MARZOCCHIPOMPE HIGH PRESSURE GEAR PUMPS

PRESS RELEASE

MARZOCCHI POMPE: APPROVED THE HALF-YEARLY REPORT AS AT 30 JUNE 2021

RECOVERY CONFIRMED: SALES AND PROFITABILITY BACK TO PRE-COVID LEVELS

LAUNCH OF THE NEW HIGH PERFORMANCE "FTP" LINE (ELIKA FAMILY)

- **NET REVENUES: €19.9 million, up 28% vs. €15.6 million at 30 June 2020**
- **CORE BUSINESS SALES: +34.5% to €15.6 million (vs. €11.6 million in H1 2021)**
- **AUTOMOTIVE SALES: +8.4% to €4.3 million (vs. €4.1 million in H1 2021)**
- **EBITDA: €3.88 million, more than tripled vs. €1.26 million at 30 June 2020**
- **EBITDA Margin[1]: 17.6%, back to an all-time high, vs. 7.9% in H1 2020**
- **NET PROFIT: €1.0 million vs. loss of €0.9 million at 30 June 2020**
- **NET FINANCIAL DEBT: €8.5 million, down from €9.3 million at end-2020**
- **NET EQUITY: €19.1 million (FY2020: €18.4 million)**

Bologna, 30 September 2021 - The Board of Directors of **Marzocchi Pompe S.p.A. (AIM:MARP), a leading company in the design, production and marketing of high-performance gear pumps and motors**, met today under the chairmanship of Paolo Marzocchi and approved the half-yearly financial report as at 30 June 2021, subject to a limited audit.

Gabriele Bonfiglioli, CEO of Marzocchi Pompe, stated: *"We are undoubtedly satisfied with the results achieved in this period, which reinforce the growth trend started in the second half of last year and bring the company back to pre-Covid levels, ahead of expectations. I believe that these results are the outcome of the great responsiveness that characterized Marzocchi Pompe, and in particular of our distinctive make approach, which allowed us to promptly seize the many opportunities that arose. At the same time, the well-established partnerships with key component suppliers avoided the slightest interruption of our production chain and allowed us to maintain the traditional delivery times; this was possible also thanks to a targeted stock management strategy, temporarily increased as a preventive action, in the light of the well-known material procurement problems worldwide.*

It is also worth noting the further strengthening of the Net Financial Position, despite the physiological growth in working capital linked to the strong business development, which is a further demonstration of the Company's proven equity and financial solidity, as well as its great capability to generate cash.

[1] *EBITDA Margin based on Sales Revenue + WIP*

We are particularly optimistic about our future, all the more so in light of the recent launch of the FTP family and the prospects of the ELIKA pump in the field of vehicle electrification, which show how relentlessly and with great determination we are pursuing our development activities. We want to keep on focusing on excellent products and on a distinctive customer approach, in the belief that these will be increasingly important factors in continuing our ambitious growth path".

MAIN ECONOMIC AND FINANCIAL RESULTS AS AT 30 JUNE 2021

The figures as at 30 June 2021 are presented on a consistent basis with those indicated in chapter 3 of the Admission Document.

It should be noted that for both the first half of 2021 and the first half of 2020 (notwithstanding the lockdown) there were no events and situations such as to highlight the presence of non-recurring costs and revenues.

€ Millions	**30 June 2021**	**30 June 2020**
Sales Revenue	19,9	15,6
Production Value	22,8	16,5
EBITDA	3,9	1,3
EBIT	1,4	-1,0
EBIT Adjusted *	1,9	-0,3
Earnings before Tax	1,2	-1,3
Net Profit	1,0	-0,9
€ Millions	**30 June2021**	**31 December 2020**
Net Invested Capital	27,6	27,7
Net Equity	19,1	18,4
Net Financial Position	(8,5)	(9,3)

***(*)** net of depreciation from revaluation resulting from the merger from LBO*

The first half of 2021 saw a significant acceleration in the global economic recovery, given that for most of 2020 the world economy had been severely penalised by the Covid-19 pandemic, which is hopefully being overcome thanks also to the massive vaccination campaign. The Group's results for the first half of the year confirm the **strong recovery**, which had already begun in the second half of 2020, and **which has now taken the Company above pre-Covid levels**.

