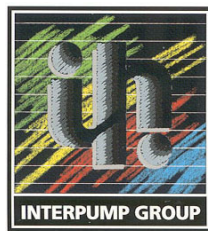


**Half-year financial report
as at 30 June 2020
and
Interim Board of Directors' Report
for Q2 2020**



Interpump Group S.p.A. and subsidiaries

Contents

	Page
Composition of corporate bodies	5
Interpump Group Organisation Chart at 30 June 2020	7
Interim Board of Directors' Report:	
- Directors' remarks on performance in H1 2020	11
- Directors' remarks on performance in Q2 2020	23
Financial statements and notes	29
Attestation of the condensed half-year consolidated financial statements pursuant to art. 154 bis of Decree 58/98	65
Auditors' review report on the interim condensed consolidated financial statements	66

This document can be accessed on the Internet at:

www.interpumpgroup.it

Interpump Group S.p.A.

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

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

Reggio Emilia Companies Register - Tax Code 11666900151

Board of Directors

Fulvio Montipò
Chairman and Chief Executive Officer

Giovanni Tamburi (b)
Deputy Chairman

Victor Gottardi
Executive Director

Fabio Marasi
Executive Director

Angelo Busani (a) (c)
Independent Director

Antonia Di Bella
Independent Director

Marcello Margotto (b)
Independent Director
Lead Independent Director

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

Stefania Petruccioli
Independent Director

Paola Tagliavini (a), (c)
Independent Director

Board of Statutory Auditors

Anna Maria Allievi
Chairman

Roberta De Simone
Statutory Auditor

Mario Tagliaferri
Statutory Auditor

Independent Auditors

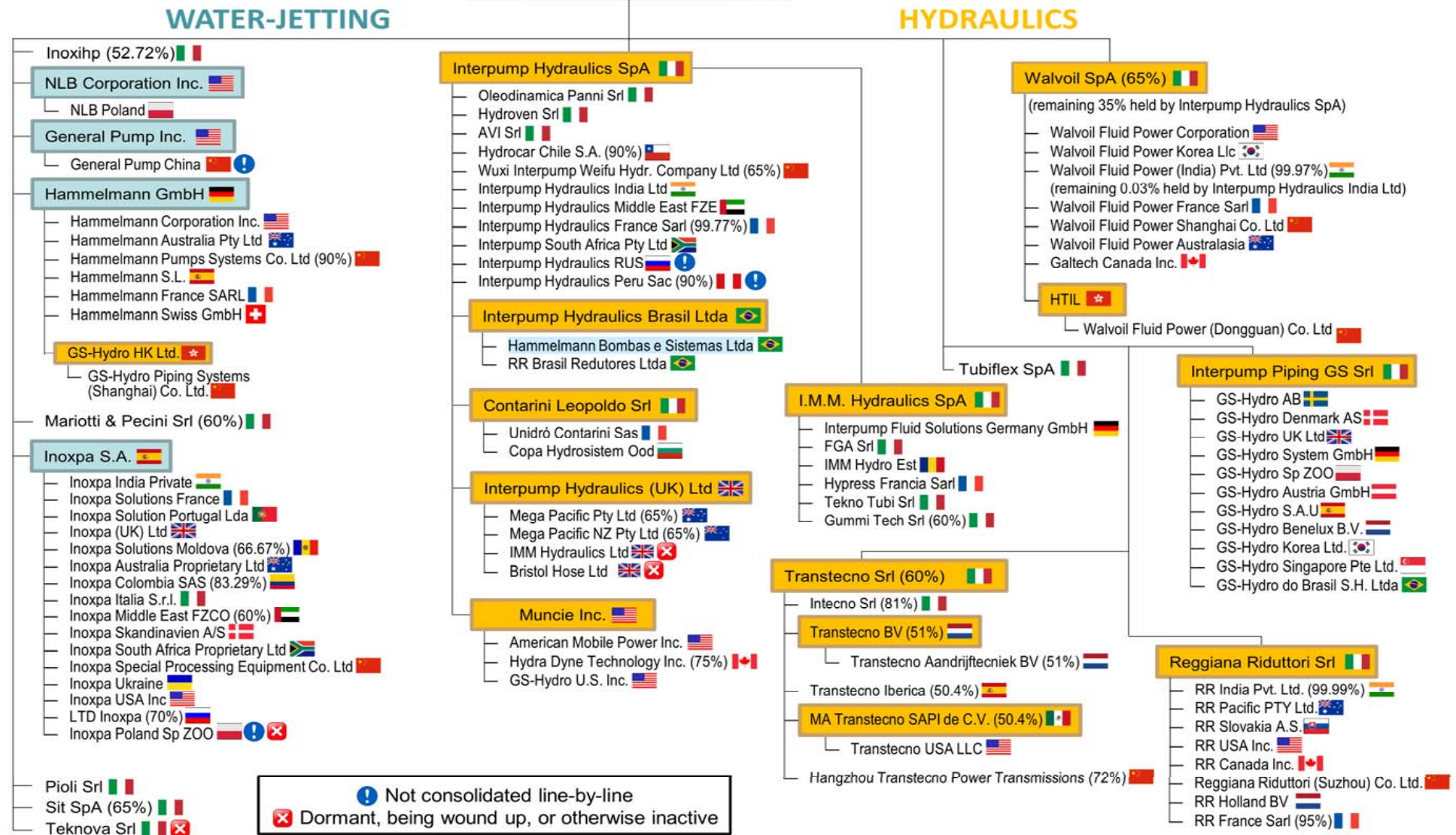
EY S.p.A.

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

Group Structure

as at 30/06/2020

all holdings 100% unless otherwise specified



Interim Board of Directors' Report

**Directors' remarks on performance
in H1 2020**

PERFORMANCE INDICATORS

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

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

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

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

The cash flow statement was prepared using the indirect method.

H1 consolidated income statements

(€000)	<u>2020</u>	<u>2019</u>
Net sales	639,536	703,203
Cost of sales	(411,650)	(446,587)
Gross industrial margin	227,886	256,616
<i>% on net sales</i>	<i>35.6%</i>	<i>36.5%</i>
Other operating revenues	8,864	10,124
Distribution costs	(58,801)	(62,847)
General and administrative expenses	(75,732)	(72,452)
Other operating costs	(10,250)	(3,160)
EBIT	91,967	128,281
<i>% on net sales</i>	<i>14.4%</i>	<i>18.2%</i>
Financial income	6,867	6,160
Financial expenses	(11,915)	(7,162)
Equity method contribution	113	(3)
Profit for the period before taxes	87,032	127,276
Income taxes	(23,564)	(35,063)
Consolidated net profit for the period	63,468	92,213
<i>% on net sales</i>	<i>9.9%</i>	<i>13.1%</i>
Pertaining to:		
Parent company's shareholders	62,517	91,511
Subsidiaries' minority shareholders	951	702
Consolidated profit for the period	63,468	92,213
EBITDA	139,250	162,176
<i>% on net sales</i>	<i>21.8%</i>	<i>23.1%</i>
Shareholders' equity	1,094,182	926,490
Net debt	344,155	390,970
Payables for the acquisition of investments	62,392	40,235
Capital employed	<u>1,500,729</u>	<u>1,357,695</u>
Unannualized ROCE	6.1%	9.4%
Unannualized ROE	5.8%	10.0%
Basic earnings per share	0.584	0.867

SIGNIFICANT EVENTS DURING H1 2020

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

Given these serious economic conditions, the Interpump Group has achieved highly satisfactory results due to careful monitoring of each business and an ability to react appropriately to events.

Sales amounted to €39.5m, down by 9.1% with respect to H1 2019. Analysis by business sector highlights shows that sales in the Hydraulic Sector declined by 9.4% with respect to H1 2019, while those in the Water Jetting Sector were 8.3% lower.

Compared with H1 2019, the consolidation now includes the Reggiana Riduttori Group, acquired in October 2019, and the Transtecno Group, acquired in January 2020, both in the Hydraulic Sector. Hydra Dyne (also in the Hydraulic Sector), acquired on 1 March 2019 and only consolidated for four months in H1 2019, has been consolidated for the entire period in 2020. In the Water Jetting Sector, Pioli has been consolidated for six months in 2020, but was only consolidated for three months in H1 2019 since it joined the Group on 1 April 2019.

EBITDA was €139.2m, equivalent to 21.8% of sales. In H1 2019 EBITDA was €162.2m (23.1% of sales).

The free cash flow generated during H1 2020 amounted to €8.3m (€9.2m in H1 2019), up by 151%.

As a consequence of the difficult global economic situation, the Group has focused on obtaining additional buffer financial resources with respect to short-term needs. This was made possible by the considerable cash flow generated and the arrangement of access to further resources from the banking system. Consolidated cash and cash equivalents amount to €19.0m as at 30 June 2020, being more than sufficient to cover commitments through 2021 and even beyond, considering the ability to generate additional cash demonstrated by the profitability of the Group throughout its existence. In addition, the Group has undrawn credit lines totalling more than €100m that can be called upon at any time. Given this financial strength, the Group is positioned to benefit - as always in past - from the acquisition opportunities that will arise.

Net profit for H1 2020 totalled €3.5m (€2.2m in H1 2019). This reduction was due to the business contraction caused by the pandemic, as compounded by additional net exchange losses of €2.9m, after tax effect, caused by the greater currency fluctuations attributable to the pandemic. In addition, on 16 March 2020, the Board of Directors established a termination indemnity - in line with that already approved at the shareholders' meeting - for Fulvio Montipò, founder of the Group who has guided the business to these levels of extraordinary excellence and who plans to continue leading the entire Group forward in the coming years. The

provision represents a maximum of 3 years of remuneration and the after-tax effect on net profit for H1 2020 was €5.6m.

On 14 January 2020, the Company completed the acquisition of the Transtecno Group, which operates in the design, production and commercialization of gears and ratiomotors. This company based in Anzola Emilia (Bologna) has branches in China, the Netherlands, Spain, the USA and Mexico. Transtecno makes a medium-low power range of products that are used in a multitude of sectors, with specific lines designed for poultry farming, car wash systems and renewable energy (biomass boilers and solar panels). The modular design approach facilitates the optimization of distribution, reducing the need for burdensome inventories and simplifying the work of distributors. Transtecno generated consolidated sales of €48.8m in 2019, with an EBITDA of €8.9m. The positive net financial position (NFP) amounted to €2.4m. These results make Transtecno, together with Reggiana Riduttori, one of the most profitable and solid in the Italian gear industry. The price for the acquisition of this 60% interest was €2m plus 488,533 Interpump shares already owned by the Group. Put and call options, exercisable in two and four years, were agreed in relation to the remaining 40% interest.

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

NET SALES

Net sales in H1 2020 totalled €639.5m, down by 9.1% from €703.2m in H1 2019 (-18.8% at unchanged perimeter) for the reasons described in the introduction and attributable to the pandemic that swept the world in early 2020.

