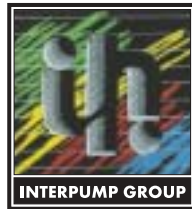


INTERPUMP GROUP

R E S U L T S

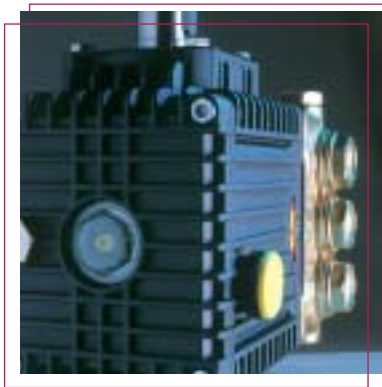
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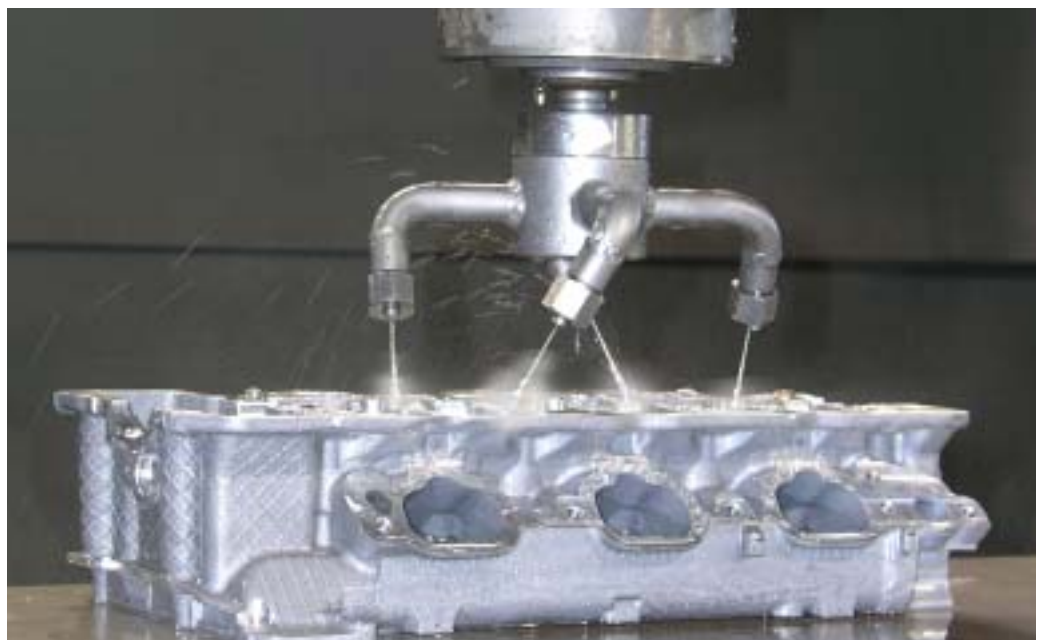
R E S U L T S

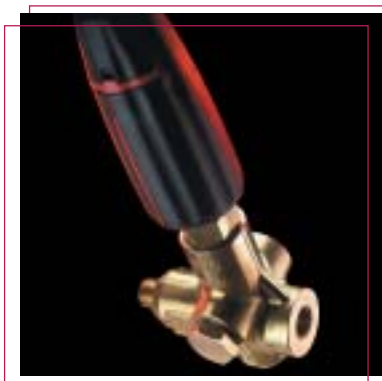
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Board of Directors

Chairman	Giovanni Cavallini* *
Deputy Chairman and Executive Director	Fulvio Montipò
Executive Director	Paolo Marinsek
Independent Director	Salvatore Bragantini
Independent Director	Franco Cattaneo*
Non-executive Director	Giancarlo De Martis* *
Non-executive Director	Sergio Erede
Non-executive Director	Giuseppe Ferrero
Independent Director	Marco Reboa*
Non-executive Director	Giovanni Tamburi* *
Non-executive Director	Roberto Tunioli*

Board of Statutory Auditors

Chairman	Enrico Cervellera
Statutory Auditor	Maurizio Salom
Statutory Auditor	Antonio Zini

* Member of the Audit Committee
**Member of the Remuneration Committee

Independent Auditors

PricewaterhouseCoopers S.p.A.

