



# **INTERPUMP GROUP**

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

**2Q2025 Results Conference Call**

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FABIO MARASI, CHIEF EXECUTIVE OFFICER

ELISABETTA CUGNASCA, HEAD OF INVESTOR RELATIONS

E. CUGNASCA: Thank you. Good afternoon. I am Elisabetta Cugnasca, Head of Investor Relations of Interpump Group. Good afternoon or good morning, depending on your time zone, and welcome to this Interpump second quarter 2025 financial results conference call. As usual, I must draw your attention to the disclaimer slide inserted in the annex part of the presentation that I hope you were able to download from our website.

Now, I would like now to introduce Mr. Marasi, Group Chief Executive Officer.

F. MARASI: Thank you, Ms. Cugnasca, and thank you to all of you for joining our call. Once again reported and future number first. Reported numbers, plus 1% of the sales growth on organic basis. Finally, after 6 consecutive quarters of decline, we are very pleased to comment a quarter with an organic revenue growth.

One may be a small number compared to the double-digit figures of 2021 and 2022, but it's a number that reflects the technological excellence of our products, particularly those in Water Jetting division, and the importance of diversification, which, as you know, represents probably the most significant characteristic of our growth journey and strategy of our group.

On the other hand, it also reflects what we hope are the first signs of a return to normalcy for the Hydraulic sector as a whole. This small but meaningful plus one is accompanied by another encouraging figure, a larger one.

Our organic EBITDA grew by almost 7% in the quarter. In previous quarters, as you know, the flexibility of our business model and our relentless focus on cost optimization in line with the revenue trends allow us to minimize the gap between

the revenue decline and profitability decline. Now, that same approach has enabled us to fully benefit from the revenue growth.

Future number, we confirm 2025 guidance with organic sales evolution between minus 5 and plus 1 and an EBITDA margin between 22% and 22.5%. It is clear that second quarter performed better than our expectations at the beginning of the year, thanks to the revenue peak recorded by the Water Jetting division.

However, recovery signals from the Hydraulic division still need to consolidate, especially considering the ongoing challenges posed by tariffs and the continuous shifts in the geopolitical scenario since April. For these reasons, we believe it is more responsible and prudent to confirm the current ranges of our guidance and to eventually provide more precise updates based on the business evolution after the summer break.

After the first overview on the most important topics of this quarter, let's focus with more details and color on the most important second quarter 2025 financial KPIs, sales, EBITDA and cash generation.

Starting with sales, I cannot help but return to the organic growth figures of plus 1%. It may seem odd to be so pleased with such a small number, but seeing a positive sign in front of every number after 6 consecutive quarters of negative figures clearly offers support and confidence.

I'm sure the result that stands out most from an external perspective is the 19% organic growth in the Water Jetting division, and I will soon provide some color on this remarkable result. However, before doing so, I would like to touch on the Hydraulics division, where signs of a slowdown in the digitization process that began in summer 2023 seem to be emerging. In fact, although we are now in the

7 consecutive quarter of decline, with an average drop of minus 12%, we are finally seeing a single-digit decline, minus 7%, following 2 quarters at minus 14% and even one at minus 16%.

Focusing on the main application markets, we are seeing either stabilization, such as the decline in the industrial vehicle adapters, around 5%, or improvement, even if figures are still negative. Lift, for example, has gone from a decline of over 20% to minus 8%, or construction, from minus 25% to minus 14%. Remarkably, the agriculture segment is showing finally growth, with sales that are up high single-digit in the quarter.

As a result, it is possible to hypothesize that we are entering the final phase of the normalization process that has been underway for nearly 2 consecutive years. However, extreme caution is necessary, as many factors could interrupt this process. Tariff consequences above all.

Switching now to Water Jetting, it's important to underline that for several quarters now, this business has been delivering results well above its historical average, and we have already explained that this is due to different features in comparison with the ones of the Hydraulic business. The activities of the latter [ph] division quickly recovered from the abrupt halt caused by the pandemic, and were supported in 2021 and 2022 by issues in the supply chain processes, both in terms of sourcing and logistics.