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 Pacific Basin</u>	<u>Rest of the World</u>	<u>Total</u>
<i>H1 2020</i>						
Hydraulic Sector	79,853	154,526	111,095	52,448	31,690	429,612
Water Jetting Sector	<u>18,153</u>	<u>75,286</u>	<u>67,335</u>	<u>28,972</u>	<u>20,178</u>	<u>209,924</u>
Total	<u>98,006</u>	<u>229,812</u>	<u>178,430</u>	<u>81,420</u>	<u>51,868</u>	<u>639,536</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>
2020/2019 percentage changes						
Hydraulic Sector	-18.9%	-10.3%	-1.1%	+19.8%	-33.3%	-9.4%
Water Jetting Sector	-13.9%	-12.2%	-9.4%	+4.2%	+1.8%	-8.3%
Total	-18.0%	-10.9%	-4.4%	+13.7%	-23.0%	-9.1%
2020/2019 at unchanged perimeter (%)						
Hydraulic Sector	-29.3%	-23.4%	-17.8%	-11.4%	-39.9%	-23.8%
Water Jetting Sector	-15.8%	-12.2%	-9.4%	+4.2%	+1.8%	-8.4%
Total	-27.0%	-19.7%	-14.5%	-5.4%	-27.6%	-18.8%

PROFITABILITY

The cost of sales accounted for 64.4% of turnover (63.5% in the first half of 2019). Production costs, which totalled €165.1m (€185.6m in H1 2019, which however did not include the costs of the Reggiana Riduttori Group, the Transtecno Group, three months of Pioli or two months of Hydra Dyne), accounted for 25.8% of sales (26.4% in the equivalent period of 2019). The incidence on sales was lower than in 2019, despite the contraction in activity. The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €246.6m (€261.0m in the equivalent period of 2019, which however did not include the costs of the Reggiana Riduttori Group, the Transtecno Group, three months of Pioli or two months of Hydra Dyne). The incidence of purchase costs, including changes in inventories, was 38.6% with respect to the 37.1% in the first half of 2019.

At unchanged perimeter, distribution costs were 15.1% lower than in H1 2019, but with a 0.5 percentage point rise in the incidence on sales.

Also at unchanged perimeter, general and administrative expenses fell by 6.1% with respect to H1 2019, while their incidence on sales was 1.6 percentage points higher.

Payroll costs totalled €157.4m (€162.3m in H1 2019, which however did not include the costs of the Reggiana Riduttori Group, the Transtecno Group, three months of Pioli or two months of Hydra Dyne). At unchanged perimeter, payroll costs amounted to €145.3m, down by 10.5%

due, in the main, to a 10.4% reduction in per capita cost, mainly reflecting the recourse made to various social buffers and a reduction in the average headcount by 4 employees. The average total number of Group employees in H1 2020 was 7,422 (6,779 at unchanged perimeter) compared to 6,783 in H1 2019.

EBITDA totalled €139.2 million (21.8% of sales) compared to €162.2m in H1 2019, which represented 23.1% of sales. At unchanged perimeter, EBITDA represented 21.9% of sales. The following table shows EBITDA by business sector:

	<i>H1</i>	<i>% on</i>	<i>H1</i>	<i>% on</i>	
	<i>2020</i>	<i>total</i>	<i>2019</i>	<i>total</i>	<i>Increase/</i>
	<i>€/000</i>	<i>sales*</i>	<i>€/000</i>	<i>sales*</i>	<i>Decrease</i>
Hydraulic Sector	86,110	20.0%	101,430	21.4%	-15.1%
Water Jetting Sector	<u>53,140</u>	25.2%	<u>60,746</u>	26.4%	-12.5%
Total	<u>139,250</u>	21.8%	<u>162,176</u>	23.1%	-14.1%

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

EBIT was €92.0m (14.4% of sales) compared to €128.3m in H1 2019 (18.2% of sales). Following the resolution adopted by the Board of Directors on 16 March 2020, a provision for termination indemnities of €7.4m has been recorded in relation to the current Chairman, as described in more detail in the section entitled "Significant events during H1 2020".

The tax rate for the period was 27.1% (27.6% in H1 2019).

Net profit for H1 2020 totalled €63.5m (€92.2m in H1 2019). Basic earnings per share were €0.584 (€0.867 in H1 2019).

Capital employed increased from €1,480.2m at 31 December 2019 to €1,500.7m at 30 June 2020, principally due to the acquisition of the Transtecno Group. Unannualized ROCE was 6.1% (9.4% in H1 2019). Unannualized ROE was 5.8% (10.0% in H1 2019).

CASH FLOW

The change in net debt breaks down as follows:

	<i>H1 2020</i> <u>€/000</u>	<i>H1 2019</i> <u>€/000</u>
Opening net financial position	(370,814)	(287,339)
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 year	<u>(2,223)</u>	-
Adjusted opening net financial position	(373,037)	(355,936)
Cash flow from operations	117,301	144,211
Principal portion of leasing installments paid (IFRS 16)	(9,460)	(7,670)
Cash flow generated (absorbed) by the management of commercial working capital	20,261	(69,093)
Cash flow generated (absorbed) by other current assets and liabilities	(1,757)	6,253
Investment in tangible fixed assets	(28,520)	(34,647)
Proceeds from the sale of tangible fixed assets	820	930
Investment in other intangible assets	(1,867)	(1,372)
Received financial income	635	406
Other	<u>887</u>	<u>137</u>
Free cash flow	98,300	39,155
Acquisition of investments, including received debt and net of treasury shares assigned	(39,065)	(30,051)
Dividends paid	(28,079)	(23,703)
Outlays for the purchase of treasury shares	(20,911)	(14,859)
Proceeds from the sale of treasury shares to beneficiaries of stock options	13,834	360
Principal portion of leasing installments paid (IFRS 16)	9,460	7,670
Principal portion of new leasing contracts arranged (IFRS 16)	(6,198)	(13,466)
Restatement and early redemption of leasing contracts pursuant to IFRS 16	1,635	281
Change in other financial assets	<u>(472)</u>	<u>(189)</u>
Net cash generated (used)	28,504	(34,802)
Exchange differences	<u>378</u>	<u>(232)</u>
Closing net financial position	<u>(344,155)</u>	<u>(390,970)</u>

Net liquidity generated by operations totalled €17.3m (€14.2m in H1 2019). Free cash flow was €8.3m (€39.2m in H1 2019), reflecting an increase of 151%.

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

	30/06/2020	31/12/2019	30/06/2019	01/01/2019
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
Cash and cash equivalents	318,977	233,784	136,244	118,140
Bank payables (advances and STC amounts)	(15,247)	(22,076)	(25,149)	(21,404)
Interest-bearing financial payables (current portion)	(197,367)	(195,110)	(159,685)	(151,917)
Interest-bearing financial payables (non-current portion)	<u>(450,518)</u>	<u>(387,412)</u>	<u>(342,380)</u>	<u>(232,158)</u>
Total	<u>(344,155)</u>	<u>(370,814)</u>	<u>(390,970)</u>	<u>(287,339)</u>

At 30 June 2020 all loan covenants are complied with in full.

The Group also has payables for the acquisition of equity investments totalling €62.4m (€54.3m at 31 December 2019 and €40.2m at 30 June 2019). Of this amount, €8.9m relates to debts for deferred payment of equity investments (€19.5m at 31/12/2019), while €53.5m relates to contractual commitments for the acquisition of residual stakes in subsidiaries (€34.8m at 31/12/2019). When purchasing target companies, the Group's strategy is to purchase majority packages and sign purchase commitments for the residual stakes, at a price depending on the results achieved by the company in subsequent years, thus guaranteeing the continuation of the previous management on the one hand and maximising growth in profitability on the other.

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totalled €42.1m, of which €13.4m via the acquisition of equity investments (€61.1m in H1 2019, of which €7.6m via the acquisition of equity investments). The additions during the period are analysed in the following table.

€/000	<u>H1 2020</u>	<u>H1 2019</u>
Purchase of fixed assets		
used in the production process	19,499	37,191
Machinery rented to customers	2,936	2,871
Leased assets	<u>6,198</u>	<u>13,466</u>
Capex	28,633	53,528
Increases through the acquisition of equity investments	<u>13,431</u>	<u>7,600</u>
Total increases in the period	<u>42,064</u>	<u>61,128</u>

The difference with respect to the expenditure recorded in the cash flow statement is essentially due to the timing of payments. The increases in 2020 include €3.6m following the construction of new buildings (€16.0m in H1 2019).

Increases in intangible fixed assets totalled €17.5m, of which €15.6m through the acquisition of equity investments (€3.7m in H1 2019, including €2.2m through the acquisition of equity investments). The increase in H1 2020 includes the fair value of the trademarks obtained by acquiring the Reggiana Riduttori Group, €15.2m, while the remainder mainly relates to investment in new product development. The value of the Reggiana Riduttori trademark has been recognised in 2020, as the information needed for its measurement was not available in 2019, when that Group was acquired; as a consequence, the related PPA has been revised.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

With regard to transactions entered into with related parties, including intercompany transactions, these cannot be defined as either atypical or unusual, as they are part of the normal course of activities of the Group companies. These transactions are regulated at arm's length conditions, taking into account the characteristics of the assets transferred and services rendered. Information on transactions carried out with related parties is given in Note 9 of the condensed half-year consolidated financial statements as at 30 June 2020.

CHANGES IN GROUP STRUCTURE IN H1 2020

As stated above, control over the Transtecno Group was acquired on 14 January 2020.

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

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

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 2019.

Exchange risk

The Group has subsidiaries in 33 countries and has to translate financial statements denominated in 26 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, Mexican 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 €1.6m were granted and €1.0m were collected in H1 2020 in currencies other than those utilised by the debtor companies. At 30 June 2020 loans granted in currencies other than those used by the debtor companies total €28.6m, up by €1.5m since 31 December 2019. The Group decided to proceed in its strategy of not hedging this exposure also in H1 2020.

Interest rate risk

With the exception of €13.0m, all liquidity is held at floating rates at 30 June 2020; similarly, except for €18.0m, all bank loans and financial payables bear interest at floating rates.

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 present, the Group considers the receivables situation to be sound, as evidenced - among other considerations - by losses on receivables at 30 June 2020 totalling €1,071k (0.2% of sales), compared to losses on receivables in H1 2019 of €834k (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

Together with the resources generated by operating and financing activities, management considers that the funds and lines of credit currently available will enable the Group to meet the requirements deriving from investing activities, the management of working capital and the settlement of payables as they fall due, while also supporting the pursuit of a growth strategy that includes targeted acquisitions capable of creating value for the shareholders. Cash on hand at 30 June 2020 totals €319.0m. 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 2020 are definitely factors that reduce the exposure of the Group to liquidity risk.

Price risk

The Group is exposed to risks deriving from fluctuations in the prices of the metals utilized, 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 2019 for more comprehensive information.

With respect to 31 December 2019, 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.

COVID-19 risk

Following the spread of the Covid-19 pandemic, most of the plants within the Group suspended their activities temporarily, for periods that varied depending on the country concerned.

