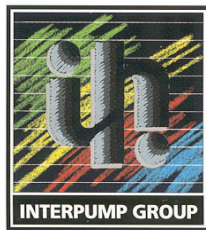


# **Interim Board of Directors' Report at 31 March 2018**



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



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This document can be accessed on the Internet at:

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

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

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

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

Reggio Emilia Companies Register - Tax Code 11666900151



## **Board of Directors**

Fulvio Montipò  
*Chairman and Chief Executive Officer*

Paolo Marinsek  
*Deputy Chairman*

Angelo Busani (a)  
*Independent Director*

Antonia Di Bella  
*Independent Director*

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

Marcello Margotto (b)  
*Independent Director*

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

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

Giovanni Tamburi (b)  
*Non-executive Director*

## **Board of Statutory Auditors**

Fabrizio Fagnola  
*Chairman*

Federica Menichetti  
*Statutory auditor*

Alessandra Tronconi  
*Statutory auditor*

## **Independent Auditors**

EY S.p.A.

*(a) Member of the Audit and Risks Committee*

*(b) Member of the Remuneration Committee and Appointments Committee*

*(c) Member of the Related Party Transactions Committee*

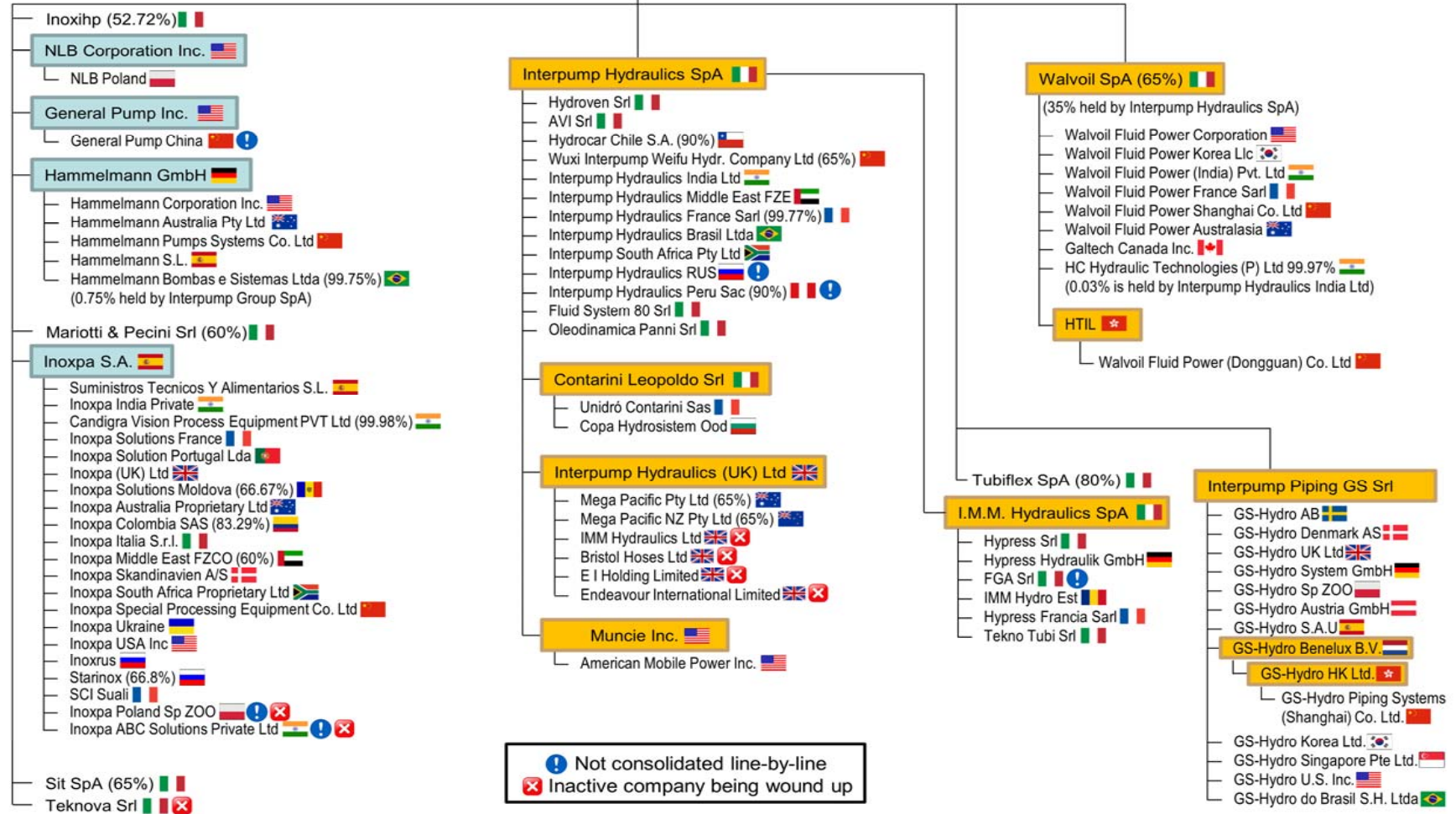


# Group Structure



as at 31/03/2018  
all holdings 100% unless otherwise specified

## WATER-JETTING      HYDRAULICS







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



**Directors' remarks on performance in Q1 2018**

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

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

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

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

The cash flow statement was prepared using the indirect method.

## Consolidated income statements for Q1

(€000)	<u>2018</u>	<u>2017</u>
<b>Net sales</b>	<b>312,296</b>	<b>272,741</b>
Cost of sales	(196,661)	(168,301)
<b>Gross industrial margin</b>	<b>115,635</b>	<b>104,440</b>
<i>% on net sales</i>	<i>37.0%</i>	<i>38.3%</i>
Other operating revenues	4,589	3,853
Distribution costs	(28,578)	(25,664)
General and administrative expenses	(33,878)	(31,255)
Other operating costs	(503)	(561)
<b>EBIT</b>	<b>57,265</b>	<b>50,813</b>
<i>% on net sales</i>	<i>18.3%</i>	<i>18.6%</i>
Financial income	2,575	3,275
Financial charges	(4,623)	(4,495)
Badwill	12,730	-
Equity method contribution	(73)	35
<b>Profit for the period before taxes</b>	<b>67,874</b>	<b>49,628</b>
Income taxes	(16,302)	(17,092)
<b>Consolidated net profit for the period</b>	<b>51,572</b>	<b>32,536</b>
<i>% on net sales</i>	<i>16.5%</i>	<i>11.9%</i>
<b>Pertaining to:</b>		
Parent company's shareholders	51,386	32,132
Subsidiaries' minority shareholders	186	404
<b>Consolidated net profit for the period</b>	<b>51,572</b>	<b>32,536</b>
<b>EBITDA</b>	<b>69,585</b>	<b>62,836</b>
<i>% on net sales</i>	<i>22.3%</i>	<i>23.0%</i>
Shareholders' equity	808,131	712,512
Net debt	256,339	305,906
Payables for the acquisition of investments	55,756	50,609
Capital employed	1,120,226	1,069,027
<b>Unannualized ROCE</b>	<b>5.1%</b>	<b>4.8%</b>
<b>Unannualized ROE</b>	<b>6.4%</b>	<b>4.6%</b>
<b>Basic earnings per share</b>	<b>0.478</b>	<b>0.301</b>

## **EVENTS OCCURRING IN THE QUARTER**

Sales reached €12.3m, up by 14.5% compared to Q1 2017 (+8.2% at unchanged perimeter and +14.3% also net of exchange differences). A breakdown by business sector shows a 18.1% sales increase in the Hydraulic Sector (+9.3% at unchanged perimeter and +14.7% also net of exchange differences) compared with Q1 2017; Water Jetting Sector sales were up in the same period by 8.1% (+6.3% at unchanged perimeter and +13.7% also net of exchange differences). The like-for-like comparison is positively influenced by the fact that the Inoxpa Group (Water Jetting Sector) was only consolidated for two months in 2017, having been acquired on 3 February, but for three months in 2018. The Group did not eliminate the Inoxpa Group data for January 2018 from the like-for-like consolidation, given the negligible impact of the data for just one month on the consolidation, which will diminish further as the months progress. In addition, that work would have involved considerable effort and cost, which would not have been justified in order to obtain more accurate information. For greater clarity, note that the January 2018 sales of the Inoxpa Group amounted to about €5.2m, with profitability in line with that for the quarter.

In geographical terms, growth in Europe including Italy was 21.7%, 1.9% in North America, 19.7% in the Far East and Oceania, and 11.3% in the Rest of the World. The geographical breakdown shows growth at unchanged perimeter of 11.9% in Europe, 11.7% in the Far East and Oceania and 9.6% in the Rest of the World, while North America was essentially stable.

EBITDA reached €9.6m, equivalent to 22.3% of sales. EBITDA was €62.8m (23.0% of sales) in Q1 2017. Accordingly, EBITDA rose by 10.7%. In this regard, the GS Hydro Group was consolidated for the first time in Q1 2018 following its acquisition in the context of a bankruptcy procedure. The companies acquired are being restructured by the Interpump Group and, accordingly, they partially dilute the EBITDA percentage. At unchanged perimeter EBITDA was 23.4% of sales, with an improvement in profitability of 0.4 percentage points that confirms the constant optimisation efforts made by the Group.

Net profit for Q1 2018 was €1.6m (€2.5m in Q1 2017), reflecting an increase of 58.5%. The consolidation of GS Hydro, acquired from a bankruptcy, in 2018 has generated badwill (negative goodwill) of €12.7ms, being the difference between the net carrying amount of the activities acquired and the price paid. This difference has been recognized as financial income.

