standard, stood at €128.3m (18.2% of sales) compared to the €121.7m of H1 2018 (18.9% of sales), reflecting an increase of 5.4%.

The tax rate for the period was 27.6% (30.2% in H1 2018 net of effect of the badwill booked under financial income).

Net profit for H1 2019 was €92.2m (€82.7m in H1 2018 net of the effect of badwill), reflecting an increase of 11.6%. Basic earnings per share rose from the EUR 0.766 (adjusted by badwill) of H1 2018 to EUR 0.867 in H1 2019, reflecting growth of 13.2%.

Capital employed increased from €1,200.1m at 31 December 2018 to €1,357.7m at 30 June 2019, substantially because of booking of right-of-use assets as a consequence of the application of IFRS 16, because of the increase in working capital due to sharp rise in sales, and finally as a consequence of the acquisition of Hydra Dyne. Unannualized ROCE was 9.4% (10.6% in H1 2018). Unannualized ROE was 10.0% (10.2% in H1 2018, adjusted for badwill).



## CASH FLOW

The change in net debt breaks down as follows:

	<i>H1 2019</i> <u>€/000</u>	<i>H1 2018</i> <u>€/000</u>
<b>Opening net financial position</b>	<b>(287,339)</b>	<b>(273,542)</b>
Adjustment: effect of IFRS 16 on the initial net financial position	(68,597)	-
Adjustment: opening net cash position of companies not consolidated line by line at the end of the prior period	<u>-</u>	<u>(7)</u>
<b>Adjusted opening net financial position</b>	<b>(355,936)</b>	<b>(273,549)</b>
Cash flow from operations	144,211	113,676
Principal portion of leasing instalments paid (IFRS 16)	(7,670)	-
Cash flow generated (absorbed) by the management of commercial working capital	(69,093)	(52,488)
Cash flow generated (absorbed) by other current assets and liabilities	6,253	(15)
Investment in tangible fixed assets	(34,647)	(24,495)
Proceeds from the sale of tangible fixed assets	930	616
Investment in other intangible assets	(1,372)	(2,044)
Received financial income	406	216
Other	<u>137</u>	<u>303</u>
<b>Free cash flow</b>	<b>39,155</b>	<b>35,769</b>
Acquisition of investments, including received debt and net of treasury shares assigned	(30,051)	(10,445)
Dividends paid	(23,703)	(22,526)
Outlays for the purchase of treasury shares	(14,859)	(27,469)
Receipts from the disposal of assets held for sale	-	785
Proceeds from the sale of treasury shares to beneficiaries of stock options	360	539
Principal portion of leasing instalments paid (IFRS 16)	7,670	-
Principal portion of new leasing contracts entered into (IFRS 16)	(13,466)	-
Restatement and early redemption of leasing contracts pursuant to IFRS 16	281	-
Change in other financial assets	<u>(189)</u>	<u>(186)</u>
<b>Net cash generated (used)</b>	<b>(34,802)</b>	<b>(23,533)</b>
Exchange differences	<u>(232)</u>	<u>1,042</u>
<b>Net financial position at year end</b>	<b><u>(390,970)</u></b>	<b><u>(296,040)</u></b>

Adoption of new accounting standard IFRS 16 resulted in the booking of a debt equal to the discounted amount of leasing instalments arising from contractual commitments equal to €68.6m at 1 January 2019.

Net liquidity generated by operations totalled €144.2m (€113.7m in H1 2018), reflecting an increase of 26.9%. Free cash flow was €39.2m (€35.8m in H1 2018), reflecting an increase of 9.5%.

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

	30/06/2019	31/12/2018	30/06/2018	01/01/2018
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
Cash and cash equivalents	136,244	118,140	125,465	144,938
Bank payables (advances and STC amounts)	(25,149)	(21,404)	(15,703)	(8,955)
Interest-bearing financial payables (current portion)	(159,685)	(151,917)	(184,989)	(166,465)
Interest-bearing financial payables (non-current portion)	<u>(342,380)</u>	<u>(232,158)</u>	<u>(220,813)</u>	<u>(243,060)</u>
<b>Total</b>	<b><u>(390,970)</u></b>	<b><u>(287,339)</u></b>	<b><u>(296,040)</u></b>	<b><u>(273,542)</u></b>

At 30 June 2019 all loan covenants are complied with in full.

The Group also has payables for the acquisition of equity investments totalling €40.2m (€44.5m at 31 December 2018 and €44.1m at 30 June 2018). Of this amount, €4.2m relates to debts for deferred payment of equity investments (€3.5m at 31 December 2018), while €6.0m relates to contractual commitments for the acquisition of residual stakes in subsidiaries (€41.0m at 31 December 2018). When acquiring target companies, the Group's strategy is to purchase majority packages and sign purchase commitments for the residual stakes, at a price depending on the results achieved by the company in subsequent years, thus guaranteeing the continuation of the previous management on the one hand and maximising growth in profitability on the other.

## CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totalled €1.1m, of which €7.6m via the acquisition of equity investments and €5.6m for the signing of new operating leases (€36.3m in H1 2018, of which €5.0m via the acquisition of equity investments). Moreover, the adoption of IFRS 16 caused an increase in the starting balance of fixed assets in the amount of €68.2m due to the recognition of the right of use of leased assets. The situation is broken down in the following table.

€000	H1 2019	H1 2018
Increases for the purchase of fixed assets used in the production process	37,191	27,179
Increases for machinery rented to customers	2,871	3,885
Finance leasing increases	<u>7,903</u>	<u>268</u>
	47,965	31,332
Increases for right-of-use recognition on leasing contracts signed in the first half (IFRS 16)	5,563	-
Increases through the acquisition of equity investments	<u>7,600</u>	<u>5,015</u>
Total increases in the year	<u>61,128</u>	<u>36,347</u>
Initial effect of IFRS 16	68,223	-

The increases in 2019 include €16.0m for construction of new buildings and takeover of previously rented buildings in finance leasing (€3.9m in H1 2018). The difference with respect to the expenditure recorded in the cash flow statement is essentially due to the timing of payments.

Increases in intangible fixed assets totalled €3.7m, of which €2.2m through the acquisition of equity investments (€2.4m in H1 2018, including €0.4m via the acquisition of equity

investments). The increase in H1 2019 is due to the fair value of the trademark obtained by acquiring Hydra Dyne in the amount of €2.3m while the remainder is mainly referred to capital expenditure for new product development.

## **INTERCOMPANY AND RELATED PARTY TRANSACTIONS**

With regard to transactions entered into with related parties, including intercompany transactions, these cannot be defined as either atypical or unusual, as they are part of the normal course of activities of the Group companies. These transactions are regulated at arm's length conditions, taking into account the characteristics of the assets transferred and services rendered. Information on transactions carried out with related parties is given in Note 9 of the interim consolidated financial statements at 30 June 2019.

## **CHANGES IN GROUP STRUCTURE IN H1 2019**

Apart from the acquisition of Hydra Dyne, discussed at the beginning of this report, the other transactions that led to a change in the Group structure were the acquisition of Pioli Srl and its complementary company RW Srl and the merger of Hypress Srl in IMM Hydraulics SpA (both wholly owned). In addition, Hammelmann France Sarl, wholly owned by Hammelmann GmbH, was incorporated on 30 January 2019. Furthermore, 22 March 2019 saw the incorporation of Hammelmann Swiss GmbH, which is likewise wholly owned by Hammelmann GmbH. Finally, with effect from 1 April 2019 Ricci Engineering Srl was absorbed by Interpump Group SpA.

## **RISK FACTORS**

The business of the Group is exposed to various financial risks: market risk (including the exchange rate risk and interest rate risk), credit risk, liquidity risk, price risk and cash flow risk. The risk management programme is based on the unpredictability of financial markets and it aims to minimize any negative impact on the group's financial performance. Based on the policy approved by the Board of Directors, Interpump Group may use derivative financial instruments to cover the exposure to exchange-rate and interest-rate risks but cannot arrange derivative financial instruments for speculative purposes. Based on this procedure, financial risk hedging is managed by a central department in the parent company in cooperation with individual operating units. Group exposure to financial risks remained substantially unchanged with respect to 31 December 2018.

### *Exchange risk*

The Group has subsidiaries in 30 countries and has to translate financial statements denominated in 24 currencies other than the euro. Accordingly, the Group is primarily exposed to the risk deriving from translation of the financial statements of the companies in question.

The Group operates internationally and mostly manufactures in the countries of the destination markets. As such, the majority of local currency revenues are naturally absorbed by costs incurred in the same currency. On a residual level however, the Group is exposed to the exchange-rate risk that derives from transactions with costs and revenues in different currencies, mainly in relation to exchange with the US Dollar, the Brazilian Real, the Indian Rupee, the Chinese Renminbi and, to a much lesser extent, to the exchange risk deriving from exposure to UK sterling, the Canadian Dollar, the Australian Dollar, the Russian Ruble, the South African Rand, the UAE Dirham, the Chilean and Colombian Pesos, the Danish Krone and the Romanian Leu.

In view of the significant natural hedge described above, management has decided not to arrange other hedges except in the case of specific and sporadic transactions.

In relation to financial exposure, intercompany loans totalling €9.6m were granted and €4.8m were collected in H1 2019 in currencies other than those utilised by the debtor companies. At 30 June 2019 loans granted in currencies other than those used by the debtor companies stood at €23.3m, up by €4.8m versus 31 December 2018. The Group decided to proceed in its strategy of not hedging this exposure also in H1 2019.

*Interest rate risk*

At 30 June 2019, with the exception of €4.6m, all liquidity is held at floating rates, and also bank loans and financial payables bear interest at floating rates, except for amounts totalling €8.5m.

Currently Group policy involves careful assessment of market opportunities related to the possibility of taking out hedges (IRS) at economically advantageous conditions; however, considering that the average duration of the Group's medium-/long-term loans is currently somewhat short (around 3 or 4 years), any potential hedges are unlikely to be particularly attractive.

*Credit risk*

Historically, the Group has not suffered any significant losses on receivables. At the present, the Group considers that the situation of its receivables is sound, as evidenced, among other considerations, by losses on receivables at 30 June 2019 totalling €834k (0.1% of sales); losses on receivables in H1 2018 totalled €699k (0.1% of sales). The potential risk has already been offset in the financial statements. The Group is not exposed to any significant concentrations of sales.

*Liquidity risk*

Management considers that the currently available funds and lines of credit, in addition to resources 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 their natural due dates, in addition to ensuring the pursuit of a strategy of growth, also by means of targeted acquisitions capable of creating value for shareholders. Cash on hand at 30 June 2019 totalled €136.2m. As in the past, the amount of cash on hand and the further cash to be generated from the operating activities of the Group during H1 2019 are definitely factors that will make it possible to reduce Group's exposure to the liquidity risk.

*Price risk*

The Group is exposed to risks deriving from fluctuations in the prices of the metals utilised, namely brass, aluminium, steel, stainless steel, cast iron and, to a lesser extent, copper, sheet steel and mild steel. Even though the various Group Sectors have a similar exposure to fluctuations of metals prices, they adopt different risk reduction strategies depending on the specific metals involved. We invite you to refer to the notes to the financial statements at 31 December 2018 for more comprehensive information.