Right from the start, Interpump monitored the development of the pandemic with great attention, establishing a dedicated task force and adopting promptly all necessary virus prevention, control and containment measures at all locations around the world, in order to safeguard the health of employees and collaborators.

The global recession provoked by the healthcare emergency may well result in lower volumes and profitability, the extent of which is still difficult to estimate. The Group continues work on

various actions designed to reduce the impact of the problem, as is clear from the results achieved to date.

With regard to the potential financial repercussions for the Group, the various loan covenants are fully respected at 30 June 2020 and, at that date, consolidated cash and cash equivalents amount to €19.0m, being more than sufficient to cover commitments through 2021 and even beyond, considering the ability to generate additional resources demonstrated by the profitability and positive cash flows of the Group throughout its existence. In addition, the Group has substantial undrawn credit lines available, ensuring flexible access to the debt market should unforeseeable events occur that might have an adverse impact on corporate cash flows.

EVENTS AFTER THE END OF H1 2020

After the close of H1 2020 no atypical or unusual transactions were carried out that would require changes to the condensed half-year consolidated financial statements as at 30 June 2020.

Pursuant to earlier contractual agreements, the residual 40% interest in Mariotti & Pecini S.r.l. was acquired on 2 July 2020 for €5.2m; accordingly, that company is now wholly owned.

On 14 July, Interpump Group S.p.A. acquired Suministros Franquesa S.A., based in Lleida, Spain, via GS-Hydro Spain S.A. Suministros Franquesa is an important, dynamic and young business that assembles and distributes hoses, fittings and other hydraulic components for agricultural, mobile and industrial applications, making both direct and on-line sales. Sales in 2019 amounted to about €2m, with an EBITDA margin of 12% and a neutral net financial position. The price paid for the 100% interest was €700k. This highly synergistic acquisition strengthens the presence of Interpump in the strategic Iberian market, adding a location in Catalonia for GS-Hydro and further strengthening the market penetration of Group brands.

As discussed in the introduction, an 80% interest in Servizi Industriali S.r.l. was acquired on 21 July 2020.

**Directors' remarks on performance
in Q2 2020**

Q2 consolidated income statements

(€000)	<u>2020</u>	<u>2019</u>
Net sales	295,565	359,593
Cost of sales	(190,336)	(227,701)
Gross industrial margin	105,229	131,892
<i>% on net sales</i>	<i>35.6%</i>	<i>36.7%</i>
Other operating revenues	4,098	5,172
Distribution costs	(27,152)	(32,150)
General and administrative expenses	(36,120)	(36,735)
Other operating costs	(4,278)	(2,314)
EBIT	41,777	65,865
<i>% on net sales</i>	<i>14.1%</i>	<i>18.3%</i>
Financial income	2,165	2,333
Financial expenses	(3,204)	(3,637)
Equity method contribution	50	(78)
Profit for the period before taxes	40,788	64,483
Income taxes	(10,616)	(17,537)
Consolidated profit for the period	30,172	46,946
<i>% on net sales</i>	<i>10.2%</i>	<i>13.1%</i>
Pertaining to:		
Parent company's shareholders	29,381	46,617
Subsidiaries' minority shareholders	791	329
Consolidated profit for the period	30,172	46,946
EBITDA	64,904	83,536
<i>% on net sales</i>	<i>22.0%</i>	<i>23.2%</i>
Shareholders' equity	1,094,182	926,490
Net debt	344,155	390,970
Payables for the acquisition of investments	62,392	40,235
Capital employed	1,500,729	1,357,695
Unannualized ROCE	2.8%	4.9%
Unannualized ROE	2.8%	5.1%
Basic earnings per share	0.273	0.441

The scope of consolidation in Q2 2020 includes the Reggiana Riduttori Group and the Transtecno Group which were not present in Q2 2019.

NET SALES

Net sales in Q2 2020 totalled €295.6m, down by 17.8% compared to €359.6m in Q2 2019 (down 26.5% at unchanged perimeter).

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 Pacific Basin</u>	<u>Rest of the World</u>	<u>Total</u>
<i>Q2 2020</i>						
Hydraulic Sector	35,692	71,274	47,692	29,017	10,989	194,664
Water Jetting Sector	<u>8,587</u>	<u>35,597</u>	<u>32,219</u>	<u>13,903</u>	<u>10,595</u>	<u>100,901</u>
Total	<u>44,279</u>	<u>106,871</u>	<u>79,911</u>	<u>42,920</u>	<u>21,584</u>	<u>295,565</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>
2020/2019 percentage changes						
Hydraulic Sector	-27.1%	-18.1%	-19.8%	+24.6%	-51.7%	-19.4%
Water Jetting Sector	-27.4%	-18.2%	-19.9%	+4.9%	+13.6%	-14.6%
Total	-27.1%	-18.1%	-19.8%	+17.5%	-32.7%	-17.8%
2020/2019 at unchanged perimeter (%)						
Hydraulic Sector	-36.9%	-30.1%	-29.9%	-11.8%	-57.6%	-32.3%
Water Jetting Sector	-27.4%	-18.2%	-19.9%	+4.9%	+13.6%	-14.6%
Total	-35.0%	-26.1%	-25.9%	-5.7%	-36.9%	-26.5%

PROFITABILITY

The cost of sales accounted for 64.4% of turnover (63.3% in Q2 2019). Production costs, which totalled €78.0m (€93.8m in Q2 2019, which however did not include costs of the Reggiana Riduttori Group and the Transtecno Group), accounted for 26.4% of sales (26.1% in the equivalent period of 2019). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €12.4m (€133.9m in the equivalent period of 2019, which however did not include purchasing costs of the Reggiana Riduttori Group and the Transtecno Group). The incidence of purchase costs, including changes in inventories, was 38.0% with respect to 37.2% in the second quarter of 2019.

At unchanged perimeter, distribution costs fell by 23.4% with respect to Q2 2019, but their incidence on sales rose by 0.4 percentage points.

Again at unchanged perimeter, general and administrative expenses were 12.9% lower than in the Q2 2019, although their incidence on sales was 1.9 percentage points higher.

EBITDA totalled €64.9m (22.0% of sales) compared to €83.5m in Q2 2019, which represented 23.2% of sales. At unchanged perimeter, EBITDA was 21.8% of sales.

The following table shows EBITDA by business sector:

	<i>Q2 2020</i>	<i>% on</i>	<i>Q2 2019</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	40,025	20.5%	51,494	21.3%	-22.3%
Water Jetting Sector	<u>24,879</u>	24.5%	<u>32,042</u>	27.0%	-22.4%
Total	<u>64,904</u>	22.0%	<u>83,536</u>	23.2%	-22.3%

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

EBIT was €41.8m (14.1% of sales) compared to €65.9m in Q2 2019 (18.3% of sales).

Q2 closed with consolidated net profit of €30.2m (€46.9m in Q2 2019).

Basic earnings per share were 0.273 euro, compared to 0.441 euro in Q2 2019.

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 consequent to COVID-19, it is impractical to formulate reliable forecasts in relation to trends in H2 2020, 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 for allocation to internal and external growth and remuneration of the shareholders.

Sant'Ilario d'Enza (RE), 1 September 2020

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>30/06/2020</u>	<u>31/12/2019</u>
ASSETS			
Current assets			
Cash and cash equivalents		318,977	233,784
Trade receivables		254,238	284,842
Inventories	4	410,620	408,443
Tax receivables		22,134	24,337
Other current assets		14,162	9,077
Total current assets		<u>1,020,131</u>	<u>960,483</u>
Non-current assets			
Property, plant and equipment	5	484,671	484,358
Goodwill	1	542,177	508,670
Other intangible assets		45,505	32,527
Other financial assets		1,973	4,226
Tax receivables		927	1,590
Deferred tax assets		35,374	34,679
Other non-current assets		2,199	2,150
Total non-current assets		<u>1,112,826</u>	<u>1,068,200</u>
Total assets		<u>2,132,957</u>	<u>2,028,683</u>

(€000)	<u>Notes</u>	<u>30/06/2020</u>	<u>31/12/2019</u>
LIABILITIES			
Current liabilities			
Trade payables		133,115	157,413
Bank payables		15,247	22,076
Interest-bearing financial payables (current portion)		197,367	195,110
Tax payables		21,770	14,965
Other current liabilities		78,535	90,230
Provisions for risks and charges		4,419	4,055
Total current liabilities		<u>450,453</u>	<u>483,849</u>
Non-current liabilities			
Interest-bearing financial payables		450,518	387,412
Liabilities for employee benefits		22,784	21,402
Deferred tax liabilities		45,261	42,154
Tax payables		142	125
Other non-current liabilities		59,037	35,610
Provisions for risks and charges		10,580	3,057
Total non-current liabilities		<u>588,322</u>	<u>489,760</u>
Total liabilities		<u>1,038,775</u>	<u>973,609</u>
SHAREHOLDERS' EQUITY			
	6		
Share capital		55,873	55,460
Legal reserve		11,323	11,323
Share premium reserve		104,908	96,733
Reserve from remeasurement of defined benefit plans		(7,358)	(7,358)
Translation reserve		(1,095)	7,735
Other reserves		921,065	885,446
Group shareholders' equity		<u>1,084,716</u>	<u>1,049,339</u>
Minority interests		9,466	5,735
Total shareholders' equity		<u>1,094,182</u>	<u>1,055,074</u>
Total shareholders' equity and liabilities		<u>2,132,957</u>	<u>2,028,683</u>

H1 consolidated income statements

(€000)	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Net sales		639,536	703,203
Cost of sales		(411,650)	(446,587)
Gross industrial margin		227,886	256,616
Other net revenues		8,864	10,124
Distribution costs		(58,801)	(62,847)
General and administrative expenses		(75,732)	(72,452)
Other operating costs		(10,250)	(3,160)
Ordinary profit before financial expenses		91,967	128,281
Financial income	7	6,867	6,160
Financial expenses	7	(11,915)	(7,162)
Equity method contribution		113	(3)
Profit for the period before taxes		87,032	127,276
Income taxes		(23,564)	(35,063)
Consolidated profit for the period		63,468	92,213
Pertaining to:			
Parent company's shareholders		62,517	91,511
Subsidiaries' minority shareholders		951	702
Consolidated profit for the period		63,468	92,213
Basic earnings per share	8	0.584	0.867
Diluted earnings per share	8	0.581	0.857

H1 comprehensive consolidated income statements

(€000)	<u>2020</u>	<u>2019</u>
H1 consolidated profit (A)	63,468	92,213
Other comprehensive profit (loss) that will be subsequently reclassified to consolidated profit		
<i>Profits (losses) arising from translation of the financial statements of foreign companies</i>	(9,065)	2,686
<i>Profits (losses) of companies carried at equity</i>	(62)	18
<i>Related taxes</i>	<u>-</u>	<u>-</u>
Total other profit (loss) that will be subsequently reclassified to consolidated profit for the period, net of the tax effect (B)	<u>(9,127)</u>	<u>2,704</u>
H1 comprehensive consolidated profit (A) + (B)	<u>54,341</u>	<u>94,917</u>
Pertaining to:		
Parent company's shareholders	53,687	94,091
Subsidiaries' minority shareholders	654	826
Comprehensive consolidated profit for the period	<u>54,341</u>	<u>94,917</u>