Interpump Group S.p.A.: Head Office: Sant'Ilario d'Enza (RE) - Via E. Fermi, 25
Share Capital: Euro 41.558.535,20 wholly paid up
Court of Reggio Emilia - Companies Register n° 117217
Tax Code 11666900151 - VAT Number 01682900350

Letter to the Shareholders



Dear Shareholder,

2005 was marked by two operations that have led to a significant repositioning of Interpump Group business: our acquisition of the German company Hammelmann on 4 April 2005, and the disposal of the Cleaning Sector on 30 May 2005. As a result of these two developments — described in some detail in the last letter to shareholders accompanying the six-monthly report — there has been a substantial change in direction of the Interpump Group, which is now operating in areas of business characterized by a higher level of technology and higher profitability. New investors who have become shareholders since that time can refer to the 2005 financial statements, posted on our website www.interpumpgroup.it, for an analytical description of the two operations in question. The profitability of Interpump Group has shown a marked improvement since this strategic repositioning move, and with the bonus of a lower risk profile (as a rule, higher profitability is accompanied by increased risk). Hammelmann is among the world leaders in the field of high-pressure systems, and in 2005 achieved a gross operating margin (EBITDA) of 29%. Advantageously, the German company operates in a niche market with high entry barriers, typified by a clientele spread across various industrial sectors and a limited number of competitors. The Cleaning Sector, conversely, was characterized by lower profitability (EBITDA around 10% in 2004), fiercer competition and a much more concentrated clientele, where the consumer segment is concerned.

Results for 2005 must therefore be assessed in the light of these two important and indeed exceptional events. In 2005, furthermore, the consolidated financial statements were prepared on the basis of International Financial Reporting Standards (IFRS), in accordance with the new European regulations. These standards require separate declarations of results for business operations that remain in place following major reorganization (continuing operations), and those that have been phased out (discontinued operations). The compiled financial statements posted on our website, mentioned above, include results for the Cleaning arm during the first five months of the year, up to the disposal date, and results for Hammelmann from the acquisition date onwards, in other words for the nine months to 31 December 2005. Since from the standpoint of the Group's future prospects, matters of interest to the shareholder will concern only the businesses that remain, and to render the results more easily comprehensible, the comments that follow refer only to the Group's "continuing operations" unless otherwise stated.

Following the two operations outlined above, Interpump directors and management have also reviewed the definition of our business sectors, resulting consequently in a reclassification of data for 2004. There has been no change in the Hydraulics Sector, which features power take-offs — a flagship product for the Group — and hydraulic components. The Industrial Sector substantially takes in high pressure pumps, a field in which the Group historically enjoys world leader status, also ultra-high pressure pumps and systems, an area of business where the Group has now achieved a position of strong competitiveness at world level with the acquisition of Hammelmann, and residual sales of cleaning equipment, previously classified under the Cleaning Sector, now discontinued. Finally, a new Electric Motors arm has been created, motors having formerly been classified under the Cleaning Sector.

In 2005, the Interpump Group recorded significant growth both in sales and in profitability and financial indicators.

- Net sales rose by 22.5%, totaling 331.6 million euros as compared to the 270.6 million euros recorded in 2004. The impact on this increase of Hammelmann (not in the picture during 2004) is quantifiable at 44.4 million euros; net sales increased by 6.1%, on a comparable consolidation basis.
- Gross operating margin (EBITDA) was 68 million euros, reflecting an increase of 40.1% on the 48.5 million euros of 2004 (the contribution of Hammelmann, in the nine months consolidation indicated, is 12.9 million euros); on a comparable consolidation basis, growth was 13.4%.
- Operating profit (EBIT) amounted to 57.4 million euros, indicating growth of 44.6% compared to the 39.7 million euros of 2004; on a comparable consolidation basis, growth was 16.8%.
- Net profit from continuing operations was 27.1 million euros, compared to 12.6 million euros in 2004, reflecting an increase of 114.3%: adding to this the net profit from Cleaning business, amounting to 4.2 million euros, and the capital gain of 48 million euros from the sale of the Cleaning arm, net of associated charges, total consolidated net profit for 2005 was 79.2 million euros.
- Earning per share was 0.363 euro, an increase of 150.3% compared to the 0.145 euro of 2004.
- The return on capital employed (ROCE) was 20.2% (as against 10.1% in 2004).
- Free cash flow, following the change in working capital and investments, was 28.1 million euros, up 86.70% from the 15 million euros of 2004.

