Interim Board of Directors' Report
Q3 2018

Interpump Group S.p.A. and subsidiaries

Contents

This document can be accessed on the Internet at:
www.interpumpgroup.it

Interpump Group S.p.A.
Registered office in S. Ilario d'Enza (Reggio Emilia), Via Enrico Fermi, 25
Paid-up Share Capital: EUR 56,617,232.88
Reggio Emilia Companies Register - Tax Code 11666900151

Board of Directors

Fulvio Montipò
Chairman and Chief Executive Officer

Paolo Marinsek
Deputy Chairman

Angelo Busani (a)
Independent Director

Antonia Di Bella
Independent Director

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

Marcello Margotto (b)
Independent Director

Stefania Petruccioli (a), (c)
Independent Director

Paola Tagliavini (a), (c)
Independent Director

Giovanni Tamburi (b)
Non-executive Director

Board of Statutory Auditors

Fabrizio Fagnola
Chairman

Federica Menichetti
Statutory auditor

Alessandra Tronconi
Statutory auditor

Independent Auditors

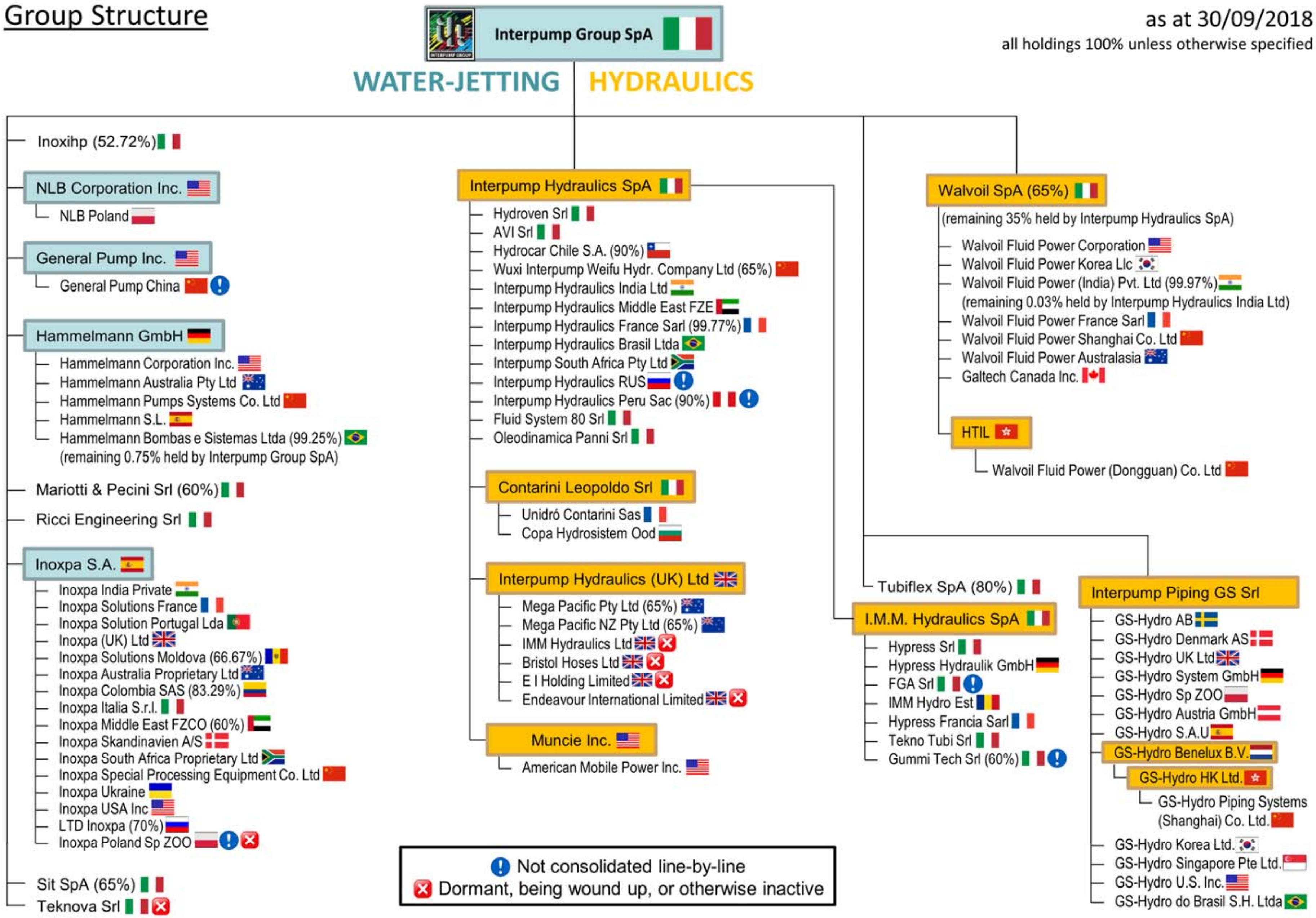
EY S.p.A.

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

Group Structure

as at 30/09/2018

all holdings 100% unless otherwise specified



Interim Board of Directors' Report

Directors' remarks on performance in 9M 2018

PERFORMANCE INDICATORS

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

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

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

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

The cash flow statement was prepared using the indirect method.

9M consolidated income statement

(€/000)	***2018***	***2017***
Net sales	**953,576**	**818,699**
Cost of sales	(597,048)	(505,119)
Gross industrial margin	**356,528**	**313,580**
% on net sales	*37.4%*	*38.3%*
Other operating revenues	14,485	11,818
Distribution costs	(86,896)	(76,105)
General and administrative expenses	(99,901)	(92,247)
Other operating costs	(2,103)	(2,203)
EBIT	**182,113**	**154,843**
% on net sales	*19.1%*	*18.9%*
Financial income	7,598	10,819
Financial expenses	(12,316)	(17,315)
Badwill	11,907	-
Equity method contribution	(225)	(186)
Profit for the period before taxes	**189,077**	**148,161**
Income taxes	(51,809)	(49,026)
Consolidated net profit for the period	**137,268**	**99,135**
% on net sales	*14.4%*	*12.1%*
Pertaining to:		
Parent company's shareholders	136,583	98,170
Subsidiaries' minority shareholders	685	965
Consolidated profit for the period	**137,268**	**99,135**
EBITDA	**219,770**	**191,898**
% on net sales	*23.0%*	*23.4%*
Shareholders' equity	845,279	731,997
Net debt	276,945	287,937
Payables for the acquisition of investments	43,060	51,797
Capital employed	1,165,284	1,071,731
Unannualized ROCE	**15.6%**	**14.4%**
Unannualized ROE	**16.2%**	**13.5%**
Basic earnings per share	**1.277**	**0.919**

EVENTS IN THE FIRST NINE MONTHS OF 2018

Sales reached €953.6m, up by 16.5% compared to 9M 2017 (+10.3% at unchanged perimeter and +13.8% also net of exchange differences). A breakdown by business sector shows a 21.1% sales increase in the Hydraulic Sector (+11.9% at unchanged perimeter and +15.2% also net of exchange differences) compared with 9M 2017; Water Jetting Sector sales in the same period were up by 8.5% (+7.4% at unchanged perimeter and +11.4% 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 eight months in 2017, having been acquired on 3 February, while it is consolidated for nine 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; in addition, that work would have involved considerable effort and cost, which would not have been justified by the 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 period.

In geographical terms, growth in Europe including Italy was 19.5%, 7.8% in North America, 22.4% in the Far East and Oceania, and 18.4% in the Rest of the World. The geographical breakdown shows growth (at unchanged perimeter) of 10.3% in Europe, including Italy, 6.4% in North America, 13.9% in the Far East and Oceania and 17.1% in the Rest of the World.

EBITDA reached €219.8m, equivalent to 23.0% of sales. In 9M 2017 EBITDA amounted to 191.9 million euro (23.4% of sales). Accordingly, EBITDA rose by 14.5%. In this regard, the GS Hydro Group was consolidated for the first time in 9M 2018 following its acquisition from court-supervised administration. The companies concerned are being restructured by the Interpump Group and, accordingly, they partially dilute the EBITDA percentage. At unchanged perimeter, EBITDA was 24.1% of sales, with an improvement in profitability of 0.7 percentage points that confirms the ongoing optimisation efforts made by the Group.

Net profit in 9M 2018 was 137.3 million euro (99.1 million euro in 9M 2017), up by 38.5%. The consolidation of GS Hydro in 2018 generated badwill of €11.9m, classified under financial income and equivalent to the difference between the net carrying amount of the assets acquired and the price paid.

As mentioned, the GS Hydro Group (Hydraulic Sector), world leader in the design and production of piping systems for the industrial, naval and offshore sectors, was consolidated for the first time in 9M 2018. GS-Hydro has revolutionised the piping sector by inventing non-welding assembly technology. 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. Total consolidated sales of the GS Hydro Group in 2017 were €61m. The total agreed price for the acquisition is €9m. The net financial position at 31 December 2017 showed net cash of €2.5m.