Q2 consolidated income statements

(€000)		<u>2020</u>	<u>2019</u>
Net sales		295,565	359,593
Cost of sales		(190,336)	(227,701)
Gross industrial margin		105,229	131,892
Other net revenues		4,098	5,172
Distribution costs		(27,152)	(32,150)
General and administrative expenses		(36,120)	(36,735)
Other operating costs		(4,278)	(2,314)
Ordinary profit before financial expenses		41,777	65,865
Financial income	7	2,165	2,333
Financial expenses	7	(3,204)	(3,637)
Equity method contribution		50	(78)
Profit for the period before taxes		40,788	64,483
Income taxes		(10,616)	(17,537)
Consolidated net profit for the period		30,172	46,946
Pertaining to:			
Parent company's shareholders		29,381	46,617
Subsidiaries' minority shareholders		791	329
Consolidated profit for the period		30,172	46,946
Basic earnings per share	8	0.273	0.441
Diluted earnings per share	8	0.272	0.437

Q2 comprehensive consolidated income statements

(€000)	<u>2020</u>	<u>2019</u>
Q2 consolidated profit (A)	30,172	46,946
<i>Profits (losses) arising from translation of the financial statements of foreign companies</i>	(5,462)	(5,404)
<i>Profits (losses) of companies carried at equity</i>	(4)	(10)
<i>Related taxes</i>	=	=
Total other profit (loss) that will be subsequently reclassified to consolidated profit for the period, net of the tax effect (B)	<u>(5,466)</u>	<u>(5,414)</u>
Q2 comprehensive consolidated profit (A) + (B)	<u>24,706</u>	<u>41,532</u>
Pertaining to:		
Parent company's shareholders	23,979	41,316
Subsidiaries' minority shareholders	<u>727</u>	<u>216</u>
Comprehensive consolidated profit for the period	<u>24,706</u>	<u>41,532</u>

H1 consolidated cash flow statements

(€000)	<u>2020</u>	<u>2019</u>
Cash flow from operating activities		
Pretax profit	87,032	127,276
Adjustments for non-cash items:		
Capital losses (gains) from the sale of fixed assets	(958)	(1,395)
Amortization	39,150	33,339
Costs recognized in the income statement related to stock options that do not involve monetary outflows for the Group	1,615	914
Loss (profit) from equity investments	(113)	3
Net change in provisions for risks and employee benefits	7,827	(205)
Outlays for tangible fixed assets destined for hire	(2,936)	(2,871)
Proceeds from the sale of fixed assets granted for hire	1,705	5,235
Financial expenses (income), net	5,048	1,002
	138,370	163,298
(Increase) decrease in trade receivables and other current assets	35,073	(45,376)
(Increase) decrease in inventories	5,284	(24,144)
Increase (decrease) in trade payables and other current liabilities	(21,853)	6,733
Interest paid	(2,537)	(2,699)
Currency exchange gains	(1,317)	309
Taxes paid	(17,215)	(16,697)
Net cash from operating activities	135,805	81,424
Cash flows from investing activities		
Outlay for the acquisition of equity investments, net of cash received and net of divested treasury stock	(31,061)	(26,272)
Capital expenditure on property, plant and equipment	(28,520)	(34,647)
Proceeds from the sale of tangible fixed assets	820	930
Capital expenditure on intangible assets	(1,867)	(1,372)
Received financial income	635	406
Other	672	93
Net liquidity used in investing activities	(59,321)	(60,862)
Cash flows from financing activities		
Disbursals (repayments) of loans	62,587	40,427
Dividends paid	(28,079)	(23,703)
Outlays for purchase of treasury shares	(20,911)	(14,859)
Proceeds from the sale of treasury shares to beneficiaries of stock options	13,834	360
Loans repaid (granted) by/to non-consolidated subsidiaries	-	(150)
Change in other financial assets	(472)	(39)
Payment of finance leasing installments (principal portion)	(9,460)	(8,355)
Net liquidity generated (used by) financing activities	17,499	(6,319)
Net increase (decrease) in cash and cash equivalents	93,983	14,243

Interim Board of Directors' Report at 30 June 2020 - Interpump Group

(€000)	2020	2019
Net increase (decrease) in cash and cash equivalents	93,983	14,243
Exchange differences on translation of liquidity of non-EU companies	(2,009)	150
Opening cash and equivalents of companies consolidated for the first time using the line-by-line method	48	(34)
Cash and cash equivalents at beginning of period	211,708	96,736
Cash and cash equivalents at end of period	303,730	111,095

Cash and cash equivalents can be broken down as follows:

	30/06/2020 €000	31/12/2019 €000
Cash and cash equivalents from the statement of financial position	318,977	233,784
Bank payables (current account overdrafts and advances subject to collection)	(15,247)	(22,076)
Cash and cash equivalents from the cash flow statement	<u>303,730</u>	<u>211,708</u>

Statement of changes in consolidated shareholders' equity

	Share capital	Legal reserve	Share premium reserve	Reserve from re-measurement of defined benefit plans	Translation reserve	Other reserves	Group shareholders' equity	Minority interests	Total
<i>Balances at 1 January 2019</i>	54,842	11,323	71,229	(5,965)	3,142	729,373	863,944	4,961	868,905
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	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 attributable to minority interests	-	-	-	-	-	(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
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	1,671	-	-	-	1,671	-	1,671
Purchase of treasury shares	(1,243)	-	(62,891)	-	-	-	(64,134)	-	(64,134)
Sale of treasury shares to the beneficiaries of stock options	140	-	3,323	-	-	-	3,463	-	3,463
Sale of treasury stock to pay for equity investments	1,976	-	96,731	-	-	-	98,707	-	98,707
Minority interest in Reggiana Riduttori	-	-	-	-	-	-	-	175	175
Purchase of residual interests in subsidiaries	-	-	-	-	-	103	103	(153)	(50)
Dividends paid	-	-	-	-	-	(53)	(53)	(128)	(181)
Dividends declared attributable to minority interests	-	-	-	-	-	53	53	(99)	(46)
Comprehensive profit (loss) for H2 2019	-	-	-	(1,393)	2,013	87,659	88,279	700	88,979
<i>Balances at 31 December 2019</i>	55,460	11,323	96,733	(7,358)	7,735	885,446	1,049,339	5,735	1,055,074
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	1,615	-	-	-	1,615	-	1,615
Purchase of treasury stock	(399)	-	(20,512)	-	-	-	(20,911)	-	(20,911)
Sale of treasury shares to the beneficiaries of stock options	558	-	13,276	-	-	-	13,834	-	13,834
Sale of treasury stock to pay for equity investments	254	-	13,796	-	-	-	14,050	-	14,050
Minority interest in IGT	-	-	-	-	-	-	-	472	472
Minority interest in Transtecno	-	-	-	-	-	-	-	3,820	3,820
Dividends paid	-	-	-	-	-	(26,850)	(26,850)	(1,214)	(28,064)
Dividends declared	-	-	-	-	-	(48)	(48)	(1)	(49)
Comprehensive profit (loss) for H1 2020	-	-	-	-	(8,830)	62,517	53,687	654	54,341
<i>Balances at 30 June 2020</i>	55,873	11,323	104,908	(7,358)	(1,095)	921,065	1,084,716	9,466	1,094,182

Notes to the condensed half-year consolidated financial statements as at 30 June 2020

General information

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

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

Sales are not affected by any significant degree of seasonality.

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

The condensed half-year consolidated financial statements as at 30 June 2020 were approved by the Board of Directors today (1 September 2020).

Basis of preparation

The condensed half-year consolidated financial statements as at 30 June 2020 were drawn up in compliance with the international accounting standards (IAS/IFRS) endorsed by the European Union for interim financial statements (IAS 34). The tables were prepared in compliance with IAS 1, while the notes were prepared in condensed form in application of the faculty provided by IAS 34 and, therefore, do not include all the information required for annual consolidated financial statements drafted in compliance with IFRS standards. The condensed half-year consolidated financial statements as at 30 June 2020 should therefore be consulted together with the annual consolidated financial statements as at 31 December 2019.

The accounting standards and criteria adopted in the condensed half-year consolidated financial statements as at 30 June 2020 may conflict with IFRS provisions in force on 31 December 2020, 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 Interpretations Committee (IFRIC).

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

require to determine the liability for employee benefits are normally made when preparing the annual financial statements.

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

Impact of the Covid-19 pandemic on the Interpump Group

The measures to contain the spread of the COVID-19 pandemic adopted by numerous governments at an international level resulted in the closure of several plants and, where activities continued, the work rate was reduced. This affected the sales and profitability of the Group during the first half of 2020. Further information is provided in the section of the report on operations entitled “Significant events during H1 2020”.

The significant estimates and assumptions used for measurement purposes when preparing the condensed half-year consolidated financial statements were reconsidered in the light of the above events, with particular reference to:

- goodwill, see the note on the “Scope of consolidation and goodwill”;
- financial assets, to take account in particular of any deterioration in credit quality. The analysis performed showed that the allowance for doubtful accounts is adequate;
- inventories, to take account of any reduction in the rate of turnover. The analysis performed showed that the inventory allowance is adequate;
- payables for the acquisition of investments, to take account of any changes in the results expected from companies for which put and call options have been agreed for the transfer of minority interests. The analysis performed did not result in the adjustment of liabilities or the recognition of financial income;
- government grants, which are deducted from the costs they are intended to offset, in compliance with IAS 20. Tax relief is deducted from current taxation, in compliance with IAS 12;
- deferred tax assets, to take account of any reductions in future taxable income. The analysis performed did not result in adjustments to the carrying amounts of these assets.

Accounting standards

The accounting standards adopted are those described in the consolidated financial statements at 31 December 2019, with the exception of those adopted as from 1 January 2020 as described hereunder, and they were uniformly applied to all Group companies and all periods presented.

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

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

- *Amendments to IFRS 3 - “Business Combinations”*. IASB published these amendments on 22 October 2018 in order to help determine if a transaction represents the acquisition of a business or a group of activities that does not satisfy the definition of a business pursuant to IFRS 3. Application of the new amendments did not result in adjustments to the financial position of the Group, but could have an impact in future years should the Group carry out any business combinations.
- *Amendments to IAS 1 and IAS 8 - “Definition of Material”*. IASB published these amendments on 31 November 2018 in order to clarify the definition of “material”, with a view to helping companies determine if a disclosure should be made in the financial

statements. These amendments had no impact on the consolidated financial statements and are not expected to have any effect on the Group in future.

- *Amendments to references to the Conceptual Framework in IFRS Standards.* The IASB published this amendment on 29 March 2018 with the aim of improving both the definitions of "asset" and "liability" and the process for their measurement, elimination and presentation. The document also clarifies a number of important concepts, such as identification of the recipients of financial statements and the objectives they seek to achieve, and discusses application of the concepts of prudence and uncertainty when evaluating financial disclosures.