As mentioned, the GS Hydro Group (Hydraulic Sector) was consolidated for the first time in Q1 2018. This group is a world leader in the design and production of piping systems for the industrial, naval and offshore sectors. GS-Hydro revolutionized the piping sector by inventing a solution for pipe assembly without welding. This fast and clean technology not only reduces the environmental impact of the operations, it also guarantees higher technical characteristics and greater ease of use, so it is particularly suitable for continuous or extreme application conditions. The consolidated sales of the GS Hydro Group in 2017 totalled €61m. The total agreed price for the acquisition was €9m. The net financial position at 31 December 2017 showed net liquidity of €2.5m.

Compared with Q1 2017, the consolidation now includes Mariotti & Pecini S.r.l. (Water Jetting Sector), acquired in June 2017, and Fluid System '80 S.r.l (Hydraulic Sector), acquired in October 2017.

## NET SALES

Net sales in Q1 2018 totalled €12.3m, up by 14.5% on the €72.7m of Q1 2017 (+8.2% at unchanged perimeter, +14.3% also net of exchange differences).

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

### Q1 2018

(€000)	<u>Italy</u>	<u>Rest of Europe</u>	<u>North America</u>	<u>Far-East and Oceania</u>	<u>Rest of the World</u>	<u>Total</u>
Hydraulic Sector	43,613	78,176	44,678	18,441	21,761	206,669
Water Jetting Sector	<u>9,796</u>	<u>36,562</u>	<u>35,075</u>	<u>15,377</u>	<u>8,817</u>	<u>105,627</u>
Total	<u>53,409</u>	<u>114,738</u>	<u>79,753</u>	<u>33,818</u>	<u>30,578</u>	<u>312,296</u>

### Q1 2017

Hydraulic Sector	38,032	61,286	42,839	14,733	18,098	174,988
Water Jetting Sector	<u>8,230</u>	<u>31,226</u>	<u>35,402</u>	<u>13,509</u>	<u>9,386</u>	<u>97,753</u>
Total	<u>46,262</u>	<u>92,512</u>	<u>78,241</u>	<u>28,242</u>	<u>27,484</u>	<u>272,741</u>

### 2018/2017 percentage changes

Hydraulic Sector	+14.7%	+27.6%	+4.3%	+25.2%	+20.2%	+18.1%
Water Jetting Sector	+19.0%	+17.1%	-0.9%	+13.8%	-6.1%	+8.1%
Total	+15.4%	+24.0%	+1.9%	+19.7%	+11.3%	+14.5%

### At unchanged perimeter:

Hydraulic Sector	+12.9%	+10.4%	+0.8%	+9.9%	+17.9%	+9.3%
Water Jetting Sector	+1.0%	+16.7%	-1.1%	+13.6%	-6.2%	+6.3%
Total	+10.7%	+12.5%	-0.1%	+11.7%	+9.6%	+8.2%

## PROFITABILITY

The cost of sales accounted for 63.0% of turnover (61.7% in Q1 2017). Production costs, which totalled €81.5m (€70.8m in Q1 2017, which however did not include the costs of the GS Hydro Group, Mariotti & Pecini and Fluid System '80), accounted for 26.1% of sales (25.9% in the equivalent period of 2017). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €15.2m (€97.5m in the equivalent period of 2017, which however did not include the purchasing costs of the GS Hydro Group, Mariotti & Pecini, and Fluid System '80). The incidence of purchase costs, including changes in inventories, was 36.9%, compared to 35.8% in Q1 2017. This was due to the generalised increase in raw materials, which should be absorbed in the coming months.

Distribution costs at unchanged perimeter increased by 4.0% with respect to Q1 2017, with a lower incidence of 0.4 percentage points on sales.

Net of consolidation differences, general and administrative expenses rose by 0.8% with respect to Q1 2017, while their incidence on sales fell by 0.8 percentage points.

Payroll costs totalled €74.7m (€65.9m in Q1 2017, which however did not include payroll costs of the GS Hydro Group, Mariotti & Pecini and Fluid System '80). Payroll costs at unchanged perimeter rose by 4.2% due to an increase of 426 in the average headcount, partially offset by a 3.3% reduction in the per capita cost due, essentially, to category and geographical mix effects. The average total number of Group employees in Q1 2018 was 6,471 (5,941 at unchanged

perimeter) compared to 5,515 in Q1 2017. The like-for-like increase in average headcount during Q1 2017 breaks down as follows: plus 277 in Europe, plus 39 in the US and plus 110 in the Rest of the World.

EBITDA totalled €69.6m (22.3% of sales) compared to the €62.8m of Q1 2017, which accounted for 23.0% of sales, reflecting growth of 10.7%. EBITDA at unchanged perimeter was 23.4% of sales, with an improvement in profitability of 0.4 percentage points that confirms the constant optimisation efforts made by the Group. The following table shows EBITDA by business sector:

	<i>Q1 2018</i>	<i>% on</i>	<i>Q1 2017</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	42,063	20.3%	37,155	21.2%	+13.2%
Water Jetting Sector	27,522	26.0%	25,681	26.2%	+7.2%
<b>Total</b>	<b><u>69,585</u></b>	<b><u>22.3%</u></b>	<b><u>62,836</u></b>	<b><u>23.0%</u></b>	<b><u>+10.7%</u></b>

\* = 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 stood at €7.3m (18.3% of sales) compared to the €0.8m of Q1 2017 (18.6% of sales), reflecting an increase of 12.7%.

The tax rate for the period was 24.0% (34.4% in Q1 2017). Net of the goodwill recognised as financial income, which is not taxable since it is only recorded in the consolidated financial statements, the tax rate for Q1 2018 was 29.6%. The decrease versus Q1 2017 was mainly due to the reduction of the tax rate in the United States.

Net profit for Q1 2018 was €1.6m (€2.5m in Q1 2017), reflecting an increase of 58.5% that is partly explained by non-recurring income of €12.7m linked to the acquisition of GS Hydro. Basic earnings per share rose from the EUR 0.301 of Q1 2017 to EUR 0.478 in Q1 2018, reflecting growth of 58.8%.

Capital employed increased from €1,088.5m at 31 December 2017 to €1,120.2m at 31 March 2018, principally due to the acquisition of the GS hydro Group and the increase in working capital, which is physiological in the first part of the year. Unannualized ROCE was 5.1% (4.8% in Q1 2017). Unannualized ROE was 6.4% (4.6% in Q1 2017).



## CASH FLOW

The change in net financial indebtedness breaks down as follows:

	<i>Q1 2018</i> <u>€/000</u>	<i>Q1 2017</i> <u>€/000</u>
<b>Opening net financial position</b>	<b>(273,542)</b>	<b>(257,263)</b>
Adjustment: opening net cash position of companies not consolidated line by line at the end of the prior period <sup>(a)</sup>	<u>(7)</u>	<u>-</u>
<b>Adjusted opening net financial position</b>	<b>(273,549)</b>	<b>(257,263)</b>
Cash flow from operations	64,758	58,705
Cash flow generated (absorbed) by the management of commercial working capital	(32,797)	(20,329)
Cash flow generated (absorbed) by other current assets and liabilities	(2,176)	(4,373)
Investment in tangible fixed assets	(12,189)	(9,633)
Proceeds from the sale of tangible fixed assets	298	154
Increase in other intangible fixed assets	(905)	(651)
Received financial income	117	106
Other	<u>147</u>	<u>(244)</u>
<b>Free cash flow</b>	<b>17,253</b>	<b>23,735</b>
Acquisition of investments, including imported financial debt/liquidity	(1,007)	(73,258)
Proceeds from assets held for sale	785	865
Proceeds from the sale of treasury shares to beneficiaries of stock options	539	293
Proceeds from the sale of financial assets	<u>3</u>	<u>79</u>
<b>Net cash generated (used)</b>	<b>17,573</b>	<b>(48,286)</b>
Exchange differences	<u>(363)</u>	<u>(357)</u>
<b>Net financial position at period end</b>	<b><u>(256,339)</u></b>	<b><u>(305,906)</u></b>

Net liquidity generated by operations totalled €64.8m (€58.7m in Q1 2017), reflecting an increase of 10.3%. Free cash flow was €17.3m in Q1 2018 (€23.7m in Q1 2017). The reduction was due to a rise in working capital.

The net financial position breaks down as follows:

	31/03/2018	31/12/2017	31/03/2017	01/01/2017
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
Cash and cash equivalents	176,368	144,938	164,448	197,891
Bank payables (advances and STC amounts)	(14,431)	(8,955)	(4,834)	(2,396)
Interest-bearing financial payables (current portion)	(181,695)	(166,465)	(125,979)	(124,784)
Interest-bearing financial payables (non-current portion)	<u>(236,581)</u>	<u>(243,060)</u>	<u>(339,541)</u>	<u>(327,974)</u>
<b>Total</b>	<b><u>(256,339)</u></b>	<b><u>(273,542)</u></b>	<b><u>(305,906)</u></b>	<b><u>(257,263)</u></b>

The Group also has payables for the acquisition of equity investments totalling €55.8m (€50.3m at 31/12/2017 and €50.6m at 31/03/2017). Of this amount, €10.6m relates to debts for deferred payment of equity investments (€4.6m at 31/12/2017), while €45.2m relates to contractual commitments for the acquisition of residual stakes in subsidiaries (€45.7m at 31/12/2017). 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 €16.7m, of which €4.8m via the acquisition of equity investments (€8.5m in Q1 2017, of which €8.3m via the acquisition of equity investments). Certain companies in the Water Jetting Sector classify machinery manufactured and rented to customers as part of property, plant and equipment (€1.6m at 31/03/2018 and €1.8m at 31/03/2017). Net of these latter amounts capital expenditure stood at €10.3m in Q1 2018 (€8.4m at 31/03/2017) and mainly refers to the normal renewal and modernisation of plant, machinery and equipment, with the exception of €2.5m (€0.6m in Q1 2017) related to the construction of new production facilities. The difference with respect to the expenditure recorded in the cash flow statement is essentially due to the timing of payments.