With respect to 9M 2017, also the following companies were consolidated: Mariotti & Pecini S.r.l. (Water Jetting Sector), purchased in early June 2017 and therefore only consolidated for four months in the comparative period, and Fluid System ‘80 S.r.l. (Hydraulic Sector), purchased in October 2017 and therefore not consolidated at 30 September 2017. In addition, Ricci Engineering S.r.l. was purchased in early August 2018 and has been consolidated for 2 months.

NET SALES

Net sales totalled €953.6 million in 9M 2018, up by 16.5% with respect to sales in the equivalent period of 2017, when net sales were €818.7 million (+10.3% at unchanged perimeter, +13.8% also net of exchange differences).

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

(€/000)	Italy	Rest of Europe	North America	Far East and Oceania	Rest of the World	Total
9M 2018						
Hydraulic Sector	126,821	237,166	136,860	62,040	67,177	630,064
Water Jetting Sector	30,332	117,220	106,110	46,043	23,807	323,512
Total	157,153	354,386	242,970	108,083	90,984	953,576
9M 2017						
Hydraulic Sector	114,935	180,219	125,163	48,400	51,761	520,478
Water Jetting Sector	28,459	104,567	100,193	39,891	25,111	298,221
Total	143,394	284,786	225,356	88,291	76,872	818,699
2018/2017 percentage changes						
Hydraulic Sector	+10.3%	+31.6%	+9.3%	+28.2%	+29.8%	+21.1%
Water Jetting Sector	+6.6%	+12.1%	+5.9%	+15.4%	-5.2%	+8.5%
Total	+9.6%	+24.4%	+7.8%	+22.4%	+18.4%	+16.5%
Same, at unchanged perimeter						
Hydraulic Sector	+7.8%	+13.1%	+6.9%	+12.7%	+28.0%	+11.9%
Water Jetting Sector	-3.0%	+11.9%	+5.7%	+15.3%	-5.2%	+7.4%
Total	+5.7%	+12.7%	+6.4%	+13.9%	+17.1%	+10.3%

PROFITABILITY

The cost of sales accounted for 62.6% of turnover (61.7% in the first nine months of 2017). Production costs, which totalled €247.2m (€210.5m in 9M 2017, which however did not include the costs of the GS Hydro Group and Fluid System'80 for nine months, Mariotti & Pecini for five months or Ricci Engineering for two months), accounted for 25.9% of sales (25.7% in the equivalent period of 2017). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €349.8m (€294.7m in the equivalent period of 2017, which however did not include the costs of the GS Hydro Group and Fluid System '80 for nine months, Mariotti & Pecini for five months or Ricci Engineering for two months). The incidence of purchase costs, including changes in inventories, was 36.7% compared to 36.0% in the first nine months of 2017.

Also at unchanged perimeter, distribution costs rose by 7.1% with respect to the first nine months of 2017, but the associated incidence on sales fell by 0.3 percentage points.

At unchanged perimeter, General and administrative expenses rose by 1.2% with respect to 9M 2017, but their incidence on sales was 1 percentage point lower.
Payroll costs totalled €221.0m (€193.5m in 9M 2017, which however did not include the costs of the GS Hydro Group and Fluid System '80 for nine months, Mariotti & Pecini for five

months nor Ricci Engineering for two months). At unchanged perimeter, payroll costs rose by 5.0% due to an increase of 274 in the average headcount and a 0.1% rise in the per capita cost. The total average headcount of Group employees in 9M 2018 was 6,459 (5,971 like for like) compared to the figure of 5,696 in the equivalent period of 2017. The increase in average headcount in 9M 2018, net of the personnel of the newly acquired companies, breaks down as follows: plus 200 in Europe, plus 37 in the US and plus 37 in the Rest of the World

EBITDA totalled €219.8m (23.0% of sales) compared to €191.9m in 9M 2017, which represents 23.4% of sales and reflects growth of 14.5%. At unchanged perimeter, EBITDA was 24.1% of sales, with an improvement in profitability of 0.7 percentage points that confirms the ongoing optimisation efforts made by the Group. The following table shows EBITDA by business sector:

	9M 2018 €/000	*% on total sales**	*9M 2017 €/000*	*% on total sales**	*Increase/ Decrease*
Hydraulic Sector	129,853	20.6%	112,438	21.6%	+15.5%
Water Jetting Sector	89,917	27.7%	79,460	26.5%	+13.2%
Total	***219,770***	***23.0%***	***191,898***	***23.4%***	***+14.5%***

* = Total sales include sales to other Group companies, while the sales analyzed 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 €182.1m (19.1% of sales) compared with €154.8m in 9M 2017 (18.9% of sales), reflecting an increase of 17.6%.

The tax rate for the period was 27.4% (33.1% in 9M 2017). Net of the badwill recognized as financial income, which is not taxable since it is only recorded in the consolidated financial statements, the tax rate in 9M 2018 was 29.2%. The decrease versus 9M 2017 was mainly due to the reduction of the tax rate in the USA.

Net profit for 9M 2018 was €137.3m (€99.1m in 9M 2017), with an increase of 38.5%; in this context it should be noted that 9M 2018 benefited from a one-off income of €11.9m arising from the acquisition of GS Hydro. Basic earnings per share rose from EUR 0.919 in 9M 2017 to EUR 1.277 in 9M 2018, reflecting growth of 39.0%.

Capital employed edged up from €1,085.1m at 31 December 2017 to €1,165.3m at 30 September 2018, mainly due to the acquisition of the GS Hydro Group and the increase in working capital following strong organic growth during the period. Unannualized ROCE was 15.6% (14.4% in the first nine months of 2017). Unannualized ROE was 16.2% (13.5% in 9M 2017).

CASH FLOW

The change in net financial indebtedness breaks down as follows:

	9M 2018 *€/000*	*9M 2017* *€/000*
Opening net financial position	**(273,542)**	**(257,263)**
Adjustment: opening net cash position of companies not consolidated line by line at the end of the prior year	(7)	-
Adjusted opening net financial position	**(273,549)**	**(257,263)**
Cash flow from operations	176,076	143,590
Cash flow generated (absorbed) by the management of commercial working capital	(65,132)	(40,227)
Cash flow generated (absorbed) by other current assets and liabilities	(538)	1,436
Investment in tangible fixed assets	(43,171)	(29,623)
Proceeds from the sale of tangible fixed assets	978	516
Investment in other intangible fixed assets	(2,973)	(2,312)
Received financial income	402	336
Other	463	(306)
Free cash flow	***66,105***	***73,410***
Acquisition of investments, including received debt and net of treasury shares assigned	(12,164)	(84,141)
Dividends paid	(23,052)	(21,783)
Outlays for the purchase of treasury shares	(36,319)	-
Receipts from the disposal of assets held for sale	785	2,714
Proceeds from the sale of treasury shares to beneficiaries of stock options	539	2,835
Change in other financial assets	(243)	70
Net cash generated (used)	***(4,349)***	***(26,895)***
Exchange differences	953	(3,779)
Net financial position at period end	**(276,945)**	**(287,937)**

Net liquidity generated by operations totalled €176.1m (€143.6m in 9M 2017), reflecting an increase of 22.6%. Free cash flow was €66.1m (€73.4m in 9M 2017). The reduction was due to absorption by working capital linked to the strong increase in sales and to greater capital investment.

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

	30/09/2018 €/000	31/12/2017 €/000	30/09/2017 €/000	01/01/2017 €/000
Cash and cash equivalents	147,878	144,938	153,478	197,891
Bank payables (advances and STC amounts)	(15,216)	(8,955)	(7,354)	(2,396)
Interest-bearing financial payables (current portion)	(181,644)	(166,465)	(147,505)	(124,784)
Interest-bearing financial payables (non-current portion)	(227,963)	(243,060)	(286,556)	(327,974)
Total	**(276,945)**	**(273,542)**	**(287,937)**	**(257,263)**

The Group also has contractual commitments for the acquisition of residual interests in subsidiaries totalling €43.1m (€46.8m at 31 December 2017 and €51.8m at 30 September 2017). Of this amount, €3.7m relates to the acquisition of equity investments (€4.5m at 31 December

2017), while €39.4m relates to contractual agreements for the acquisition of residual interests in subsidiaries (€42.3m at 31 December 2017).

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totalled €53.8m, of which €5.0m through the acquisition of equity investments (€55.2m in 9M 2017, of which €20.1m through 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 (€5.8m at 30 September 2018 and €4.6m at 30 September 2017). Net of these latter amounts, capital expenditure in the strictest sense stood at €43.0m in 9M 2018 (€30.0m in 9M 2017) and mainly refers to the normal renewal and modernisation of plant, machinery and equipment, with the exception of €6.2m in 2018 (€2.5m in 2017) related to the construction of new production facilities or their expansion. The difference with respect to the expenditure recorded in the cash flow statement is due to the timing of payments.

Increases in intangible assets totalled €3.4m, of which €0.4m through the acquisition of equity investments (€15.0m in 9M 2017, including €12.6m via the acquisition of equity investments). The 2018 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 the Interim Consolidated Financial statements at 30 September 2018.