- *Amendment to IFRS 16 Leases Covid 19 – Related rent concessions.* On 28 May 2020 the IASB published an amendment to clarify the circumstances in which a lessee may, as a practical expedient, determine that specific reductions in instalments (as a direct consequence of Covid-19) need not be treated as changes in the payment plan and recognise them accordingly. This amendment is effective from 1 June 2020 (IASB approval expected by the end of 2020), however lessees have the option to apply it retroactively.

b) *Accounting standards, amendments and interpretations taking effect as from 1 January 2020 but not relevant for the Group*

- *Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.* The IASB published these amendments on 26 September 2019 so that companies can make useful financial disclosures during the period of uncertainty caused by the gradual elimination of certain interest-rate parameters, such as the interbank offered rates (IBORs); they amend certain requirements for the recognition of hedges in order to mitigate potential effects deriving from uncertainties linked to the IBOR reform. The amendments also require companies to make additional disclosures to investors about any hedging relationships that are directly affected by those uncertainties. Application of the new amendment did not result in adjustments to the Group's equity balances.

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 IAS 1 – “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”.* The IASB published these amendments on 23 January 2020 in order to clarify the presentation of liabilities in the statement of financial position. Specifically, they clarify that:
 - the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period and, in particular, on the right to defer payment for at least 12 months;
 - classification is not influenced by expectations regarding decisions by the entity to exercise its right to defer the payment of a liability;
 - payment refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

These new amendments are applicable from 1 January 2023 (following the IASB decision to defer the application date, which was previously set for 1 January 2022).

- *Amendments to IFRS 3 “Business combinations”, IAS 16 “Property, Plant and Equipment”, IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, Annual Improvements 2018-2020.* On 14 May 2020 the IASB published a series of amendments that clarify and make minor amendments to the following IFRS:
 - IFRS 3: update of references to the IAS Conceptual Framework (no change in the accounting for business combinations);
 - IAS 16: the amendment clarifies that companies cannot deduct proceeds from the sale of assets produced from the cost of tangible fixed assets while they are preparing them for use. Companies must recognise those sales and the related costs separately in the income statement.
 - IAS 37: the amendment clarifies the costs to be included when measuring the losses generated by a contract.

The new amendments will take effect from 1 January 2022.

- *Amendments to IFRS 4 “Insurance Contracts – Deferral of IFRS 9”:* on 25 June 2020 the IASB published an amendment to help companies implement the new standard and facilitate the disclosure of their financial performance. The new amendment will take effect from 1 January 2021.

Notes to the condensed half-year consolidated financial statements as at 30 June 2020

	Page	
1. Scope of consolidation and goodwill	44	
2. Business sector information		48
3. Acquisition of investments	54	
4. Inventories and detail of changes in the Inventories allowance	57	
5. Property, plant and equipment	57	
6. Shareholders' equity	57	
7. Financial income and charges	59	
8. Earnings per share	60	
9. Transactions with related parties	61	
10. Information on financial assets and liabilities	63	
11. Disputes, Contingent Liabilities and Contingent Assets	64	

1. Scope of consolidation and goodwill

The consolidation basis at 30 June 2020 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 30/06/2020</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 (13)	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%
Mariotti & Pecini S.r.l.	Sesto Fiorentino (FI)	100	Water Jetting	60.00%
Pioli 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)	15,126	Hydraulic	100.00%
Interpump Hydraulics France S.a.r.l. (4)	Ennery (France)	76	Hydraulic	99.77%
Interpump Hydraulics India Private Ltd (4)	Hosur (India)	682	Hydraulic	100.00%
Interpump Hydraulics Middle East FZE (4)	Dubai (UAE)	326	Hydraulic	100.00%

Interim Board of Directors' Report at 30 June 2020 - Interpump Group

<u>Company</u>	<u>Head office</u>	<u>Share capital</u> <u>€/000</u>	<u>Sector</u>	<u>% held at</u> <u>30/06/2020</u>
Interpump South Africa Pty Ltd (4)	Johannesburg (South Africa)	-	Hydraulic	100.00%
Interpump Hydraulics (UK) Ltd. (4)	Kidderminster (United Kingdom)	13	Hydraulic	100.00%
Mega Pacific Pty Ltd (6)	Newcastle (Australia)	335	Hydraulic	65.00%
Mega Pacific NZ Pty Ltd (6)	Mount Maunganui (New Zealand)	557	Hydraulic	65.00%
Muncie Power Prod. Inc. (4)	Muncie (USA)	784	Hydraulic	100.00%
American Mobile Power Inc. (7)	Fairmount (USA)	3,410	Hydraulic	100.00%
Hydra Dyne Tech Inc (7)	Ingersoll (Canada)	80	Hydraulic	75.00%
Oleodinamica Panni S.r.l. (4)	Tezze sul Brenta (VI)	2,000	Hydraulic	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (4)	Wuxi (China)	2,095	Hydraulic	65.00%
IMM Hydraulics S.p.A. (4)	Atessa (Switzerland)	520	Hydraulic	100.00%
Hypress France S.a.r.l. (8)	Strasbourg (France)	162	Hydraulic	100.00%
Interpump Fluid Solutions Germany GmbH (8)	Meinerzhagen (Germany)	52	Hydraulic	100.00%
IMM Hydro Est (8)	Catcau Cluj Napoca (Romania)	3,155	Hydraulic	100.00%
FGA S.r.l. (8)	Fossacesia (CH)	10	Hydraulic	100.00%
Innovativ Gummi Tech S.r.l. (8)	Ascoli Piceno (AP)	25	Hydraulic	60.00%
Tekno Tubi S.r.l. (8)	Terre del Reno (FE)	100	Hydraulic	100.00%
Tubiflex S.p.A.	Orbassano (TO)	515	Hydraulic	100.00%
Walvoil S.p.A.	Reggio Emilia	7,692	Hydraulic	100.00%
Walvoil Fluid Power Corp. (9)	Tulsa (USA)	137	Hydraulic	100.00%
Walvoil Fluid Power 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%
Reggiana Riduttori S.r.l.	S. Polo d'Enza (RE)	6,000	Hydraulic	100.00%
RR USA Inc. (14)	Boothwyn (USA)	1	Hydraulic	100.00%
RR Canada Inc. (14)	Vaughan (Canada)	1	Hydraulic	100.00%
RR Holland BV (14)	Oosterhout (Netherlands)	19	Hydraulic	100.00%
RR France S.a.r.l. (14)	Thouare sur Loire (France)	400	Hydraulic	95.00%
RR Slovakia A.S. (14)	Zvolen (Slovakia)	340	Hydraulic	100.00%
RR Brasil Redutores Ltda (14)	San Paolo (Brazil)	569	Hydraulic	100.00%
RR Pacific Pty Ltd (14)	Victoria (Australia)	-	Hydraulic	100.00%
RR India Pvt. Ltd (14)	New Delhi (India)	52	Hydraulic	99.99%
Reggiana Riduttori (Suzhou) Co. Ltd (14)	Suzhou (China)	200	Hydraulic	100.00%
Transtecno S.r.l.	Anzola dell'Emilia (BO)	100	Hydraulic	60.00%
Intecno S.r.l. (15)	Anzola dell'Emilia (BO)	10	Hydraulic	81.00%
Hangzhou Transtecno Power Transmissions Co. Ltd (15)	Hangzhou (China)	575	Hydraulic	72.00%
Transtecno Iberica the Modular Gearmotor S.A. (15)	Gava (Spain)	94	Hydraulic	50.40%
MA Transtecno S.A.P.I. de C.V. (15)	Apodaca (Mexico)	124	Hydraulic	50.40%
Transtecno USA LLC (17)	Miami (USA)	3	Hydraulic	100.00%
Transtecno BV (15)	Amersfoort (Netherlands)	18	Hydraulic	51.00%
Transtecno Aandrijftechniek (Netherlands) (16)	Amersfoort (Netherlands)	-	Hydraulic	51.00%
Interpump Piping GS S.r.l.	Reggio Emilia	10	Hydraulic	100.00%
GS-Hydro Singapore Pte Ltd (11)	Singapore	624	Hydraulic	100.00%

Interim Board of Directors' Report at 30 June 2020 - Interpump Group

<u>Company</u>	<u>Head office</u>	<u>Share capital</u> €/000	<u>Sector</u>	<u>% held at</u> 30/06/2020
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 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 (10) = controlled by HTIL
(2) = controlled by NLB Corporation Inc. (11) = controlled by Interpump Piping GS S.r.l.
(3) = controlled by Inoxpa S.A. (12) = controlled by GS Hydro Hong Kong Ltd
(4) = controlled by Interpump Hydraulics S.p.A. (13) = controlled by Interpump Hydraulics Brasil Ltda
(5) = controlled by Contarini Leopoldo S.r.l. (14) = controlled by Reggiana Riduttori S.r.l.
(6) = controlled by Interpump Hydraulics (UK) Ltd. (15) = controlled by Transtecno S.r.l.
(7) = controlled by Muncie Power Prod. Inc. (16) = controlled by Transtecno B.V.
(8) = controlled by IMM Hydraulics S.p.A. (17) = controlled by MA Transtecno S.A.P.I. de C.V.
(9) = controlled by Walvoil S.p.A.
The other companies are controlled by Interpump Group S.p.A.

Compared with H1 2019, the H1 2020 consolidation includes the Reggiana Riduttori Group and the Transtecno Group, both in the Hydraulic Sector. Hydra Dyne (also in the Hydraulic Sector), acquired on 1 March 2019 and only consolidated for four months in H1 2019, has been consolidated for the entire first half of 2020. FGA and Innovativ Gummi Tech (Hydraulic Sector) have also been consolidated on a line-by-line basis from 1 January 2020. They were not consolidated in 2019 due to their insignificance. Lastly, Pioli (Water Jetting Sector), acquired on 1 April 2019 and therefore consolidated for three months in H1 2019, has been consolidated for the entire period in 2020.

The minority shareholder of Inoxidip 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 Inoxidip Solution Moldova is entitled to dispose of its holdings from October 2020, based on the most recent statement of financial position of that company. The minority shareholder of Hydra Dyne has the right and obligation to dispose of its holdings starting from approval of the 2023 financial statements based on the average of the results for the two years prior to exercise of the option. The minority shareholder of

Tecnoholding S.r.l. is entitled and required to dispose of its holdings during 2022 or during 2024, on the basis of the results for the year prior to that in which the option is exercised.