Increases in intangible fixed assets totalled €1.3m, of which €0.4m through the acquisition of equity investments (€4.7m in Q1 2017, including €3.8m via the acquisition of equity investments). The €0.9m increase refers mainly to expenditure for the development of new products.

## **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 this Interim Report.

## **CHANGES IN THE GROUP STRUCTURE IN 2018**

In addition to the acquisition of the GS Hydro Group, as described at the start of this report, the other operation that altered the Group structure was the absorption in Portugal of STA Portuguesa Maquinas Para Industria Alim Lda by Inoxpa Solution Portugal (both wholly-owned subsidiaries).

In addition, the remaining 33.75% of SuministrosTécnicos Y Alimentarios S.L. within the Inoxpa Group was acquired on 21 February 2018. This company is now wholly owned and will be absorbed by Inoxpa S.A.U. in the coming months. The consideration for this transaction was 62,069 listed shares in Interpump Group S.p.A.

Rationalisation of the Group structure following the recent acquisitions is proceeding in China, India, Russia, Spain and France. The merger operations in Russia (between Starinox and Inoxrus) and India (between Walvoil India and HC Hydraulics Technology) were finalised in April 2018.

## **EVENTS OCCURRING AFTER THE END OF Q1 2018**

The Shareholders' Meeting of Interpump Group S.p.A., held on 23 April 2018, approved the 2017 financial statements and distribution of a dividend of EUR 0.21 per share. The meeting also:

- approved the Remuneration Policy Report pursuant to art. 123 (3) of Italian legislative decree 58/98;
- approved the remuneration of the directors for 2018;
- authorised the Board of Directors, for the period of eighteen months starting from the date of the shareholders' resolution, to purchase treasury stock up to the maximum number of

shares permitted by law, and to sell treasury stock already purchased or that will be acquired in the future in execution of said authorisation.

No atypical or unusual transactions occurred after the end of Q1 2018 that would require mention in this report or call for changes to the consolidated financial statements at 31 March 2018.

Sant' Ilario d'Enza, 10 May 2018

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

Pursuant to the terms of section 2 article 154-(2) of the Italian Consolidated Finance Act, the manager in charge of preparing the company's accounting documents, Carlo Banci, declares that the accounting disclosures in this document correspond to the documentary evidence, the company books and the accounting entries.

Sant' Ilario d'Enza, 10 May 2018

Carlo Banci  
Manager in charge of preparing  
the company's accounting documents



## **Financial statements and notes**



## Consolidated balance sheet

(€000)	<u>Notes</u>	<u>31/03/2018</u>	<u>31/12/2017</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		176,368	144,938
Trade receivables		271,465	236,761
Inventories	4	316,795	291,701
Tax receivables		17,253	15,410
Other current assets		11,849	8,302
<b>Total current assets</b>		<b>793,730</b>	<b>697,112</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	324,064	321,833
Goodwill	1	427,367	429,442
Other intangible assets		37,147	38,096
Other financial assets		939	1,145
Tax receivables		1,763	1,770
Deferred tax assets		25,203	24,909
Other non-current assets		2,256	2,582
<b>Total non-current assets</b>		<b>818,739</b>	<b>819,777</b>
Assets held for sale		-	785
<b>Total assets</b>		<b>1,612,469</b>	<b>1,517,674</b>

(€000)	<u>Notes</u>	<u>31/03/2018</u>	<u>31/12/2017</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables		155,982	142,975
Payables to banks		14,431	8,955
Interest-bearing financial payables (current portion)		181,695	166,465
Tax payables		30,965	18,541
Other current liabilities		67,242	54,038
Provisions for risks and charges		3,492	3,610
<b>Total current liabilities</b>		<b><u>453,807</u></b>	<b><u>394,584</u></b>
<b>Non-current liabilities</b>			
Interest-bearing financial payables		236,581	243,060
Liabilities for employee benefits		20,224	20,044
Deferred tax liabilities		40,908	41,504
Other non-current liabilities		49,731	50,397
Provisions for risks and charges		3,087	3,156
<b>Total non-current liabilities</b>		<b><u>350,531</u></b>	<b><u>358,161</u></b>
Liabilities held for sale		-	200
<b>Total liabilities</b>		<b><u>804,338</u></b>	<b><u>752,945</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
	6		
Share capital		55,884	55,805
Legal reserve		11,323	11,323
Share premium reserve		123,915	121,228
Reserve for restatement of defined benefit plans		(5,722)	(5,722)
Translation reserve		(11,126)	(2,475)
Other reserves		629,523	579,006
<b>Group shareholders' equity</b>		<b><u>803,797</u></b>	<b><u>759,165</u></b>
Minority interests		4,334	5,564
<b>Total shareholders' equity</b>		<b><u>808,131</u></b>	<b><u>764,729</u></b>
<b>Total shareholders' equity and liabilities</b>		<b><u>1,612,469</u></b>	<b><u>1,517,674</u></b>



## Consolidated income statements for Q1

(€000)	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>Net sales</b>		<b>312,296</b>	<b>272,741</b>
Cost of sales		(196,661)	(168,301)
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General and administrative expenses		(33,878)	(31,255)
Other operating costs		(503)	(561)
<b>Ordinary profit before financial charges</b>		<b>57,265</b>	<b>50,813</b>
Financial income	7	2,575	3,275
Financial charges	7	(4,623)	(4,495)
Badwill		12,730	-
Equity method contribution		(73)	35
<b>Profit for the period before taxes</b>		<b>67,874</b>	<b>49,628</b>
Income taxes		(16,302)	(17,092)
<b>Consolidated net profit for the period</b>		<b>51,572</b>	<b>32,536</b>
<b>Pertaining to:</b>			
Parent company's shareholders		51,386	32,132
Subsidiaries' minority shareholders		186	404
<b>Consolidated net profit for the period</b>		<b>51,572</b>	<b>32,536</b>
Basic earnings per share	8	0.478	0.301
Diluted earnings per share	8	0.473	0.298

## Comprehensive consolidated income statements for Q1

(€000)	<u>2018</u>	<u>2017</u>
<b>Consolidated profit for the period (A)</b>	<b>51,572</b>	<b>32,536</b>
<b>Other comprehensive profit (loss) that will be subsequently reclassified in consolidated profit for the period</b>		
<i>Accounting for exchange risk hedging derivatives recorded in accordance with the cash flow hedging method:</i>		
- Profit (Loss) on derivative financial instruments for the period	-	-
- Minus: Adjustment for reclassification of profits (losses) to the income statement	-	3
- Minus: Adjustment for fair value recognition of reserves in the prior period	=	<u>22</u>
<i>Total</i>	-	25
<i>Profits (losses) arising from the translation of foreign companies' financial statements</i>	(8,653)	(282)
<i>Profits (losses) of companies carried at equity</i>	(2)	(1)
<i>Related taxes</i>	=	<u>(7)</u>
<b>Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)</b>	<b><u>(8,655)</u></b>	<b><u>(265)</u></b>
<b>Comprehensive consolidated profit for the period (A) + (B)</b>	<b><u>42,917</u></b>	<b><u>32,271</u></b>
<b>Pertaining to:</b>		
Parent company's shareholders	42,735	31,863
Subsidiaries' minority shareholders	182	408
<b>Comprehensive consolidated profit for the period</b>	<b><u>42,917</u></b>	<b><u>32,271</u></b>

## Consolidated cash flow statements for Q1

(€000)	<u>2018</u>	<u>2017</u>
<b>Cash flow from operating activities</b>		
Pretax profit	67,874	49,628
<i>Adjustments for non-cash items:</i>		
Capital losses (gains) from the sale of fixed assets	(1,880)	(893)
Amortization and depreciation, impairment and reinstatement of value	12,186	11,742
Costs recognized in the income statement relative to stock options that do not involve monetary outflows for the Group	464	448
Outlays for tangible fixed assets granted for hire	(1,635)	(1,826)
Proceeds from the sale of fixed assets granted for hire	3,747	2,226
Loss (profit) from equity investments	73	(35)
Net change in provisions for risks and employee benefits	(390)	144
Financial charges (income), net	(10,682)	1,220
	<u>69,757</u>	<u>62,654</u>
(Increase) decrease in trade receivables and other current assets	(29,957)	(25,299)
(Increase) decrease in inventories	(17,803)	(12,041)
Increase (decrease) in trade payables and other current liabilities	12,787	12,638
Interest paid	(698)	(880)
Currency exchange differences realized	(934)	313
Taxes paid	(3,367)	(3,382)
<b>Net cash from operating activities</b>	<u><b>29,785</b></u>	<u><b>34,003</b></u>
<b>Cash flows from investing activities</b>		
Outlay for the acquisition of equity investments, net of received cash	(775)	(62,440)
Capital expenditure on property, plant and equipment	(12,096)	(9,415)
Proceeds from the sale of tangible fixed assets	298	154
Proceeds from the disposal of assets held for sale	785	865
Increase in intangible fixed assets	(905)	(651)
Received financial income	117	106
Other	340	(223)
<b>Net liquidity used in investing activities</b>	<u><b>(12,236)</b></u>	<u><b>(71,604)</b></u>
<b>Cash flows from financing activities</b>		
Disbursals (repayments) of loans	8,868	1,827
Proceeds from the sale of treasury shares to beneficiaries of stock options	539	293
Disbursals (repayments) of loans from (to) shareholders	-	(51)
Change in other financial assets	1	79
Payment of financial leasing installments (principal portion)	(480)	(543)
<b>Net liquidity generated (used by) financing activities</b>	<u><b>8,928</b></u>	<u><b>1,605</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u><b>26,477</b></u>	<u><b>(35,996)</b></u>