Net Revenues at 30 June 2021 amounted to €19.9 million, back to pre-Covid levels, up 27.9% from €15.6 million at 30 June 2020. This trend was more pronounced for **Core Business** revenues (+34.5%) than Automotive (+8.4%), which were affected by the known chip supply shortage at world level.

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Revenue Breakdown by Sales Channel

Eur 000	30-Jun-21		30-Jun-20	
Sales Network	7.062	35,4%	5.622	36,1%
Automotive	4.321	21,7%	3.985	25,6%
Industrial	4.895	24,6%	3.839	24,6%
Mobile	3.649	18,3%	2.139	13,7%
Total Sales Revenue	**19.928**	**100,0%**	**15.584**	**100,0%**
Of which				
Core Business	**15.607**	78,3%	**11.599**	74,4%
Automotive	**4.321**	21,7%	**3.985**	25,6%

% Change on 1st Half 2020

Sales Network	25,6%
Automotive	8,4%
Industrial	27,5%
Mobile	70,6%
Total Sales Revenue	27,9%
Of which	
Core Business	34,5%
Automotive	8,4%

EBITDA jumped to €3.88 million, more than tripled vs. €1.26 million as at 30 June 2020, bringing the EBITDA margin to the all-time high levels reached by Marzocchi Pompe in the pre-Covid era: 17.6% vs. 7.9% as at 30 June 2020 (EBITDA margin calculated on Sales Revenues + WIP). The significant growth in profitability benefits on the one hand from the relentless drive for **operational efficiency**, which gained even more momentum during the pandemic, and on the other hand from the **growing importance of the Elika family**, which is a major driver for sales acceleration.

EBIT turned positive at €1.4 million compared to a loss of €1.0 million at 30 June 2020, but was impacted by depreciation and amortisation. **Adjusted EBIT**, calculated net of revaluation depreciation and amortisation resulting from the merger from LBO, amounting to €0.5 million in the half-year, was €1.9 million compared to €-0.3 million in the first half of 2020.

The first half of 2021 closed with a positive **Net Result** of €1.0 million, compared to a loss of €0.9 million at 30 June 2020.

Capital Expenditure amounted to €0.6 million, or 3% of sales, as per the Business Plan, essentially in line with the €0.7 million in the first half of 2020.

Shareholders' Equity stood at €19.1 million in the first half of 2021, up from €18.4 million at end-2020, benefiting from the return to profitability and net of the 2020 dividend payment (€0.4 million).

Change in Shareholders' Equity

Eur 000	30-Jun-21	31-Dec-20
Share Capital	6.539	6.539
Share premium reserve	6.463	6.463
Revaluation reserve	1.867	1.867
Legal reserve	1.000	1.000
Other reserves	2.349	2.467
Cash flow hedge reserve	(116)	(121)
Profit/(loss) for the period	1.034	229
Total Shareholders' Equity	**19.136**	**18.444**

The **Net Financial Position** at 30 June 2021 amounted to €8.5 million of debt, down from €9.3 million at 31 December 2020, despite the physiological growth in working capital linked to the strong sales growth, further demonstrating the Group's proven equity and financial solidity, as well as its great capability to generate cash flow.

In detail, the optimal management of working capital and the regular management of orders and payments allowed for a considerable cash generation of €0.8 million, reflected in the Net Financial Position improvement.

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OPERATING PERFORMANCE IN THE FIRST HALF OF 2021

The first half of 2021 showed strong sales growth, particularly in the *Core Business*, which, thanks to the Company's sound market positioning and the structure's great capability to react promptly and effectively to customer requirements, allowed the Group to quickly reposition itself at pre-Covid levels.