On the other hand, the post-pandemic recovery in the Water Jetting division clearly took more time, also because many customers suspended important investments in that period. But today is much more stable and consolidated. In the quarter just ended, the very good results of the project business were

compounded by a peak in the more traditional Water Jetting activities, and together are explaining the nearly 19% organic growth recorded.

In fact, in spring 2024, please see Slide 8 of the presentation, Hammelmann, thanks to its unique technology, secured an order in China for pumps to be used in the production process of low-density polyethylene, a material used in everyday life. This once again demonstrated group's ability to successfully transfer its water-related know-how to other fluids, laying the groundwork for further future technological and business developments. This was a brief but meaningful example of the project within the flow processing vertical.

Now, I would like to add an example related to the more traditional vertical of our division, high-pressure pumps, and in particular, an important contract secured last April and completed in record time in less than 2 months, and contributing to the revenue of June and July just ended, and I'm referring to the Slide 9 of the presentation.

This is a very well-known example to many of you. It refers to ultra-high-pressure water jet system and ship cleaning equipment's. In fact, at second quarter start, the group signed an agreement with one of China's leading private shipyards for nearly 100 water jetting ship cleaning equipment's. We already discussed the advantages of water jetting technologies compared to the traditional sandblasting ones, efficiency enhancement, energy consumption reduction, and support to green transition.

After this detailed overview of revenue by division, let's take a closer look from a geographical perspective at group level, focusing on most relevant areas to us, and of course, at constant exchange rate. Thanks to the development previously described, it's easy to see that China is the country that delivered the strongest

results, more than doubling its revenue and thus delivering and driving the entire region.

The weakness observed in previous months in the North American region was confirmed, with the United States recording a decline of over 12% in the quarter. Europe could be described as stabilizing, and to anticipate a possible question, we are still not seeing any benefits from Germany infrastructure funds.

Switching now to EBITDA, the second quarter figures are even more meaningful than revenue figures. In the second quarter, a 1% organic growth in revenues was accompanied by a profitability increase of over 6%, with a margin improvement of 100 basis points. This led to an half-year basis to a decline in profitability that was smaller than the drop in sales, minus 1% versus minus 1.7% in sales. There are several aspects, I will never tire to emphasize and to help fully appreciate this number. We are an industrial group and we manufacture. We are organizationally decentralized, but many of our key companies are highly integrated at the production level.

And finally, we have been experiencing revenue declines for over a year, specifically for 6 consecutive quarters. The combination of these conditions would typically lead to far greater drops in profitability than in revenue. This situation did not occur, thanks to the flexibility of our business model and the continuous, consistent effort we put into adjusting our cost structure in line with the demand trends. This allow us in the second quarter not only to minimize for the Hydraulic division the negative flow-through effect, but also to benefit from sequential revenue improvement. A revenue decline of over 7% resulted in a limited profitability reduction of 9%.

In the Water Jetting division, on the opposite, to fully capitalize on the significant revenue increase, with an EBITDA growth nearly double the revenue growth, plus 34% versus plus 19%. And third, finally, to manage the tariff issue in such a way that its impact was ultimately negligible. The plus 1% revenue growth in the second quarter is a very positive figure, but I would argue it is not as impressive or satisfying as the over 6% organic growth in EBITDA. The former is partly due to a context that appears to be becoming more favorable, while the latter is the result of our good work and capabilities.

Let's move now on the last important KPI through, which we do not evaluate...we evaluate our work, cash generation and its components. In the first quarter of this year, due to the mechanisms of advanced payment, specifically those related to the Chinese customers, which we explained in May, a slight delay emerged compared to the same period of the previous year, amounting to approximately €5 million. One quarter later, this delay remained unchanged, despite an opposite trend in sales.

In the first quarter, organic revenue declined by around 8%, and in the second quarter, we had sales grow by 1%, thanks to the doubling of growth in Water Jetting, 19% compared to 8%, and halving in the decline in the Hydraulic division from minus 14% to minus 7%. As you can easily imagine, this phenomenon had an impact on trade working capital and in particular in terms of customer receivables.