With respect to 31 December 2018, the prices recorded on the market for the raw materials used by the Group have not changed significantly. Wherever possible, the Group reviews its selling prices periodically in order to pass on all or part of the expense resulting from higher raw materials prices to its customers. The Group constantly monitors the price trend of these raw materials in the attempt to adopt the most effective policies to minimize potential exposure to this risk.

**EVENTS OCCURRING AFTER THE END OF H1 2019**

After the close of H1 2019 no atypical or unusual transactions were carried out such that would call for changes to the consolidated financial statements at 30 June 2019.



**Directors' remarks on performance  
in Q2 2019**





**Q2 consolidated income statements**

(€000)	<u>2019</u>	<u>2018</u>
<b>Net sales</b>	<b>359,593</b>	<b>331,132</b>
Cost of sales	(227,701)	(206,261)
<b>Gross industrial margin</b>	<b>131,892</b>	<b>124,871</b>
<i>% on net sales</i>	<i>36.7%</i>	<i>37.7%</i>
Other operating revenues	5,172	4,885
Distribution costs	(32,150)	(30,316)
General and administrative expenses	(36,735)	(33,990)
Other operating costs	(2,314)	(1,054)
<b>EBIT</b>	<b>65,865</b>	<b>64,396</b>
<i>% on net sales</i>	<i>18.3%</i>	<i>19.4%</i>
Financial income	2,333	3,056
Financial expenses	(3,637)	(4,109)
Badwill	-	(1,107)
Equity method contribution	(78)	(85)
<b>Profit for the year before taxes</b>	<b>64,483</b>	<b>62,151</b>
Income taxes	(17,537)	(19,464)
<b>Consolidated profit for the period</b>	<b>46,946</b>	<b>42,687</b>
<i>% on net sales</i>	<i>13.1%</i>	<i>12.9%</i>
<b>Pertaining to:</b>		
Parent company's shareholders	46,617	42,429
Subsidiaries' minority shareholders	329	258
<b>Consolidated profit for the period</b>	<b>46,946</b>	<b>42,687</b>
<b>EBITDA</b>	<b>83,536</b>	<b>77,228</b>
<i>% on net sales</i>	<i>23.2%</i>	<i>23.3%</i>
Shareholders' equity	926,490	812,899
Net debt	390,970	296,040
Payables for the acquisition of investments	40,235	44,122
Capital employed	1,357,695	1,153,061
<b>Unannualized ROCE</b>	<b>4.9%</b>	<b>5.6%</b>
<b>Unannualized ROE</b>	<b>5.1%</b>	<b>5.3%</b>
<b>Basic earnings per share</b>	<b>0.441</b>	<b>0.396</b>

The scope of consolidation in Q2 2019 includes Hydra Dyne, Fluinox, Ricci Engineering and Pioli.

## NET SALES

Net sales in Q2 2019 totalled €359.6m, up by 8.6% on the €331.1m of Q2 2018 (+5.6 % at unchanged perimeter and +4.1% also net of exchange differences).

Net sales in Q2 are distributed as shown below by business sector and geographical area:

(€000)	<u>Italy</u>	<u>Rest of Europe</u>	<u>North America</u>	<u>Far East and Oceania</u>	<u>Rest of the World</u>	<u>Total</u>
<i>Q2 2019</i>						
Hydraulic Sector	48,931	87,032	59,439	23,285	22,760	241,447
Water Jetting Sector	<u>11,824</u>	<u>43,502</u>	<u>40,238</u>	<u>13,252</u>	<u>9,330</u>	<u>118,146</u>
Total	<u>60,755</u>	<u>130,534</u>	<u>99,677</u>	<u>36,537</u>	<u>32,090</u>	<u>359,593</u>
<i>Q2 2018</i>						
Hydraulic Sector	46,355	83,825	45,901	22,500	22,687	221,268
Water Jetting Sector	<u>11,080</u>	<u>38,488</u>	<u>36,980</u>	<u>16,033</u>	<u>7,283</u>	<u>109,864</u>
Total	<u>57,435</u>	<u>122,313</u>	<u>82,881</u>	<u>38,533</u>	<u>29,970</u>	<u>331,132</u>
2019/2018 percentage changes						
Hydraulic Sector	+5.6%	+3.8%	+29.5%	+3.5%	+0.3%	+9.1%
Water Jetting Sector	+6.7%	+13.0%	+8.8%	-17.3%	+28.1%	+7.5%
Total	+5.8%	+6.7%	+20.3%	-5.2%	+7.1%	+8.6%
2019/2018 at unchanged perimeter (%)						
Hydraulic Sector	+5.6%	+3.8%	+14.7%	+3.0%	+0.3%	+6.0%
Water Jetting Sector	+3.0%	+6.5%	+8.8%	-17.3%	+28.1%	+4.9%
Total	+5.1%	+4.7%	+12.1%	-5.5%	+7.1%	+5.6%

## PROFITABILITY

The cost of sales accounted for 63.3% of turnover (62.3% in Q2 2018). Production costs, which totalled €93.8m (€85.6m in Q2 2018, which however did not include the acquisition costs of HydraDyne, Fluinox, Ricci Engineering and Pioli), accounted for 26.1% of sales (25.8% in the equivalent period of 2018). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €133.9m (€120.7m in the equivalent period of 2018, which however did not include the acquisition costs of HydraDyne, Fluinox, Ricci Engineering and Pioli). The incidence of purchase costs, including changes in inventories, was 37.2% with respect to 36.5% in the second quarter of 2018.

Distribution costs were 4.6% higher at unchanged perimeter (+3.2% net also of exchange differences) with respect to Q2 2018, with an 0.1 percentage point decrease of the incidence on sales.

With respect to Q2 2018 general and administrative expenses rose by 5.6% at unchanged perimeter (+4.3% net also of exchange differences), with the incidence on sales remaining unchanged.

EBITDA totalled €83.5m (23.2% of sales) compared to the €77.2m of Q2 2018 (23.3% of sales), showing an increase of 8.2%. EBITDA accounted for 23.4% of sales on an unchanged perimeter basis.

EBITDA by business sector is shown in the table below:

	<i>Q2 2019</i>	<i>% on</i>	<i>Q2 2018</i>	<i>% on</i>	<i>Increase/</i>
	<i>€/000</i>	<i>total</i>	<i>€/000</i>	<i>total</i>	<i>Decrease</i>
		<i>sales*</i>		<i>sales*</i>	
Hydraulic Sector	51,494	21.3%	46,348	20.9%	+11.1%
Water Jetting Sector	<u>32,042</u>	27.0%	<u>30,880</u>	28.0%	+3.8%
<b>Total</b>	<b><u>83,536</u></b>	<b>23.2%</b>	<b><u>77,228</u></b>	<b>23.3%</b>	<b>+8.2%</b>

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

It should also be observed, as already mentioned above, that 1 January 2019 was the date of enforcement of IFRS 16, which involved recognition of rent payable by assimilating the amounts with finance leasing. In line with the accounting standards applied in 2018, EBITDA for Q2 2019 would have stood at €79.6m (22.1% of sales or 22.3% of sales at unchanged perimeter).

EBIT, which is not substantially impacted by the change in the aforesaid standard, stood at €65.9m (18.3% of sales) compared to the €64.4m of Q2 2018 (19.4% of sales), reflecting an increase of 2.3%.

Q2 closed with consolidated net profit of €46.9m (€42.7m in Q2 2018), reflecting a rise of 10.0%.

Basic earnings per share were EUR 0.441 (EUR 0.396 in Q2 2018), reflecting an increase of 11.4%.

## **BUSINESS OUTLOOK**

Considering the short span of time covered by the Group's order portfolio and difficulties and uncertainties concerning the current world economic situation, it is impractical to formulate reliable forecasts in relation to trends in H2 2019, although positive results are predicted in terms of both sales and profitability. The Group will continue to devote special attention to controlling costs and to finance management in order to maximise the generation of free cash flow to be allocated to internal and external growth and to the remuneration of shareholders.

Sant'Ilario d'Enza (RE), 5 August 2019

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

## **Financial statements and notes**

## Consolidated statement of financial position

(€000)	<u>Notes</u>	<u>30/06/2019</u>	<u>31/12/2018</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		136,244	118,140
Trade receivables		314,084	270,364
Inventories	4	397,573	366,480
Tax receivables		25,899	24,596
Other current assets		13,346	10,931
<b>Total current assets</b>		<b><u>887,146</u></b>	<b><u>790,511</u></b>
<b>Non-current assets</b>			
Property, plant and equipment	5	450,792	355,488
Goodwill	1	449,267	434,699
Other intangible assets		34,814	34,731
Other financial assets		3,798	2,319
Tax receivables		1,653	1,664
Deferred tax assets		31,072	29,776
Other non-current assets		2,138	2,177
<b>Total non-current assets</b>		<b><u>973,534</u></b>	<b><u>860,854</u></b>
<b>Total assets</b>		<b><u>1,860,680</u></b>	<b><u>1,651,365</u></b>

(€000)	<u>Notes</u>	<u>30/06/2019</u>	<u>31/12/2018</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables		180,734	177,782
Bank payables		25,149	21,404
Interest-bearing financial payables (current portion)		159,685	151,917
Tax payables		43,031	19,204
Other current liabilities		78,685	72,297
Provisions for risks and charges		<u>3,672</u>	<u>3,807</u>
<b>Total current liabilities</b>		<b><u>490,956</u></b>	<b><u>446,411</u></b>
<b>Non-current liabilities</b>			
Interest-bearing financial payables		342,380	232,158
Liabilities for employee benefits		19,466	19,377
Deferred tax liabilities		41,366	41,832
Other non-current liabilities		36,865	39,521
Provisions for risks and charges		<u>3,157</u>	<u>3,161</u>
<b>Total non-current liabilities</b>		<b><u>443,234</u></b>	<b><u>336,049</u></b>
<b>Total liabilities</b>		<b><u>934,190</u></b>	<b><u>782,460</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
	6		
Share capital		54,587	54,842
Legal reserve		11,323	11,323
Share premium reserve		57,899	71,229
Reserve from remeasurement of defined benefit plans		(5,965)	(5,965)
Translation reserve		5,722	3,142
Other reserves		<u>797,684</u>	<u>729,373</u>
<b>Group shareholders' equity</b>		<b><u>921,250</u></b>	<b><u>863,944</u></b>
Minority interests		<u>5,240</u>	<u>4,961</u>
<b>Total shareholders' equity</b>		<b><u>926,490</u></b>	<b><u>868,905</u></b>
<b>Total shareholders' equity and liabilities</b>		<b><u>1,860,680</u></b>	<b><u>1,651,365</u></b>