CHANGES IN GROUP STRUCTURE IN 9M 2018

Apart from the acquisition of the GS Hydro Group, as described at the beginning of this report, the other operations that altered the Group's corporate structure were the absorption in Portugal of STA Portoguesa Maquinas Para Industria Alim by Inoxpa Solution Portugal (both wholly owned), the merger in Russia between Starinox and Inoxrus, with the incorporation of a new company (LTD Inoxpa), the mergers in India between Walvoil Fluid Power (India) and HC Hydraulics Technology (both wholly owned) and between Candriga Vision Process Equipment PVT Ltd and Inoxpa India Private Ltd and, lastly, the absorption in France of SCI Suali by Inoxpa Solution France (both wholly owned).

In addition, the residual 33.75% interest in Suministros Tecnicos Y Alimentarios S.L., an Inoxpa Group company, was acquired on 21 February 2018. The consideration for this transaction was 62,069 listed shares in Interpump Group S.p.A. The investment, held at 100%, was absorbed by Inoxpa S.A.U on 29 May 2018.

On 2 August 2018, Interpump Group acquired a 100% interest in Ricci Engineering S.r.l., a start-up operating in the design, construction and installation of equipment for the brewery and wine-making industry. The company mainly works in the promising business of equipment for micro-breweries, which is a new and fast-expanding market; in the space of a few years it has achieved annual sales of around €2m, with 2018 EBITDA predicted to total 10%. The price agreed was €0.6m.

EVENTS OCCURRING AFTER THE CLOSE OF 9M 2018

No atypical or unusual transactions have been carried out subsequent to 30 September 2018 that would call for changes to the consolidated financial statements at 30 September 2018.

Directors' remarks on performance in Q3 2018

Q3 consolidated income statement

(€/000)	*2018*	*2017*
Net sales	**310,148**	**259,948**
Cost of sales	(194,126)	(161,277)
Gross industrial margin	**116,022**	**98,671**
% on net sales	*37.4%*	*38.0%*
Other operating revenues	5,011	3,705
Distribution costs	(28,002)	(23,547)
General and administrative expenses	(32,033)	(29,148)
Other operating costs	(546)	(831)
EBIT	**60,452**	**48,850**
% on net sales	*19.5%*	*18.8%*
Financial income	1,967	4,533
Financial expenses	(3,584)	(5,664)
Badwill	284	-
Equity method contribution	(67)	(221)
Profit for the period before taxes	**59,052**	**47,498**
Income taxes	(16,043)	(14,623)
Consolidated profit for the period	**43,009**	**32,875**
% on net sales	*13.9%*	*12.6%*
Pertaining to:		
Parent company's shareholders	42,768	32,546
Subsidiaries' minority shareholders	241	329
Consolidated profit for the period	**43,009**	**32,875**
EBITDA	**72,957**	**61,135**
% on net sales	*23.5%*	*23.5%*
Shareholders' equity	845,279	731,997
Net debt	276,945	287,937
Payables for the acquisition of investments	43,060	51,797
Capital employed	1,165,284	1,071,731
Unannualized ROCE	**5.2%**	**4.6%**
Unannualized ROE	**5.1%**	**4.5%**
Basic earnings per share	**0.402**	**0.304**

The scope of consolidation in Q3 2018 includes the GS Hydro Group, Fluid System’80 and 2 months of Ricci Engineering S.r.l., none of which were present in Q3 2017.

NET SALES

Net sales in Q3 2018 totalled €310.1m, up by 19.3% on the €259.9m of Q3 2017 (+13.1% at unchanged perimeter and +13.8% also net of exchange differences).

Net sales in Q3 are shown in the following breakdown by business sector and geographical area:

(€/000)	Italy	Rest of Europe	North America	Far East and Oceania	Rest of the World	Total
Q3 2018						
Hydraulic Sector	36,853	75,165	46,281	21,099	22,729	202,127
Water Jetting Sector	9,456	42,170	34,055	14,633	7,707	108,021
Total	46,309	117,335	80,336	35,732	30,436	310,148
Q3 2017						
Hydraulic Sector	35,845	56,590	39,449	16,357	16,393	164,634
Water Jetting Sector	11,111	33,822	28,705	14,442	7,234	95,314
Total	46,956	90,412	68,154	30,799	23,627	259,948
2018/2017 percentage changes						
Hydraulic Sector	+2.8%	+32.8%	+17.3%	+29.0%	+38.7%	+22.8%
Water Jetting Sector	-14.9%	+24.7%	+18.6%	+1.3%	+6.5%	+13.3%
Total	-1.4%	+29.8%	+17.9%	+16.0%	+28.8%	+19.3%
Same, at unchanged perimeter						
Hydraulic Sector	+0.1%	+13.0%	+16.3%	+10.9%	+36.8%	+13.2%
Water Jetting Sector	-17.0%	+24.7%	+18.6%	+1.3%	+6.5%	+13.1%
Total	-3.9%	+17.4%	+17.3%	+6.4%	+27.5%	+13.1%

PROFITABILITY

The cost of sales accounted for 62.6% of turnover (62.0% in Q3 2017). Production costs, which totalled €75.0m (€66.7m in Q3 2017, which however did not include the acquisition costs of the GS Hydro Group and Fluid System’80 for three months and Ricci Engineering for two months), accounted for 25.9% of sales (25.6% in the equivalent period of 2017). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €113.9m (€94.6m in the equivalent period of 2017, which however did not include the costs of the GS Hydro Group and Fluid System ‘80 for three months or Ricci Engineering for two months). The incidence of purchase costs, including changes in inventories, was 36.7% with respect to 36.4% in Q3 2017.

At unchanged perimeter, distribution costs rose by 12.0% with respect to Q3 2017, while the associated incidence on sales fell by 0.1 percentage points.

Again at unchanged perimeter, general and administrative expenses rose by 3.3% with respect to the third quarter of 2017, although their incidence on sales fell by 1 percentage point.

EBITDA totalled €73.0m (23.5% of sales) compared with €61.1m in Q3 2017, which also accounted for 23.5% of sales, with an increase of 19.3%. At unchanged perimeter EBITDA stood at 24.6%, with an improvement of 1.1 percentage points.

The following table shows EBITDA by business sector:

	Q3 2018 €/000	*% on total sales**	*Q3 2017 €/000*	*% on total sales**	*Increase/ Decrease*
Hydraulic Sector	41,442	20.5%	36,085	21.9%	+14.8%
Water Jetting Sector	31,515	29.0%	25,050	26.2%	+25.8%
Total	***72,957***	***23.5%***	***61,135***	***23.5%***	***+19.3%***

* = Total sales include sales to other Group companies, while the sales analyzed 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 €60.5m (19.5% of sales) compared with €48.9m in Q3 2017 (18.8% of sales), reflecting an increase of 23.8%.

Q3 closed with a consolidated net profit of €43.0m (€32.9m in Q3 2017), reflecting growth of 30.8%.

Basic earnings per share were €0.402 (€0.304 in Q3 2017), reflecting a 32.2% increase.

BUSINESS OUTLOOK

Considering the short span of time covered by the Group's order portfolio and difficulties and uncertainties concerning the current world economic situation, it is impractical to formulate reliable forecasts for 2018 as a whole, although positive results are predicted in terms of both sales and profitability. The Group will continue to devote special attention to controlling costs and to finance management in order to maximize the generation of free cash flow to be allocated to internal and external growth and to the remuneration of shareholders.

Sant'Ilario d'Enza (RE), 7 November 2018

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

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, 7 November 2018

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

Financial statements and notes

Consolidated statement of financial position

(€/000)	*Notes*	*30/09/2018*	*31/12/2017*
ASSETS			
Current assets			
Cash and cash equivalents		147,878	144,938
Trade receivables		271,773	236,761
Inventories	4	353,368	291,701
Tax receivables		22,719	15,410
Other current assets		12,597	8,302
Total current assets		**808,335**	**697,112**
Non-current assets			
Property, plant and equipment	5	339,554	321,833
Goodwill*	1	426,722	425,991
Other intangible assets		35,773	38,096
Other financial assets		2,313	1,145
Tax receivables		1,715	1,770
Deferred tax assets		27,239	24,909
Other non-current assets		2,336	2,582
Total non-current assets		**835,652**	**816,326**
Assets held for sale		-	785
Total assets		***1,643,987***	***1,514,223***

* 2017 data remeasured in 2018 as required by IFRS 3.

(€/000)	*Notes*	*30/09/2018*	*31/12/2017*
LIABILITIES			
Current liabilities			
Trade payables		159,032	142,975
Payables to banks		15,216	8,955
Interest-bearing financial payables (current portion)		181,644	166,465
Tax payables		34,749	18,541
Other current liabilities		73,146	54,038
Provisions for risks and charges		4,080	3,610
Total current liabilities		**467,867**	**394,584**
Non-current liabilities			
Interest-bearing financial payables		227,963	243,060
Liabilities for employee benefits		19,977	20,044
Deferred tax liabilities		41,007	41,504
Other non-current liabilities*		38,656	46,946
Provisions for risks and charges		3,238	3,156
Total non-current liabilities		**330,841**	**354,710**
Liabilities held for sale		-	200
Total liabilities		**798,708**	**749,494**
SHAREHOLDERS' EQUITY	6		
Share capital		55,198	55,805
Legal reserve		11,323	11,323
Share premium reserve		89,225	121,228
Reserve from remeasurement of defined benefit plans		(5,722)	(5,722)
Translation reserve		(1,613)	(2,475)
Other reserves		692,088	579,006
Group shareholders' equity		**840,499**	**759,165**
Minority interests		4,780	5,564
Total shareholders' equity		**845,279**	**764,729**
Total shareholders' equity and liabilities		***1,643,987***	***1,514,223***

* 2017 data remeasured in 2018 as required by IFRS 3.