Nevertheless, if we focus on the cash generation result for the second quarter, we can see that it amounted to €46 million, the same as in the second quarter 2024. Therefore, despite the evolution in revenue during the quarter, the group was able to manage the impact on cash generation and as of June 30, the slight delay in cash generation compared to the first half 2024 is entirely attributable to the first

quarter 2025, and this confirms our commitment to delivering on the goal we set at the beginning of the year, in particular to consolidate the record cash flow generation achieved in 2024.

Moving to CAPEX, in Slide 12, there is the usual update on the last important project of group 2021-2024 CAPEX plan. The new Interpump Hydraulics headquarter in Sala Bolognese, close to Bologna. The transfer process is almost completed and following the registered office relocation a few days ago, Interpump Hydraulics will be fully operational in the new site as of September. The timeline was respected and we managed to minimize inefficiencies that an event of this kind typically causes in the life of an industrial company.

As you know, we are very proud of the significant improvements we made to many production facilities over the past few years and we are pleased to welcome interested investors. Despite the ongoing work, we have already hosted several investors in Sala Bolognese in July and will be truly delighted to welcome more.

Acquisitions, in last May, we briefly outlined the characteristics that make a company a potential acquisition target for us, the traits of a perfect fit, technological excellence, consistency with group strategy, respect of our M&A criteria. After the theoretical explanation, here is the empirical example, Padoan, a company specialized in the production and sales of tanks for industrial vehicles and machinery, that in 2024 generated approximately €15 million in sales with more than 17% EBITDA margin. A company that allow us to extend our product range, to exploit synergies with other group and portfolio companies, with the completion of the wet kit that is composed by pump, tank, tipping valve, front-end cylinder and hose fittings.



And finally, the construction of a presence in Europe as strong as the one that we have in the North American region. While discussing acquisitions and expanding the perspective, we would like to take the opportunity offered by the financial quarterly results regular communication to revisit and delve deeper into theoretical aspects of our acquisition strategy. In fact, what happened at the end of last April, with some speculation regarding the acquisition of a major player in the transmission world, made us realize that we had taken for granted that our acquisition strategy was clear and well understood by the market, and especially by those who have known us and followed us for a very long time.

Had that been the case, no one would have questioned whether we might be interested in something that is clearly not a perfect fit for us. And therefore, we feel it is our duty to dedicate a few minutes during this communication to reiterate the purpose of our acquisition strategy and the characteristics of a perfect fit, how our acquisition and post-acquisition integration process are structured and implemented, and finally, to recall some examples. The construction that the flow processing, as the reduction gears verticals in the last few several years.

However, since it is August 6th, we prefer to condense and summarize this extensive recap into a few slides from the result presentation. And in particular, you might find these slides from Page 16 to Page 31st in the presentation, in the group approach to M&A section, from which we will highlight just one point here, one single but fundamental point.

The ultimate target of group growth and development strategy is diversification. It is diversification by division, by geographies, by market application, and not dimension that allow to proper manage business risks. It is diversification that allow us to reduce volatility through different cycle exposures. And this

diversification that allow us to effectively react to unexpected swings in market conditions.

Until now, we have talked about the past, now let's move on to the future. The month of July was consistent with the trend observed in the previous month, confirming the strong performance of Water Jetting and the steady recovery of Hydraulic division. This allows us to reaffirm the current range of our guidance, both in terms of organic sales evolution and total EBITDA margin. It is true that the Chinese contract in the high-pressure pump vertical has placed us in a slightly more favorable position than originally anticipated back in February, but the volatility of the global environment remains very high, and therefore at this stage, we prefer to confirm the current ranges of our guidance.

The recent tariff agreement between US and Europe, regardless of the specific figures reached, should theoretically help reduce uncertainty. But since last April, there have been so many shifts on this key issue that we prefer to maintain a cautious approach. This is also because, as you know our guidance is not something developed for our financial stakeholders. It is an internally generated estimate based on our backlog and forecasts, used to align our cost structures. We are fully focused not only on achieving our revenue target, but above all, our profitability one, an EBITDA margin between 22% and 22.5%.