## H1 consolidated income statements

(€000)	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>Net sales</b>		<b>703,203</b>	<b>643,428</b>
Cost of sales		(446,587)	(402,922)
<b>Gross industrial margin</b>		<b>256,616</b>	<b>240,506</b>
Other net revenues		10,124	9,474
Distribution costs		(62,847)	(58,894)
General and administrative expenses		(72,452)	(67,868)
Other operating costs		(3,160)	(1,557)
<b>Ordinary profit before financial expenses</b>		<b>128,281</b>	<b>121,661</b>
Financial income	7	6,160	5,631
Financial expenses	7	(7,162)	(8,732)
Badwill		-	11,623
Equity method equity		(3)	(158)
<b>Profit for the year before taxes</b>		<b>127,276</b>	<b>130,025</b>
Income taxes		(35,063)	(35,766)
<b>Consolidated profit for the period</b>		<b>92,213</b>	<b>94,259</b>
<b>Pertaining to:</b>			
Parent company's shareholders		91,511	93,815
Subsidiaries' minority shareholders		702	444
<b>Consolidated profit for the period</b>		<b>92,213</b>	<b>94,259</b>
Basic earnings per share	8	0.867	0.875
Diluted earnings per share	8	0.857	0.865



## H1 comprehensive consolidated income statements

(€000)	<u>2019</u>	<u>2018</u>
<b>H1 consolidated profit (A)</b>	<b>92,213</b>	<b>94,259</b>
<b>Other comprehensive profit (loss) that will be subsequently reclassified to consolidated profit</b>		
<i>Profits (losses) arising from translation of the financial statements of foreign companies</i>	2,686	2,952
<i>Profits (losses) of companies carried at equity</i>	18	6
<i>Related taxes</i>	—	—
<b>Total other profit (loss) that will be subsequently reclassified to consolidated profit for the period, net of the tax effect (B)</b>	<b><u>2,704</u></b>	<b><u>2,958</u></b>
<b>H1 comprehensive consolidated profit (A) + (B)</b>	<b><u>94,917</u></b>	<b><u>97,217</u></b>
<b>Pertaining to:</b>		
Parent company's shareholders	94,091	96,795
Subsidiaries' minority shareholders	826	422
<b>Comprehensive consolidated profit for the year</b>	<b><u>94,917</u></b>	<b><u>97,217</u></b>

## Q2 consolidated income statements

(€000)		<u>2019</u>	<u>2018</u>
<b>Net sales</b>		<b>359,593</b>	<b>331,132</b>
Cost of sales		<u>(227,701)</u>	<u>(206,261)</u>
<b>Gross industrial margin</b>		<b>131,892</b>	<b>124,871</b>
Other net revenues		5,172	4,885
Distribution costs		(32,150)	(30,316)
General and administrative expenses		(36,735)	(33,990)
Other operating costs		<u>(2,314)</u>	<u>(1,054)</u>
<b>Ordinary profit before financial expenses</b>		<b>65,865</b>	<b>64,396</b>
Financial income	7	2,333	3,056
Financial expenses	7	(3,637)	(4,109)
Badwill		-	(1,107)
Equity method contribution		<u>(78)</u>	<u>(85)</u>
<b>Profit for the year before taxes</b>		<b>64,483</b>	<b>62,151</b>
Income taxes		<u>(17,537)</u>	<u>(19,464)</u>
<b>Consolidated net profit for the year</b>		<b><u>46,946</u></b>	<b><u>42,687</u></b>
<b>Pertaining to:</b>			
Parent company's shareholders		46,617	42,429
Subsidiaries' minority shareholders		<u>329</u>	<u>258</u>
<b>Consolidated profit for the period</b>		<b><u>46,946</u></b>	<b><u>42,687</u></b>
Basic earnings per share	8	0.441	0.396
Diluted earnings per share	8	0.437	0.392

## Q2 comprehensive consolidated income statements

(€000)	<u>2019</u>	<u>2018</u>
<b>Q2 consolidated profit (A)</b>	<b>46,946</b>	<b>42,687</b>
<i>Profits (losses) arising from translation of the financial statements of foreign companies</i>	<i>(5,404)</i>	<i>11,605</i>
<i>Profits (losses) of companies carried at equity</i>	<i>(10)</i>	<i>8</i>
<i>Related taxes</i>	<i>=</i>	<i>=</i>
<b>Total other profit (loss) that will be subsequently reclassified to consolidated profit for the period, net of the tax effect (B)</b>	<b><u>(5,414)</u></b>	<b><u>11,613</u></b>
<b>Q2 comprehensive consolidated profit (A) + (B)</b>	<b><u>41,532</u></b>	<b><u>54,300</u></b>
<b>Pertaining to:</b>		
Parent company's shareholders	41,316	54,060
Subsidiaries' minority shareholders	<u>216</u>	<u>240</u>
<b>Comprehensive consolidated profit for the year</b>	<b><u>41,532</u></b>	<b><u>54,300</u></b>

## H1 consolidated cash flow statements

(€000)	<u>2019</u>	<u>2018</u>
<b>Cash flow from operating activities</b>		
Pretax profit	127,276	130,025
Adjustments for non-cash items:		
Capital losses (gains) from the sale of fixed assets	(1,395)	(1,694)
Amortization	33,339	24,180
Costs recognized in the income statement related to stock options that do not involve monetary outflows for the Group	914	933
Loss (profit) from equity investments	3	158
Net change in provisions for risks and employee benefits	(205)	249
Outlays for tangible fixed assets destined for hire	(2,871)	(3,885)
Proceeds from the sale of fixed assets granted for hire	5,235	5,020
Financial expenses (Income), net	1,002	(8,522)
	<b>163,298</b>	<b>146,464</b>
(Increase) decrease in trade receivables and other current assets	(45,376)	(51,283)
(Increase) decrease in inventories	(24,144)	(37,752)
Increase (decrease) in trade payables and other current liabilities	6,733	36,532
Interest paid	(2,699)	(1,601)
Currency exchange gains	309	(772)
Taxes paid	(16,697)	(30,415)
<b>Net cash from operating activities</b>	<b>81,424</b>	<b>61,173</b>
<b>Cash flows from investing activities</b>		
Outlay for the acquisition of equity investments, net of received cash and net of divested treasury stock	(26,272)	(10,213)
Capital expenditure on property, plant and equipment	(34,647)	(24,227)
Proceeds from the sale of tangible fixed assets	930	616
Proceeds from the disposal of assets held for sale	-	785
Capital expenditure on intangible assets	(1,372)	(2,044)
Received financial income	406	216
Other	93	474
<b>Net liquidity used in investing activities</b>	<b>(60,862)</b>	<b>(34,393)</b>
<b>Cash flows from financing activities</b>		
Disbursals (repayments) of loans	40,427	(2,769)
Dividends paid	(23,703)	(22,526)
Outlays for purchase of treasury shares	(14,859)	(27,469)
Proceeds from the sale of treasury shares to beneficiaries of stock options	360	539
Loans repaid (granted) by/to non-consolidated subsidiaries	(150)	(200)
Change in other financial assets	(39)	12
Payment of finance leasing instalments (principal portion)	(8,355)	(935)
<b>Net liquidity generated (used by) financing activities</b>	<b>(6,319)</b>	<b>(53,348)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,243</b>	<b>(26,568)</b>

*Interim Board of Directors' Report at 30 June 2019 - Interpump Group*

(€000)	<b>2019</b>	<b>2018</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,243</b>	<b>(26,568)</b>
Exchange differences on translation of liquidity of non-EU companies	150	354
Opening cash and equivalents of companies consolidated for the first time using the line-by-line method	(34)	(7)
Cash and cash equivalents at beginning of year	96,736	135,983
<b>Cash and cash equivalents at end of year</b>	<b>111,095</b>	<b>109,762</b>

Cash and cash equivalents can be broken down as follows:

	30/06/2019	31/12/2018
	€000	€000
Cash and cash equivalents from the statement of financial position	136,244	118,140
Bank payables (current account overdrafts and advances subject to collection)	(25,149)	(21,404)
Cash and cash equivalents from the cash flow statement	<u>111,095</u>	<u>96,736</u>

## Statement of changes in consolidated shareholders' equity

	Share capital	Legal reserve	Share premium reserve	Reserve from remeasurement of defined benefit plans	Translation reserve	Other reserves	Group shareholders' equity	Minority interests	Total
<i>Balances at 1 January 2018</i>	55,805	11,323	121,228	(5,722)	(2,475)	579,006	759,165	5,564	764,729
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	933	-	-	-	933	-	933
Sale of treasury shares to the beneficiaries of stock options	47	-	492	-	-	-	539	-	539
Sale of treasury shares to pay for equity investments	32	-	1,731	-	-	-	1,763	-	1,763
Purchase of treasury stock	(516)	-	(26,953)	-	-	-	(27,469)	-	(27,469)
Inoxpa Russia merger operation	-	-	-	-	-	(100)	(100)	100	-
Purchase of residual interests in subsidiaries	-	-	-	-	-	(869)	(869)	(894)	(1,763)
Dividends paid	-	-	-	-	-	(22,526)	(22,526)	-	(22,526)
Dividends declared	-	-	-	-	-	(6)	(6)	(518)	(524)
Comprehensive profit (loss) for H1 2018	-	-	-	-	2,980	93,815	96,795	422	97,217
<i>Balances at 30 June 2018</i>	55,368	11,323	97,431	(5,722)	505	649,320	808,225	4,674	812,899
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	948	-	-	-	948	-	948
Purchase of treasury shares	(526)	-	(27,230)	-	-	1,042	(26,714)	-	(26,714)
Sale of treasury shares to the beneficiaries of stock options	-	-	48	-	-	(47)	1	-	1
Sale of treasury stock to pay for equity investments	-	-	32	-	-	(32)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(66)	(66)
Comprehensive profit (loss) for H2 2018	-	-	-	(243)	2,637	79,090	81,484	353	81,837
<i>Balances at 31 December 2018</i>	54,842	11,323	71,229	(5,965)	3,142	729,373	863,944	4,961	868,905
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	914	-	-	-	914	-	914
Purchase of treasury stock	(286)	-	(14,573)	-	-	-	(14,859)	-	(14,859)
Sale of treasury shares to the beneficiaries of stock options	31	-	329	-	-	-	360	-	360
Dividends paid	-	-	-	-	-	(23,147)	(23,147)	(547)	(23,694)
Dividends declared	-	-	-	-	-	(53)	(53)	-	(53)
Comprehensive profit (loss) for H1 2019	-	-	-	-	2,580	91,511	94,091	826	94,917
<i>Balances at 30 June 2019</i>	54,587	11,323	57,899	(5,965)	5,722	797,684	921,250	5,240	926,490

## Notes to the consolidated financial statements

### **General information**

Interpump Group S.p.A. is a company domiciled in Sant'Ilario d'Enza (Reggio Emilia, Italy) and incorporated under Italian law. The company is listed on the Milan stock exchange in the STAR segment.

The Group manufactures and markets high and very high-pressure plunger pumps, very high-pressure systems, power take-offs, hydraulic cylinders, valves and directional controls, hydraulic hoses and fittings and other hydraulic products. The Group has production facilities in Italy, the US, Germany, China, India, France, Portugal, Brazil, Bulgaria, Romania, Canada and South Korea.

Sales are not affected by any significant degree of seasonality.

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

The consolidated financial statements at 30 June 2019 were approved by the Board of Directors on this day (5 August 2019).

### **Basis of preparation**

The consolidated financial statements at 30 June 2019 were drawn up in compliance with international accounting standards (IAS/IFRS) endorsed by the European Union for interim financial statements (IAS 34). The tables were prepared in compliance with IAS 1, while the notes were prepared in condensed form in application of the faculty provided by IAS 34 and therefore, they do not include all the information required for annual financial statements drafted in compliance with IFRS standards. Therefore, the consolidated financial statements at 30 June 2018 should be consulted together with the annual financial statements for the year ending 31 December 2018.