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

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

Changes in goodwill in H1 2020 are as follows:

<i>Company:</i>	Balance at 31/12/2019	Increases (Decreases) in the period	Changes due to exchange differences	Balance at 30/06/2020
Water Jetting Sector	210,703	-	130	210,833
Hydraulic Sector	<u>297,967</u>	<u>35,826</u>	<u>(2,449)</u>	<u>331,344</u>
<i>Total goodwill</i>	<u>508,670</u>	<u>35,826</u>	<u>(2,319)</u>	<u>542,177</u>

The increases during the first half of 2020 comprise €1,872k on consolidation of the Transtecno Group and €140k on consolidation of Innovativ Gummi. In addition, with respect to the amounts reported as at 31/12/2019, the PPA for the Reggiana Riduttori Group has been determined more precisely by measuring the brand name. This was not possible at the above date since certain required elements were not available. As a consequence, the carrying amount of goodwill was reduced by €6,186k.

The successful impairment test carried out in December 2019 was not repeated at 30 June 2020, since the directors do not believe that the effects of the COVID-19 pandemic at the reporting date are indicative of such a loss in value that specific checks on the recoverability of assets need to be carried out. In this regard, the CGUs achieved their target cash flows in the period to 30 June 2020, despite the decline in sales and profitability described in the section entitled “Directors' remarks on performance in H1 2020”. Operating activities were the main contributor to the generation of the expected cash flows, although the reduction of commercial working capital - especially in the “Hydraulic” CGU - also made a positive contribution. Investment essentially continued in line with the various business plans, although there was a slight delay due to the lockdown that affected all Group companies to some extent.

With regard to the second half of the year, the directors consider that the target cash flows established for 2020 are achievable - especially by the “Hydraulic” CGU - and may be exceeded. Additionally, should the current difficult macroeconomic situation continue over the medium-long term, the Group believes that the cash flows generated by the Group will easily be sufficient to justify the carrying amounts of the assets subject to impairment testing.

A sensitivity analysis was carried out at 30 June 2020 in order to determine the effect on results of changes, within reasonable boundaries, in the cash flows expected and the WACC used to discount those flows. In particular, no impairment losses were identified on reducing the expected cash flows of each CGU by 20% from 2021, or on increasing by one percentage point the cost of capital at 30 June 2020 used to discount those expected cash flows.

Moreover, as an additional positive element supporting the recoverability of goodwill, the stock market capitalisation at 30 June 2020 exceeds the shareholders' equity of the Group, as it did throughout the entire first half of 2020. During July and August 2020, the average market value of Interpump Group stock was essentially consistent with the price at 30 June 2020.

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, asphalt, and paint coatings from stone, cement and metal surfaces, and for cutting solid materials. The Sector also includes high pressure homogenizers, mixers, agitators, piston pumps, valves and other machines produced mainly for the food processing industry and also used in the chemicals and cosmetics sectors.

Hydraulic Sector. This sector includes the production and sale of power take-offs, hydraulic cylinders and pumps, directional controls, valves, rotary unions, hydraulic hoses and fittings, gears and other hydraulic components. Power take-offs are mechanical devices designed to transmit drive from an industrial vehicle engine or transmission to power a range of ancillary services through hydraulic components. These products, combined with other hydraulic components (spool valves, controls, etc.) allow the execution of special functions such as lifting tipping bodies, operating truck-mounted cranes, operating truck

mixer truck drums, and so forth. Hydraulic cylinders are components of the hydraulic system of various vehicle types employed in a wide range of applications depending on the type. Front-end and underbody cylinders (single acting) are fitted mainly on industrial vehicles in the building construction sector, while double acting cylinders are employed in a range of applications: earthmoving machinery, agricultural machinery, cranes and truck cranes, waste compactors, etc. The hydraulic hoses and fittings are designed for use in a broad range of hydraulic systems and also for very high pressure water systems. Gears facilitate the mechanical transmission of energy, with applications in various industrial sectors including agriculture, materials handling, mining, heavy industry, marine & offshore, aerial platforms, forestry and sugar production. The Group also designs and makes piping systems for the industrial, naval and offshore sectors.

Interpump Group business sector information
(Amounts shown in €000)
Cumulative to 30 June (six months)

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales external to the Group	429,612	474,403	209,924	228,800	-	-	639,536	703,203
Sales between sectors	527	453	925	1,165	(1,452)	(1,618)	-	-
Total net sales	430,139	474,856	210,849	229,965	(1,452)	(1,618)	639,536	703,203
Cost of sales	(294,695)	(322,076)	(118,369)	(126,134)	1,414	1,623	(411,650)	(446,587)
Gross industrial margin	135,444	152,780	92,480	103,831	(38)	5	227,886	256,616
<i>% on net sales</i>	<i>31.5%</i>	<i>32.2%</i>	<i>43.9%</i>	<i>45.2%</i>			<i>35.6%</i>	<i>36.5%</i>
Other net revenues	6,439	7,364	2,778	3,260	(353)	(500)	8,864	10,124
Distribution costs	(34,876)	(35,500)	(24,088)	(27,572)	163	225	(58,801)	(62,847)
General and administrative expenses	(47,458)	(43,970)	(28,502)	(28,752)	228	270	(75,732)	(72,452)
Other operating costs	(6,881)	(2,556)	(3,369)	(604)	-	-	(10,250)	(3,160)
Ordinary profit before financial expenses	52,668	78,118	39,299	50,163	-	-	91,967	128,281
<i>% on net sales</i>	<i>12.2%</i>	<i>16.5%</i>	<i>18.6%</i>	<i>21.8%</i>			<i>14.4%</i>	<i>18.2%</i>
Financial income	4,494	3,012	3,098	3,895	(725)	(747)	6,867	6,160
Financial expenses	(8,725)	(4,767)	(3,915)	(3,142)	725	747	(11,915)	(7,162)
Dividends	-	-	39,700	15,001	(39,700)	(15,001)	-	-
Equity method contribution	64	(78)	49	75	-	-	113	(3)
Profit for the period before taxes	48,501	76,285	78,231	65,992	(39,700)	(15,001)	87,032	127,276
Income taxes	(14,400)	(21,498)	(9,164)	(13,565)	-	-	(23,564)	(35,063)
Consolidated profit for the period	34,101	54,787	69,067	52,427	(39,700)	(15,001)	63,468	92,213
Pertaining to:								
Parent company's shareholders	33,256	54,367	68,961	52,145	(39,700)	(15,001)	62,517	91,511
Subsidiaries' minority shareholders	845	420	106	282	-	-	951	702
Consolidated profit for the period	34,101	54,787	69,067	52,427	(39,700)	(15,001)	63,468	92,213
Further information required by IFRS 8								
Amortization, depreciation and write-downs	28,109	22,849	11,041	10,490	-	-	39,150	33,339
Other non-monetary costs	6,352	1,571	4,178	1,116	-	-	10,530	2,687

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

Q2

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales external to the Group	194,664	241,447	100,901	118,146	-	-	295,565	359,593
Sales between sectors	251	222	479	676	(730)	(898)	-	-
Total net sales	194,915	241,669	101,380	118,822	(730)	(898)	295,565	359,593
Cost of sales	(132,416)	(163,878)	(58,633)	(64,725)	713	902	(190,336)	(227,701)
Gross industrial margin	62,499	77,791	42,747	54,097	(17)	4	105,229	131,892
<i>% on net sales</i>	<i>32.1%</i>	<i>32.2%</i>	<i>42.2%</i>	<i>45.5%</i>			<i>35.6%</i>	<i>36.7%</i>
Other net revenues	2,952	3,866	1,375	1,670	(229)	(364)	4,098	5,172
Distribution costs	(16,344)	(18,400)	(10,949)	(13,975)	141	225	(27,152)	(32,150)
General and administrative expenses	(22,732)	(22,191)	(13,493)	(14,679)	105	135	(36,120)	(36,735)
Other operating costs	(2,869)	(1,828)	(1,409)	(486)	-	-	(4,278)	(2,314)
Ordinary profit before financial expenses	23,506	39,238	18,271	26,627	-	-	41,777	65,865
<i>% on net sales</i>	<i>12.1%</i>	<i>16.2%</i>	<i>18.0%</i>	<i>22.4%</i>			<i>14.1%</i>	<i>18.3%</i>
Financial income	1,052	489	1,479	2,239	(366)	(395)	2,165	2,333
Financial expenses	(2,213)	(2,272)	(1,357)	(1,760)	366	395	(3,204)	(3,637)
Dividends	-	-	39,700	15,001	(39,700)	(15,001)	-	-
Equity method contribution	27	(123)	23	45	-	-	50	(78)
Profit for the period before taxes	22,372	37,332	58,116	42,152	(39,700)	(15,001)	40,788	64,483
Income taxes	(6,053)	(10,743)	(4,563)	(6,794)	-	-	(10,616)	(17,537)
Consolidated profit for the period	16,319	26,589	53,553	35,358	(39,700)	(15,001)	30,172	46,946
Pertaining to:								
Parent company's shareholders	15,650	26,379	53,431	35,239	(39,700)	(15,001)	29,381	46,617
Subsidiaries' minority shareholders	669	210	122	119	-	-	791	329
Consolidated profit for the period	16,319	26,589	53,553	35,358	(39,700)	(15,001)	30,172	46,946
Further information required by IFRS 8								
Amortization, depreciation and write-downs	14,646	11,890	5,473	5,356	-	-	20,119	17,246
Other non-monetary costs	2,486	1,045	1,871	583	-	-	4,357	1,628

Financial position
(Amounts shown in €000)

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Assets of the sector (A)	1,229,460	1,203,237	752,543	738,412	(168,023)	(146,750)	1,813,980	1,794,899
Cash and cash equivalents							318,977	233,784
Total assets							2,132,957	2,028,683
Liabilities of the sector (B)	373,785	356,475	107,489	105,000	(168,023)	(146,750)	313,251	314,725
Debts for the payment of investments							62,392	54,286
Bank payables							15,247	22,076
Interest-bearing financial payables							647,885	582,522
Total liabilities							1,038,775	973,609
Total assets, net (A-B)	855,675	846,762	645,054	633,412			1,500,729	1,480,174
Further information required by IFRS 8								
Investments carried at								
equity	209	1,050	316	272			525	1,322
Non-current assets other than financial assets and deferred tax assets	720,924	670,210	354,555	359,085			1,075,479	1,029,295

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

	H1		Q2	
	2020	2019	2020	2019
Net sales external to the Group	361,261	474,403	163,577	241,447
Sales between sectors	527	453	251	222
Total net sales	361,788	474,856	163,828	241,669
Cost of sales	(248,439)	(322,076)	(112,200)	(163,878)
Gross industrial margin	113,349	152,780	51,628	77,791
<i>% on net sales</i>	<i>31.3%</i>	<i>32.2%</i>	<i>31.5%</i>	<i>32.2%</i>
Other net revenues	5,600	7,364	2,495	3,866
Distribution costs	(29,423)	(35,500)	(13,817)	(18,400)
General and administrative expenses	(39,835)	(43,970)	(18,618)	(22,191)
Other operating costs	(6,668)	(2,556)	(2,712)	(1,828)
Ordinary profit before financial expenses	43,023	78,118	18,976	39,238
<i>% on net sales</i>	<i>11.9%</i>	<i>16.5%</i>	<i>11.6%</i>	<i>16.2%</i>
Financial income	2,870	3,012	153	489
Financial expenses	(6,474)	(4,767)	(1,570)	(2,272)
Equity method contribution	64	(78)	27	(123)
Profit for the period before taxes	39,483	76,285	17,586	37,332
Income taxes	(12,099)	(21,498)	(4,885)	(10,743)
Consolidated profit for the period	27,384	54,787	12,701	26,589
Pertaining to:				
Parent company's shareholders	27,126	54,367	12,549	26,379
Subsidiaries' minority shareholders	258	420	152	210
Consolidated profit for the period	27,384	54,787	12,701	26,589

At unchanged perimeter, there are no significant changes in the Water Jetting Sector.