9M consolidated income statement

(€/000)	*Notes*	*2018*	*2017*
Net sales		**953,576**	**818,699**
Cost of sales		(597,048)	(505,119)
Gross industrial margin		**356,528**	**313,580**
Other net revenues		14,485	11,818
Distribution costs		(86,896)	(76,105)
General and administrative expenses		(99,901)	(92,247)
Other operating costs		(2,103)	(2,203)
Ordinary profit before financial expenses		**182,113**	**154,843**
Financial income	7	7,598	10,819
Financial expenses	7	(12,316)	(17,315)
Badwill		11,907	-
Equity method contribution		(225)	(186)
Profit for the period before taxes		**189,077**	**148,161**
Income taxes		(51,809)	(49,026)
Consolidated profit for the period		**137,268**	**99,135**
Pertaining to:			
Parent company's shareholders		136,583	98,170
Subsidiaries' minority shareholders		685	965
Consolidated profit for the period		**137,268**	**99,135**
Basic earnings per share	8	1.277	0.919
Diluted earnings per share	8	1.263	0.910

9M comprehensive consolidated income statement

(€/000)	*2018*	*2017*
9M consolidated profit (A)	**137,268**	**99,135**
Other comprehensive profit (loss) that will be subsequently reclassified to consolidated profit		
Accounting for exchange risk hedging derivatives recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivative financial instruments for the period	-	-
- Minus: Adjustment for reclassification of profits (losses) to the income statement	-	-
- Minus: Adjustment for fair value recognition of reserves in the prior period	-	33
Total	-	*33*
Profits (Losses) arising from the translation to euro of the financial statements of foreign companies	*722*	*(32,420)*
Profits (Losses) of companies carried at equity	*(17)*	*(6)*
Related taxes	-	*(9)*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of tax effect (B)	**705**	**(32,402)**
Other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit		
Profit (Loss) deriving from the remeasurement of defined benefit plans	-	-
Related taxes	-	-
Total other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit (C)	**-**	**-**
9M comprehensive consolidated profit (A) + (B) + (C)	**137,973**	**66,733**
Pertaining to:		
Parent company's shareholders	137,445	66,135
Subsidiaries' minority shareholders	528	598
Comprehensive consolidated profit for the period	**137,973**	**66,733**

Q3 consolidated income statement

(€/000)		***2018***	***2017***
Net sales		**310,148**	**259,948**
Cost of sales		(194,126)	(161,277)
Gross industrial margin		**116,022**	**98,671**
Other net revenues		5,011	3,705
Distribution costs		(28,002)	(23,547)
General and administrative expenses		(32,033)	(29,148)
Other operating costs		(546)	(831)
Ordinary profit before financial expenses		**60,452**	**48,850**
Financial income	7	1,967	4,533
Financial expenses	7	(3,584)	(5,664)
Badwill		284	-
Equity method contribution		(67)	(221)
Profit for the period before taxes		**59,052**	**47,498**
Income taxes		(16,043)	(14,623)
Consolidated net profit for the period		**43,009**	**32,875**
Pertaining to:			
Parent company's shareholders		42,768	32,546
Subsidiaries' minority shareholders		241	329
Consolidated profit for the period		**43,009**	**32,875**
Basic earnings per share	8	0.402	0.304
Diluted earnings per share	8	0.398	0.301

Q3 comprehensive consolidated income statement

(€/000)	2018	2017
Q3 consolidated profit (A)	**43,009**	**32,875**
Other comprehensive profit (loss) that will be subsequently reclassified to consolidated profit		
Accounting for exchange risk hedging derivatives recorded in accordance with the cash flow hedging method:	-	
- Profit (Loss) on derivative financial instruments for the period	-	-
- Minus: Adjustment for reclassification of profits (losses) to the income statement	-	-
- Minus: Adjustment for fair value recognition of reserves in the prior period	-	-
Total	-	-
Profits (Losses) arising from the translation to euro of the financial statements of foreign companies	*(2,230)*	*(10,071)*
Profits (Losses) of companies carried at equity	*(23)*	*21*
Related taxes	-	-
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of tax effect (B)	**(2,253)**	**(10,050)**
Other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit		
Profit (Loss) deriving from the remeasurement of defined benefit plans	-	-
Related taxes	-	-
Total other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit (C)	**-**	**-**
Q3 comprehensive consolidated profit (A) + (B) + (C)	**40,756**	**22,825**
Pertaining to:		
Parent company's shareholders	40,650	22,553
Subsidiaries' minority shareholders	106	272
Comprehensive consolidated profit for the period	**40,756**	**22,825**

9M consolidated cash flow statement

(€/000)	***2018***	***2017***
Cash flow from operating activities		
Pretax profit	189,077	148,161
Adjustments for non-cash items:		
Capital losses (gains) from the sale of fixed assets	(2,052)	(2,465)
Depreciation and amortization	36,399	35,996
Costs recognized in the income statement related to stock options that do not involve monetary outflows for the Group	1,407	1,318
Loss (profit) from equity investments	225	186
Net change in provisions for risks and employee benefits	269	180
Outlays for tangible fixed assets destined for hire	(5,843)	(4,604)
Proceeds from the sale of fixed assets granted for hire	5,980	6,047
Financial expenses (Income), net	(7,189)	6,496
	218,273	**191,315**
(Increase) decrease in trade receivables and other current assets	(35,245)	(36,269)
(Increase) decrease in inventories	(51,611)	(26,804)
Increase (decrease) in trade payables and other current liabilities	21,186	24,282
Interest paid	(2,406)	(2,539)
Currency exchange gains	(1,363)	(2,078)
Taxes paid	(38,428)	(43,108)
Net cash from operating activities	**110,406**	**104,799**
Cash flows from investing activities		
Outlay for the acquisition of equity investments, net of received cash and including treasury shares assigned	(11,201)	(77,121)
Capital expenditure on property, plant and equipment	(42,734)	(29,126)
Proceeds from the sale of tangible fixed assets	978	516
Proceeds from the disposal of assets held for sale	785	2,714
Capital expenditure on intangible assets	(2,973)	(2,312)
Received financial income	402	336
Other	571	(153)
Net liquidity used in investing activities	**(54,172)**	**(105,146)**
Cash flows from financing activities		
Disbursals (repayments) of loans	1,058	(28,063)
Dividends paid	(23,052)	(21,783)
Outlays for purchase of treasury shares	(36,319)	-
Assignment of treasury shares to pay for equity investments	-	3,685
Proceeds from the sale of treasury shares to beneficiaries of stock options	539	2,835
Disbursals (repayments) of loans from (to) shareholders	-	(50)
Loans repaid (granted) by/to non-consolidated subsidiaries	(200)	-
Change in other financial assets	(43)	70
Payment of finance leasing installments (principal portion)	(1,602)	(1,731)
Net liquidity generated (used by) financing activities	**(59,619)**	**(45,037)**
Net increase (decrease) in cash and cash equivalents	**(3,385)**	**(45,384)**

(€/000)	***2018***	***2017***
Net increase (decrease) in cash and cash equivalents	**(3,385)**	**(45,384)**
Exchange differences on translation of liquidity of non-EU companies	71	(3,987)
Opening cash and equivalents of companies consolidated for the first time using the line-by-line method	(7)	-
Cash and cash equivalents at beginning of period	135,983	195,495
Cash and cash equivalents at end of period	**132,662**	**146,124**

Cash and cash equivalents can be broken down as follows:

	30/09/2018 €/000	31/12/2017 €/000
Cash and cash equivalents from the balance sheet	147,878	144,938
Payables to banks (current account overdrafts and advances subject to collection)	(15,216)	(8,955)
Cash and cash equivalents from the cash flow statement	132,662	135,983