The accounting principles and criteria adopted in the interim financial statements at 30 June 2019 may conflict with IFRS provisions in force on 31 December 2019 due to the effect of future orientations of the European Commission with regard to the approval of international accounting standards or the issue of new standards, interpretations or implementing guidelines by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee (IFRIC).

Preparation of interim financial statements in compliance with IAS 34 *Interim Financial Reporting* calls for judgments, estimates, and assumptions that have an effect on assets, liabilities, costs and revenues and on information regarding potential assets and liabilities at the report reference date. We draw your attention to the fact that estimates may differ from the effective results, the magnitude of which will only be known in the future. 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 utilised could have a significant effect on the financial statements are: goodwill, amortization and depreciation of fixed assets, deferred tax assets and liabilities, the allowance for doubtful accounts and the allowance for inventories, provisions for risks and charges, defined benefit plans for employees, liabilities for the acquisition of investments included under other liabilities, and also the determination of the *fair value* of the assets and liabilities acquired in the framework of business combinations. Moreover, the initial adoption of IFRS 16, considering the complexities involved

in measuring the value of leases with an extension option, in addition to their long duration, called for the substantial recourse to professional judgment to establish the presence of a reasonable degree of certainty of exercising renewal options.

We further draw your attention to the fact that some evaluation processes, notably those that are more complex such as the determination of any impairments of non-current assets, are generally performed in a comprehensive manner only at the time of drafting of the annual financial statements when all the necessary information is available, except in cases in which indicators of *impairment* exist, calling for immediate evaluation of any losses in value. Likewise, the actuarial evaluations required for determination of liabilities for benefits due to employees are normally processed at the time of drafting of the annual financial statements.

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

### **Accounting standards**

The accounting standards adopted are those described in the consolidated financial statements at 31 December 2018, with the exception of those adopted as from 1 January 2019 as described hereunder, and they were uniformly applied to all Group companies and all periods presented.

#### *a) Accounting standards, amendments and interpretations in force from 1 January 2019 and adopted by the Group*

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

- *IFRS 16 – “Leasing”*. On 13 January 2016, IASB published the new standard that replaces IAS 17. IFRS 16 is applicable from 1 January 2019. The scope of application of the new standard concerns leasing contracts, with certain exceptions. A leasing contract ascribes the entitlement to use (“*right of use*”) an *asset* (the “underlying asset”) for a certain period of time in return for the payment of a consideration. The method of recognition of all leasing contracts reflects the model proposed by IAS 17, although excluding leasing contracts concerning an asset of modest value (such as computers) and short term contracts (i.e. less than 12 months). On the date of recognition of the leasing contract also the financial liability equal to the value of the leasing instalments and the asset that the entity is entitled to use must be booked, with separate recording of the financial expenses and amortization amounts concerning the asset. The liability can be subject to remeasurement (e.g. to reflect a change in the contractual terms or a change in the indices to which the payment of the leasing instalments is linked) and the resulting change must be recognised on the underlying asset. The Group made use of the faculty to recognise the effect related to the retroactive remeasurement of the values of equity at 1 January 2019, without *restatement* of the prior years included for comparison purposes (*modified retrospective approach*). In addition, the Group made use of the derogations proposed by the standard in respect of leasing contracts, in relation to the terms of leasing contracts with expiry within 12 months from the initial date of application and which do not contain a purchase option, which have been booked to the income statement on a straight line basis, and leasing contracts for which the underlying asset is of low value.



The effects of application of IFRS 16 on the opening balances of the consolidated financial statements of Interpump Group are as follows:

	<i>Euro/000</i>
Tangible fixed assets (right-of-use recognition)	68,223
Other current assets (elimination of prepayments on advance leasing instalments)	<u>(72)</u>
<b>Total assets</b>	<b><u>68,151</u></b>
Booking of the debt for instalments payable	68,562
Accrued expenses for interest	35
Suppliers (elimination of invoices to be received from suppliers on deferred leasing instalments)	(106)
Other current liabilities (elimination of short term debts for leasing instalments)	(49)
Other non-current liabilities (elimination of medium/long-term debts for leasing instalments)	<u>(291)</u>
<b>Total liabilities</b>	<b><u>68,151</u></b>

The transition to IFRS 16 has introduced several elements of professional judgment that required the definition of certain accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate. The main policies in question are outlined below:

- The Group has decided to not apply IFRS 16 to contracts containing a lease with an intangible underlying asset.
- *Lease term*: the Group has analysed all its lease contracts, defining the lease term for each one, this parameter being an expression of the "non-cancellable" period, together with the effects of any extension or early termination options, the exercise of which was deemed to be reasonably certain. Specifically, for property this assessment considered the facts and circumstances of each asset. With regard to the other asset categories, primarily company cars and equipment, the company generally deemed the exercise of extension or early termination clauses to be improbable in consideration of the customary practices adopted.
- Definition of the incremental borrowing rate: Since most leasing contracts entered into lack an implicit rate of interest, the Group has applied series of marginal borrowing rates at the date of initial application that take account of the residual durations in similar economic environments.

Data for H1 2019 include the following impacts deriving from the introduction of the new accounting standard:

- Increase of €68,524k in capital employed;
- Increase of €67,865k in net financial position;
- Cancellation of €7,556k in rental and leasing costs
- Increase of €7,148k in amortization;
- Increase of €6k in other revenues;
- Increase of €1,073k in financial expenses
- *IFRIC 23 – “Uncertainty over Income Tax Treatments”*. On 7 June 2017 IASB published interpretation IFRIC 23, which clarifies the application of the requirements for recognition and measurement in IAS 12 – “Income taxes” in the case of uncertainty concerning income tax treatment. Specifically, the interpretation concerns: (i) the case wherein an entity considers uncertain tax treatments independently, (ii) the assumptions that an entity makes in relation to taxation authorities’ examinations, (iii) how an entity determines its taxable profit (or tax loss), tax bases, unused tax losses, unused tax

credits and tax rates, and (iv) the way in which an entity deals with changes in facts and circumstances. The Interpretation does not add any new information requirements, although it underscores the existing requirements of IAS 1 concerning information on judgments, information on assumptions made and other estimates and information concerning tax assets and liabilities given in IAS 12 "Income taxes". Application of the new interpretation did not result in adjustments to the equity balances. An entity must define whether to consider each uncertain tax treatment separately or combined with other (one or more) uncertain tax treatments. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. At the time of adoption of the interpretation the Group did not experience any impact on its consolidated financial statements.

- *Amendments to IFRS 9 – "Prepayment Features with Negative Compensation"*. IASB published the *Amendment to IFRS9* on 12 October 2017, allowing companies to measure particular prepaid financial assets through so-called negative compensation at amortized cost or at *fair value* from "*other comprehensive income*", in the event in which a specific condition is met, rather than at *fair value* in profit and loss. Application of the new amendment did not result in adjustments to the Group's equity balances.
  - *IFRS annual improvements cycle 2015-2017* – On 12 December 2017 IASB published several amendments to IAS 12 (*Income Taxes*) clarifying that the impact related to taxes in income deriving from dividends (or distribution of profit) should be recognized in profit and loss, regardless of the way in which the tax arises, to IAS 23 (*Borrowing Costs*) clarifying that an entity should treat any borrowing originally carried out for the development of an asset as part of general borrowings when the *asset* in question is ready for its intended use or for sale, to IFRS 3 (*Business Combinations*) clarifying that an entity must remeasure previously held interests in a business combination once it obtains control of the business in question, and to IFRS 11 *Joint Arrangements* whereby a company does not remeasure previously held interests in a business combination when it obtains joint control of the business. The Group has not recorded any impact on its consolidated financial statements as a result of the above changes.
  - *Amendments to IAS 19 – "Plan Amendment, Curtailment or Settlement"*. On 7 February 2018 IASB issued *Amendments to IAS 19* which specifies the way in which entities must determine pension expenses when changes are made to a given pension plan. IAS 19 "Employee Benefits" specifies the way in which an entity should recognize a defined benefits pension plan. When a change is made to a plan – adjustment, curtailment or settlement – IAS 19 requires a company to remeasure its net defined benefit asset or liability. The amendments require a company to use the assumptions updated by this remeasurement to determine the current service cost and the net interest for remainder of the reference period after the plan has been amended. The Group has not recorded any impact on its consolidated financial statements as a result of these changes because in the reference period it did not book any changes, reductions or settlements of the plans.
- b) *Accounting standards, amendments and interpretations taking effect as from 1 January 2019 but not relevant for the Group*
- *Amendments to IAS 28 – "Long-term interests in associates and joint ventures"*. On 12 October 2017, IASB issued *Amendments to IAS 28*, clarifying the way in which entities should use IFRS 9 to represent long-term interests in associates or joint ventures to which the equity method is not applied.

- c) *New accounting standards and amendments not yet applicable and not adopted early by the Group*
- *IFRS 17 – Insurance Contracts.* On 18 May 2017 IASB published a new standard to replace IFRS 4, which was issued in 2004. The new standard seeks to improve the understanding of investors and others about the risk exposure, profitability and financial position of insurers. IFRS 17 is applicable from 1 January 2021, although early adoption is permitted.
  - *Amendments to IFRS 3 - “Business Combinations”.* IASB published these amendments on 22 October 2018 in order to help determine if a transaction represents the acquisition of a business or a group of activities that does not satisfy the definition of a business pursuant to IFRS 3. The amendments will take effect from 1 January 2020. Early application is permitted.
  - *Amendments to IAS 1 and IAS 8 - “Definition of Material”.* IASB published these amendments on 31 November 2018 in order to clarify the definition of “material”, with a view to helping companies determine if a disclosure should be made in the financial statements. The amendments will take effect from 1 January 2020. Early adoption is however permitted.
  - *Amendments to references to the Conceptual Framework in IFRS Standards.* On 29 March 2018 IASB published this amendment with the aim of improving both the definitions of "asset" and "liability" and the process for their measurement, elimination and presentation. The document also clarifies important concepts including identification of the users of financial statements and the objectives that the financial statements aim to achieve; it also addresses the theme of prudence and uncertainty in measurements for financial reporting. The changes will be applied from 1 January 2020. Early adoption is however permitted.