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(€000)	<u>2018</u>	<u>2017</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>26,477</b>	<b>(35,996)</b>
Exchange differences on translation of liquidity of non-EU companies	(516)	115
Opening cash and cash equivalents of companies consolidated line by line for the first time	(7)	-
Cash and cash equivalents at beginning of period	135,983	195,495
<b>Cash and cash equivalents at end of period</b>	<b><u>161,937</u></b>	<b><u>159,614</u></b>

Cash and cash equivalents can be broken down as follows:

	31/03/2018	31/12/2017
	€000	€000
Cash and cash equivalents from the balance sheet	176,368	144,938
Bank payables (advances and STC amounts)	<u>(14,431)</u>	<u>(8,955)</u>
Cash and cash equivalents from the cash flow statement	<u>161,937</u>	<u>135,983</u>

## Statement of changes in consolidated shareholders' equity

	Share capital	Legal reserve	Share premium reserve	Reserve for valuation of hedging derivatives at fair value	Reserve for restatement of defined benefit plans	Translation reserve	Other reserves	Group shareholders' equity	Minority interests	Total
<i>Balances at 1 January 2017</i>	55,431	11,323	112,386	(24)	(5,022)	33,497	466,153	673,744	3,794	677,538
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	448	-	-	-	-	448	-	448
Sale of treasury shares to the beneficiaries of stock options	28	-	265	-	-	-	-	293	-	293
Inoxpa minority interests acquired	-	-	-	-	-	-	-	-	2,462	2,462
Dividends distributed to minority interests	-	-	-	-	-	-	-	-	(500)	(500)
Comprehensive profit (loss) for Q1 2017	-	-	-	18	-	(287)	32,132	31,863	408	32,271
<i>Balances at 31 March 2017</i>	55,459	11,323	113,099	(6)	(5,022)	33,210	498,285	706,348	6,164	712,512
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	1,333	-	-	-	-	1,333	-	1,333
Sale of treasury shares to the beneficiaries of stock options	268	-	3,111	-	-	-	(296)	3,083	-	3,083
Sale of treasury stock to pay for equity investments	78	-	3,685	-	-	-	(78)	3,685	-	3,685
Inoxpa minority interests acquired	-	-	-	-	-	-	-	-	(171)	(171)
Dividends paid	-	-	-	-	-	-	(21,356)	(21,356)	(426)	(21,782)
Purchase of residual interests in subsidiaries	-	-	-	-	-	-	141	141	(527)	(386)
Comprehensive profit (loss) for April-December 2017	-	-	-	6	(700)	(35,685)	102,310	65,931	524	66,455
<i>Balances at 31 December 2017</i>	55,805	11,323	121,228	-	(5,722)	(2,475)	579,006	759,165	5,564	764,729
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	464	-	-	-	-	464	-	464
Sale of treasury shares to the beneficiaries of stock options	47	-	492	-	-	-	-	539	-	539
Sale of treasury stock to pay for equity investments	32	-	1,731	-	-	-	-	1,763	-	1,763
Dividends distributed to minority interests	-	-	-	-	-	-	-	-	(518)	(518)
Inoxpa minority interests acquired	-	-	-	-	-	-	(869)	(869)	(894)	(1,763)
Comprehensive profit (loss) for Q1 2018	-	-	-	-	-	(8,651)	51,386	42,735	182	42,917
<i>Balances at 31 March 2018</i>	55,884	11,323	123,915	-	(5,722)	(11,126)	629,523	803,797	4,334	808,131

## **Notes to the consolidated financial statements**

### ***General information***

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

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

Sales are not affected by any significant degree of seasonality.

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

The consolidated financial statements at 31 March 2018 were approved by the Board of Directors on this day (10 May 2018).

This interim board of directors' report is not subject to auditing.

It has been prepared on a basis consistent with the past, international practice, the principle of market transparency and Borsa Italiana Notice no. 7587 dated 21 April 2016. As part of the requirements for maintaining a STAR listing, this notice requires the publication of interim reports on operations, regardless of any regulatory changes.

### ***Basis of preparation***

The consolidated financial statements at 31 March 2018 were drawn up in compliance with international accounting standards (IAS/IFRS) for interim financial statements. The tables were prepared in compliance with IAS 1, while the notes were prepared in condensed form in application of the faculty provided by IAS 34 and therefore they do not include all the information required for annual financial statements drafted in compliance with IFRS standards. Therefore, the consolidated financial statements at 31 March should be consulted together with the annual financial statements for the year ending 31 December 2017.

The accounting principles and criteria adopted in the interim financial statements at 31 March 2018 may conflict with IFRS provisions in force on 31 December 2018 due to the effect of future orientations of the European Commission with regard to the approval of international accounting standards or the issue of new standards, interpretations or implementing guidelines by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee (IFRIC).

Preparation of an interim report in compliance with IAS 34 "Interim Financial Reporting" calls for judgments, estimates, and assumptions that have an effect on assets, liabilities, costs and revenues and on information regarding potential assets and liabilities at the report reference date. We draw your attention to the fact that estimates may differ from the effective results, the magnitude of which will only be known in the future. Certain measurement processes, notably those that are more complex, such as the determination of any impairments of non-current assets, are generally performed in a comprehensive manner only at the time of preparing the

annual financial statements, when all the necessary information is available, except in cases in which evidence of impairment calls for an immediate evaluation of any losses in value. Likewise, the actuarial evaluations required for determination of liabilities for benefits due to employees are normally processed at the time of drafting of the annual financial statements.

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

### ***Accounting standards***

The accounting standards adopted are those described in the consolidated financial statements at 31 December 2017, with the exception of those adopted as from 1 January 2018 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 2018 and adopted by the Group*

As from 2018 the Group has applied the following new accounting standards, amendments and interpretations, reviewed by IASB:

- *IFRS 2 – “Share-based payments”*. On 21 June 2016 IASB published amendments to the standard with a view to clarifying the accounting for certain operations involving share-based payments. The changes concern: (i) the effects of “vesting conditions” and “non-vesting conditions” in relation to the measurement of payments based on shares and settled in cash; (ii) payment transactions based on shares with a net settlement function for the withholding tax obligations and (iii) an amendment of the terms and conditions of a payment based on shares that changes the classification of the transaction from a settlement in cash settlement to a payment of capital. The amendments to *IFRS 2*, some of which affect the Interpump Group, did not result in any adjustments to economic or financial balances in 2018.
- *IFRS 9 – “Financial instruments”*. On 12 November 2009 IASB published the following standard, which was subsequently amended on 28 October 2010 and again in mid-December 2011. The standard constitutes the first part of a process in stages aimed at replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities, and for derecognition of financial assets from the financial statements. The new standard is designed to simplify interpretation of financial statements and understanding of the amounts, the times and the uncertainty of the cash flows, by replacing the different categories of financial instruments provided for by IAS39. In fact, all financial assets are initially recognized at fair value, adjusted by the transaction costs, if the instrument is not recognized at fair value through profit and loss (FVTPL). However, trade receivables that do not have a significant financial component are initially measured at their transaction price, as defined by the new *IFRS 15 - Revenue from contracts with customers*. Debt instruments are measured on the basis of the contractual cash flows and the business model on the basis of which the instrument is held. If the instrument envisages cash flows exclusively for the payment of interest and the capital portion, it is recognized in compliance with the amortized cost method, while if, in addition to the foregoing cash flows, it involves the exchange of financial assets, it is measured at fair value in Other Comprehensive Income, with subsequent reclassification in the income statement (FVOCI). Finally, there exists an express option for recognition at fair value (FVO). Likewise, all equity instruments are initially measured at *FVTPL*, but the entity has an irrevocable option on each instrument for recognition at *FVTOCI*. All the other classifications and measurement rules

contained in IAS39 have been included in the new standard IFRS9. With regard to impairment, the IAS39 model based on losses sustained has been replaced by the ECL model (Expected Credit Loss). Finally, several new aspects are introduced in relation to Hedge Accounting, with the facility to perform a prospective efficacy and qualitative test, measuring the components of risk autonomously, if they can be identified. Application of the new standard has had a very limited effect on the Group.

- *IFRS 15 – “Revenue from contracts with customers”*. The new standard replaces the previous IAS11 – “Construction contracts”, IAS18 – “Revenue”, IFRIC13 – “Customer loyalty contracts”, IFRIC15 – “Agreements for the Construction of Real Estate”, IFRIC18 – “Transfers of Assets from Customers”, SIC31 – “Barter Transactions Involving Advertising Services”. It supplies a model for recognition and measurement of all revenues from the sale of non-financial assets, including disposals of plant and equipment or intangible assets. The general principle is that the entity must recognize an economic benefit for an amount that reflects the consideration that the entity expects to be entitled to receive in exchange for transferring goods or services to a customer. Guidelines are provided for the identification of contracts, the obligations contained therein and the transaction price. If the services involved are multiple, indications are also provided concerning the allocation of the price to the services in question. Furthermore, criteria are clarified for recognition of the income once the performance obligation has been satisfied. Finally, indications are provided concerning the recognition of the incremental costs associated with securing the contract and directly correlated to the performance thereof. The standard also provides an extensive application guide concerning specific topics including licences, warranties, right of return, agency relations, and contract terminations. The standard is applicable in accordance with a *full retrospective approach* or *modified retrospective approach*. Application of the new standard, using the *modified retrospective method*, did not have a significant impact on the consolidated economic and financial position and cash flows for 2017 that would have made restatement necessary.
- b) *Accounting standards, amendments and interpretations in force from 1 January 2018 but not relevant for the Group*
- *IFRS Annual improvements Cycle 2014–2016* – On 8 December 2016 IASB issued several minor changes to IFRS 1 “*First-Time Adoption of IFRS*”, and IAS 28 “*Investments in Associates and Joint Ventures*”, as well as an IFRIC interpretation “*Interpretation 22 Foreign Currency Transactions and Advance Consideration*”. The aim of the annual improvements is to address necessary matters related to inconsistencies found in IFRSs or for clarifications of terminology, which are not of an urgent nature but which reflect issues discussed by IASB during the project cycle. Among the principal amendments, IFRIC 22 provides guidance on the use of exchange rates in transactions in which the foreign currency consideration is paid or received in advance.
  - *Applying IFRS 9 - “Financial Instruments with IFRS 4 Insurance Contracts”*. The amendments introduced provide two options for entities that issue insurance contracts in the framework of standard IFRS 4: (i) an option that allows reclassification, from profit and loss to other components of the comprehensive income statement, of part of the income or expenses deriving from designated financial assets (“overlay approach”) and (ii) a temporary and optional exemption from the application of IFRS 9 for entities whose primary activity is the issue of contracts in the framework of application of IFRS 4 (“deferral approach”).