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*
Balances at 1 January 2017	*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	-	-	1,318	-	-	-	-	1,318	-	1,318
Sale of treasury shares to the beneficiaries of stock options	250	-	2,585	-	-	-	-	2,835	-	2,835
Assignment of treasury shares to pay for equity investments	187	-	3,498	-	-	-	-	3,685	-	3,685
Purchase of Inoxpa Group	-	-	-	-	-	-	-	-	2,320	2,320
Purchase of residual interests in subsidiaries	-	-	-	-	-	-	107	107	(257)	(150)
Dividends paid	-	-	-	-	-	-	(21,356)	(21,356)	(427)	(21,783)
Dividends declared by third parties	-	-	-	-	-	-	-	-	(499)	(499)
Total comprehensive profit (loss) for 9M 2017	-	-	-	24	-	(32,059)	98,170	66,135	598	66,733
Balances at 30 September 2017	*55,868*	*11,323*	*119,787*	-	*(5,022)*	*1,438*	*543,074*	*726,468*	*5,529*	*731,997*
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	463	-	-	-	-	463	-	463
Sale of treasury shares to the beneficiaries of stock options	46	-	791	-	-	-	(296)	541	-	541
Assignment of treasury shares to pay for equity investments	(109)	-	187	-	-	-	(78)	-	-	-
Purchase of Inoxpa Group	-	-	-	-	-	-	-	-	(29)	(29)
Purchase of residual interests in subsidiaries	-	-	-	-	-	-	34	34	(270)	(236)
Total profit (loss) for Q4 2017	-	-	-	-	(700)	(3,913)	36,272	31,659	334	31,993
Balances at 31 December 2017	*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	-	-	1,407	-	-	-	-	1,407	-	1,407
Purchase of treasury stock	(686)	-	(35,633)	-	-	-	-	(36,319)	-	(36,319)
Sale of treasury shares to the beneficiaries of stock options	47	-	492	-	-	-	-	539	-	539
Assignment of treasury shares to pay for equity investments	32	-	1,731	-	-	-	-	1,763	-	1,763
Purchase of residual interests in subsidiaries	-	-	-	-	-	-	(869)	(869)	(894)	(1,763)
Inoxpa Russia merger operation	-	-	-	-	-	-	(100)	(100)	100	-
Dividends paid	-	-	-	-	-	-	(22,526)	(22,526)	(518)	(23,044)
Dividends declared	-	-	-	-	-	-	(6)	(6)		(6)
Total comprehensive profit (loss) for 9M 2018	-	-	-	-	-	862	136,583	137,445	528	137,973
Balances at 30 September 2018	*55,198*	*11,323*	*89,225*	-	*(5,722)*	*(1,613)*	*692,088*	*840,499*	*4,780*	*845,279*

Notes to the consolidated financial statements

General information

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

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

Sales are not affected by any significant degree of seasonality.

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

The consolidated financial statements at 30 September 2018 were approved by the Board of Directors on this day (7 November 2018).

Basis of preparation

The consolidated financial statements at 30 September 2018 were drawn up in compliance with the international accounting standards (IAS/IFRS) endorsed by the European Union for interim financial statements (IAS 34). The tables were prepared in compliance with IAS 1, while the notes were prepared in condensed form in application of the faculty provided by IAS 34 and therefore they do not include all the information required for annual financial statements drafted in compliance with IFRS standards. Therefore, the consolidated financial statements at 30 September should be consulted together with the annual consolidated financial statements for the year ending 31 December 2017.

The accounting standards and criteria adopted in the interim report at 30 September 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. We further draw your attention to the fact that some evaluation processes, notably those that are more complex, such as the determination of any impairments of non-current assets, are generally performed in a comprehensive manner only at the time of drafting of the annual financial statements when all the necessary information is available, except in cases in which indicators of impairment exist, calling for immediate evaluation of any losses in value. Likewise, the actuarial evaluations required for determination of liabilities for benefits due to employees are normally processed at the time of drafting of the annual financial statements.

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

Accounting standards

The accounting standards adopted for preparation of the condensed interim consolidated financial statements are consistent with those used to prepare the consolidated financial statements at 31 December 2017, except for the adoption of the new standards and amendments in force from 1 January 2018. The Group did not opt for early adoption of any new standard, interpretation, or amendment issued but not yet in force. The Group has applied IFRS 15 *Revenue from contracts with customers* and IFRS 9 *Financial instruments* for the first time, although they had no impact on the Group's condensed interim consolidated financial statements at 30 September 2018.

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 IFRS 9. 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" and is applicable to all revenues from contracts with customers, unless the contracts are included within the scope of other standards. The new standard introduces a new model for recognition of revenues deriving from contracts with customers based on five steps: (i) identification of the contract with the customer; (ii) identification of the contractual performance obligations to be transferred to the customer in exchange for the transaction price; (iii) determination of the transaction price; (iv) allocation of the transaction price to the individual performance obligations; (v) recognition of the revenue when the associated performance obligation is fulfilled. IFRS 15 requires recognition of revenues for an amount that reflects the consideration to which the entity considers it is entitled in exchange for the transfer of goods or services to a customer. The standard requires the exercise of a judgment by the entity, that takes account of all the facts and significant circumstances in the application of each step to the model to contracts with its customers. The standard also specifies recognition of the incremental costs linked to obtaining a contact and the costs directly linked to fulfillment of a contract. 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. The Group manufactures and markets high and very high pressure plunger pump, power take-offs, hydraulic cylinders, valves and directional controls, hydraulic hoses and fittings and other hydraulic products, and the Group contracts concerning the sale of goods generally include a single obligation. The Group has concluded that revenues from the sale of goods are recognized in the specific moment wherein control of the asset is transferred to the customer, which generally coincides with the moment delivery of the goods. The adoption of IFRS 15 thus had no impact the revenues recognition times, because the revenues occur at a specific moment.

b) Accounting standards, amendments and interpretations taking effect as 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 main amendments we bring your attention to IFRIC 22, which provides guidance on the use of exchange rates in transactions in which the foreign currency considerations are 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 contacts 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 re-measurement (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.

Notes to the consolidated financial statements at 30 September 2018

1. Scope of consolidation and goodwill

The scope of consolidation at 30 September 2018 comprises the Parent company and the following subsidiaries:

Company	*Head office*	*Share capital €/000*	*Sector*	*% held at 30/09/18*
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%
Inoxpa India Private Ltd (3)	Pune (India)	6,779	Water Jetting	100.00%
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%
LTDA Inoxpa (3)	Moscow (Russia)	1,435	Water Jetting	70.00%
Mariotti & Pecini S.r.l.	Sesto Fiorentino (FI)	100	Water Jetting	60.00%
Ricci Engineering S.r.l.	Orvieto (TR)	10	Water Jetting	100.00%
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. (5)	Varedo (MB)	10	Hydraulic	100.00%
Contarini Leopoldo S.r.l. (5)	Lugo (RA)	47	Hydraulic	100.00%
Unidro Contarini S.a.s. (6)	Barby (France)	8	Hydraulic	100.00%
Copa Hydrosystem Ood (6)	Troyan (Bulgaria)	3	Hydraulic	100.00%
Fluid System ’80 S.r.l. (5)	Remanzacco (UD)	47	Hydraulic	100.00%
Hydrocar Chile S.A. (5)	Santiago (Chile)	129	Hydraulic	90.00%
Hydroven S.r.l. (5)	Tezze sul Brenta (VI)	200	Hydraulic	100.00%
Interpump Hydraulics Brasil Ltda (5)	Caxia do Sul (Brazil)	13,996	Hydraulic	100.00%
Interpump Hydraulics France S.a.r.l. (5)	Ennery (France)	76	Hydraulic	99.77%
Interpump Hydraulics India Private Ltd (5)	Hosur (India)	682	Hydraulic	100.00%
Interpump Hydraulics Middle East FZE (5)	Dubai (UAE)	326	Hydraulic	100.00%

Company	*Head office*	*Share capital €/000*	*Sector*	*% held at 30/09/18*
Interpump South Africa Pty Ltd (5)	Johannesburg (South Africa)	-	Hydraulic	100.00%
Interpump Hydraulics (UK) Ltd. (5)	Kidderminster (United Kingdom)	13	Hydraulic	100.00%
Mega Pacific Pty Ltd (7)	Newcastle (Australia)	335	Hydraulic	65.00%
Mega Pacific NZ Pty Ltd (7)	Mount Maunganui (New Zealand)	557	Hydraulic	65.00%
Muncie Power Prod. Inc. (6)	Muncie (USA)	784	Hydraulic	100.00%
American Mobile Power Inc. (8)	Fairmount (USA)	3,410	Hydraulic	100.00%
Oleodinamica Panni S.r.l. (5)	Tezze sul Brenta (VI)	2,000	Hydraulic	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (5)	Wuxi (China)	2,095	Hydraulic	65.00%
IMM Hydraulics S.p.A. (5)	Atessa (Switzerland)	520	Hydraulic	100.00%
Hypress France S.a.r.l. (9)	Strasbourg (France)	162	Hydraulic	100.00%
Hypress Hydraulik GmbH (9)	Meinerzhagen (Germany)	52	Hydraulic	100.00%
Hypress S.r.l. (9)	Atessa (Switzerland)	50	Hydraulic	100.00%
IMM Hydro Est (9)	Catcau Cluj Napoca (Romania)	3,155	Hydraulic	100.00%
Tekno Tubi S.r.l. (9)	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. (10)	Tulsa (USA)	137	Hydraulic	100.00%
Walvoil Fluid Power Shanghai Co. Ltd (10)	Shanghai (China)	1,872	Hydraulic	100.00%
Walvoil Fluid Power Pvt Ltd (10)	Bangalore (India)	4,803	Hydraulic	100.00%
Walvoil Fluid Power Korea (10)	Pyeongtaek (South Korea)	453	Hydraulic	100.00%
Walvoil Fluid Power France S.a.r.l. (10)	Vritz (France)	10	Hydraulic	100.00%
Walvoil Fluid Power Australasia (10)	Melbourne (Australia)	7	Hydraulic	100.00%
Galtech Canada Inc. (10)	Terrebonne, Quebec (Canada)	76	Hydraulic	100.00%
HTIL (10)	Hong Kong	98	Hydraulic	100.00%
Walvoil Fluid Power (Dongguan) Co., Ltd (11)	Dongguan (China)	3,720	Hydraulic	100.00%
Interpump Piping GS S.r.l.	Reggio Emilia	10	Hydraulic	100.00%
GS Hydro S.A. U. (12)	Las Rozas – Madrid (Spain)	1,220	Hydraulic	100.00%
GS Hydro UK Ltd (12)	Sunderland (UK)	5,095	Hydraulic	100.00%
GS Hydro Austria GmbH (12)	Pasching (Austria)	40	Hydraulic	100.00%
GS Hydro System GmbH (12)	Witten (Germany)	562	Hydraulic	100.00%
GS Hydro do Brasil Sistemas Hydraulics Ltda (12)	Rio de Janeiro (Brazil)	252	Hydraulic	100.00%
GS Hydro Denmark AbS (12)	Kolding (Denmark)	67	Hydraulic	100.00%
GS Hydro US, Inc (12)	Houston (USA)	9,903	Hydraulic	100.00%
GS Hydro Benelux B.V. (12)	Barendrecht (Netherlands)	18	Hydraulic	100.00%
GS Hydro Hong Kong Ltd (13)	Hong Kong	1	Hydraulic	100.00%
GS Hydro Piping Systems (Shanghai) Co., Ltd (14)	Shanghai (China)	2,760	Hydraulic	100.00%
GS Hydro Korea Ltd (12)	Busan (South Korea)	1,892	Hydraulic	100.00%
GS Hydro SP Z.o.o. (12)	Gydnia (Poland)	1,095	Hydraulic	100.00%
GS Hydro AB (12)	Kista (Sweden)	20	Hydraulic	100.00%
GS Hydro Singapore PTE Ltd (12)	Singapore	624	Hydraulic	100.00%
IMM Hydraulics Ltd (dormant) (7)	Kidderminster (United Kingdom)	1	Hydraulic	100.00%
E.I. Holdings Ltd (in liquidation) (7)	Bath (United Kingdom)	127	Hydraulic	100.00%
Endeavour International Ltd (in liquidation) (7)	Bath (United Kingdom)	69	Hydraulic	100.00%