In the general scenario of strong economic recovery, the Group has gained further market share thanks to the **"*make*" approach** that has always distinguished it. **The *in-house* management of key components and consolidated partnerships with strategic suppliers have made it possible to avoid any production chain interruption**, keeping delivery times steady and overcoming the logistical problems that are causing significant slowdowns in the production processes of some of the major players in the sector.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FIRST HALF OF 2021

On 1 September 2021, **the Company's Manager-Shareholders renewed the stability pact, signed on 01 September 2018** (when they became part of the shareholder structure through an LBO agreement), **until 30 June 2023**, aligning the expiry date with that of the existing shareholders' agreements. This is a formal step, but one that testifies to the stability, solidity and continuity of the company's management.

On 13 September 2021 Marzocchi Pompe announced **the launch of the new "FTP - Fluid Transmission Pump" line of high-performance helical rotor pumps of the Elika family**. The new FTP line is mainly dedicated to low pressure applications, in which low viscosity fluids are also used. Some examples are: lubrication circuits for machine tools, cooling systems, lift systems, speed control systems for wind turbine blades. Compared to the current market framework**, these are additional markets for the company.**

On September 21-22, **Marzocchi Pompe took part in the "iVT Expo", one of the most important international trade events in the field of components** and the latest and next-generation **technologies for industrial vehicles, off-highway, construction machinery and vehicle hybridisation**, which was held in virtual mode.

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FORESEEABLE EVOLUTION OF THE MANAGEMENT

In light of the order backlog at the date of preparation of this report, **Marzocchi Pompe should exceed expectations for 2021**, despite the continuing chip shortage that is slowing production in the *automotive* sector at worldwide level.

The Group’s **proven equity and financial solidity** guarantees a wide financial autonomy, which allows it to pursue with determination the operational choices and the implementation of its business development strategies; in fact, the **wide diversification of the market segments** in which the Group operates, some of which are undergoing a significant growth, puts the Company in the conditions to continue the commercial penetration program aimed at **strengthening its market *leadership* position**, as shown by the results achieved also in the first half of 2021.

Forecasts for the three-year period 2021 - 2023 remain confirmed:

- **Significant development of Turnover with a CAGR of 6-8% to 2023, resulting from organic growth, consistent with the strategic guidelines indicated in the IPO**
- **Excellent levels of profitability, with an EBITDA margin of around 17-18%.**
- **Achievement of an optimal level of financial leverage (Total Debt/EBITDA 1-1.5x) and maintenance of a debt ratio of less than 50% of Shareholders' Equity**
- **Confirmation of the dividend policy already adopted in 2019 and 2020.**

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DOCUMENTATION FILING

A copy of the half-yearly financial report as at 30 June 2021, including the auditors' report, will be made available to the public within the terms of the law at the company's registered office in Bologna, as well as through publication on the institutional website https://www.marzocchipompe.com/it/bilanci-e-relazioni-periodiche-marzocchi-pompe and on the authorised storage mechanism www.1info.it managed by Computershare S.p.A.

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Marzocchi Pompe S.p.A.

Marzocchi Pompe is a leading company in the design, production and marketing of high-performance gear pumps and motors, which find application in various fields: industrial, mobile and automotive. It closed 2020 with approximately 34 million euros in sales revenue. Founded in 1949, it is controlled by the Marzocchi family, which holds the majority of the shares and is present in the company with Paolo Marzocchi, President, and his son Carlo, in the Technical Area. The CEO Gabriele Bonfiglioli and four other managers are also part of the shareholding structure. The production is entirely made in Italy in the two sites of Casalecchio di Reno (BO) and Zola Predosa (BO). Marzocchi Pompe is present in over 50 countries through an international distribution network.

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The following are the main consolidated financial statements of Marzocchi Pompe S.p.A. for the six-month period ended 30 June 2021 compared with the corresponding comparative figures (amounts in Euro/000), and specifically
- income statement
- balance sheet;
- cash flow statement
- net financial position.