**Notes to the consolidated financial statements at 30 June 2019**

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## 1. Scope of consolidation and goodwill

The consolidation basis at 30 June 2019 includes the Parent Company and the following subsidiaries:

<i>Company</i>	<i>Head office</i>	<i>Share capital €/000</i>	<i>Sector</i>	<i>% held at 30/06/2019</i>
General Pump Inc.	Minneapolis (USA)	1,854	Water Jetting	100.00%
Hammelmann GmbH	Oelde (Germany)	25	Water Jetting	100.00%
Hammelmann Australia Pty Ltd (1)	Melbourne (Australia)	472	Water Jetting	100.00%
Hammelmann Corporation Inc (1)	Miamisburg (USA)	39	Water Jetting	100.00%
Hammelmann S. L. (1)	Zaragoza (Spain)	500	Water Jetting	100.00%
Hammelmann Pumps Systems Co Ltd (1)	Tianjin (China)	871	Water Jetting	90.00%
Hammelmann Bombas e Sistemas Ltda (1)	San Paolo (Brazil)	1,515	Water Jetting	100.00%
Hammelmann France S.a.r.l. (1)	Etrichè (France)	50	Water Jetting	100.00%
Hammelmann Swiss GmbH (1)	Dudingén (Switzerland)	89	Water Jetting	100.00%
Inoxihp S.r.l.	Nova Milanese (MI)	119	Water Jetting	52.72%
NLB Corporation Inc.	Detroit (USA)	12	Water Jetting	100.00%
NLB Poland Corp. Sp. Z.o.o. (2)	Warsaw (Poland)	1	Water Jetting	100.00%
Inoxpa S.A.	Banyoles (Spain)	23,000	Water Jetting	100.00%
Inoxpa India Private Ltd (3)	Pune (India)	6,779	Water Jetting	100.00%
Inoxpa Solutions France (3)	Gleize (France)	2,071	Water Jetting	100.00%
Improved Solutions Unipessoal Ltda (Portugal)	Vale de Cambra (Portugal)	760	Water Jetting	100.00%
Inoxpa (UK) Ltd (3)	Eastbourne (UK)	1,942	Water Jetting	100.00%
Inoxpa Solutions Moldova (3)	Chisinau (Moldova)	317	Water Jetting	66.67%
Inoxpa Australia Proprietary Ltd (3)	Capalaba (Australia)	584	Water Jetting	100.00%
Inoxpa Colombia SAS (3)	Bogotá (Colombia)	133	Water Jetting	83.29%
Inoxpa Italia S.r.l. (3)	Mirano (VE)	100	Water Jetting	100.00%
Inoxpa Middle East FZCO (3)	Dubai (UAE)	253	Water Jetting	60.00%
Inoxpa Skandinavien A/S (3)	Horsens (Denmark)	134	Water Jetting	100.00%
Inoxpa South Africa Proprietary Ltd (3)	Gauteng (South Africa)	104	Water Jetting	100.00%
Inoxpa Special Processing Equipment Co. Ltd (3)	Jianxing (China)	1,647	Water Jetting	100.00%
Inoxpa Ukraine (3)	Kiev (Ukraine)	113	Water Jetting	100.00%
Inoxpa USA Inc (3)	Santa Rosa (USA)	1,426	Water Jetting	100.00%
INOXPA LTD (Russia) (3)	Podolsk (Russia)	1,435	Water Jetting	70.00%
Fluinox Procesos S.L.U (3)	Foios (Spain)	3	Water Jetting	100.00%
Montajes Fluinox S.L.U (3)	Foios (Spain)	4	Water Jetting	100.00%
Mariotti & Pecini S.r.l.	Sesto Fiorentino (FI)	100	Water Jetting	60.00%
Pioli S.r.l.	Reggio Emilia	10	Water Jetting	100.00%
RW S.r.l.	Reggio Emilia	10	Water Jetting	100.00%
SIT S.p.A.	S. Ilario d'Enza (RE)	105	Water Jetting	65.00%
Teknova S.r.l. (in liquidation)	Reggio Emilia	28	Water Jetting	100.00%
Interpump Hydraulics S.p.A.	Calderara di Reno (BO)	2,632	Hydraulic	100.00%
AVI S.r.l. (4)	Varedo (MB)	10	Hydraulic	100.00%
Contarini Leopoldo S.r.l. (4)	Lugo (RA)	47	Hydraulic	100.00%
Unidro Contarini S.a.s. (5)	Barby (France)	8	Hydraulic	100.00%
Copa Hydrosystem Ood (5)	Troyan (Bulgaria)	3	Hydraulic	100.00%
Hydrocar Chile S.A. (4)	Santiago (Chile)	129	Hydraulic	90.00%
Hydroven S.r.l. (4)	Tezze sul Brenta (VI)	200	Hydraulic	100.00%
Interpump Hydraulics Brasil Ltda (4)	Caxia do Sul (Brazil)	13,996	Hydraulic	100.00%
Interpump Hydraulics France S.a.r.l. (4)	Ennery (France)	76	Hydraulic	99.77%
Interpump Hydraulics India Private Ltd (4)	Hosur (India)	682	Hydraulic	100.00%

*Interim Board of Directors' Report at 30 June 2019 - Interpump Group*

<u>Company</u>	<u>Head office</u>	<u>Share capital</u> €/000	<u>Sector</u>	<u>% held</u> <u>at 30/06/2019</u>
Interpump Hydraulics Middle East FZE (4)	Dubai (UAE)	326	Hydraulic	100.00%
Interpump South Africa Pty Ltd (4)	Johannesburg (South Africa)	-	Hydraulic	100.00%
Interpump Hydraulics (UK) Ltd. (4)	Kidderminster (United Kingdom)	13	Hydraulic	100.00%
Mega Pacific Pty Ltd (6)	Newcastle (Australia)	335	Hydraulic	65.00%
Mega Pacific NZ Pty Ltd (6)	Mount Maunganui (New Zealand)	557	Hydraulic	65.00%
Muncie Power Prod. Inc. (4)	Muncie (USA)	784	Hydraulic	100.00%
American Mobile Power Inc. (7)	Fairmount (USA)	3,410	Hydraulic	100.00%
Hydra Dyne Tech Inc (7)	Ingersoll (Canada)	80	Hydraulic	75.00%
Oleodinamica Panni S.r.l. (4)	Tezze sul Brenta (VI)	2,000	Hydraulic	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (4)	Wuxi (China)	2,095	Hydraulic	65.00%
IMM Hydraulics S.p.A. (4)	Atessa (Switzerland)	520	Hydraulic	100.00%
Hypress France S.a.r.l. (8)	Strasbourg (France)	162	Hydraulic	100.00%
Hypress Hydraulik GmbH (8)	Meinerzhagen (Germany)	52	Hydraulic	100.00%
IMM Hydro Est (8)	Catcau Cluj Napoca (Romania)	3,155	Hydraulic	100.00%
Tekno Tubi S.r.l. (8)	Terre del Reno (FE)	100	Hydraulic	100.00%
Tubiflex S.p.A.	Orbassano (TO)	515	Hydraulic	100.00%
Walvoil S.p.A.	Reggio Emilia	7,692	Hydraulic	100.00%
Walvoil Fluid Power Corp. (9)	Tulsa (USA)	137	Hydraulic	100.00%
Walvoil Fluid Power Shanghai Co. Ltd (9)	Shanghai (China)	1,872	Hydraulic	100.00%
Walvoil Fluid Power (India) Pvt. Ltd. (9)	Bangalore (India)	4,803	Hydraulic	100.00%
Walvoil Fluid Power Korea Llc. (9)	Pyeongtaek (South Korea)	453	Hydraulic	100.00%
Walvoil Fluid Power France S.a.r.l. (9)	Vritz (France)	10	Hydraulic	100.00%
Walvoil Fluid Power Australasia (9)	Melbourne (Australia)	7	Hydraulic	100.00%
Galtech Canada Inc. (9)	Terrebonne, Quebec (Canada)	76	Hydraulic	100.00%
HTIL (9)	Hong Kong	98	Hydraulic	100.00%
Walvoil Fluid Power (Dongguan) Co., Ltd (10)	Dongguan (China)	3,720	Hydraulic	100.00%
Interpump Piping GS S.r.l.	Reggio Emilia	10	Hydraulic	100.00%
GS-Hydro Singapore Pte Ltd (11)	Singapore	624	Hydraulic	100.00%
GS-Hydro Korea Ltd. (11)	Busan (South Korea)	1,892	Hydraulic	100.00%
GS-Hydro Denmark AS (11)	Kolding (Denmark)	67	Hydraulic	100.00%
GS-Hydro Piping Systems (Shanghai) Co. Ltd. (12)	Shanghai (China)	2,760	Hydraulic	100.00%
GS-Hydro Benelux B.V. (11)	Barendrecht (Netherlands)	18	Hydraulic	100.00%
GS-Hydro Austria GmbH (11)	Pashing (Austria)	40	Hydraulic	100.00%
GS-Hydro Sp Z O (Poland) (11)	Gdynia (Poland)	1,095	Hydraulic	100.00%
GS-Hydro S.A.U (Spain) (11)	Las Rozas (Spain)	90	Hydraulic	100.00%
GS-Hydro U.S. Inc. (7)	Houston (USA)	9,903	Hydraulic	100.00%
GS-Hydro do Brasil Sistemas Hidraulicos Ltda (11)	Rio de Janeiro (Brazil)	252	Hydraulic	100.00%
GS-Hydro System GmbH (Germany) (11)	Witten (Germany)	179	Hydraulic	100.00%
GS- Hydro UK Ltd (11)	Aberdeen (United Kingdom)	5,095	Hydraulic	100.00%
GS-Hydro Ab (Sweden) (11)	Kista (Sweden)	20	Hydraulic	100.00%
GS-Hydro Hong Kong Ltd (1)	Hong Kong	1	Hydraulic	100.00%
IMM Hydraulics Ltd (dormant) (6)	Kidderminster (United Kingdom)	-	Hydraulic	100.00%
Bristol Hose Ltd (dormant) (6)	Bristol (United Kingdom)	-	Hydraulic	100.00%

(1) = controlled by Hammelmann GmbH

(2) = controlled by NLB Corporation Inc.

(3) = controlled by Inoxpa S.A.

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

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

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

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

(7) = controlled by Muncie Power Prod. Inc.

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

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

(10) = controlled by HTIL

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

(12) = controlled by GS Hydro Hong Kong Ltd

Hydra Dyne (Hydraulic Sector), Pioli S.r.l. (Water Jetting Sector) and the income statements of Fluinox and Montajes (Water Jetting Sector) were consolidated for the first time. The statements of financial position of these latter two companies had already been consolidated at 31 December 2018, since they were acquired close to the date in question.

The minority shareholder of Inoxihp S.r.l. is entitled to dispose of its holdings starting from the approval of the 2025 financial statements up to the 2035 financial statements, on the basis of the average results of the company in the last two financial statements for the years ended before the exercise of the option. Likewise, the minority shareholder of Mega Pacific Pty Ltd and of Mega Pacific NZ Pty Ltd is entitled and required to sell its shares within 90 days of 29 July 2021, based on the results of the last financial statements published before exercise of the option. The minority shareholder of Mariotti & Pecini S.r.l. is entitled and required to dispose of its holdings, starting from approval of the financial statements at 31 December 2019 up to approval of the financial statements at 31 December 2021, on the basis of the results reported in the latest financial statements prior to exercise of the option. The minority shareholder of Inoxpa Solution Moldova is entitled to dispose of its holdings from October 2020, based on the most recent statement of financial position of that company. The minority shareholder of Hydra Dyne has the right and obligation to sell its stakes starting from the approval date of the 2023 financial statements based on the average of the results for the two years preceding the year of the option.

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

Investments in other companies, including investments in subsidiaries, which, because of their negligible significance have not been consolidated, are entered at *fair value*.