At this stage, we believe it is essential to maintain the prudent and rational operational approach that has enabled us to achieve an outstanding industrial result, with 1% decrease in EBITDA, corresponding to 1.7% drop in revenue in the first half, nearly twice as much.

Now, it is appropriate to give space to your requests for further insights, but before doing so, I would like to briefly highlight once again the 2 key figures from this

second quarter's results that summarize the remarkable work we have been doing over the past 2 years to face one of the most challenging periods in the Hydraulic sector, an organic revenue growth of 1% and an EBITDA margin increase of 7% in the second quarter. Thank you.

## Q&A

OPERATOR: This is the Chorus Call conference operator. We will now begin the question and answer section. Anyone who wishes to ask a question, may press "\*" and "1" on the touchtone telephone. To remove yourself from the question queue, please press "\*" and "2." Please pick-up the receiver when asking questions. Anyone who has a question, may press "\*" and "1" at this time.

The first question is from Matteo Bonizzoni from Kepler Cheuvreux. Please go ahead.

M. BONIZZONI: Hi, everybody. I have 3 questions. The first one is related to this particularly good performance for Water Jetting in China, which you have explained well. My question is, is this boost over or do you expect something also in the second half of the year? And also, more importantly, it was a spot opportunity or do you see more potential opportunities for amendments of this kind going forward?

Second question is on the margin. Clearly, the margin in the first half was very, very strong also due to a divisional mix effect, given the very strong growth in Water Jetting. 23.2% you know is the margin in the first half. Doing some preliminary calculation, but you know we analysts can always be mistaken. I would say that do at least the top of your guidance range, so at least 22.5% could be doable. So, my question is, is there any particular reason or prudence why you didn't want maybe to fine tune up your, let's say, guidance on the margin?

And the last question is on tariff. We know that broadly 30% of our US revenues are not produced in the US, nor coming mostly from, I would say, Italy and Germany. So, 7% more or less of your total revenues, I think, are subject to tariff, probably, if you want to maybe confirm or not, or maybe correct this percentage. What's the possibility for you to pass down the tariff impact or maybe you are going to suffer some impact in your P&L? Thanks.

F. MARASI: Thank you, Matteo. Very important questions. Regarding the remarkable performance achieved in China with Hammelmann in the Water Jetting division, clearly, we are super happy of the business development and the orders that we received and we executed in the first part of the year. These orders or this business clearly is not an everyday business, but it's a development trend that we have been commenting several times regarding the more developed and higher attention paid also by emerging countries, if we can define China as an emerging country, toward sustainability and environmental impact.

Several years ago, large shipyards in China were not at all interested or were not paying any care on the impact on the environment and they were doing their activities. And for this reason, they were utilizing alternative technologies and, in particular, sandblasting technology that we have explained many times being much more impacting and polluting of the environment.

Today, dealing with international customers and working with top and high-end technologies is very important for them to show and to pay an higher attention to the environment. And for this reason, they are switching to this technology proposed by Hammelmann, even if it is much, much more expensive.

And for this reason, I do not invite you to factor in your estimates that every month we will have these fantastic orders or fantastic projects to be delivered, but I'm very confident that we will see other businesses, other projects and a significant long-term development because of this switching technology and switching attention paid by the customer to this way of doing business. And then, we have been commenting many times about these trends, and these orders, and these results is the most significant proof of what we were commenting.

Regarding your second question, that is the toughest one, is the 22.5% EBITDA margin easily reachable? Nothing is easy in this environment and, as you know we are in general very prudent. And for this reason, we have been discussing internally, but after this discussion, we are confirming the guidance both in terms of sales and in terms of EBITDA margin for the year. We will see what will be the results of the second half considering how many uncertainties and how many factors are giving us headache in these days. But clearly, second half results make us very confident in the possibility to reach the targets that we have shared with the markets.