MARZOCCHI POMPE
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CONSOLIDATED INCOME STATEMENT

(National accounting standards + IAS 17)

Eur 000	30-Jun-21		30-Jun-20	
Sales Revenue	**19.928**	**100%**	**15.584**	**100%**
WIP changes	2.053		397	
Other revenues	829		528	
PRODUCTION VALUE	**22.810**		**16.509**	
Raw material consumption	(5.329)	(24,2%)	(3.845)	(24,1%)
Service costs	(6.094)	(27,7%)	(4.756)	(29,8%)
Costs for use of third-party goods	(151)	(0,7%)	(153)	(1,0%)
Various operating costs	(235)	(1,1%)	(131)	(0,8%)
VALUE ADDED	**11.001**	**50,05%**	**7.624**	**47,71%**
Staff costs	(7.125)	(32,4%)	(6.363)	(39,8%)
EBITDA	**3.877**	**17,64%**	**1.261**	**7,89%**
Depreciation, amortisations and writedowns	(2.464)	(11,2%)	(2.224)	(13,9%)
OPERATING PROFIT (EBIT)	**1.413**	**6,43%**	**(963)**	**(6,0%)**
Financial income and charges	(68)	(0,3%)	(175)	(1,1%)
Financial Value Adjustments	(106)	(0,5%)	(120)	(0,8%)
EARNINGS BEFORE TAX	**1.238**	**5,63%**	**(1.258)**	**(7,9%)**
Income Tax for the year	(204)	(0,9%)	335	2,09%
NET INCOME	**1.034**	**4,71%**	**(923)**	**(5,8%)**

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CONSOLIDATED BALANCE SHEET

(National accounting standards + IAS 17)

Eur 000	30-giu-21	31-dic-20
A) NET FIXED ASSETS	**20.695**	**22.426**
Intangible fixed assets	1.403	1.502
Tangible fixed assets	17.906	19.712
Financial Fixed assets	1.386	1.212
B) NET WORKING CAPITAL	**8.474**	**6.901**
Inventories	10.308	7.673
Advances from customers	(63)	(17)
Trade receivables	7.608	6.365
Other receivables	1.611	2.299
Trade payables	(6.055)	(4.858)
Other payables	(3.304)	(2.494)
Provisions for risks and charges	(1.491)	(1.526)
Other assets/liabilities	(141)	(542)
C) GROSS INVESTED CAPITAL	**29.169**	**29.327**
D) EMPLOYEE SEVERANCE PAY	**(1.581)**	**(1.631)**
E) NET INVESTED CAPITAL	**27.588**	**27.696**
Covered by		
F) NET EQUITY	**(19.136)**	**(18.444)**
G) NET FINANCIAL POSITION	**(8.452)**	**(9.252)**
Medium/long-term financial payables	(9.852)	(11.705)
Short-term financial payables	(5.189)	(5.191)
Cash and cash equivalents	6.589	7.644
H) TOTAL HEDGES	**(27.588)**	**(27.696)**

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CONSOLIDATED CASH FLOW STATEMENT

(National accounting standards + IAS 17)

	30-Jun-21	30-Jun-20
	€/000	€/000
Operating profit [EBIT]	**1.413**	**(963)**
Tax effect	(204)	335
Change in funds	(85)	220
Provisions and write-downs	2.464	2.224
Income cash-flow	**3.588**	**1.816**
Changes in working capital		
Inventories	(2.635)	(813)
Trade receivables	(1.197)	2.402
Other receivables	687	(460)
Trade payables	1.197	(185)
Other payables	409	(174)
Changes in working capital	(1.538)	769
Operating cash flow *(Free cash flow)*	**2.050**	**2.585**
Net tangible & intangible investments	(559)	(726)
Change other fixed assets	(174)	120
Financial value adjustments	(106)	(120)
Cash flow from investing activity	(839)	(725)
Financial charges/income	(68)	(175)
Share capital increases/(decreases)	0	0
Other equity changes	(343)	(352)
Cash flow from financial activities	(411)	(527)
Net cash flow	**800**	**1.333**
Start-of-period cash or (exposure)	(9.252)	(12.535)
End-of-period cash or (exposure)	(8.452)	(11.202)
Net cash increase (decrease)	**801**	**1.333**

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