Changes in goodwill in H1 2019 are as follows:

<i>Company:</i>	Balance at 31/12/2018	Increases (Decreases) in the year	Changes for exchange differences	Balance at 30/06/2019
Water Jetting Sector	208,208	1,787	243	210,238
Hydraulic Sector	<u>226,491</u>	<u>12,182</u>	<u>356</u>	<u>239,029</u>
<i>Total goodwill</i>	<u>434,699</u>	<u>13,969</u>	<u>599</u>	<u>449,267</u>

The increases of H1 2019 refer to the consolidation of Hydra Dyne (Hydraulic Sector) and of Pioli (Water Jetting Sector) and the adjustment of the goodwill of Fluinox (Water Jetting Sector) with respect to the value recognised at 31 December 2018.

The *impairment* test carried out successfully in December 2018 was not repeated at 30 June 2019. A check was however performed to establish whether the performance of the C.G.U. (*Cash Generating Unit*) was in line with the information resulting from the business plans

utilized as at 31 December 2018, and that the assumptions underpinning the measurement as at 31 December 2018 of the weighted average cost of capital (WACC) were still valid at the end of June 2019. No elements emerged (*trigger events*) such as to require the *impairment* test to be reformulated at 30 June 2019.

## 2. Business sector information

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

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

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

### Business sectors

The Group is composed of the following business sectors:

*Water Jetting Sector.* This sector is mainly composed of high and very high-pressure pumps and pumping systems used in a wide range of industrial sectors for the conveyance of fluids. High pressure plunger pumps are the main component of professional pressure washers. These pumps are also utilized for a broad range of industrial applications including car wash installations, forced lubrication systems for machine tools, and inverse osmosis systems for water desalination plants. Very high-pressure pumps and systems are used for cleaning surfaces, ships, various types of pipes, and also for removing machining burr, cutting and removing cement and asphalt, removing 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.* Includes the production and sale of power take-offs, hydraulic cylinders, pumps, valves and directional controls, hydraulic hoses and fittings and other hydraulic components. Power take-offs are mechanical devices designed to transmit drive from an industrial vehicle engine or transmission to power a range of ancillary services through hydraulic components. These products, combined with other hydraulic components (spool valves, controls, etc.) allow the execution of special functions such as lifting tipping bodies, operating truck-mounted cranes, operating truck mixer truck drums, and so forth. Hydraulic cylinders are components of the hydraulic system of various vehicle types employed in a wide range of applications depending on the type. Front-end and underbody cylinders (single acting) are fitted mainly on industrial vehicles in the building construction sector, while double acting cylinders, valves and directional controls are employed in several applications: earth-moving machinery, agricultural machinery, cranes and truck cranes, waste compactors, etc. The hydraulic hoses and fittings are designed for use in a broad range of hydraulic systems and also for very high pressure water systems. The Group also designs and makes piping systems in the industrial, naval and offshore sectors.



**Interpump Group business sector information**

(Amounts shown in €000)

**Cumulative to 30 June (six months)**

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales external to the Group	474,403	427,937	228,800	215,491	-	-	703,203	643,428
Sales between sectors	453	305	1,165	850	(1,618)	(1,155)	-	-
<b>Total net sales</b>	<b>474,856</b>	<b>428,242</b>	<b>229,965</b>	<b>216,341</b>	<b>(1,618)</b>	<b>(1,155)</b>	<b>703,203</b>	<b>643,428</b>
Cost of sales	(322,076)	(286,207)	(126,134)	(117,879)	1,623	1,164	(446,587)	(402,922)
<b>Gross industrial margin</b>	<b>152,780</b>	<b>142,035</b>	<b>103,831</b>	<b>98,462</b>	<b>5</b>	<b>9</b>	<b>256,616</b>	<b>240,506</b>
<i>% on net sales</i>	32.2%	33.2%	45.2%	45.5%			36.5%	37.4%
Other net revenues	7,364	6,705	3,260	3,124	(500)	(355)	10,124	9,474
Distribution costs	(35,500)	(34,049)	(27,572)	(24,989)	225	144	(62,847)	(58,894)
General and administrative expenses	(43,970)	(41,845)	(28,752)	(26,225)	270	202	(72,452)	(67,868)
Other operating costs	(2,556)	(988)	(604)	(569)	-	-	(3,160)	(1,557)
<b>Ordinary profit before financial expenses</b>	<b>78,118</b>	<b>71,858</b>	<b>50,163</b>	<b>49,803</b>	<b>-</b>	<b>-</b>	<b>128,281</b>	<b>121,661</b>
<i>% on net sales</i>	16.5%	16.8%	21.8%	23.0%			18.2%	18.9%
Financial income	3,012	3,536	3,895	2,910	(747)	(815)	6,160	5,631
Financial expenses	(4,767)	(5,321)	(3,142)	(4,226)	747	815	(7,162)	(8,732)
Dividends	-	-	15,001	16,200	(15,001)	(16,200)	-	-
Badwill	-	11,623	-	-	-	-	-	11,623
Equity method contribution	(78)	(97)	75	(61)	-	-	(3)	(158)
<b>Profit for the year before taxes</b>	<b>76,285</b>	<b>81,599</b>	<b>65,992</b>	<b>64,626</b>	<b>(15,001)</b>	<b>(16,200)</b>	<b>127,276</b>	<b>130,025</b>
Income taxes	(21,498)	(21,202)	(13,565)	(14,564)	-	-	(35,063)	(35,766)
<b>Consolidated profit for the year</b>	<b>54,787</b>	<b>60,397</b>	<b>52,427</b>	<b>50,062</b>	<b>(15,001)</b>	<b>(16,200)</b>	<b>92,213</b>	<b>94,259</b>
<b>Pertaining to:</b>								
Parent company's shareholders	54,367	60,135	52,145	49,880	(15,001)	(16,200)	91,511	93,815
Subsidiaries' minority shareholders	420	262	282	182	-	-	702	444
<b>Consolidated profit for the period</b>	<b>54,787</b>	<b>60,397</b>	<b>52,427</b>	<b>50,062</b>	<b>(15,001)</b>	<b>(16,200)</b>	<b>92,213</b>	<b>94,259</b>
<b>Further information required by IFRS 8</b>								
Amortization, depreciation and write-downs	22,849	15,992	10,490	8,188	-	-	33,339	24,180
Other non-monetary costs	1,571	1,754	1,116	1,703	-	-	2,687	3,457

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

**Q2**

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales external to the Group	241,447	221,268	118,146	109,864	-	-	359,593	331,132
Sales between sectors	222	149	676	549	(898)	(698)	-	-
<b>Total net sales</b>	<b>241,669</b>	<b>221,417</b>	<b>118,822</b>	<b>110,413</b>	<b>(898)</b>	<b>(698)</b>	<b>359,593</b>	<b>331,132</b>
Cost of sales	(163,878)	(148,083)	(64,725)	(58,884)	902	706	(227,701)	(206,261)
<b>Gross industrial margin</b>	<b>77,791</b>	<b>73,334</b>	<b>54,097</b>	<b>51,529</b>	<b>4</b>	<b>8</b>	<b>131,892</b>	<b>124,871</b>
<i>% on net sales</i>	<i>32.2%</i>	<i>33.1%</i>	<i>45.5%</i>	<i>46.7%</i>			<i>36.7%</i>	<i>37.7%</i>
Other net revenues	3,866	3,870	1,670	1,369	(364)	(354)	5,172	4,885
Distribution costs	(18,400)	(17,730)	(13,975)	(12,730)	225	144	(32,150)	(30,316)
General and administrative expenses	(22,191)	(21,132)	(14,679)	(13,060)	135	202	(36,735)	(33,990)
Other operating costs	(1,828)	(590)	(486)	(464)	-	-	(2,314)	(1,054)
<b>Ordinary profit before financial expenses</b>	<b>39,238</b>	<b>37,752</b>	<b>26,627</b>	<b>26,644</b>	<b>-</b>	<b>-</b>	<b>65,865</b>	<b>64,396</b>
<i>% on net sales</i>	<i>16.2%</i>	<i>17.1%</i>	<i>22.4%</i>	<i>24.1%</i>			<i>18.3%</i>	<i>19.4%</i>
Financial income	489	1,717	2,239	1,743	(395)	(404)	2,333	3,056
Financial expenses	(2,272)	(2,486)	(1,760)	(2,027)	395	404	(3,637)	(4,109)
Dividends	-	-	15,001	16,200	(15,001)	(16,200)	-	-
Badwill	-	(1,107)	-	-	-	-	-	(1,107)
Equity method contribution	(123)	(65)	45	(20)	-	-	(78)	(85)
<b>Profit for the year before taxes</b>	<b>37,332</b>	<b>35,811</b>	<b>42,152</b>	<b>42,540</b>	<b>(15,001)</b>	<b>(16,200)</b>	<b>64,483</b>	<b>62,151</b>
Income taxes	(10,743)	(11,362)	(6,794)	(8,102)	-	-	(17,537)	(19,464)
<b>Consolidated profit for the year</b>	<b>26,589</b>	<b>24,449</b>	<b>35,358</b>	<b>34,438</b>	<b>(15,001)</b>	<b>(16,200)</b>	<b>46,946</b>	<b>42,687</b>
<b>Pertaining to:</b>								
Parent company's shareholders	26,379	24,299	35,239	34,330	(15,001)	(16,200)	46,617	42,429
Subsidiaries' minority shareholders	210	150	119	108	-	-	329	258
<b>Consolidated profit for the period</b>	<b>26,589</b>	<b>24,449</b>	<b>35,358</b>	<b>34,438</b>	<b>(15,001)</b>	<b>(16,200)</b>	<b>46,946</b>	<b>42,687</b>
<b>Further information required by IFRS 8</b>								
Amortization, depreciation and write-downs	11,890	8,128	5,356	3,866	-	-	17,246	11,994
Other non-monetary costs	1,045	1,047	583	1,058	-	-	1,628	2,105

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

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
<b>Assets of the sector (A)</b>	<b>1,118,674</b>	<b>974,751</b>	<b>772,954</b>	<b>707,393</b>	<b>(167,192)</b>	<b>(148,919)</b>	<b>1,724,436</b>	<b>1,533,225</b>
Cash and cash equivalents							136,244	118,140
<b>Total assets</b>							<b>1,860,680</b>	<b>1,651,365</b>
<b>Liabilities of the sector (B)</b>	<b>420,087</b>	<b>374,973</b>	<b>113,846</b>	<b>106,400</b>	<b>(167,192)</b>	<b>(148,919)</b>	<b>366,741</b>	<b>332,454</b>
Debts for the payment of investments							40,235	44,527
Bank payables							25,149	21,404
Interest-bearing financial payables							502,065	384,075
<b>Total liabilities</b>							<b>934,190</b>	<b>782,460</b>
<b>Total assets, net (A-B)</b>	<b>698,587</b>	<b>599,778</b>	<b>659,108</b>	<b>600,993</b>			<b>1,357,695</b>	<b>1,200,771</b>
<b>Further information required by IFRS 8</b>								
Investments carried at equity	1,093	1,127	244	167			1,337	1,294
Non-current assets other than financial assets and deferred tax assets*	582,031	495,067	356,633	333,692			938,664	828,759

The H1 and Q2 comparison of the Hydraulic Sector on an unchanged perimeter basis is as follows:

	H1		Q2	
	2019	2018	2019	2018
Net sales external to the Group	465,167	427,937	234,547	221,268
Sales between sectors	453	305	222	149
<b>Total net sales</b>	<b>465,620</b>	<b>428,242</b>	<b>234,769</b>	<b>221,417</b>
Cost of sales	(314,484)	(286,207)	(158,181)	(148,083)
<b>Gross industrial margin</b>	<b>151,136</b>	<b>142,035</b>	<b>76,588</b>	<b>73,334</b>
<i>% on net sales</i>	32.5%	33.2%	32.6%	33.1%
Other net revenues	7,354	6,705	3,856	3,870
Distribution costs	(35,361)	(34,049)	(18,287)	(17,730)
General and administrative expenses	(43,426)	(41,845)	(21,764)	(21,132)
Other operating costs	(2,556)	(988)	(1,828)	(590)
<b>Ordinary profit before financial expenses</b>	<b>77,147</b>	<b>71,858</b>	<b>38,565</b>	<b>37,752</b>
<i>% on net sales</i>	16.6%	16.8%	16.4%	17.1%
Financial income	3,017	3,536	568	1,717
Financial expenses	(4,632)	(5,321)	(2,197)	(2,486)
Badwill	-	11,623	-	(1,107)
Equity method contribution	(78)	(97)	(123)	(65)
<b>Profit for the year before taxes</b>	<b>75,454</b>	<b>81,599</b>	<b>36,813</b>	<b>35,811</b>
Income taxes	(21,267)	(21,202)	(10,577)	(11,362)
<b>Consolidated profit for the year</b>	<b>54,187</b>	<b>60,397</b>	<b>26,236</b>	<b>24,449</b>
<b>Pertaining to:</b>				
Parent company's shareholders	53,767	60,135	26,026	24,299
Subsidiaries' minority shareholders	420	262	210	150
<b>Consolidated profit for the period</b>	<b>54,187</b>	<b>60,397</b>	<b>26,236</b>	<b>24,449</b>

The H1 and Q2 comparison of the Water Jetting Sector at unchanged perimeter is as follows:

	H1		Q2	
	2019	2018	2019	2018
Net sales external to the Group	223,325	215,491	115,219	109,864
Sales between sectors	1,007	850	518	549
<b>Total net sales</b>	<b>224,332</b>	<b>216,341</b>	<b>115,737</b>	<b>110,413</b>
Cost of sales	(122,777)	(117,879)	(62,834)	(58,884)
<b>Gross industrial margin</b>	<b>101,555</b>	<b>98,462</b>	<b>52,903</b>	<b>51,529</b>
<i>% on net sales</i>	45.3%	45.5%	45.7%	46.7%
Other net revenues	3,171	3,124	1,653	1,369
Distribution costs	(26,947)	(24,989)	(13,645)	(12,730)
General and administrative expenses	(27,959)	(26,225)	(14,271)	(13,060)
Other operating costs	(604)	(569)	(488)	(464)
<b>Ordinary profit before financial expenses</b>	<b>49,216</b>	<b>49,803</b>	<b>26,152</b>	<b>26,644</b>
<i>% on net sales</i>	21.9%	23.0%	22.6%	24.1%
Financial income	3,891	2,910	2,236	1,743
Financial expenses	(3,126)	(4,226)	(1,753)	(2,027)
Dividends	15,001	16,200	15,001	16,200
Equity method contribution	75	(61)	45	(20)
<b>Profit for the year before taxes</b>	<b>65,057</b>	<b>64,626</b>	<b>41,681</b>	<b>42,540</b>
Income taxes	(13,272)	(14,564)	(6,609)	(8,102)
<b>Consolidated profit for the year</b>	<b>51,785</b>	<b>50,062</b>	<b>35,072</b>	<b>34,438</b>
<b>Pertaining to:</b>				
Parent company's shareholders	51,503	49,880	34,953	34,330
Subsidiaries' minority shareholders	282	182	119	108
<b>Consolidated profit for the period</b>	<b>51,785</b>	<b>50,062</b>	<b>35,072</b>	<b>34,438</b>

Cash flows by business sector for H1 are as follows:

€000	Hydraulic		Water Jetting		Total	
	2019	2018	2019	2018	2019	2018
Cash flows from:						
Operating activities	51,668	34,387	29,756	26,786	81,424	61,173
Investing activities	(41,664)	(27,048)	(19,198)	(7,345)	(60,862)	(34,393)
Financing activities	(13,317)	(17,821)	6,998	(35,527)	(6,319)	(53,348)
Total	(3,313)	(10,482)	17,556	(16,086)	14,243	(26,568)

Investing activities of the Hydraulic Sector in H1 2019 include €12,698k of net outlays for the acquisition of equity investments (€7,972k in H1 2018). The cash flows of the Water Sector investing activity in H1 2019 include €13,574k of net outlays for the acquisition of equity investments (€2,241k in H1 2018).

The cash flows deriving from Hydraulic Sector financing activities include the payment of dividends to Water Jetting Sector companies totalling €7,501k (€8,100k in H1 2018). Moreover, cash flows of Water Jetting Sector financing activities for H1 2019 include outlays for the purchase of treasury stock in the amount of €14,859k (€27,469k in H1 2018) and the payment of dividends in the amount of €23,147k (€22,526k in H1 2018).

### 3. Acquisition of investments

#### Hydra Dyne Technology Inc.

As mentioned above, Hydra Dyne (Hydraulic Sector), which manufactures and markets hydraulic cylinders, valves and rotary unions, was consolidated for the first time on 1 March 2019. The transaction was recognised in accordance with the acquisition method.

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

€000	Amounts acquired	Adjustments at <i>fair value</i>	Carrying values in the acquiring company
Cash and cash equivalents	74	-	74
Trade receivables	2,637	-	2,637
Inventories	5,365	-	5,365
Tax receivables	134	-	134
Other current assets	76	-	76
Property, plant and equipment	7,291	-	7,291
Other intangible assets	35	2,137	2,172
Deferred tax assets	130	-	130
Trade payables	(2,867)	-	(2,867)
Bank payables	(796)	-	(796)
Bank payables - loans (current portion)	(330)	-	(330)
Leasing payables (current portion)	(899)	-	(899)
Tax payables	(994)	-	(994)
Other current liabilities	(640)	-	(640)
Bank payables - loans (non-current portion)	(705)	-	(705)
Leasing payables (non-current portion)	(1,741)	-	(1,741)
Deferred tax liabilities	-	(534)	(534)
Other non-current liabilities	(521)	-	(521)
Net assets acquired	<u>6,249</u>	<u>1,603</u>	7,852
Goodwill related to the acquisition			12,182
<b>Total net assets acquired</b>			<b><u>20,034</u></b>
Total amount paid in cash			15,217
Amount due in medium/long-term			<u>4,817</u>
<b>Total acquisition cost (A)</b>			<b><u>20,034</u></b>
Net financial position acquired (B)			4,397
Total amount paid in cash			15,217
Payables related to the acquisition of investments			<u>4,817</u>
<b>Total change in the net financial position including changes in debt for the acquisition of investments</b>			<b><u>24,431</u></b>
<b>Capital employed (A) + (B)</b>			<b>24,431</b>

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

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

**Pioli S.r.l. and RW S.r.l.**

From 1 April 2019 Pioli S.r.l. and its complementary company RW S.r.l. were consolidated for the first time; both companies operate in galvanic metal treatments, which are of synergistic in relation to the Group's operations. The transaction was recognized in accordance with the acquisition method.

The assets and liabilities of Pioli and RW were as follows at the time of initial consolidation:

€000	Amounts acquired	Adjustments at <i>fair value</i>	Carrying values in the acquiring company
Cash and cash equivalents	960	-	960
Trade receivables	620	-	620
Inventories	64	-	64
Other current assets	14	-	14
Property, plant and equipment	309	-	309
Other financial fixed assets	2	-	2
Deferred tax assets	20	-	20
Trade payables	(141)	-	(141)
Bank payables	(1)	-	(1)
Bank payables - loans (current portion)	(72)	-	(72)
Tax payables	(77)	-	(77)
Other current liabilities	(217)	-	(217)
Leasing payables (non-current portion)	(32)	-	(32)
Liabilities for employee benefits	<u>(155)</u>	=	<u>(155)</u>
Net assets acquired	<u>1,294</u>	=	1,294
Goodwill related to the acquisition			<u>1,706</u>
<b>Total net assets acquired</b>			<b><u>3,000</u></b>
Total amount paid in cash			3,000
Amount due in medium/long-term			=
<b>Total acquisition cost (A)</b>			<b><u>3,000</u></b>
Net financial position acquired (B)			(855)
Total amount paid in cash			<u>3,000</u>
<b>Total change in the net financial position including changes in debt for the acquisition of investments</b>			<b><u>2,145</u></b>
<b>Capital employed (A) + (B)</b>			<b>2,145</b>

#### 4. Inventories and breakdown of changes in the allowance for inventories

	30/06/2019	31/12/2018
	<u>€000</u>	<u>€000</u>
Inventories gross value	434,822	403,368
Allowance for inventories	<u>(37,249)</u>	<u>(36,888)</u>
Inventories	<u>397,573</u>	<u>366,480</u>

Changes in the allowance for inventories were as follows:

	H1 2019	Year 2018
	<u>€000</u>	<u>€000</u>
Opening balances	36,888	32,848
Exchange rate difference	91	57
Change in consolidation basis	-	3,102
Reclassifications	-	-
Provisions for the year	1,241	3,843
Releases in the year to cover losses	(971)	(2,962)
Release of excess provisions in the period	-	-
Closing balance	<u>37,249</u>	<u>36,888</u>

#### 5. Property, plant and equipment

##### *Purchases and disposals*

In H1 2019 Interpump Group purchased assets for €61,128k, of which €7,600k through the acquisition of equity investments (€36,347k in H1 2018, of which €5,015k through the acquisition of equity investments). In H1 2019 assets were divested for a net carrying value of €4,872k (€3,853k in H1 2018). The divested assets generated a net capital gain of €1,395k (€1,694k in H1 2018).

##### *Contractual commitments*

At 30 June 2019 the Group had contractual commitments for the purchase of tangible fixed assets in the amount of €3,869k (€2,605k at 30 June 2018).

#### 6. Shareholders' equity

##### *Share capital*

The share capital is composed of 108,879,294 ordinary shares with a unit face value of EUR 0.52 for a total amount of EUR 56,617,232.88. Conversely, share capital recorded in the financial statements amounts to €54,587k, because the nominal value of purchased treasury shares, net of divested treasury shares, was deducted from share capital in compliance with the reference accounting standards. At 30 June 2019 Interpump S.p.A. held 3,903,489 treasury shares in the portfolio corresponding to 3.585% of the capital stock, acquired at an average unit price of EUR 21.8740.

##### *Treasury shares purchased*

The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. In H1 2019 Interpump Group purchased 550,000 treasury shares for €14,859k (the Group purchased 991,613 treasury shares in H1 2018 for the amount of €27,469k).



*Treasury shares sold*

In relation to stock option plans, a total of 60,000 options were exercised resulting in a receipt of €360k (90,000 options were exercised in H1 2018, generating a receipt of €339k). Moreover, 62,069 treasury shares were divested in H1 2018 in payment for equity investments (no treasury shares sold for this purpose in H1 2019).

*Dividends*

An ordinary dividend (coupon clipping date of 20 May) of EUR 0.22 per share was distributed on 22 May 2019 (EUR 0.21 in 2018).