Third question, tariffs impact. Your calculation, your numbers are correct, around 7% of consolidated sales are represented by goods that are manufactured outside US and exported or sold in US. And for this part of the business, we have promptly adapted our price list or applied price surcharges to the customers. In order to transfer to the American customers this price increase. Of course, some negotiation happened, but it is clearly something that is outside our control, and luckily many other competitors are in the same position. Then I would say that, like I've commented before, no negative impact, so far has been recorded due to the tariffs impact.

M. BONIZZONI: Thank you.

F. MARASI: Grazie Matteo.

OPERATOR: Thank you. Next question is from Alessandro Tortora of Mediobanca. Please go ahead.

A. TORTORA: Yes, hi. Good afternoon to everybody. I have 3 questions. The first one is, Fabio, if you can come back to the Chinese order, you mentioned before, so if you can help us to understand, just have an idea of the size of this order and this would be important in order to, as you mentioned before, this is a kind...this is not a one-off, but we cannot assume and project perpetually this kind of order of this size into our model? So, this is the first question.

I don't know if you want to go one by one or I will...

F. MARASI: Let's go ahead, Alessandro.

A. TORTORA: Okay, Grazie. Then the second question is on the order backlog for the Hydraulics business. You mentioned let's say a kind of sequential improvement, also ag, but also the other sub-segment. So, can you give me an idea of the order backlog level compared to the beginning of this year, if we are having, let's say, some minor improvement into this item?

And then the third one is linked to the agriculture business. You mentioned finally you know these phase up into this end markets. I remember that White Drive suffered a lot from this exposure to agriculture. Can you give me idea of what is going on there in terms of profitability? Because I remember last year a very negative data on profitability for the White Drive? Thanks.

F. MARASI:

Thank you, Alessandro. Regarding Chinese order, we have given all the details that we believe are appropriate in terms of customer, project, project size and so on. And like I said before, clearly, I do not invite you to factor a plus 90% organic growth in every quarter in the future. And this is some sort of extraordinary in the magnitude, but I believe it is much more important on a business point of view, what I've commented before in terms of technological trend and technological switch and shift toward our technology that are maybe more expensive, but are cleaner, more sustainable and more efficient in terms of energy consumption, in terms of water consumption and in terms of long-term payback.

And those in terms of marketing for our customer because if we are staying on this example, large Chinese shipyard are presenting this kind of investment as a sort of marketing tools towards their customers because they are investing for the top quality, European level technology with a better efficiency and a better attention and the impact towards the environment. And this is very, very important and everybody is moving towards this direction and this is the reason why I'm very positive regarding the mid to long-term opportunity developments for this division and these technologies without please factoring plus 90% growth every year.

Regarding backlog in Hydraulics, we are seeing some recovery here and there and in comparison, with the order backlog at the end of 2024, we have numbers that are at similar level. We have similar level also because we have significantly reduced the order delivery time. And this is usually very important in determining the order that our customers are placing. The lead time is what drives usually, together with the demand...the real demand, the order backlog. And seeing stability in the orders level after having reduced the lead time is comforting, let's say, is comforting.

The third question was related to agriculture. I was very, very pleased to notice finally that agriculture had a positive organic growth in the quarter. And as you know, agriculture is important for White Drive, but for Walvoil or for many other companies in Hydraulics. And agriculture was the first application field to be impacted already in the first, and in the second quarter of 2023. Then being optimistic, I would take the agriculture recovery as a first sign of the business recovery, in some way anticipating positive effect also on other application fields. But after more than 2 years of negative numbers in this very particular and very important application field, this is the reason why I was so comforted in seeing a plus 7%, 8%.

A. TORTORA: Okay Fabio, and sorry, the question was also related, I remember, not to the implication for White Drive, because I remember that the company was you know was having a very high exposure to Ag, so in order to understand, if you are already seeing an improvement in profitability in this company. Thanks.

F. MARASI: Yes, because last year the company's results were really impacted by the very negative top line evolution, and also by the one-off related to the inventory adjustment and inventory evaluation. And then considering the completion of the restructuring that we have put in place, and considering the sequential improvement in some application field and in the level of business, we are seeing an improvement in the performance in comparison with last year in 2024 results.

A. TORTORA: Okay, got you.

OPERATOR: The next question is from Domenico Ghilotti of Equita. Please go ahead.