- c) *New accounting standards and amendments not yet applicable and not adopted early by the Group*
- *IFRS 16 – “Leasing”*. On 13 January 2016, IASB published the new standard that replaces IAS 17. IFRS 16 is applicable from 1 January 2019. The scope of application of the new standard concerns leasing contracts, with certain exceptions. A leasing contract grants the right to use an asset (the “underlying asset”) for a certain period of time in return for the payment of a consideration. The method of recognition of all leasing contracts reflects the model proposed by IAS 17, although excluding leasing contracts concerning an asset of small value (such as computers) and short term contracts (i.e. less than 12 months). On the date of recognition of the leasing contract also the liability for the leasing installments and the asset that the entity is entitled to use must be booked, with separate recording of the financial expenses and amortization amounts concerning the asset. The liability can be subject to remeasurement (e.g. to reflect a change in the contractual terms or a change in the indices to which the payment of the leasing instalments is linked) and the resulting change must be recognized on the underlying asset. Finally, from the standpoint of the lessor the accounting model is substantially unchanged with respect to the provisions of the current IAS17. The standard must be applied with the modified retrospective method, while early application is simultaneously allowed for IFRS15. The Group has started to perform an analysis of the potential impacts that application of the new standard may have on the economic and financial situation and on the information given in the financial statements. The Group is making a detailed assessment of the effects of adopting the new standard. At 31 December 2017, the Group had commitments for rentals of €49,907k, including €13,424k due in 2018, as indicated in Note 34 to the latest approved Annual Report.
  - *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.
  - *IFRIC 23 – “Uncertainty over Income Tax Treatments”*. On 8 June 2017 IASB published interpretation IFRIC 23, which clarifies the application of the requirements for recognition and measurement in IAS 12 – “Income taxes” in the case of uncertainty concerning income tax treatment. Specifically, the interpretation concerns: (i) the case wherein an entity considers uncertain tax treatments independently, (ii) the assumptions that an entity makes in relation to taxation authorities’ examinations, (iii) how an entity determines its taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) the way in which an entity deals with changes in facts and circumstances. The Interpretation does not add any new information requirements, although it underscores the existing requirements of IAS 1 concerning information on judgments, information on assumptions made and other estimates and information concerning tax assets and liabilities given in IAS 12 “Income taxes”. The interpretation is applicable to annual reporting periods starting from 1 January 2019 or successively, and it offers a choice between two transition methods: (i) retroactive application using IAS 8 – “Accounting policies, changes in accounting estimates and errors”, only if application is possible without the use of hindsight, or (ii) retroactive application with cumulative effect of the initial demand recognized as an adjustment of the components of equity at the date of the initial demand and without adjusting the comparative information. The date of the initial demand is the start of the annual reference period in which an entity applies this Interpretation for the first time. The Group is currently

assessing the implementation and impact of adoption of the interpretation on the consolidated Group financial statements.

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

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## 1. Perimeter of consolidation and goodwill

The perimeter of consolidation at 31 March 2018 includes the Parent company and the following subsidiaries:

<i>Company</i>	<i>Head office</i>	<i>Share capital €/000</i>	<i>Sector</i>	<i>% stake at 31/03/18</i>
General Pump Inc.	Minneapolis (USA)	1,854	Water Jetting	100.00%
Hammelmann GmbH	Oelde (Germany)	25	Water Jetting	100.00%
Hammelmann Australia Pty Ltd (1)	Melbourne (Australia)	472	Water Jetting	100.00%
Hammelmann Corporation Inc (1)	Miamisburg (USA)	39	Water Jetting	100.00%
Hammelmann S. L. (1)	Zaragoza (Spain)	500	Water Jetting	100.00%
Hammelmann Pumps Systems Co Ltd (1)	Tianjin (China)	871	Water Jetting	90.00%
Hammelmann Bombas e Sistemas Ltda (1)	San Paolo (Brazil)	765	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%
Suministros Tecnicos Y Alimentarios S.L. (3)	Bilbao (Spain)	96	Water Jetting	100.00%
Inoxpa India Private Ltd (3)	Pune (India)	6,779	Water Jetting	100.00%
Candigra Vision Process Equipment PVT Ltd (4)	Maharashtra (India)	403	Water Jetting	99.98%
Inoxpa Solutions France (3)	Gleize (France)	1,451	Water Jetting	100.00%
Inoxpa Solution Portugal Lda (3)	Vale de Cambra (Portugal)	760	Water Jetting	100.00%
Inoxpa (UK) Ltd (3)	Eastbourne (UK)	1,942	Water Jetting	100.00%
Inoxpa Solutions Moldova (3)	Chisinau (Moldova)	317	Water Jetting	66.67%
Inoxpa Australia Pty. 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%
Inoxrus (3)	Saint Petersburg (Russia)	814	Water Jetting	100.00%
Starinox (5)	Moscow (Russia)	1,242	Water Jetting	66.80%
SCI Suali (3)	Gleize (France)	503	Water Jetting	100.00%
Mariotti & Pecini S.r.l.	Sesto Fiorentino (FI)	100	Water Jetting	60.00%
SIT S.p.A.	S. Ilario d'Enza (RE)	105	Water Jetting	65.00%
Interpump Hydraulics S.p.A.	Calderara di Reno (BO)	2,632	Hydraulic	100.00%
AVI S.r.l. (6)	Varedo (MB)	10	Hydraulic	100.00%
Contarini Leopoldo S.r.l. (6)	Lugo (RA)	47	Hydraulic	100.00%
Unidro Contarini S.a.s. (7)	Barby (France)	8	Hydraulic	100.00%
Copa Hydrosystem Ood (7)	Troyan (Bulgaria)	3	Hydraulic	100.00%
Fluid System 780 S.r.l. (6)	Remanzacco (UD)	47	Hydraulic	100.00%
Hydrocar Chile S.A. (6)	Santiago (Chile)	129	Hydraulic	90.00%
Hydroven S.r.l. (6)	Tezze sul Brenta (VI)	200	Hydraulic	100.00%
Interpump Hydraulics Brasil Ltda (6)	Caxia do Sul (Brazil)	13,996	Hydraulic	100.00%
Interpump Hydraulics France S.a.r.l. (6)	Ennery (France)	76	Hydraulic	99.77%
Interpump Hydraulics India Private Ltd (6)	Hosur (India)	682	Hydraulic	100.00%