Net financial indebtedness as at 31 December 2005 was down to 127.7 million euros from

211.5 million euros at 31 December 2004. Likewise for the Cleaning arm, in the five months prior to the disposal, overall free cash flow following the change in working capital and investments was 52.1 million euros (0.7 million in 2004). Debt reduction was made possible, even with a net outlay of 89.4 million euros on the acquisition of Hammelmann, thanks to the proceeds from the sale of Cleaning for 184 million euros, including the indebtedness disposed of and net of the 22.5 million euros reinvested in X Equity (shareholding and vendor loan). In addition, 64.6 million euros were paid out in dividends (10.6 million in 2004), including both the ordinary dividend and the special dividend.

An analysis of the single business areas will show that:

- **The Hydraulics Sector grew by 14.2% to reach 154.8 million euros**, both in North America (+21% in US dollars) and in other markets (+9.1%).
- **The Industrial Sector registered a net increase in sales of 52.6%, to 141 million euros** (+2.7% on a comparable consolidation basis). Sales of high-pressure pumps, excluding Hammelmann, grew by 8.7% (+15.7% in North America, local currency, and +3.5% in other markets).
- **The Electric Motors Sector** registered a drop of 13.1%, with sales of **34.3 million euros** (39.5 million in 2004), due mainly to a downturn in Cleaning sales, attributable to market conditions, despite having an exclusive supply agreement for the next three years. Sales of electric motors, excluding sales to the Cleaning Sector, were down by 1.4%.

INVESTOR RELATIONS

The Interpump Group takes special care over relations with its shareholders and is regularly involved in meetings with institutional investors and financial analysts.

A key element in investor relations is the attention given to the company's website www.interpumpgroup.it, where visitors can find extensive information on the Group, with financial performances, press releases, products, and a section on Corporate Governance.

It is by virtue of the quality and dependability of the company's financial reporting and Corporate Governance that Interpump Group is listed in the STAR segment of Borsa Italiana S.p.A., the Italian Stock Exchange.

TREASURY STOCK AND STOCK OPTION PLANS

In previous financial years, Interpump Group

had completed a plan of buying its own shares, up to the legally permitted limit. On 1 February 2005, implementing a shareholders' resolution of 19 October 2004, the Company cancelled 4,106,240 shares with a nominal value of 2,135,244.80 euros from the total 8,106,240 it had held previously, representing 9.65% approx of the share capital.

The consequent reduction in capital was designed to **optimize the asset structure of the Company, reducing the average cost of the capital and maximizing its value.**

The share capital of Interpump Group S.p.A. is currently 41,558,535.20, consisting in 79,920,260 ordinary shares. As at 31 December 2005, the Company held 2,680,630 of treasury stock, of which 1,000,000 are allocated to the stock option plan currently in place.

The stock option plan is a further element of our strategy to create value. The purpose of the plan is to align the interests of the management with those of Shareholders; the assignment of stock options is subordinate to the achievement of previously established stock market quotations and management objectives.

FUTURE STRATEGY

The Group has implemented a strategic repositioning of its business activities, focusing on sectors characterized by a high level of technology and higher profitability. The objective of the Group for the coming years is to promote growth both along internal lines and through targeted acquisitions, operating in sectors that can be defended more readily from the threat of the emerging economies, and which in reality offer great potential for growth, utilizing the strong capacity to generate liquidity and, as ever, pursuing the principles of efficient management and selectivity in the choice of acquisitions, elements that underpin the company's strategy for growth and for creation of value to benefit Shareholders.

I thank you for the trust you have placed in the Interpump Group. All of us here, myself included, remain committed to the aim of maximizing value in your interests.

My best regards.

Sant' Ilario d'Enza (Reggio Emilia)
14 March 2006

Giovanni Cavallini
Chairman

Extraordinary transaction in 2005



Two transactions that led to radical repositioning of the Interpump Group business were carried out in 2005. The German company Hammelmann was acquired on 4 April 2005 and on 30 May 2005 the Group disposed of the Cleaning Sector.