D. GHILOTTI: Good afternoon to everybody. A couple of questions. The first is on the Hydraulic market. It sounds like a quite different scenario, if I look at North America and



Europe. And I'd to get your comments, I don't know if the minus 12 that you were giving before for North America, for the US actually is organic, but trying to understand, if we should expect maybe a period of slug nation in North America, while in Europe you are seeing a much different trend?

Second is on getting back to Water Jetting, maybe if you can help us understanding so what's the underlying trend, and so if you can give us the sense of the backlog or maybe...apart from the big order, what kind of order intake are you seeing in the division?

F. MARASI: Regarding the Hydraulics market, clearly US today is the weakest spot. It's the weakest spot because probably US shows very good performance and strength for a longer period, I mean, when Europe or Asia started to slow down, US was still very strong and consistent and demanding. This is the first reason.

Second, the impact of this geopolitical situation, the tariffs, the depreciation of the exchange rate, I mean the dollar against euro, is impacting the willingness of the American market to invest, and this is the reason why I'm not really positive for the second part of the year regarding a recovery of the demand in the American market. I'm a little bit more positive for Asia and also for Europe, not really for the US, for what we are seeing today.

Regarding Water Jetting, I will leave Elisabetta Cugnasca to give you some more color on this.

E. CUGNASCA: Okay, thank you. So, if we forget for one moment the second quarter but we look to the previous quarter, you see that the recovery of the Water Jetting after the COVID made us to grow around 8%, 7%, then again 8%. I'm referring to Slide 41 of the presentation. So, these are numbers that are...even these numbers are a

bit higher compared to the historical normal trend of the Water Jetting. The historical normal trend of the Water Jetting is more or less between 4% and 6% in a medium-long term. Now, we are speaking more recently of 7% or 8% exactly because we are recovering after pandemic due to the reason that Mr. Marasi explained before. So, what we are suggesting you now is for the next few quarters to go on with the most recent performance, the one between 7% and 8%, not the 19% one and not the 4% or 5% of the historical one because we are still having some benefits of the growth coming from the recovery post-pandemic.

D. GHILOTTI: Okay, the key question clearly is on 2026, if you can keep on growing on a very tough base.

E. CUGNASCA: We will see next year.

D. GHILOTTI: Sure, thank you.

E. CUGNASCA: You're welcome.

OPERATOR: As a reminder, if you wish to register for a question, please press "\*" and "1" on your telephone. The next question is a follow-up of Alessandro Tortora of Mediobanca. Please go ahead.

A. TORTORA: Yes, thanks. Thanks again. Just a quick, let's say, follow-up on the comment just on the Water Jetting growth. Can you help me understand if the Chinese order...the impact of the Chinese order will be visible also in Q3 or we basically show the impact totally into the second quarter? Thanks.

E. CUGNASCA: The most important piece of the impact will be in the second quarter. We will have some small impact also in July because as we described in both the press

release and in the presentation, the order has been delivered between June and July, back in June. So, you will have the support also in the third quarter, but then for the fourth quarter, we will go back to the high normal level of the Water Jetting.

A. TORTORA: Okay, that's it.

OPERATOR: The next question is from Michele Baldelli for BNP Paribas. Please go ahead.

M. BALDELLI: Hi, good afternoon to everybody. Thanks for taking my questions. I have one on the White Drive. Given the difficulties that we experienced, I don't know if you can share with us, let's say, given that I expect that the margins are probably below, let's say, the normalized level and also below probably the Hydraulics divisions ones. When do you expect them to recover? How long it will take them to recover? If you can share some of your probably planning about it.

Second question relates to the backlog of Hammelmann and NLB today. So, post the Chinese order, if you can share with us the year-on-year growth for these ultra-high pressure pumps business?

And lastly, if you can share some color on the expected net debt or free cash flow generation by the year-end that you will expect. Thank you.