*Stock options*

The Shareholders' Meeting held on 30 April 2019 approved a new stock option plan entitled "2019/2021 Interpump Incentive Plan", which calls for the allocation of no more than 2,500,000 options having an exercise price of EUR 28.4952 and, for options assigned after 30 April 2020, at the official price established by Borsa Italiana on the day before the date of 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, including Deputy Chairman Paolo Marinsek, who was assigned 65,000 options. Overall, a total of 2,218,500 options were therefore assigned.

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

	Unit of measurement	
Number of shares assigned	no.	2,218,500
Grant date		28 June 2019
Exercise price		28.4952
<i>Vesting date</i>		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

## 7. Financial income and charges

The breakdown for the first half is shown below:

	2019 €000	2018 €000
<u>Financial income</u>		
Interest income	151	223
Interest income from other assets	68	93
Foreign exchange gains	4,540	5,307
Financial income to adjust estimated debt for commitment to purchase residual interests in subsidiaries	1,193	-
Other financial income	<u>208</u>	<u>8</u>
Total financial income	<u>6,160</u>	<u>5,631</u>
<u>Financial expenses</u>		
Interest expense on bank loans	1,240	1,342
Interest expense on lease agreements (including IFRS 16 in 2019)	1,242	177
Interest expense on put options	314	308
Financial expenses for adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	66	133
Foreign exchange losses	4,125	6,517
Other financial charges	<u>175</u>	<u>255</u>
Total financial expenses	<u>7,162</u>	<u>8,732</u>
Total financial expenses (income), net	<u>1,002</u>	<u>3,101</u>

The breakdown for Q2 is as follows:

	2019 €000	2018 €000
<u>Financial income</u>		
Interest income	93	118
Interest income from other assets	43	43
Foreign exchange gains	803	2,888
Financial income to adjust estimated debt for commitment to purchase residual interests in subsidiaries	1,193	-
Other financial income	<u>201</u>	<u>7</u>
Total financial income	<u>2,333</u>	<u>3,056</u>
<u>Financial expenses</u>		
Interest expense on bank loans	629	641
Interest expense on lease agreements (including IFRS 16 in 2019)	667	88
Interest expense on put options	162	136
Financial expenses for adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	66	133
Foreign exchange losses	1,977	2,954
Other financial charges	<u>136</u>	<u>157</u>
Total financial expenses	<u>3,637</u>	<u>4,109</u>
Total financial expenses (income), net	<u>1,304</u>	<u>1,053</u>

## 8. Earnings per share

### *Basic earnings per share*

Basic earnings per share are calculated as the consolidated net profit attributable to the owners of the Parent Company divided by the weighted average number of ordinary shares, as follows:

<i>H1</i>	<u>2019</u>	<u>2018</u>
Consolidated net profit attributable to the owners of the Parent company (€000)	<u>91,511</u>	<u>93,815</u>
Average number of shares in circulation	105,563,945	107,274,791
Basic earnings per share for the half year (€)	<u>0.867</u>	<u>0.875</u>
 <i>Q2</i>	 <u>2019</u>	 <u>2018</u>
Consolidated net profit attributable to the owners of the Parent company (€000)	<u>46,617</u>	<u>42,429</u>
Average number of shares in circulation	105,605,523	107,130,677
Basic earnings per share for the quarter (€)	<u>0.441</u>	<u>0.396</u>

### *Diluted earnings per share*

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

<i>H1</i>	<u>2019</u>	<u>2018</u>
Consolidated net profit attributable to the owners of the Parent company (€000)	<u>91,511</u>	<u>93,815</u>
Average number of shares in circulation	105,563,945	107,274,791
Number of potential shares for stock option plans (*)	<u>1,163,091</u>	<u>1,158,580</u>
Average number of shares (diluted)	<u>106,727,036</u>	<u>108,433,371</u>
Earnings per diluted share for the half (€)	<u>0.857</u>	<u>0.865</u>
 <i>Q2</i>	 <u>2019</u>	 <u>2018</u>
Consolidated net profit attributable to the owners of the Parent company (€000)	<u>46,617</u>	<u>42,429</u>
Average number of shares in circulation	105,605,523	107,130,677
Number of potential shares for stock option plans (*)	<u>1,174,965</u>	<u>1,134,148</u>
Average number of shares (diluted)	<u>106,780,488</u>	<u>108,264,825</u>
Earnings per diluted share for the quarter (€)	<u>0.437</u>	<u>0.392</u>

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

## 9. Transactions with related parties

The Group has relations with unconsolidated subsidiaries and other related parties at arm's length conditions considered to be normal in the respective reference markets, taking

account of the characteristics of the goods and services rendered. Transactions between Interpump Group S.p.A. and its consolidated subsidiaries, which are related parties of the company, were eliminated from the interim consolidated financial statements and are not detailed in these notes.

The effects in the Group's consolidated income statements for H1 2019 and H1 2018 are given below:

H1 2019						
(€000)	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Net sales	703,203	1,597	-	574	2,171	0.3%
Cost of sales	446,587	1,855	-	4,396	6,251	1.4%
Other revenues	10,124	7	-	-	7	0.1%
Distribution costs	62,847	19	-	360	379	0.6%
G&A expenses	72,452	-	-	361	361	0.5%
Financial expenses	7,162	-	-	199	199	2.8%

Financial charges refer to discounting of the payable for rentals, booked in compliance with IFRS 16 and concerning rentals with related parties.

H1 2018						
(€000)	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Net sales	643,428	1,051	-	791	1,842	0.3%
Cost of sales	402,922	709	-	6,223	6,932	1.7%
Other revenues	9,474	6	-	-	6	0.1%
Distribution costs	58,894	17	-	387	404	0.7%
G&A expenses	67,868	-	-	726	726	1.1%

The effects on the consolidated statement of financial position at 30 June 2019 and 2018 are described below:

30 June 2019						
(€000)	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	314,084	2,722	-	566	3,288	1.0%
Other financial assets	3,798	1,587	-	-	1,587	41.8%
Trade payables	180,734	144	-	1,315	1,459	0.8%
Interest-bearing financial payables (short + medium-long term portion)	502,065	-	-	20,042	20,042	4.0%

Financial charges refer to discounting of the payable for rentals, booked in compliance with IFRS 16 and concerning rentals with related parties.

30 June 2018						
(€000)	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	287,961	2,057	-	1,198	3,255	1.1%
Other financial assets	2,328	202	-	-	202	8.7%
Trade payables	176,776	199	-	1,420	1,619	0.9%

#### Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€000)	Receivables		Revenues	
	30/06/2019	30/06/2018	2019	2018
Interpump Hydraulics Perù	1,216	1,023	351	185
General Pump China Inc.	788	317	446	331
Interpump Hydraulics Russia	716	496	807	541
Innovativ Gummi Tech S.r.l.	1	-	-	-
FGA S.r.l.	<u>1</u>	<u>221</u>	<u>-</u>	<u>-</u>
<i>Total subsidiaries</i>	<u>2,722</u>	<u>2,057</u>	<u>1,604</u>	<u>1,057</u>

(€000)	Payables		Costs	
	30/06/2019	30/06/2018	2019	2018
General Pump China Inc.	59	62	333	333
Innovativ Gummi Tech S.r.l.	46	1	1,190	1
FGA S.r.l.	39	136	350	305
Interpump Hydraulics Perù	-	-	<u>1</u>	<u>87</u>
<i>Total subsidiaries</i>	<u>144</u>	<u>199</u>	<u>1,874</u>	<u>726</u>

(€000)	Loans		Financial income	
	30/06/2019	30/06/2018	2019	2018
FGA S.r.l.	1,041	200	-	-
Innovativ Gummi Tech S.r.l.	544	-	-	-
Inoxpa Poland Sp ZOO	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>
<i>Total subsidiaries</i>	<u>1,587</u>	<u>202</u>	<u>-</u>	<u>-</u>

#### Relations with associates

The Group does not hold investments in associated companies.

#### Transactions with other related parties

In H1 2018 transactions were conducted with other related parties concerning the leasing of facilities owned by companies controlled by the current shareholders and directors of Group companies in the amount of €2,449k. With the adoption of IFRS 16, these costs were no longer brought to the income statement in H1 2019. Consultancy services from entities connected with the Group's directors and statutory auditors totalling €71k are booked to the income statement (€61k in H1 2018). Consultancy costs were allocated to distribution costs in the amount of €40k (€51k allocated to distribution costs in H1 2018) and to general and

administrative expenses in the amount of €31k (€10k in H1 2018). Revenues from sales at 30 June 2019 included revenues from sales to companies by Group shareholders or directors in the amount of €574k (€791k at 30 June 2018). In addition, the cost of sales includes purchases made from companies controlled by minority shareholders or directors of Group companies for €4,223k (€4,190k in H1 2018).

#### **10. Disputes, Contingent liabilities and Contingent assets**

The Parent company and some of its subsidiaries are directly involved in lawsuits for limited amounts. The settlement of said lawsuits is not expected to generate any significant liabilities for the Group that are not covered by the risk provisions already made. There are no substantial changes to report in relation to the disputes or contingent liabilities in existence at 31 December 2018.

## **Attestation of the condensed interim financial statements pursuant to art. 154 bis of Decree 58/98**

1. The undersigned, Fulvio Montipò and Carlo Banci, respectively Chief Executive Officer and Chief Reporting Officer of Interpump Group S.p.A., taking account also of the provisions of art. 154-bis, subsections 3 and 4, of Decree no. 58 of 24 February 1998, hereby attest to:

- the adequacy in relation to the characteristics of the business, and
- the effective application

of the administrative and accounting procedures for the formation of the condensed interim financial statements in H1 2019.

2. It is also confirmed that:

2.1 the interim consolidated financial statements of Interpump Group S.p.A. and its subsidiaries for the period ending 30 June 2019, which show consolidated total assets of €1,860,680k, consolidated net profit of €2,213k and consolidated shareholders' equity of €26,490k:

- were prepared in compliance with the international accounting standards endorsed by the European Commission pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and, in particular, with *IAS 34 - Interim Financial Reporting*, and the enabling regulations for art. 9 of Decree no. 38/2005;
- correspond to the results of the company books and accounting entries;
- are capable of providing a truthful and fair representation of the equity, economic and financial situation of the issuer and the group of companies included in the scope of consolidation;

2.2 the interim board of directors' report on operations contains references to the key events that occurred in H1 and their influence on the condensed interim financial statements, together with a description of the main risks and uncertainties relating to the remaining months of the year and information on significant transactions conducted with related parties

Sant'Ilario d'Enza (RE), 5 August 2019

Chairman and Chief Executive Officer  
Fulvio Montipò

Chief Reporting Officer  
Carlo Banci



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## Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

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

### Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statements, the comprehensive consolidated income statement, the statement of changes in consolidated shareholders' equity and consolidated cash flow statement and the related notes of Interpump Group S.p.A. and its subsidiaries (the "Interpump Group") as of June 30, 2019. The Directors of Interpump Group S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Interpump Group as of June 30, 2019 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, August 5, 2019

EY S.p.A.  
Signed by: (Marco Mignani), Partner

This report has been translated into the English language solely for the convenience of international readers

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