Company	*Head office*	*Share capital €/000*	*Sector*	*% held at 30/09/18*
Bristol Hose Ltd (dormant) (7)	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 Interpump Hydraulics S.p.A.
(6) = controlled by Contarini Leopoldo S.r.l.
(7) = controlled by Interpump Hydraulics (UK) Ltd
(8) = controlled by Muncie Power Inc.
(9) = controlled by IMM Hydraulics S.p.A.
(10) = controlled by Walvoil S.p.A.
(11) = controlled by HTIL
(12) = controlled by Interpump Piping GS S.r.l.
(13) = controlled by GS Hydro Benelux B.V.
(14) = controlled by GS Hydro Hong Kong Ltd
The other companies are controlled directly by Interpump Group S.p.A.

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

The companies of the GS Hydro Group (Hydraulic Sector) were consolidated for first time in 2018, together with Ricci Engineering S.r.l. (Water Jetting Sector).

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 at 31 December 2020 up to approval of the financial statements 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 the first nine months of 2018 were as follows:

Company:	Balance at 31/12/2017	Increases (Decreases) in the period	Changes due to foreign exchange differences	Balance at 30/09/2018
Water Jetting Sector	199,042	-	1,358	200,400
Hydraulic Sector	226,949	285	(912)	226,322
Total goodwill	*425,991*	*285*	*446*	*426,722*

The value of Water Jetting Sector goodwill at 31 December 2017 was changed in 2018 as required by IFRS 3, further to adjustment of the value of the put option of a subsidiary in accordance with a revision of the business plan that gave rise to the valuation at 31 December 2017. Since it is still within the period of twelve months from the date of acquisition, value adjustment of the put option was carried out by changing the opening balance of goodwill and other non-current liabilities.

2. Business sector information

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

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

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

Business sectors

The Group is composed of the following business sectors:

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

Hydraulic Sector. Includes the production and sale of power take-offs, hydraulic cylinders, pumps, valves and directional controls, hydraulic hoses and fittings and other hydraulic components. Power take-offs are mechanical devices designed to transmit drive from an industrial vehicle engine or transmission to power a range of ancillary services through hydraulic components. These products, combined with other hydraulic components (spool valves, controls, etc.) allow the execution of special functions such as lifting tipping bodies, operating truck-mounted cranes, operating truck mixer truck drums, and so forth. Hydraulic cylinders are components of the hydraulic system of various vehicle types employed in a wide range of applications depending on the type. Front-end and underbody cylinders (single acting) are fitted mainly on industrial vehicles in the building construction sector, while double acting cylinders, valves and directional controls are employed in several applications: earth-moving machinery, agricultural machinery, cranes and truck cranes, waste compactors, etc. The hydraulic hoses and fittings are designed for use in a broad range of hydraulic systems and also for very high pressure water systems. The Group also designs and makes piping systems in the industrial, naval and offshore sectors.

Interpump Group business sector information
(Amounts shown in €/000)
Cumulative at 30 September (nine months)

	Hydraulic		Water Jetting		Elimination entries		**Interpump Group**	
	2018	2017	2018	2017	2018	2017	2018	2017
Net sales external to the Group	630,064	520,478	323,512	298,221			953,576	818,699
Sales between sectors	451	276	1,581	1,276	(2,032)	(1,552)	-	-
Total net sales	**630,515**	**520,754**	**325,093**	**299,497**	**(2,032)**	**(1,552)**	**953,576**	**818,699**
Cost of sales	(422,759)	(342,081)	(176,331)	(164,596)	2,042	1,558	(597,048)	(505,119)
Gross industrial margin	**207,756**	**178,673**	**148,762**	**134,901**	**10**	**6**	**356,528**	**313,580**
% on net sales	*33.0%*	*34.3%*	*45.8%*	*45.0%*			*37.4%*	*38.3%*
Other net revenues	10,027	7,926	4,992	3,987	(534)	(95)	14,485	11,818
Distribution costs	(49,746)	(41,568)	(37,294)	(34,623)	144	86	(86,896)	(76,105)
General and administrative expenses	(61,600)	(54,406)	(38,681)	(37,844)	380	3	(99,901)	(92,247)
Other operating costs	(1,411)	(1,637)	(692)	(566)	-	-	(2,103)	(2,203)
Ordinary profit before financial expenses	**105,026**	**88,988**	**77,087**	**65,855**	**-**	**-**	**182,113**	**154,843**
% on net sales	*16.7%*	*17.1%*	*23.7%*	*22.0%*			*19.1%*	*18.9%*
Financial income	4,763	4,239	4,054	7,815	(1,219)	(1,235)	7,598	10,819
Financial expenses	(7,561)	(8,279)	(5,974)	(10,271)	1,219	1,235	(12,316)	(17,315)
Dividends	-	-	16,200	35,500	(16,200)	(35,500)	-	-
Badwill	11,907	-	-	-	-	-	11,907	-
Equity method contribution	(176)	(188)	(49)	2	-	-	(225)	(186)
Profit for the period before taxes	**113,959**	**84,760**	**91,318**	**98,901**	**(16,200)**	**(35,500)**	**189,077**	**148,161**
Income taxes	(29,982)	(27,814)	(21,827)	(21,212)	-	-	(51,809)	(49,026)
Consolidated profit for the period	**83,977**	**56,946**	**69,491**	**77,689**	**(16,200)**	**(35,500)**	**137,268**	**99,135**
Pertaining to:								
Parent company's shareholders	83,578	56,453	69,205	77,217	(16,200)	(35,500)	136,583	98,170
Subsidiaries' minority shareholders	399	493	286	472	-	-	685	965
Consolidated profit for the period	**83,977**	**56,946**	**69,491**	**77,689**	**(16,200)**	**(35,500)**	**137,268**	**99,135**
Further information required by IFRS 8								
Amortization, depreciation and write-downs	24,235	23,241	12,164	12,755	-	-	36,399	35,996
Other non-monetary costs	2,511	1,350	2,249	1,231	-	-	4,760	2,581