Cash flows by business sector for H1 are as follows:

€000	Hydraulic		Water Jetting		Total	
	2020	2019	2020	2019	2020	2019
Cash flows from:						
Operating activities	96,191	51,668	39,614	29,756	135,805	81,424
Investing activities	(23,187)	(41,664)	(36,134)	(19,198)	(59,321)	(60,862)
Financing activities	(13,173)	(13,317)	30,672	6,998	17,499	(6,319)
Total	<u>59,831</u>	<u>(3,313)</u>	<u>34,152</u>	<u>17,556</u>	<u>93,983</u>	<u>14,243</u>

The investing activities of the Hydraulic Sector in H1 2020 included a net amount of €1,064k spent on the acquisition of equity investments (€12,698k in H1 2019). The investing activities of the Water Jetting Sector in H1 2020 included a net amount of €29,997k spent on new acquisitions (€13,574k in H1 2019).

The financing activities of Hydraulic Sector included the payment of dividends to Water Jetting Sector companies totalling €20,761k (€7,501k in H1 2019). Moreover, the financing activities of the Water Jetting Sector in H1 2020 included the purchase of treasury shares totalling €20,911k (€14,859k in H1 2019), the payment of dividends amounting to €27,013k

(€23,147k in H1 2019) and receipts from the exercise of stock options of €13,834k (€360k in H1 2019).

3. Acquisition of investments

Transtecno Group

As mentioned, the Transtecno Group (Hydraulic Sector), active in the design, production and commercialization of gears and ratiomotors, has been consolidated for the first time in 2020. The parent company based in Anzola Emilia (Bologna) has branches in China, the Netherlands, Spain, the USA and Mexico. Transtecno makes a medium-low power range of products that are used in a multitude of sectors, with specific lines designed for poultry farming, car wash systems and renewable energy (biomass boilers and solar panels). The modular design approach facilitates the optimization of distribution, reducing the need for burdensome inventories and simplifying the work of distributors. The equity investments acquired are listed below:

<u>Company</u>	<u>Head office</u>	<u>% held</u>	<u>Sector</u>
Tecnoholding S.r.l.	Anzola dell'Emilia (BO)	60.00%	Hydraulic
Transtecno S.r.l. (1)	Anzola dell'Emilia (BO)	100.00%	Hydraulic
Expotecno S.r.l. (1)	Anzola dell'Emilia (BO)	100.00%	Hydraulic
Datatecno S.r.l. (1)	Anzola dell'Emilia (BO)	100.00%	Hydraulic
Intecno S.r.l. (1)	Anzola dell'Emilia (BO)	81.00%	Hydraulic
Transtecno Iberica the Modular Gearmotor S.A. (1)	Gava (Spain)	50.40%	Hydraulic
Hangzouh Transtecno Power Transmission Co Ltd (1)	Hangzhou (China)	72.00%	Hydraulic
Transtecno B.V. (1)	Amersfoort (Netherlands)	51.00%	Hydraulic
Transtecno Aandrijftechniek B.V. (2)	Amersfoort (Netherlands)	51.00%	Hydraulic
MA Transtecno S.A.P.I. de C.V. (1)	Apodaca (Mexico)	50.40%	Hydraulic
Transtecno USA LLC (3)	Miami (USA)	100.00%	Hydraulic

(1) = controlled by Tecnoholding S.r.l.

(2) = controlled by Transtecno B.V.

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

The binding contract for the acquisition of 60% of the Transtecno Group was signed on 27 December 2019, while the closing took place on 14 January 2020. Solely for accounting purposes, 1 January 2020 was designated as the acquisition date, there being no significant differences between then and the actual acquisition date.

The assets and liabilities of the Transtecno Group were as follows at the time of the first consolidation:

€000	Amounts <u>acquired</u>	Adjustments <u>to fair value</u>	Carrying values in the acquiring company
Cash and cash equivalents	10,531	-	10,531
Trade receivables	8,930	-	8,930
Inventories	12,163	-	12,163
Tax receivables	727	-	727
Other current assets	503	-	503
Property, plant and equipment	7,904	-	7,904
Other intangible assets	108	5,982	6,090
Other financial fixed assets	1	-	1
Deferred tax assets	592	-	592
Other non-current assets	144	-	144
Trade payables	(6,951)	-	(6,951)
Bank payables	(2,630)	-	(2,630)
Financial payables to banks (current portion)	(2,829)	-	(2,829)
Tax payables	(849)	-	(849)
Other current liabilities	(2,116)	-	(2,116)
Payable for purchase of investments (current portion)	(84)	-	(84)
Financial payables to banks (non-current portion)	(916)	-	(916)
Leasing payables (non-current portion)	(4,259)	-	(4,259)
Deferred tax liabilities	(15)	(1,669)	(1,684)
Employee benefits (severance indemnity provision)	(1,220)	-	(1,220)
Minority interests	<u>(3,820)</u>	-	<u>(3,820)</u>
Net assets acquired	<u>15,914</u>	<u>4,313</u>	20,227
Goodwill related to the acquisition			<u>41,872</u>
Total net assets acquired			<u>62,099</u>
Total amount paid in cash			21,934
Amount paid by assigning treasury shares			14,051
Amount due in medium/long-term			<u>26,114</u>
Total acquisition cost (A)			<u>62,099</u>
Net financial position acquired (B)			103
Total amount paid in cash			21,934
Medium-/long-term payables for the purchase of equity investments			<u>26,114</u>
Total change in the net financial position including change in debt for the acquisition of investments			48,151
Amount paid by assigning treasury shares			<u>14,051</u>
Total			<u>62,202</u>
Capital employed (A) + (B)			62,202

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

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

Reggiana Riduttori Group

The Reggiana Riduttori Group has been consolidated since October 2019. New information obtained in 2020 made it possible to determine the PPA more precisely. The new allocation, still provisional at 30 June 2020, is presented below.

€000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Cash and cash equivalents	19,277	-	19,277
Trade receivables	18,904	-	18,904
Inventories	39,428	-	39,428
Tax receivables	1,616	-	1,616
Other current assets	476	-	476
Property, plant and equipment	19,097	-	19,097
Other intangible assets	421	9,207	9,628
Other financial assets	31	-	31
Deferred tax assets	3,118	-	3,118
Other non-current assets	52	-	52
Trade payables	(13,750)	-	(13,750)
Bank payables	(1,262)	-	(1,262)
Bank payables - loans (current portion)	(1,440)	-	(1,440)
Leasing payables (current portion)	(6)	-	(6)
Derivative instruments	(81)	-	(81)
Tax payables	(1,834)	-	(1,834)
Other current liabilities	(2,971)	-	(2,971)
Provisions for risks and charges (current portion)	(50)	-	(50)
Bank payables - loans (medium-/long-term portion)	(150)	-	(150)
Leasing payables (non-current portion)	(8,843)	-	(8,843)
Employee benefits (severance indemnity provision)	(928)	-	(928)
Deferred tax liabilities	(879)	(2,569)	(3,448)
Provision for risks (non-current portion)	(16)	-	(16)
Other non-current liabilities	(1)	-	(1)
Minority interests	(175)	-	(175)
Net assets acquired	<u>70,034</u>	<u>6,638</u>	<u>76,672</u>
Goodwill related to the acquisition			<u>53,431</u>
Total net assets acquired			<u>130,103</u>
Total amount paid in cash			15,788
Amount paid by assigning shares			98,707
Total amount payable			<u>15,608</u>
Total acquisition cost (A)			<u>130,103</u>
Net financial position acquired (B)			(7,576)
Total amount paid in cash			15,788
Price adjustment payable			<u>15,608</u>
Total change in the net financial position including change in debt for the acquisition of investments			23,820
Amount paid by assigning shares			<u>98,707</u>
Total			<u>122,527</u>
Capital employed (A) - (B)			<u>122,527</u>

The financial statements of the Reggiana Riduttori Group's subsidiaries outside the Eurozone were translated using the exchange rates in force on 30 September 2019.

The fair value of the trademark was determined by an internal appraisal.

The transaction was recognized in accordance with the acquisition method.

4. Inventories and detail of changes in the inventories allowance

	30/06/2020	31/12/2019
	€000	€000
Inventories gross value	448,677	447,248
Allowance for inventories	<u>(38,057)</u>	<u>(38,805)</u>
Inventories	<u>410,620</u>	<u>408,443</u>

Changes in the allowance for inventories were as follows:

	H1 2020	Year 2019
	€000	€000
Opening balances	38,805	36,888
Exchange rate difference	(472)	128
Change in consolidation basis	288	3,081
Provisions for the year	1,295	2,886
Releases in the year to cover losses	(1,446)	(3,239)
Release of excess provisions in the period	<u>(413)</u>	<u>(939)</u>
Closing balance	<u>38,057</u>	<u>38,805</u>

5. Property, plant and equipment

Purchases and disposals

In H1 2020 Interpump Group purchased assets for €42,064k, of which €13,431k through the acquisition of equity investments (€61,128k in H1 2019, of which €7,600k through the acquisition of equity investments). Assets with a net book value of €1,589k (€4,872k in H1 2019) were sold during H1 2020. The net capital gain on those assets was €58k (€1,395k in H1 2019).

Contractual commitments

At 30 June 2020 the Group has contractual commitments for the purchase of tangible fixed assets totalling €24k (€3,869k at 30 June 2019).

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. However, the share capital recorded in the financial statements amounts to €55,873k, because the nominal value of purchased treasury shares, net of those sold, has been deducted from share capital in compliance with the reference accounting standards. At 30 June 2020 Interpump S.p.A. holds 1,430,006 treasury shares in the portfolio corresponding to 1.3133% of the capital stock, acquired at an average unit price of EUR 25.365.

Treasury shares purchased

The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. In H1 2020 Interpump Group purchased 767,500 treasury shares for €20,911k (the Group purchased 550,000 treasury shares in H1 2019 for €14,859k).

Treasury shares sold

In relation to stock option plans, a total of 1,073,700 options were exercised resulting in the receipt of €3,834k (60,000 options were exercised in H1 2019, generating receipts of €360k). Moreover, 488,533 treasury shares were divested in H1 2020 in payment for equity investments (62,069 in H1 2019).