*Interim Board of Directors' Report at 31 March 2018 - Interpump Group*

<i>Company</i>	<i>Head office</i>	<i>Share capital €/000</i>	<i>Sector</i>	<i>% stake at 31/03/18</i>
Interpump Hydraulics Middle East FZE (6)	Dubai (UAE)	326	Hydraulic	100.00%
Interpump South Africa Pty Ltd (6)	Johannesburg (South Africa)	-	Hydraulic	100.00%
Interpump Hydraulics (UK) Ltd. (6)	Kidderminster (United Kingdom)	13	Hydraulic	100.00%
Mega Pacific Pty Ltd (8)	Newcastle (Australia)	335	Hydraulic	65.00%
Mega Pacific NZ Pty Ltd (8)	Mount Maunganui (New Zealand)	557	Hydraulic	65.00%
Muncie Power Prod. Inc. (6)	Muncie (USA)	784	Hydraulic	100.00%
American Mobile Power Inc. (9)	Fairmount (USA)	3,410	Hydraulic	100.00%
Oleodinamica Panni S.r.l. (6)	Tezze sul Brenta (VI)	2,000	Hydraulic	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (6)	Wuxi (China)	2,095	Hydraulic	65.00%
IMM Hydraulics S.p.A. (6)	Atessa (Switzerland)	520	Hydraulic	100.00%
Hypress France S.a.r.l. (10)	Strasbourg (France)	162	Hydraulic	100.00%
Hypress Hydraulik GmbH (10)	Meinerzhagen (Germany)	52	Hydraulic	100.00%
Hypress S.r.l. (10)	Atessa (Switzerland)	50	Hydraulic	100.00%
IMM Hydro Est (10)	Catcau Cluj Napoca (Romania)	3,155	Hydraulic	100.00%
Tekno Tubi S.r.l. (10)	Terre del Reno (FE)	100	Hydraulic	100.00%
Tubiflex S.p.A.	Orbassano (TO)	515	Hydraulic	80.00%
Walvoil S.p.A.	Reggio Emilia	7,692	Hydraulic	100.00%
Walvoil Fluid Power Corp. (11)	Tulsa (USA)	137	Hydraulic	100.00%
Walvoil Fluid Power Shanghai Co. Ltd (11)	Shanghai (China)	1,872	Hydraulic	100.00%
Walvoil Fluid Power Pvt Ltd (11)	Bangalore (India)	683	Hydraulic	100.00%
Walvoil Fluid Power Korea (11)	Pyeongtaek (South Korea)	453	Hydraulic	100.00%
Walvoil Fluid Power France S.a.r.l. (11)	Vritz (France)	10	Hydraulic	100.00%
Walvoil Fluid Power Australasia (11)	Melbourne (Australia)	7	Hydraulic	100.00%
Galtech Canada Inc. (11)	Terrebonne, Quebec (Canada)	76	Hydraulic	100.00%
HC Hydraulics Technologies (P) Ltd (11)	Bangalore (India)	4,120	Hydraulic	100.00%
HTIL (11)	Hong Kong	98	Hydraulic	100.00%
Walvoil Fluid Power (Dongguan) Co., Ltd (12)	Dongguan (China)	3,720	Hydraulic	100.00%
Interpump Piping GS S.r.l.	Reggio Emilia	10	Hydraulic	100.00%
GS Hydro S.A. U. (13)	Las Rozas – Madrid (Spain)	1,220	Hydraulic	100.00%
GS Hydro UK Ltd (13)	Sunderland (UK)	5,095	Hydraulic	100.00%
GS Hydro Austria GmbH (13)	Pasching (Austria)	40	Hydraulic	100.00%
GS Hydro System GmbH (13)	Witten (Germany)	562	Hydraulic	100.00%
GS Hydro do Brasil Sistemas Hydraulics Ltda (13)	Rio de Janeiro (Brazil)	252	Hydraulic	100.00%
GS Hydro Denmark Abs (13)	Kolding (Denmark)	67	Hydraulic	100.00%
GS Hydro US, Inc (13)	Houston (USA)	9,903	Hydraulic	100.00%
GS Hydro Benelux B.V. (13)	Barendrecht (Netherlands)	18	Hydraulic	100.00%
GS Hydro Hong Kong Ltd (14)	Hong Kong	1	Hydraulic	100.00%
GS Hydro Piping Systems (Shanghai) Co., Ltd (15)	Shanghai (China)	2,760	Hydraulic	100.00%
GS Hydro Korea Ltd (13)	Busan (South Korea)	1,892	Hydraulic	100.00%
GS Hydro SP Z.o.o. (13)	Gydnia (Poland)	1,095	Hydraulic	100.00%
GS Hydro AB (13)	Kista (Sweden)	20	Hydraulic	100.00%
GS Hydro Singapore PTE Ltd (13)	Singapore	624	Hydraulic	100.00%
IMM Hydraulics Ltd (in liquidation) (8)	Kidderminster (United Kingdom)	1	Hydraulic	100.00%
E.I. Holdings Ltd (in liquidation) (8)	Bath (United Kingdom)	127	Hydraulic	100.00%
Endeavour International Ltd (in liquidation) (8)	Bath (United Kingdom)	69	Hydraulic	100.00%

*Interim Board of Directors' Report at 31 March 2018 - Interpump Group*

<u>Company</u>	<u>Head office</u>	<u>Share capital</u> <u>€/000</u>	<u>Sector</u>	<u>% stake</u> <u>at 31/03/18</u>
Bristol Hose Ltd (in liquidation) (8)	Bristol (United Kingdom)	18	Hydraulic	100.00%
Teknova S.r.l. (in liquidation)	Reggio Emilia	28	Other	100.00%

(1) = controlled by Hammelmann GmbH

(2) = controlled by NLB Corporation

(3) = controlled by Inoxpa S.A.

(4) = controlled by Inoxpa India Private Ltd

(5) = controlled by Inoxrus

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

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

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

(9) = controlled by Muncie Power Inc.

(10) = controlled by IMM Hydraulics Ltd

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

(12) = controlled by HTIL

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

(14) = controlled by GS Hydro Benelux B.V.

(15) = controlled by GS Hydro Hong Kong Ltd

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

The companies of the GS Hydro Group (Hydraulic Sector) have been consolidated for first time.

The minority shareholder of Inoxihp S.r.l. is entitled to dispose of its holdings starting from the approval of the 2025 financial statements up to the 2035 financial statements, on the basis of the average results of the company in the last two financial statements for the years ended before the exercise of the option. Likewise, the minority shareholder of Tubiflex S.p.A. is entitled and required to dispose of its holdings upon approval of the 2018 financial statements, on the basis of the results of the company reported in the 2018 financial statements. 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 financial statements prepared immediately prior to 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 as at 31 December 2020 up to approval of the financial statements as at 31 December 2022, on the basis of the results reported in the latest financial statements prior to exercise of the option. The minority shareholder of Inoxpa Solution Moldova is entitled to dispose of its holdings from October 2020, based on the most recent balance sheet of that company.

In compliance with the requirements of IFRS 10 and IFRS 3, Inoxihp, Tubiflex, Mega Pacific Australia, Mega Pacific New Zealand, Mariotti & Pecini and Inoxpa Solution Moldova 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.

Changes in goodwill in Q1 2018 were as follows:

<u>Company:</u>	<u>Balance at</u> <u>31/12/2017</u>	<u>Increases</u> <u>(Decreases)</u> <u>in the period</u>	<u>Changes due to</u> <u>foreign exchange</u> <u>differences</u>	<u>Balance at</u> <u>31/03/2018</u>
Water Jetting Sector	202,493	-	(1,003)	201,490
Hydraulic Sector	<u>226,949</u>	<u>104</u>	<u>(1,176)</u>	<u>225,877</u>
<i>Total goodwill</i>	<u>429,442</u>	<u>104</u>	<u>(2,179)</u>	<u>427,367</u>

## 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, statutory auditors and functions of the Group's financial management, control and internal auditing, and also consultancy costs and other related costs, were booked to the sectors on the basis of sales.

### Business sectors

Business sector information is supplied with reference to the operating sectors. The information provided about business sectors reflects the Group's internal reporting structure.

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

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

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 high pressure cleaners. These pumps are also employed for a broad range of industrial applications including car wash installations, forced lubrication systems for machine tools, and inverse osmosis systems for seawater desalination plants. Very high pressure pumps and systems are used for cleaning surfaces, ship hulls, various types of hoses, and also for removing machining burr, cutting and removing cement, asphalt, and paint coatings from stone, cement and metal surfaces, and for cutting solid materials. The Sector also includes high pressure homogenizers, mixers, agitators, piston pumps, valves and other machines produced mainly for the food processing industry and also used in the chemicals and cosmetics sectors.

*Hydraulic Sector.* This sector includes the production and sale of power take-offs, hydraulic cylinders, pumps, directional controls, valves, hydraulic hoses and fittings and other hydraulic components. Power take-offs are mechanical devices designed to transmit drive from an industrial vehicle engine or transmission to power a range of ancillary services through hydraulic components. These products, combined with other hydraulic components (spool valves, controls, etc.) allow the execution of special functions such as lifting tipping bodies, operating truck-mounted cranes, operating truck mixer truck drums, and so forth. Hydraulic cylinders are components of the hydraulic system of various vehicle types employed in a wide range of applications depending on the type. Front-end and underbody cylinders (single acting) are utilized mainly on industrial vehicles in the construction sector, while double acting cylinders are utilized in a range of applications: earthmoving machinery, agricultural machinery, cranes and truck cranes, waste compactors, etc. Hydraulic lines and fittings are used in a vast range of hydraulic equipment and are also employed in very high pressure water

systems. The Group also designs and deploys piping systems for the industrial, naval and offshore sectors.



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

**Q1**

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	2018	2017	2018	2017	2018	2017	2018	2017
Net sales external to the Group	206,669	174,988	105,627	97,753	-	-	312,296	272,741
Sales between sectors	156	106	301	416	(457)	(522)	-	-
<b>Total net sales</b>	<b>206,825</b>	<b>175,094</b>	<b>105,928</b>	<b>98,169</b>	<b>(457)</b>	<b>(522)</b>	<b>312,296</b>	<b>272,741</b>
Cost of sales	(138,124)	(114,970)	(58,995)	(53,856)	458	525	(196,661)	(168,301)
<b>Gross industrial margin</b>	<b>68,701</b>	<b>60,124</b>	<b>46,933</b>	<b>44,313</b>	<b>1</b>	<b>3</b>	<b>115,635</b>	<b>104,440</b>
<i>% on net sales</i>	<i>33.2%</i>	<i>34.3%</i>	<i>44.3%</i>	<i>45.1%</i>			<i>37.0%</i>	<i>38.3%</i>
Other net revenues	2,835	2,685	1,755	1,176	(1)	(8)	4,589	3,853
Distribution costs	(16,319)	(14,027)	(12,259)	(11,642)	-	5	(28,578)	(25,664)
General and administrative expenses	(20,713)	(18,797)	(13,165)	(12,458)	-	-	(33,878)	(31,255)
Other operating costs	(398)	(450)	(105)	(111)	-	-	(503)	(561)
<b>Ordinary profit before financial charges</b>	<b>34,106</b>	<b>29,535</b>	<b>23,159</b>	<b>21,278</b>	<b>-</b>	<b>-</b>	<b>57,265</b>	<b>50,813</b>
<i>% on net sales</i>	<i>16.5%</i>	<i>16.9%</i>	<i>21.9%</i>	<i>21.7%</i>			<i>18.3%</i>	<i>18.6%</i>
Financial income	1,819	1,766	1,167	1,921	(411)	(412)	2,575	3,275
Financial charges	(2,835)	(2,816)	(2,199)	(2,091)	411	412	(4,623)	(4,495)
Badwill	12,730	-	-	-	-	-	12,730	-
Equity method contribution	(32)	(19)	(41)	54	-	-	(73)	35
<b>Profit for the period before taxes</b>	<b>45,788</b>	<b>28,466</b>	<b>22,086</b>	<b>21,162</b>	<b>-</b>	<b>-</b>	<b>67,874</b>	<b>49,628</b>
Income taxes	(9,840)	(9,810)	(6,462)	(7,282)	-	-	(16,302)	(17,092)
<b>Consolidated profit for the period</b>	<b>35,948</b>	<b>18,656</b>	<b>15,624</b>	<b>13,880</b>	<b>-</b>	<b>-</b>	<b>51,572</b>	<b>32,536</b>
<b>Pertaining to:</b>								
Parent company's shareholders	35,836	18,506	15,550	13,626	-	-	51,386	32,132
Subsidiaries' minority shareholders	112	150	74	254	-	-	186	404
<b>Consolidated net profit for the period</b>	<b>35,948</b>	<b>18,656</b>	<b>15,624</b>	<b>13,880</b>	<b>-</b>	<b>-</b>	<b>51,572</b>	<b>32,536</b>
<b>Further information required by IFRS 8</b>								
Amortization, depreciation and write-downs	7,864	7,562	4,322	4,180	-	-	12,186	11,742
Other non-monetary costs	707	355	645	367	-	-	1,352	722