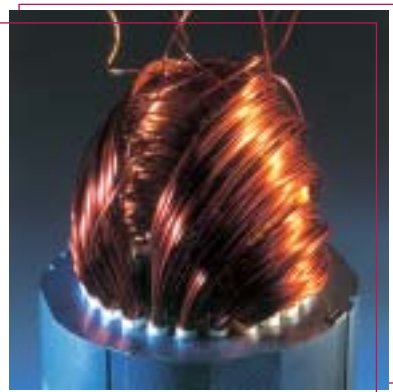
Hammelmann produces very high pressure systems and pumps of up to 4,000 bar. Hammelmann systems are used for cleaning surfaces, ships, various types of pipes, and also for removing machining burr, cutting and removing cement, asphalt, and paint coatings from stone, cement and metal surfaces. The company also manufactures pumping systems used in a wide range of industrial sectors for the conveyance of fluids. Hammelmann Maschinenfabrik GmbH has associated companies in the US, China and Spain. Hammelmann generated net consolidated revenues of 49.0 million euro at 31 December 2004 and also displayed a high level of profitability. The consolidated gross operating margin (EBITDA) totalled 10.7 million euro (21.9% of net revenues). The Group's net liquidity as at 31 December 2004 was 2.1 million euro while consolidated shareholders' equity totalled 25.7 million euro. These amounts were assessed in compliance with German accounting standards. The acquisition value of Hammelmann was 94.3 million euro including ancillary expenses, paid in cash. Thanks to the acquisition of Hammelmann, Interpump Group gained access to sophisticated technology in the field of very high-pressure applications associated with markets on which the Group was not previously present. Hammelmann's product range completes Interpump Group's high-end offering. Hammelmann Group 2005 sales grew by 15.4% and profitability also increased: EBITDA for nine months (April to December) from the date of acquisition totalled 12.9 million euro, amounting to 29.1% of sales. Hammelmann made the transition to IFRS accounting standards on 1 April 2005 and therefore the twelve months income results are not available for uniform comparisons.



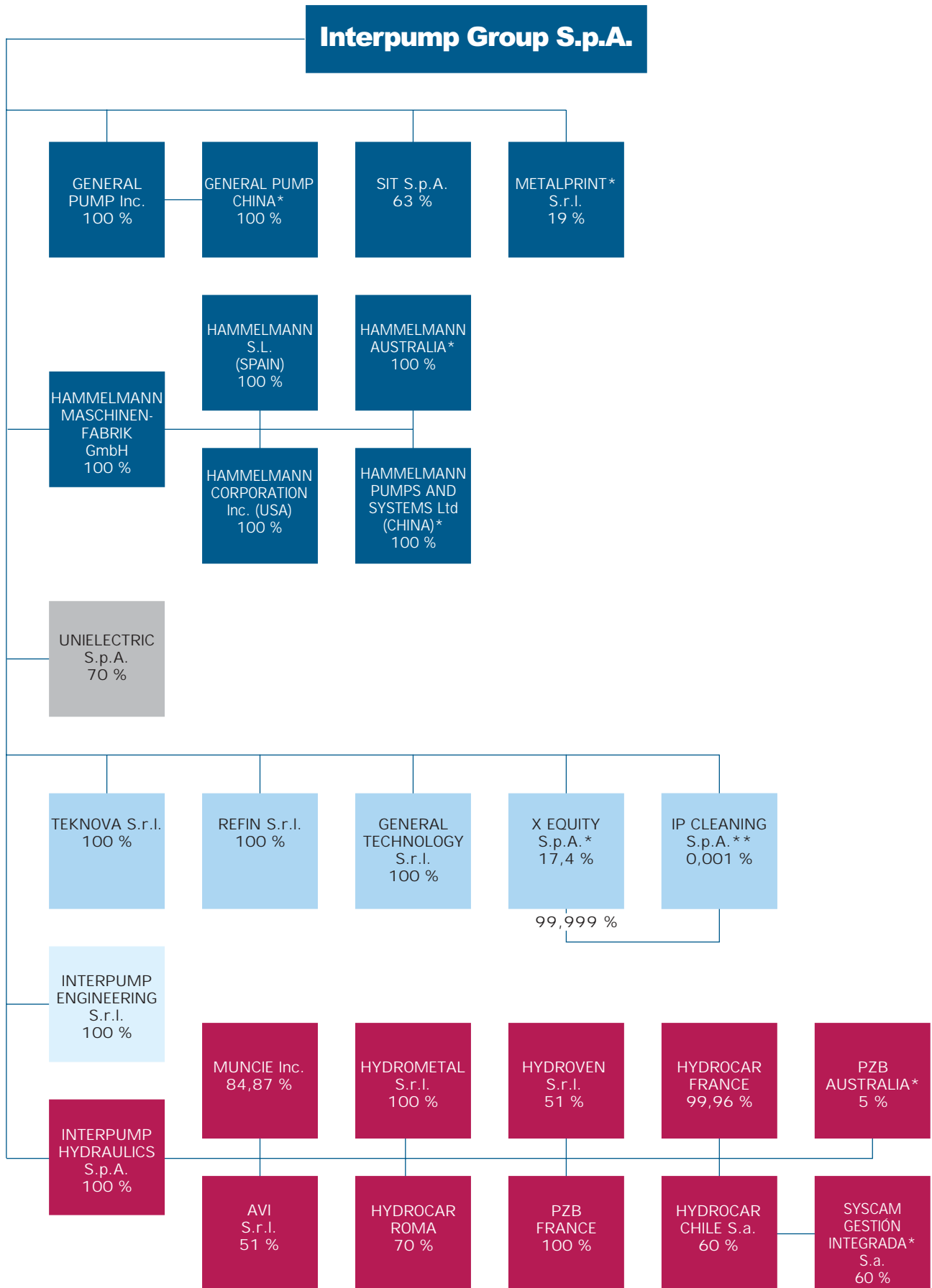
The Cleaning Sector, which was subject to disposal, comprises IP Cleaning S.p.A. and all its subsidiaries, with the exclusion of Unielectric and SIT. The IP Cleaning Group manufactures cleaning machines for the professional segment (cold and hot water high-pressure washers, wet/dry vacuum cleaners, floor sweepers, floor scrubbers, professional cleaning trolleys and window cleaning equipment), and for the consumer segment (DIY high-pressure washers). The price for 100% of IP Cleaning S.p.A. was determined on the basis of an Enterprise Value (EV) of 220 million euro minus the divested group's financial indebtedness, which was estimated at 146 million euro. Interpump Group invested 12.5 million euro or 17.4% of total share capital, in X Equity, which is the company that made the acquisition. Interpump Group also granted a loan of 10 million euro to X Equity S.p.A. with capitalized interest calculated at the Euribor rate increased by a spread of 5.875 percentage points. The loan is repayable at the time of realization of the investment by the acquiring funds or within the term of 10 years at the latest. Further to the disposal, IP Cleaning S.p.A. undertook the commitment to purchase high pressure pumps and electric motors and windings exclusively from Interpump Group respectively for five and three years.