F. MARASI: Okay. Regarding White Drive, clearly the very negative top-line evolution of the last 5 or 6 quarters, and the consequent restructuring activities that we have put through together with the completion of the integration of the production lines that were transferred as a part of the carve-out process significantly impacted the results of the company. And today, White Drive results are still below the average of the Hydraulics division, but are improving and are, say, not so bad, are very

good, I mean, in Europe. Europe was restructured first and addressed first the significant decline of the top-line. And today, the profitability, despite the very low level of business in Europe, is very positive and already aligned with the average of the group and satisfactory.

More work in terms of restructuring and in terms of stabilization, completing the restructuring activities and facing the further slowdown of the business demand is to be made in the United States, and this is the focus of the group. Clearly, the normalization or achieving the expected level of profitability also depends on the timing of the recovery of the top-line and then the market demand.

Regarding Water Jetting backlog, even after these spectacular results of the first half of the year, I'm not giving you any number regarding the backlog by company, but I can say that the level of the backlog of the Water Jetting division today is aligned with the level of the backlog that we have recorded at the year-end, 2024.

And finally, as already commented before, the free cash flow expected for the year is confirmed to be close or to repeat the very, very good results achieved in 2024.

M. BALDELLI: Thank you very much.

OPERATOR: The next question is from Bruno Permutti from Intesa Sanpaolo. Please, go ahead.

E. CUGNASCA: Mr. Permutti, unfortunately, we are not hearing you.

OPERATOR: The next question is a follow-up of Domenico Ghilotti from Equita. Please, go ahead.

D. GHILOTTI: Given the many slides on the M&A strategy, the usual question on the M&A pipeline, what are you seeing in the pipeline?

F. MARASI: Yes, we have spent so much space in our presentation and also in the comments, because what we have underlined before. We believe that after recent discussions, some misperceptions need to be corrected. And for this reason, we dedicated so much space, 15 slides, I believe, in the presentation in detailing and underlining how we approach M&A and what we believe is the correct structure and correct strategy in these fundamental aspects of our long-term growth record. And you have seen that we have closed the acquisition of Padoan, like we have commented before, that is a perfect fit and a perfect target.

The pipeline remains very good. We have many discussions and many opportunities on the table and we are very confident to be able to close some other deal and some other acquisition before the year ends.

D. GHILOTTI: Thank you.

OPERATOR: The next question is from Chiara Tomesani of UBS. Please, go ahead.

C. TOMESANI: Hi, the question was already answered. Thank you.

OPERATOR: The next question is from Bruno Permutti from Intesa Sanpaolo. Please go ahead.

B. PERMUTTI: Yes, can you hear me? I try again.

E. CUGNASCA: Yes, we can hear you. Please go ahead.

B. PERMUTTI: Okay, sorry. Yes and thanks for taking my questions. The first one relates to profitability of the Water Jetting division, which was quite strong in the second quarter. Could you elaborate a little bit on...it was operating leverage. It was the kind of products that you delivered. So, what we can expect going forward? I mean, I remember that there was an issue with the systems that you delivered that had a lower profitability than the single product. I was wondering if you can elaborate a little bit on the dynamics you expect for going forward for the profitability of the division.

And the second one was related to the Hydraulic business. Do you have any visibility if your customers are restocking or are already utilizing in manufacturing your deliveries? So...do you have an idea of that from what you can see? Thank you.

E. CUGNASCA: Okay. In terms of Water Jetting, obviously, you correct an important element that is the operating leverage, because obviously, it's a huge increase of the sales had by definition, a positive impact in terms of profitability. You also correctly remind that last year, the organic evolution of the Water Jetting profitability gave us some trouble correlated to, I would say, 2 main important elements. The first one was the transfer of the headquarter of INOXPA in India because today, after construction of the headquarter of INOXPA in India, we have worldwide 2 excellence industrial centres for INOXPA, one in Spain and one in India. Unfortunately, if we would make a comparison, the transfer of the headquarter of INOXPA last year was not as good and as successful as the transfer of Sala Bolognese this year. So, this had an impact especially in the second quarter of 2024.

Then overall, you correctly remember, the some... the backlog, the order that we had was so big that we had some, say, inefficiency due to the dimension of the

order. This is also correlated to the fact that the Water Jetting market is smaller, and therefore, we do not have the same chance to find a partner to which we can externalize some production phases, especially for the high technology that we use in some companies of the group.