Interpump Group business sector information
(Amounts shown in €/000)
<u>Q3</u>

	Hydraulic		Water Jetting		Elimination entries		**Interpump Group**	
	2018	2017	2018	2017	2018	2017	2018	2017
Net sales external to the Group	202,127	164,634	108,021	95,314			310,148	259,948
Sales between sectors	146	80	731	375	(877)	(455)	-	-
Total net sales	**202,273**	**164,714**	**108,752**	**95,689**	**(877)**	**(455)**	**310,148**	**259,948**
Cost of sales	(136,552)	(108,505)	(58,452)	(53,230)	878	458	(194,126)	(161,277)
Gross industrial margin	**65,721**	**56,209**	**50,300**	**42,459**	**1**	**3**	**116,022**	**98,671**
% on net sales	*32.5%*	*34.1%*	*46.3%*	*44.4%*			*37.4%*	*38.0%*
Other net revenues	3,322	2,564	1,868	1,141	(179)	-	5,011	3,705
Distribution costs	(15,697)	(12,773)	(12,305)	(10,771)	-	(3)	(28,002)	(23,547)
General and administrative expenses	(19,755)	(17,137)	(12,456)	(12,011)	178	-	(32,033)	(29,148)
Other operating costs	(423)	(760)	(123)	(71)	-	-	(546)	(831)
Ordinary profit before financial expenses	**33,168**	**28,103**	**27,284**	**20,747**	**-**	**-**	**60,452**	**48,850**
% on net sales	*16.4%*	*17.1%*	*25.1%*	*21.7%*			*19.5%*	*18.8%*
Financial income	1,227	1,280	1,144	3,666	(404)	(413)	1,967	4,533
Financial expenses	(2,240)	(2,280)	(1,748)	(3,797)	404	413	(3,584)	(5,664)
Dividends	-	-	-	-	-	-	-	-
Badwill	284	-	-	-	-	-	284	-
Equity method contribution	(79)	(156)	12	(65)	-	-	(67)	(221)
Profit for the period before taxes	**32,360**	**26,947**	**26,692**	**20,551**	**-**	**-**	**59,052**	**47,498**
Income taxes	(8,780)	(8,555)	(7,263)	(6,068)	-	-	(16,043)	(14,623)
Consolidated profit for the period	**23,580**	**18,392**	**19,429**	**14,483**	**-**	**-**	**43,009**	**32,875**
Pertaining to:								
Parent company's shareholders	23,443	18,240	19,325	14,306	-	-	42,768	32,546
Subsidiaries' minority shareholders	137	152	104	177	-	-	241	329
Consolidated profit for the period	**23,580**	**18,392**	**19,429**	**14,483**	**-**	**-**	**43,009**	**32,875**

<u>Further information required by IFRS 8</u>

	Hydraulic 2018	Hydraulic 2017	Water Jetting 2018	Water Jetting 2017	Elimination entries 2018	Elimination entries 2017	Interpump Group 2018	Interpump Group 2017
Amortization, depreciation and write-downs	8,243	7,965	3,976	4,162	-	-	12,219	12,127
Other non-monetary costs	757	493	546	115	-	-	1,303	608

Financial position
(Amounts shown in €/000)

	Hydraulic		Water Jetting		Elimination entries		**Interpump Group**	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Assets of the sector*	**948,110**	**851,470**	**711,637**	**681,336**	**(163,638)**	**(164,306)**	**1,496,109**	**1,368,500**
Assets held for sale	-	-	-	785	-	-	-	785
Total assets of the sector (A)	**948,110**	**851,470**	**711,637**	**682,121**	**(163,638)**	**(164,306)**	**1,496,109**	**1,369,285**
Cash and cash equivalents							147,878	144,938
Total assets							**1,643,987**	**1,514,223**
Liabilities of the sector	**386,725**	**353,332**	**107,738**	**94,973**	**(163,638)**	**(164,306)**	**330,825**	**283,999**
Liabilities held for sale	-	-	-	200	-	-	-	200
Total liabilities of the sector (B)	**386,725**	**353,332**	**107,738**	**95,173**	**(163,638)**	**(164,306)**	**330,825**	**284,199**
Debts for the payment of investments*							43,060	46,815
Payables to banks							15,216	8,955
Interest-bearing financial payables							409,607	409,525
Total liabilities							**798,708**	**749,494**
Total assets, net (A-B)	**561,385**	**498,138**	**603,899**	**586,948**	**-**	**-**	**1,165,284**	**1,085,086**
<u>Further information required by IFRS 8</u>								
Investments carried at equity	1,059	362	202	255	-	-	1,261	617
Non-current assets other than financial assets and deferred tax assets*	483,695	469,016	322,405	321,256	-	-	806,100	790,272

*= 2017 data re-measured in 2018 as required by IFRS 3.

The 9M and Q3 comparison of the Hydraulic Sector on a like-for-like basis is as follows:

	9M		Q3	
	2018	2017	2018	2017
Net sales external to the Group	582,421	520,478	186,301	164,634
Sales between sectors	451	276	146	80
Total net sales	**582,872**	**520,754**	**186,447**	**164,714**
Cost of sales	(386,834)	(342,081)	(124,459)	(108,505)
Gross industrial margin	**196,038**	**178,673**	**61,988**	**56,209**
% on net sales	*33.6%*	*34.3%*	*33.2%*	*34.1%*
Other net revenues	9,581	7,926	3,155	2,564
Distribution costs	(44,467)	(41,568)	(14,081)	(12,773)
General and administrative expenses	(55,256)	(54,406)	(17,700)	(17,137)
Other operating costs	(1,193)	(1,637)	(396)	(760)
Ordinary profit before financial expenses	**104,703**	**88,988**	**32,966**	**28,103**
% on net sales	*18.0%*	*17.1%*	*17.7%*	*17.1%*
Financial income	4,285	4,239	1,227	1,280
Financial expenses	(6,941)	(8,279)	(2,196)	(2,280)
Equity method contribution	(176)	(188)	(79)	(156)
Profit for the period before taxes	**101,871**	**84,760**	**31,918**	**26,947**
Income taxes	(29,976)	(27,814)	(8,842)	(8,555)
Consolidated profit for the period	**71,895**	**56,946**	**23,076**	**18,392**
Pertaining to:				
Parent company's shareholders	71,496	56,453	22,939	18,240
Subsidiaries' minority shareholders	399	493	137	152
Consolidated profit for the period	**71,895**	**56,946**	**23,076**	**18,392**

Cash flows by business sector for 9M are as follows:

€/000	Hydraulic		Water Jetting		Total	
	2018	2017	2018	2017	2018	2017
Cash flows from:						
Operating activities	64,055	61,201	46,351	43,598	110,406	104,799
Investing activities	(42,020)	(31,799)	(12,152)	(73,347)	(54,172)	(105,146)
Financing activities	(28,961)	(40,298)	(30,658)	(4,739)	(59,619)	(45,037)
Total	(6,926)	(10,896)	3,541	(34,488)	(3,385)	(45,384)

Investing activities in the Hydraulic Sector in 9M 2018 included €8,527k associated with the acquisition of equity investments (€7,281k in 9M 2017). Investing activities in the Water Jetting Sector in 9M 2018 included €2,676k associated with the acquisition of equity investments (€69,840k in 9M 2017).

The cash flows deriving from the financing activities of the Hydraulic Sector included the payment of dividends to Water Jetting Sector companies totalling €16,200k (€26,500k in 9M 2017). Moreover, the cash flows from the financing activities of the Water Jetting Sector in 9M 2018 included proceeds from the sale of treasury shares to the beneficiaries of stock options totalling €539k (€9,008k in 9M 2017), outlays for the purchase of treasury shares totalling €36,319k (no expenditure in 9M 2017) and the payment of dividends totalling €22,526k (€21,744k in 9M 2017).

3. Acquisition of investments

GD Hydro Group

As mentioned above, 9M 2018 saw the first-time consolidation of the GS Hydro Group (Hydraulic Sector), world leader in the design and production of piping systems for the industrial, naval and offshore sectors. The transaction was recognized in accordance with the acquisition method. Following the subsequent receipt of information about the opening balances, the amounts reported in the following table have been amended with respect to those presented in the interim report at 30 June 2018.

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	3,349	-	3,349
Trade receivables	9,715	-	9,715
Inventories	10,462	-	10,462
Tax receivables	309	-	309
Other current assets	976	-	976
Property, plant and equipment	4,958	-	4,958
Other intangible assets	395	-	395
Other financial assets	299	-	299
Deferred tax assets	1,483	-	1,483
Other non-current assets	410	-	410
Trade payables	(5,096)	-	(5,096)
Payables to banks	(581)	-	(581)
Leasing payables (current portion)	(46)	-	(46)
Tax payables	(929)	-	(929)
Other current liabilities	(3,730)	-	(3,730)
Short-term payables for purchase of investments	(134)		(134)
Provisions for risks and charges (current portion)	(55)	-	(55)
Leasing payables (non-current portion)	(188)	-	(188)
Deferred tax liabilities	(194)	-	(194)
Provision for risks (non-current portion)	(30)	-	(30)
Other non-current liabilities	(466)	-	(466)
Net assets acquired	20,907	-	20,907
Negative goodwill related to the acquisition			(11,907)
Total net assets acquired			**9,000**
Total amount paid in cash			9,000
Total acquisition cost (A)			**9,000**
Net liquidity acquired (B)			(2,534)
Total amount paid in cash			9,000
Total change in the net financial position including changes in debt for the acquisition of investments			**6,466**
Capital employed (A) - (B)			**6,466**

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

Ricci Engineering S.r.l.

The allocation of the price paid for Ricci Engineering S.r.l. on 2 October 2018 is shown below.