Said operation gave rise to a capital gain of 48.0 million euro net of costs directly attributable to the costs of sale (legal costs and other consultancy services).

Results for 2005 must therefore be evaluated in the light of these two significant extraordinary transactions, which have radically modified the characteristics of Interpump Group, enabling the organization to enter business areas associated with a higher level of technology and greater potential profitability.



Interpump Group's Structure



INDUSTRIAL SECTOR

ELECTRIC MOTORS SECTOR

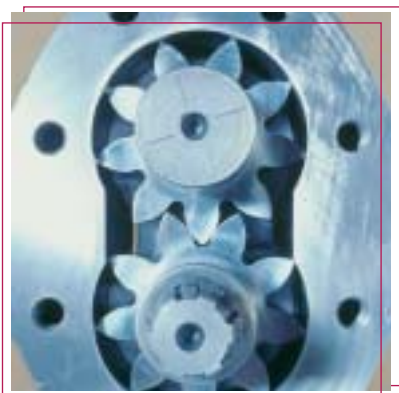
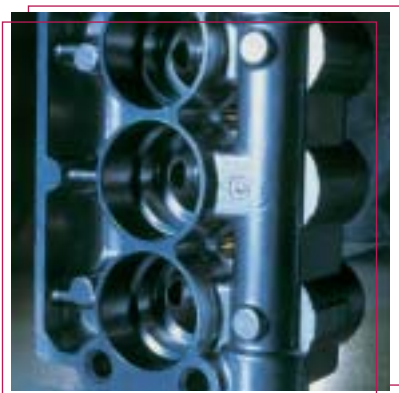
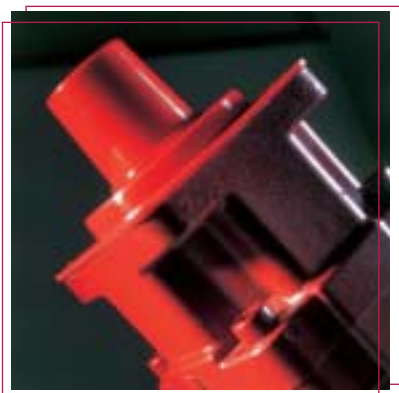
R&D SECTOR