But if you remember, quarter-after-quarter last year, we get an improvement from this point of view. The last quarter of last year was the second quarter that we closed the gap exactly in the first quarter of 2025. So, there was no dilution in terms of organic. So, also the contract done, it was a massive contract, was...did perfectly because, by the way, we have been able to find local partner in China. So, we hope that this problem should be managed probably. We cannot guarantee you 100%...although this is efficient as we could. But for any case, we will do our best.

F. MARASI: Yes, regarding the visibility of the restocking by our customers in Hydraulic. Clearly, we have a mixed situation. We have customers in agriculture that have completed the destocking. We have customers in other sectors that are still underway. And the visibility, generally speaking, is very low. It's very low and the uncertainty is what is characterizing the experience, in particularly in [technical difficulty] market, like I said before. Then everything that we have said so far and in particular, the reiteration of the guidance for the year is the consequence of all these elements that have to be taken into very good consideration.

B. PERMUTTI: Thank you.

OPERATOR: The next question is from Fraser Donlon of Berenberg. Please go ahead.

F. DONLON: Yes, hi Fabio and Elisabetta. It's Fraser here from Berenberg. I have 3 questions. So, the first, could you maybe quantify what's your exposure to steel and aluminum tariffs in the US on the imported metal?

The second is just on Hydraulics in the US in Q2. Did you see any significant gap between your orders and shipments in Q2 on the back of tariffs in the US?

And then the final question. Do you see quite a stable pricing environment still in Europe in Hydraulics? How are the competitive dynamics going? If you could maybe give a comment there, that would be great. Thank you very much.

F. MARASI: Thank you, Fraser. Regarding steel and aluminium, I don't believe that we will have a significant impact. Being our products much more complex than just selling raw material or products, we have a very, very significant impact on prices of raw material. Then I don't have information regarding tariffs to be applied based on rules determined for steel and aluminium with a very high tariffs related. Then so far, it doesn't seem that we are entering into this bucket.

Second, regarding the Hydraulics in US in the second quarter, I do not see particular changes in comparison with the first quarter. Then already the first quarter was weak. And these weaknesses have been confirmed in the second quarter. We are not seeing so far, any sign of further deterioration due to the tariffs.

Third and more comforting, the level of pricing in the market in this moment is still stable and consistent, in particular, in water...in Hydraulics. As you know, in Water Jetting, we have a much stronger market positioning. We are the market leader. We are enjoying premium price, and it is, let's say, easier to apply price increase and so on.



Hydraulics is a much more competitive environment...is a much more competitive and consolidated industry. But the beauty is that it's a well-disciplined and profit-oriented market. And also, the most important competitors are not really compromising on their margins and on their price. And for this reason, despite a weak level of demand and despite all the uncertainties, we are not really seeing an higher-than-normal pressure on pricing.

F. DONLON: Perfect, thank you.

OPERATOR: The next question is the follow-up of Michele Baldelli from BNP Paribas. Please go ahead.

M. BALDELLI: Yes, thank you. Sorry, just a question if you feel confident to give the answer to such a question. Q3 or H2, 2025, can we have certain confidence that the business will not decline year-on-year organically? Can we state anything about it?

F. MARASI: Come on, third quarter is ongoing. And no, it is too early to comment. We are using to comment more. We have given some colour also regarding July and also based on July results, we are confirming the guidance, but we are not commenting or anticipating any results or any further number on the third quarter.

And like I've said many, many times, I really believe that in particular in such an uncertain environment, it is much more important to focus on yearly results instead of quarterly or monthly results. Because if you restrict too much the time horizon, the information that you get are much more volatile and much more inefficient in commenting or the determining. Then my invitation to you and to everybody once again is to look at the full year results.

M. BALDELLI: Thank you very much.

OPERATOR: For any further questions, please press "\*" an "1" on your telephone.

E. CUGNASCA: Okay. Thank you to everybody and even more happy vacation, happy holiday to everybody.