€/000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Cash and cash equivalents	213	-	213
Trade receivables	481	-	481
Inventories	44	-	44
Tax receivables	21		21
Other current assets	242	-	242
Property, plant and equipment	54	-	54
Intangible fixed assets	4	-	4
Deferred tax assets	10	-	10
Other non-current assets	4	-	4
Trade payables	(130)	-	(130)
Payables to banks	(148)		(148)
Payables to banks - loans (current portion)	(29)	-	(29)
Tax payables	(31)	-	(31)
Other current liabilities	(182)	-	(182)
Payables to banks - loans (non-current portion)	(119)		(119)
Employee benefits (severance indemnity provision)	(15)	-	(15)
Net assets acquired	419	-	419
Goodwill related to the acquisition			181
Total net assets acquired (A)			**600**
Total amount paid in cash			500
Current payables			100
Total acquisition cost			**600**
Total amount paid in cash			500
Payables related to the acquisition of investments			100
Net financial position acquired (B)			83
Total change in the net financial position including changes in debt for the acquisition of investments			**683**
Capital employed (A) + (B)			**683**

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

	30/09/2018 €/000	*31/12/2017* €/000
Inventories gross value	389,137	324,549
Allowance for inventories	(35,769)	(32,848)
Inventories	353,368	291,701

Changes in the allowance for inventories were as follows:

	9M 2018	*Year 2017*
	€/000	€/000
Opening balances	32,848	28,596
Exchange rate difference	(90)	(914)
Change in consolidation basis	2,333	5,279
Reclassifications	-	(115)
Provisions for the period	2,169	2,423
Releases in the period to cover losses	(1,491)	(2,421)
Release of excess provisions in the period	-	-
Closing balance	35,769	32,848

5. Property, plant and equipment

Purchases and disposals

In 9M 2018 Interpump Group acquired assets for €53,845k, of which €5,027k via the acquisition of equity investments (€55,179k in 9M 2017, of which €20,107k via the acquisition of equity investments). Assets with a net book value of €4,804k were divested in 9M 2018 (€4,096k in 9M 2017). A net capital gain was realized on the divested assets of €2,052k (€2,465k in 9M 2017).

Contractual commitments

At 30 September 2018 the Group had contractual commitments for the purchase of tangible fixed assets totalling €2,256k (€4,111k at 30 September 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 €55,198k, because the nominal value of purchased treasury shares, net of those sold, has been deducted from share capital in compliance with the reference accounting standards. At 30 September 2018 Interpump S.p.A. held 2,728,489 treasury shares in the portfolio, corresponding to 2.506% of the capital stock, acquired at an average unit cost of 19.7677 euro.

Treasury shares purchased

The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. In 9M 2018 Interpump Group purchased 1,318,806 treasury shares for €36,319k (the Group did not purchase any treasury shares in 9M 2017).

Treasury shares sold

In the context of the stock option plans, a total of 90,000 options were exercised during the period, resulting in the receipt of €539k (a total of 480,000 options were exercised in 9M 2017, with the collection of €2,835k). Moreover, 62,069 treasury shares were assigned on the acquisition of the residual 33.75% interest in SuministrosTecnicos Y Alimentarios S.L., an Inoxpa Group company (in 9M 2017 a total of 150,000 treasury shares were assigned in payment for equity investments).

Dividends
An ordinary dividend (coupon clipping date of 21 May) of EUR 0.21 per share was distributed on 23 May 2018 (EUR 0.20 in 2017).

7. Financial income and expenses

A comparative breakdown of 9M 2018 is shown below:

	2018 €/000	2017 €/000
Financial income		
Interest income from liquid funds	332	248
Interest income from other assets	119	30
Foreign exchange gains	7,122	10,359
Earnings from valuation of derivative financial instruments	-	113
Other financial income	25	69
Total financial income	7,598	10,819
Financial expenses		
Interest expense on loans	2,214	2,628
Interest expense on put options	462	451
Financial expenses for adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	133	178
Foreign exchange losses	9,202	13,989
Other financial charges	305	69
Total financial expenses	12,316	17,315
Total financial expenses (income), net	4,718	6,496

The breakdown for Q3 is as follows:

	2018 €/000	2017 €/000
Financial income		
Interest income	118	84
Interest income from other assets	25	7
Foreign exchange gains	1,815	4,455
Earnings from valuation of derivative financial instruments	-	(15)
Other financial income	9	2
Total financial income	1,967	4,533
Financial expenses		
Interest expense on loans	695	795
Interest expense on put options	154	170
Financial expenses for adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	-	-
Foreign exchange losses	2,685	4,693
Other financial charges	50	6
Total financial expenses	3,584	5,664
Total financial expenses (income), net	1,617	1,131

8. Earnings per share

Basic earnings per share

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

9M	2018	2017
Consolidated net profit for the period attributable to Parent company shareholders (€/000)	136,583	98,170
Average number of shares in circulation	106,962,717	106,872,982
Basic earnings per share for the period (€)	1.277	0.919

Q3	2018	2017
Consolidated net profit for the period attributable to Parent company shareholders (€/000)	42,768	32,546
Average number of shares in circulation	106,348,321	107,107,542
Basic earnings per share for the quarter (€)	0.402	0.304

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:

9M	2018	2017
Consolidated net profit for the period attributable to Parent company shareholders (€/000)	136,583	98,170
Average number of shares in circulation	106,962,717	106,872,982
Number of potential shares for stock option plans (*)	1,160,768	1,031,828
Average number of shares (diluted)	108,123,485	107,904,810
Earnings per diluted share for the period (€)	1.263	0.910

Q3	2018	2017
Consolidated net profit for the period attributable to Parent company shareholders (€/000)	42,768	32,546
Average number of shares in circulation	106,348,321	107,107,542
Number of potential shares for stock option plans (*)	1,139,888	1,132,128
Average number of shares (diluted)	107,488,209	108,239,670
Earnings per diluted share for the quarter (€)	0.398	0.301

(*) 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 relations with unconsolidated subsidiaries and other related parties at arm's length conditions considered to be normal in the respective reference markets, taking account of the characteristics of the goods and services rendered. Transactions between Interpump Group S.p.A. and its consolidated subsidiaries, which are related parties of the company, were eliminated from the interim consolidated financial statements and are not detailed in these notes.

The effects on the Group's consolidated income statements for the first nine months of 2018 and 2017 are illustrated below:

	9M 2018					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Net sales	953,576	1,971	-	823	2,794	0.3%
Cost of sales	597,048	1,000	-	8,909	9,909	1.7%
Other revenues	14,485	10	-	-	10	0.1%
Distribution costs	86,896	26	-	586	612	0.7%
G&A expenses	99,901	-	-	1,264	1,264	1.3%

	9M 2017					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Net sales	818,699	825	-	660	1,485	0.2%
Cost of sales	505,119	584	-	8,503	9,087	1.8%
Other revenues	11,818	43	-	10	53	0.4%
Distribution costs	76,105	31	-	714	745	1.0%
G&A expenses	92,247	4	-	1,068	1,072	1.2%

The effects on the consolidated balance sheet at 30 September 2018 and 2017 are described below:

	30 September 2018					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	271,773	2,583	-	651	3,234	1.2%
Other financial assets	2,313	202	-	-	202	8.7%
Trade payables	159,032	116	-	1,663	1,779	1.1%

	30 September 2017					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	234,705	1,371	-	509	1,880	0.8%
Other financial assets	1,761	2	-	-	2	0.1%
Trade payables	127,051	47	-	1,698	1,745	1.4%

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€/000)	Receivables		Revenues	
	30/09/2018	30/09/2017	2018	2017
Interpump Hydraulics Perù	993	986	257	263
Interpump Hydraulics Russia	577	96	862	96
General Pump China Inc.	792	289	862	509
FGA S.r.l.	221	-	-	-
Total subsidiaries	*2,583*	*1,371*	*1,981*	*868*

(€/000)	Payables		Costs	
	30/09/2018	30/09/2017	2018	2017
FGA S.r.l.	59	-	429	-
General Pump China Inc.	57	42	489	499
Interpump Hydraulics Rus	-	1	-	-
Innovativ Gummi Tech S.r.l.	-	-	2	-
Interpump Hydraulics Perù	-	5	106	116
Total subsidiaries	*116*	*48*	*1,026*	*615*

(€/000)	Loans		Financial income	
	30/09/2018	30/09/2017	2018	2017
FGA S.r.l.	200	-	-	-
Inoxpa Poland Sp ZOO	2	2	-	-
Total subsidiaries	*202*	*2*	-	-

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 the amount of €3,458k (€3,553k in 9M 2017) and consultancy services provided by entities connected with directors and statutory auditors of the Group for €83k (€292k in 9M 2017). Costs for rentals were recorded under the cost of sales in the amount of €2,164k (€2,525k in 9M 2017), under distribution costs in the amount of €297k (€503k in 9M 2017) and under general and administrative expenses in the amount of €997k (€525k in 9M 2017). Consultancy costs were allocated to distribution costs in the amount of €73k (€45k in 9M 2017) and to general and administrative expenses in the amount of €10k (€247k in 9M 2017). Revenues from sales in the period to 30 September 2018 included revenues from sales to companies owned by Group shareholders or directors in the amount of €823k (€660k in the period to 30 September 2017). In addition, the cost of sales includes purchases from companies controlled by minority shareholders or Group company directors in the amount of €6,446k (€5,560k in 9M 2017).

Moreover, further to the signing of building rental contracts with other related parties, at 30 September 2018 the Group has commitments of €8,900k (€13,566k at 30 September 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 are no substantial changes to report in relation to the disputes or contingent liabilities in existence at 31 December 2017.