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

	Hydraulic		Water Jetting		Elimination entries		Interpump Group	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017
<b>Assets by sector</b>	<b>907,281</b>	<b>851,740</b>	<b>697,462</b>	<b>684,787</b>	<b>(168,642)</b>	<b>(164,306)</b>	<b>1,436,101</b>	<b>1,371,951</b>
Assets held for sale	-	-	-	785	-	-	-	785
<b>Total assets of the sector (A)</b>	<b>907,281</b>	<b>851,740</b>	<b>697,462</b>	<b>685,572</b>	<b>(168,642)</b>	<b>(164,306)</b>	<b>1,436,101</b>	<b>1,372,736</b>
Cash and cash equivalents							176,368	144,938
<b>Total assets</b>							<b>1,612,469</b>	<b>1,517,674</b>
<b>Liabilities of the sector</b>	<b>384,766</b>	<b>353,332</b>	<b>99,751</b>	<b>94,973</b>	<b>(168,642)</b>	<b>(164,306)</b>	<b>315,875</b>	<b>283,999</b>
Liabilities held for sale	-	-	-	200	-	-	-	200
<b>Total liabilities of the sector (B)</b>	<b>384,766</b>	<b>353,332</b>	<b>99,751</b>	<b>95,173</b>	<b>(168,642)</b>	<b>(164,306)</b>	<b>315,875</b>	<b>284,199</b>
Debts for the payment of investments							55,756	50,266
Payables to banks							14,431	8,955
Interest-bearing financial payables							418,276	409,525
<b>Total liabilities</b>							<b>804,338</b>	<b>764,729</b>
<b>Total assets, net (A-B)</b>	<b>522,515</b>	<b>498,138</b>	<b>597,711</b>	<b>590,399</b>	-	-	<b>1,120,226</b>	<b>1,088,537</b>
<b>Further information required by IFRS 8</b>								
Investments carried at equity	214	362	213	255	-	-	427	617
Non-current assets other than financial assets and deferred tax assets	473,226	469,016	319,371	324,707	-	-	792,597	793,723

The Q1 comparison of the Hydraulic Sector at unchanged perimeter is as follows:

	2018	2017
Net sales external to the Group	191,297	174,988
Sales between sectors	156	106
<b>Total net sales</b>	<b>191,453</b>	<b>175,094</b>
Cost of sales	(126,180)	(114,970)
<b>Gross industrial margin</b>	<b>65,273</b>	<b>60,124</b>
<i>% on net sales</i>	<i>34.1%</i>	<i>34.3%</i>
Other net revenues	2,747	2,685
Distribution costs	(14,507)	(14,027)
General and administrative expenses	(18,675)	(18,797)
Other operating costs	(395)	(450)
<b>Ordinary profit before financial charges</b>	<b>34,443</b>	<b>29,535</b>
<i>% on net sales</i>	<i>18.0%</i>	<i>16.9%</i>
Financial income	1,669	1,766
Financial charges	(2,528)	(2,816)
Equity method contribution	(32)	(19)
<b>Profit for the period before taxes</b>	<b>33,552</b>	<b>28,466</b>
Income taxes	(9,708)	(9,810)
<b>Consolidated profit for the period</b>	<b>23,884</b>	<b>18,656</b>
<b>Pertaining to:</b>		
Parent company's shareholders	23,732	18,506
Subsidiaries' minority shareholders	112	150
<b>Consolidated net profit for the period</b>	<b>23,844</b>	<b>18,656</b>

Q1 cash flows by business sector are as follows:

€000	Hydraulic		Water Jetting		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash flows from:						
Operating activities	17,687	16,817	12,098	17,186	29,785	34,003
Investing activities	(8,647)	(8,324)	(3,589)	(63,280)	(12,236)	(71,604)
Financing activities	<u>2,100</u>	<u>(7,196)</u>	<u>6,828</u>	<u>8,801</u>	<u>8,928</u>	<u>1,605</u>
Total	<u>11,140</u>	<u>1,297</u>	<u>15,337</u>	<u>(37,293)</u>	<u>26,477</u>	<u>(35,996)</u>

The investing activities of the Water Jetting Sector included €841k associated with the acquisition of equity investments (€1,404k in Q1 2017).

Financing activities in Q1 2018 include new intercompany loans from the Water Jetting Sector to the Hydraulic Sector totalling €7,800k (repayment of €2,000k from the Hydraulic Sector to the Water Jetting Sector in Q1 2017). In addition, the cash flows from the financing activities of the Water Jetting Sector in Q1 2018 include proceeds from the sale of treasury stock to the beneficiaries of stock options totaling €39k (€293k in Q1 2017).

### 3. Acquisition of investments

#### GD Hydro Group

As mentioned, the GS Hydro Group (Hydraulic Sector) was consolidated for the first time in Q1 2018. This group is a world leader in the design and production of piping systems for the industrial, naval and offshore sectors. The preliminary contract for the acquisition of the GS Hydro Group was signed on 29 December 2017, but the various closings were completed in early 2018. The GS Hydro Group was acquired from a Finnish bankruptcy procedure that sold 12 direct equity investments (UK, Spain, Austria, Germany, Denmark, Benelux, Poland, Sweden, USA, China, South Korea, Singapore and Brazil) to Interpump Piping GS S.r.l., as well as the manufacturing business of the Finnish parent GS-Hydro Oy, including the trademark, patents and international certifications. The companies acquired are listed below:

<u>Company</u>	<u>Head office</u>	<u>% stake</u>	<u>Sector</u>
GS Hydro S.A. U.	Las Rozas — Madrid (Spain)	100.00%	Hydraulic
GS Hydro UK Ltd	Sunderland (UK)	100.00%	Hydraulic
GS Hydro Austria GmbH	Pasching (Austria)	100.00%	Hydraulic
GS Hydro System GmbH	Witten (Germany)	100.00%	Hydraulic
GS Hydro do Brasil Sistemas Hydraulics Ltda	Rio de Janeiro (Brazil)	100.00%	Hydraulic
GS Hydro Denmark AbS	Kolding (Denmark)	100.00%	Hydraulic
GS Hydro US, Inc.	Houston (USA)	100.00%	Hydraulic
GS Hydro Benelux B.V.	Barendrecht (Netherlands)	100.00%	Hydraulic
GS Hydro Hong Kong Ltd (1)	Hong Kong	100.00%	Hydraulic
GS Hydro Piping Systems (Shanghai) Co., Ltd (2)	Shanghai (China)	100.00%	Hydraulic
GS Hydro Korea Ltd	Busan (South Korea)	100.00%	Hydraulic
GS Hydro SP Z.o.o.	Gydnia (Poland)	100.00%	Hydraulic
GS Hydro AB	Kista (Sweden)	100.00%	Hydraulic
GS Hydro Singapore PTE Ltd	Singapore	100.00%	Hydraulic

(1) = controlled by GS Hydro Benelux B.V.

(2) = controlled by GS Hydro Hong Kong Ltd

In order to complete the acquisition of the GS-Hydro Group it was necessary to purchase each of the activities separately, in compliance with the various technical-legal regulations in force in each country. This process, completed during the quarter, took a few months. Nevertheless, the Interpump Group took control of operations from the start of 2018, calling all the managers in that group to Italy to give them their operating instructions. From that time, the bankruptcy administrators were no longer involved, having achieved their objective of selling the assets. As a consequence, the GS Hydro Group has been consolidated from 1 January 2018.

The operation was recorded using the acquisition method.