Dividends

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

Stock options

The Shareholders' Meeting held on 30 April 2019 approved a new stock option plan, known as the "Interpump Incentive Plan 2019/2021", which envisages granting a maximum of 2,500,000 options at an exercise price of EUR 28.4952 each and, for options granted after 30 April 2020, at the official price quoted on the Italian Stock Exchange on the day prior to the grant date. In its meeting of 27 June 2019, the Board of Directors assigned 1,800,000 options to Chairman and Chief Executive Officer Fulvio Montipò, while 418,500 options were assigned to other beneficiaries. A further 60,000 options were assigned to other beneficiaries on 3 June 2020. Overall, a total of 2,278,500 options were therefore assigned.

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

	Unit of measurement	
Number of shares assigned	no.	60,000
Grant date		3 June 2020
Exercise price		28.4952
<i>Vesting date</i>		1 July 2022
Fair value per option at the grant date	EUR	5.226
Expected volatility (weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	3.83
Expected dividends (compared with share value)	%	1.00
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 3 June 2020)	%	0.1557

7. Financial income and expenses

The breakdown for the first half is shown below:

	2020 €000	2019 €000
<u>Financial income</u>		
Interest income from liquid funds	241	151
Interest income from other assets	202	68
Foreign exchange gains	5,349	4,540
Financial income to adjust estimated debt for commitment to purchase residual interests in subsidiaries	679	1,193
Other financial income	<u>396</u>	<u>208</u>
Total financial income	<u>6,867</u>	<u>6,160</u>
<u>Financial expenses</u>		
Interest expense on bank loans	1,137	1,240
Interest expense in respect of leasing	1,260	1,242
Interest expense on put options	465	314
Financial expenses for adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	29	66
Foreign exchange losses	8,905	4,125
Other financial charges	<u>119</u>	<u>175</u>
Total financial expenses	<u>11,915</u>	<u>7,162</u>
Total financial expenses (income), net	<u>5,048</u>	<u>1,002</u>

The breakdown for Q2 is as follows:

	2020 €000	2019 €000
<u>Financial income</u>		
Interest income	118	93
Interest income from other assets	187	43
Foreign exchange gains	1,126	803
Financial income to adjust estimated debt for commitment to purchase residual interests in subsidiaries	679	1,193
Other financial income	<u>55</u>	<u>201</u>
Total financial income	<u>2,165</u>	<u>2,333</u>
<u>Financial expenses</u>		
Interest expense on bank loans	594	629
Interest expense in respect of leasing	602	667
Interest expense on put options	330	162
Financial expenses for adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	29	66
Foreign exchange losses	1,619	1,977
Other financial charges	<u>30</u>	<u>136</u>
Total financial expenses	<u>3,204</u>	<u>3,637</u>
Total financial expenses (income), net	<u>1,039</u>	<u>1,304</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>2020</u>	<u>2019</u>
Consolidated net profit attributable to the owners of the Parent company (€000)	<u>62,517</u>	<u>91,511</u>
Average number of shares in circulation	107,126,799	105,563,945
Basic earnings per share for the half year (€)	<u>0.584</u>	<u>0.867</u>
 <i>Q2</i>	 <u>2020</u>	 <u>2019</u>
Consolidated net profit attributable to the owners of the Parent company (€000)	<u>29,381</u>	<u>46,617</u>
Average number of shares in circulation	107,489,691	105,605,523
Basic earnings per share for the quarter (€)	<u>0.273</u>	<u>0.441</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>2020</u>	<u>2019</u>
Consolidated net profit attributable to the owners of the Parent company (€000)	<u>62,517</u>	<u>91,511</u>
Average number of shares in circulation	107,126,799	105,563,945
Number of potential shares for stock option plans (*)	<u>392,010</u>	<u>1,163,091</u>
Average number of shares (diluted)	<u>107,518,809</u>	<u>106,727,036</u>
Earnings per diluted share for the half (€)	<u>0.581</u>	<u>0.857</u>
 <i>Q2</i>	 <u>2020</u>	 <u>2019</u>
Consolidated net profit attributable to the owners of the Parent company (€000)	<u>29,381</u>	<u>46,617</u>
Average number of shares in circulation	107,489,691	105,605,523
Number of potential shares for stock option plans (*)	<u>394,424</u>	<u>1,174,965</u>
Average number of shares (diluted)	<u>107,884,115</u>	<u>106,780,488</u>
Earnings per diluted share for the quarter (€)	<u>0.272</u>	<u>0.437</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, have been eliminated from the condensed half-year consolidated financial statements and are not detailed in these notes.

The effects in the Group's consolidated income statements for H1 2020 and H1 2019 are given below:

	H1 2020					%
	Consolidated total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€000)						incidence on F.S. caption
Net sales	639,536	660	-	198	858	0.1%
Cost of sales	411,650	368	-	3,291	3,659	0.9%
Other revenues	8,864	2	-	-	2	0.0%
Distribution costs	58,801	23	-	325	348	0.6%
G&A expenses	75,732	-	-	291	291	0.4%
Financial expenses	11,915	-	-	258	258	2.2%

	H1 2019					%
	Consolidated total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€000)						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.

The effects on the consolidated statement of financial position as at 30 June 2020 and 2019 are described below:

	30 June 2020					%
	Consolidated total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€000)						incidence on F.S. caption
Trade receivables	254,238	2,011	-	1,334	3,345	1.3%
Other financial assets	1,973	2	-	-	2	0.1%
Trade payables	133,115	68	-	1,356	1,424	1.1%
Interest-bearing financial payables (current and m/l term)	647,885	-	-	25,651	25,651	4.0%

	30 June 2019					%
	Consolidated total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€000)						
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 (current and m/l term)	502,065	-	-	20,042	20,042	4.0%

Financial payables comprise the lease liability recognised pursuant to IFRS 16 and the rents due to related parties.

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€000)	Receivables		Revenues	
	30/06/2020	30/06/2019	2020	2019
Interpump Hydraulics Perù	1,169	1,216	29	351
General Pump China Inc.	329	788	225	446
Interpump Hydraulics Russia	513	716	408	807
Innovativ Gummi Tech S.r.l.*	-	1	-	-
FGA S.r.l.*	-	1	-	-
<i>Total subsidiaries</i>	<u>2,011</u>	<u>2,722</u>	<u>662</u>	<u>1,604</u>

(€000)	Payables		Costs	
	30/06/2020	30/06/2019	2020	2019
General Pump China Inc.	63	59	387	333
Interpump Hydraulics RUS	4	-	4	-
Innovativ Gummi Tech S.r.l.*	-	46	-	1,190
FGA S.r.l.*	-	39	-	350
Interpump Hydraulics Perù	1	-	-	1
<i>Total subsidiaries</i>	<u>68</u>	<u>144</u>	<u>391</u>	<u>1,874</u>

(€000)	Loans		Financial income	
	30/06/2020	30/06/2019	2020	2019
FGA S.r.l.*	-	1,041	-	-
Innovativ Gummi Tech S.r.l.*	-	544	-	-
Inoxpa Poland Sp ZOO	2	2	-	-
<i>Total subsidiaries</i>	<u>2</u>	<u>1,587</u>	<u>-</u>	<u>-</u>

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

Relations with associates

The Group does not hold investments in associated companies.

Transactions with other related parties

The H1 2020 income statement includes consultancy provided by entities associated with the directors and statutory auditors of Group companies totalling €37k (€1k in H1 2019). The above consultancy costs were allocated to distribution costs, €30k (40k in H1 2019), and to general and administrative expenses, €7k (€31k in H1 2019). Revenues from sales in the period to 30 June 2020 included revenues from sales to companies held by Group shareholders or directors totalling €198k (€574k in H1 2019). In addition, the cost of sales includes purchases made from companies controlled by minority shareholders or directors of Group companies amounting to €3,055k (€4,223k in H1 2019).

10. Information on financial assets and liabilities

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

(€000)	<i>Financial assets at 30/06/2020</i>			<i>Financial liabilities at 30/06/2020</i>		Total
	Fair value recognised in the income statement		Measured at amortized cost	Fair value recognised in the comprehensive income statement	Measured at amortized cost	
	Initially	Subsequently				
Trade receivables	-	-	254,238	-	-	254,238
Other current assets	-	-	6,519	-	-	6,519
Other financial assets	1,971	-	2	-	-	1,973
Trade payables	-	-	-	-	(133,115)	(133,115)
Bank payables	-	-	-	-	(14,825)	(14,825)
Current interest-bearing financial payables	-	-	-	-	(197,367)	(197,367)
Other current liabilities	-	-	-	-	(77,034)	(77,034)
Non-current interest-bearing financial payables	-	-	-	-	(450,518)	(450,518)
Other non-current liabilities	-	-	-	-	(35,610)	(35,610)
Total	<u>1,971</u>	=	<u>260,759</u>	=	<u>(908,469)</u>	<u>(645,739)</u>

(€000)	<i>Financial assets at 31/12/2019</i>			<i>Financial liabilities at 31/12/2019</i>		Total
	Fair value recognised in the income statement		Measured at amortized cost	Fair value recognised in the comprehensive income statement	Measured at amortized cost	
	Initially	Subsequently				
Trade receivables	-	-	284,842	-	-	284,842
Other current assets	-	-	3,957	-	-	3,957
Other financial assets	2,290	-	1,936	-	-	4,226
Trade payables	-	-	-	-	(157,413)	(157,413)
Bank payables	-	-	-	-	(21,611)	(21,611)
Current interest-bearing financial payables	-	-	-	-	(195,110)	(195,110)
Other current liabilities	-	-	-	-	(89,199)	(89,199)
Non-current interest-bearing financial payables	-	-	-	-	(387,412)	(387,412)
Other non-current liabilities	-	-	-	-	(35,610)	(35,610)
Total	<u>2,290</u>	=	<u>290,735</u>	=	<u>(886,355)</u>	<u>(593,330)</u>

11. Disputes, Contingent liabilities and Contingent assets

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

Attestation of the condensed half-year consolidated 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 half-year consolidated financial statements in H1 2020.

2. It is also confirmed that:

2.1 the half-year consolidated financial statements of Interpump Group S.p.A. and its subsidiaries as at 30 June 2020, which report consolidated total assets of €2,132,957k, a consolidated net profit of €63,468k and consolidated shareholders' equity of €1,094,182k:

- 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 half-year consolidated 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), 1 September 2020

Chairman and Chief Executive Officer
Fulvio Montipò

Chief Reporting Officer
Carlo Banci



Building a better
working world

EY S.p.A.
Via Massimo D'Azeglio, 34
40123 Bologna

Tel: +39 051 278311
Fax: +39 051 236666
ey.com

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 income statements, the comprehensive consolidated income statements, the statement of changes in consolidated shareholders' equity and consolidated cash flow statements and the related explanatory notes of Interpump Group S.p.A. and its subsidiaries (the "Interpump Group") as of 30 June 2020. 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 31 July 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, 2020 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, September 1, 2020

EY S.p.A.

Signed by: Marco Mignani, Statutory Auditor

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

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000564 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n. 10531 del 16/7/1997
A member firm of Ernst & Young Global Limited