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

€000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Cash and cash equivalents	3,348	-	3,348
Trade receivables	9,825	-	9,825
Inventories	10,761	-	10,761
Tax receivables	853	-	853
Other current assets	1,160	-	1,160
Property, plant and equipment	4,755	-	4,755
Other intangible assets	355	-	355
Deferred tax assets	1,046	-	1,046
Other non-current assets	391	-	391
Trade payables	(4,641)	-	(4,641)
Payables to banks	(581)	-	(581)
Leasing payables (current portion)	(46)	-	(46)
Tax payables	(832)	-	(832)
Other current liabilities	(3,795)	-	(3,795)
Short-term payables for purchase of investments	(134)	-	(134)
Provisions for risks and charges (current portion)	(271)	-	(271)
Leasing payables (medium-/long-term portion)	(186)	-	(186)
Deferred tax liabilities	(181)	-	(181)
Liabilities for employee benefits	(46)	-	(46)
Other non-current liabilities	(51)	=	(51)
Net assets acquired	<u>21,730</u>	=	21,730
Negative goodwill related to the acquisition			<u>(12,730)</u>
<b>Total net assets acquired</b>			<b><u>9,000</u></b>
Total amount paid in cash			2,391
Amount due in short-term			<u>6,609</u>
<b>Total acquisition cost (A)</b>			<b><u>9,000</u></b>
Net liquidity acquired (B)			(2,535)
Total amount paid in cash			2,391
Payables related to the acquisition of investments			<u>6,609</u>
<b>Total change in the net financial position including changes in debt for the acquisition of investments</b>			<b><u>6,465</u></b>
<b>Capital employed (A) - (B)</b>			<b>6,465</b>

The financial statements of the GS Hydro Group's subsidiaries outside the Eurozone have been translated using the exchange rates in force on 31 December 2017.

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

	31/03/2018	31/12/2017
	€000	€000
Inventories gross value	351,853	324,549
Allowance for inventories	<u>(35,058)</u>	<u>(32,848)</u>
Inventories	<u>316,795</u>	<u>291,701</u>

Changes in the allowance for inventories were as follows:

	Q1 2018	Year 2017
	€000	€000
Opening balances	32,848	28,596
Exchange rate difference	(216)	(914)
Change in scope of consolidation	2,048	5,279
Reclassifications	-	(115)
Provisions for the period	902	2,423
Releases in the period to cover losses	(524)	(2,421)
Release of excess provisions in the period	<u>-</u>	<u>-</u>
Closing balance	<u>35,058</u>	<u>32,848</u>

#### 5. Property, plant and equipment

##### *Purchases and disposals*

In Q1 2018 Interpump Group acquired assets for €16,699k, of which €4,770k via the acquisition of equity investments (€28,519k in Q1 2017, of which €18,274k via the acquisition of equity investments). Assets with a net carrying amount of €2,163k were divested in Q1 2018 (€1,492k in Q1 2017). The divested assets generated a net capital gain of €1,880k (€893k in Q1 2017). Assets held for sale totaling €785k were also sold (€65k in Q1 2017); both amounts were included in the opening balances and therefore did not generate gains/losses recognized in the income statement.

##### *Contractual commitments*

At 31 March 2018 the Group has contractual commitments for the purchase of tangible fixed assets totalling €7,589k (€2,479k at 31 March 2017).

#### 6. Shareholders' equity

##### *Share capital*

The share capital is composed of 108,879,294 ordinary shares with a unit face value of EUR 0.52 for a total amount of EUR 56,617,232.88. Conversely, share capital recorded in the financial statements amounts to €55,884k, 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 31 March 2018 Interpump S.p.A. holds 1,409,683 treasury shares in the portfolio corresponding to 1.29% of the share capital, acquired at an average unit cost of EUR 12.4967.

##### *Treasury shares purchased*

The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. During Q1 2018 and 2017 the Group did not acquire any treasury shares.

*Treasury shares sold*

A total of 90,000 options were exercised in Q1 2018, resulting in proceeds of €539k in the context of the stock option plans (54,500 stock options exercised in Q1 2017 with proceeds of €293k). In addition, 62,069 treasury shares were assigned on acquisition of the residual 33.75% interest in Suministros Tecnicos Y Alimentarios S.L., which is part of the Inoxpa Group.

**7. Financial income and expenses**

	<u>2018</u>	<u>2017</u>
	€000	€000
<u>Financial income</u>		
Interest income from liquid funds	110	89
Interest income from other assets	16	16
Badwill related to the GS Hydro acquisition	12,730	-
Foreign exchange gains	2,419	3,048
Earnings from valuation of derivative financial instruments	-	117
Other financial income	<u>30</u>	<u>5</u>
Total financial income	<u>15,305</u>	<u>3,275</u>
<u>Financial charges</u>		
Interest expense on loans	739	851
Interest expense on put options	172	153
Foreign exchange losses	3,563	3,435
Other financial charges	<u>149</u>	<u>56</u>
Total financial charges	<u>4,623</u>	<u>4,495</u>
Total financial charges (income), net	<u>(10,682)</u>	<u>1,220</u>

**8. Earnings per share**

*Basic earnings per share*

Earnings per share are calculated on the basis of consolidated profit for the period attributable to Parent Company shareholders, divided by the weighted average number of ordinary shares as follows:

<i>Q1</i>	<u>2018</u>	<u>2017</u>
Consolidated net profit for the period attributable to Parent company shareholders (€000)	51,386	32,132
Average number of shares in circulation	107,418,905	106,627,388
Basic earnings per share for the quarter (€)	<u>0.478</u>	<u>0.301</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:

	<u>2018</u>	<u>2017</u>
Consolidated net profit for the period attributable to Parent company shareholders (€000)	51,386	32,132
Average number of shares in circulation	107,418,905	106,627,388
Number of potential shares for stock option plans (*)	1,174,696	1,047,061
Average number of shares (diluted)	<u>108,593,601</u>	<u>107,674,449</u>
Earnings per diluted share for the quarter (€)	<u>0.473</u>	<u>0.298</u>

(\*) calculated as the number of shares assigned for in-the-money stock option plans multiplied by the ratio between 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 business relations with unconsolidated subsidiaries, associates and other related parties at arm's length conditions considered to be normal in the relevant reference markets, taking account of the characteristics of the goods and services rendered. Transactions between Interpump Group S.p.A. and its consolidated subsidiaries, which are related parties of the company, were eliminated from the interim consolidated financial statements and are not detailed in these notes.

The effects in the Group's consolidated income statements for Q1 2018 and Q1 2017 are shown below:

	Q1 2018					
	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€000)						
Net sales	312,296	483	-	372	855	0.3%
Cost of sales	196,661	390	-	3,021	3,411	1.7%
Other revenues	4,589	1	-	-	1	0.0%
Distribution costs	28,578	9	-	172	181	0.6%
G&A expenses	3,878	-	-	362	362	1.1%

	Q1 2017					
	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	
(€000)						
Net sales	272,741	261	-	233	494	0.2%
Cost of sales	168,301	209	-	2,402	2,611	1.6%
Other revenues	3,853	19	-	-	19	0.5%
Distribution costs	25,664	11	-	235	246	1.0%
G&A expenses	31,255	-	-	444	444	1.4%



The effects on the consolidated balance sheet at 31 March 2018 and 2017 are shown below:

31 March 2018						
(€000)	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% on relevant line item
Trade receivables	271,465	1,788	-	962	2,750	1.0%
Other financial assets	939	2	-	-	2	0.2%
Trade payables	155,982	61	-	1,488	1,549	1.0%

31 March 2017						
(€000)	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% on relevant line item
Trade receivables	233,075	1,069	-	384	1,453	0.6%
Other financial assets	1,948	2	-	-	2	0.1%
Trade payables	126,338	85	-	735	820	0.6%

*Relations with non-consolidated subsidiaries*

Relations with non-consolidated subsidiaries are as follows:

(€000)	Receivables		Revenues	
	<u>31/03/2018</u>	<u>31/03/2017</u>	<u>2018</u>	<u>2017</u>
General Pump China Inc.	239	131	201	174
Interpump Hydraulics Perù	1,037	938	101	106
Interpump Hydraulics Rus	292	-	182	-
FGA S.r.l.	<u>220</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total subsidiaries</i>	<u>1,788</u>	<u>1,069</u>	<u>484</u>	<u>280</u>

(€000)	Payables		Costs	
	<u>31/03/2018</u>	<u>31/03/2017</u>	<u>2018</u>	<u>2017</u>
General Pump China Inc.	57	85	187	220
Interpump Hydraulics Perù	-	-	60	-
FGA S.r.l.	<u>4</u>	<u>-</u>	<u>152</u>	<u>-</u>
<i>Total subsidiaries</i>	<u>61</u>	<u>85</u>	<u>399</u>	<u>220</u>

(€000)	Loans		Financial income	
	<u>31/03/2018</u>	<u>31/03/2017</u>	<u>2018</u>	<u>2017</u>
Inoxpa Poland Sp ZOO	<u>2</u>	<u>2</u>	=	=
<i>Total subsidiaries</i>	<u>2</u>	<u>2</u>	=	=

*Relations with associates*

The Group does not hold investments in associated companies.

*Transactions with other related parties*

Transactions with other related parties regard the leasing of facilities owned by companies controlled by current shareholders and directors of Group companies for €1,228k (€1,186k in Q1 2017), and consultancy services provided by entities connected with directors and statutory auditors of the Group for €27k (€187k in Q1 2017). Costs for rentals were recorded under the cost of sales in the amount of €86k (€34k in Q1 2017), under distribution costs in the amount of €5k (€72k in Q1 2017) and in general and administrative expenses in the amount of €47k (€180k in Q1 2017). Consultancy costs

were recorded in distribution costs in the amount of €15k and in general and administrative expenses for €112k (€15k in distribution costs and €172k in general and administrative expenses in Q1 2017). Net sales include the amount of €372k for sales made to companies related to Group shareholders (€333k in Q1 2017). In addition, the cost of sales includes purchases made from companies controlled by minority shareholders or directors of Group companies for €2,011k (€1,425k in Q1 2017).

Further to the signature of building rental contracts with other related parties, the Group has commitments of €10,744k (€13,630k at 31 December 2017).

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

The Parent company and some of its subsidiaries are directly involved in lawsuits for limited amounts. The settlement of said lawsuits is not expected to generate any significant liabilities for the Group that are not covered by the risk provisions already made. There have not been any substantial changes in relation to the disputes or contingent liabilities existing at 31 December 2017.