HYDRAULIC SECTOR

OTHER REVENUES SECTOR

* NON CONSOLIDATED COMPANIES

** COMPANY CONSOLIDATED FOR FIVE MONTHS IN 2005



Net consolidated sales
Foreign sales
EBITDA (Earnings before interest, taxes, depreciation and amortization)
EBITDA%
Consolidated operating profit
Operating profit %
Consolidated net profit
Cash flow from operations
Net financial indebtedness
Consolidated shareholders' equity
Debt/Equity ratio
Net investments for the year in tangible and intangible fixed assets
Average number of employees
ROE
ROCE
Average number of shares in circulation
EPS - euro
Dividend per share - euro

The table results refer to the consolidated financial statements drawn up in compliance with international accounting standards (IFRS) for the years closed on 31/12/2005 and 31/12/2004, while for the other years the results refer to financial statements drawn up in compliance with Italian accounting standards.

Financial Highlights

.5

31/12/2005 euro/000	31/12/2004 euro/000	31/12/2003 euro/000	31/12/2002 euro/000	31/12/2001 euro/000	31/12/2000 euro/000	31/12/1999 euro/000	31/12/1998 euro/000	31/12/1997 euro/000	31/12/1996 euro/000
451,502	531,745	501,721	492,939	426,075	411,673	319,256	283,430	221,320	199,578
78%	76%	79%	76%	72%	72%	69%	68%	66%	68%
83,316	77,329	75,267	84,524	81,314	79,811	64,878	61,119	46,834	40,732
18.5%	14.5%	15.0%	17.1%	19.1%	19.4%	20.3%	21.6%	21.2%	20.4%
68,675	60,488	59,181	69,208	67,552	67,156	55,062	52,358	40,483	35,544
15.2%	11.4%	11.8%	14.0%	15.9%	16.3%	17.2%	18.5%	18.3%	17.8%
79,247	19,726	14,253	21,085	21,433	19,016	22,152	16,581	13,827	7,623
55,565	49,165	42,612	55,912	47,322	47,876	44,936	38,438	31,213	22,538
127,701	211,633	205,616	175,408	176,429	177,087	160,171	83,889	38,824	43,023
156,679	179,855	173,797	193,362	182,782	162,007	177,105	157,135	143,739	133,123
0.82	1.18	1.18	0.91	0.97	1.09	0.90	0.53	0.27	0.32
10,006	18,008	19,527	34,359	24,280	18,714	11,371	9,894	10,471	19,365
1,590	2,360	2,363	2,468	2,213	2,198	2,105	1,604	1,286	1,089
20.0%	11.0%	15.7%	18.4%	20.0%	20.4%	18.4%	17.9%	16.8%	11.4%
24.1%	15.4%	17.1%	20.4%	20.3%	21.3%	17.4%	23.3%	22.2%	20.2%
73,178,202	77,106,176	76,714,141	76,949,992	76,712,704	76,711,053	77,060,933	78,817,107	81,400,000	81,400,000
1.067	0.322	0.315	0.398	0.401	0.366	0.389	0.293	0.234	0.152
*** 0.84	0.130	0.120	** 0.310	0.100	0.087	* 0.516	0.070	0.057	0.031

ROE: (Net profit + amortization of goodwill + Minority interests)/Consolidated shareholder's equity. Adjustments to net profit are made only in financial statements drawn up in compliance with Italian accounting standards. Net profit for 2005, for the purposes of the ROE calculation, is assumed net of capital gains on discontinued operations.

ROCE: Operating profit/(Consolidated shareholder's equity + Financial indebtedness - Treasury stock). The adjustment to treasury stock was made only in financial statements drawn up in compliance with Italian accounting principles.

EPS: (Earnings per share adjusted for goodwill amortization and write-down)

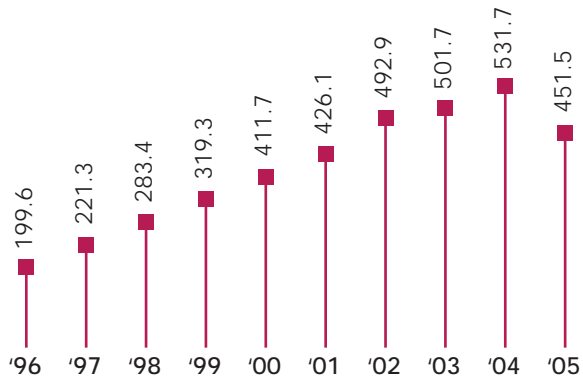
* 0.439 of which extraordinary

** 0.200 of which extraordinary

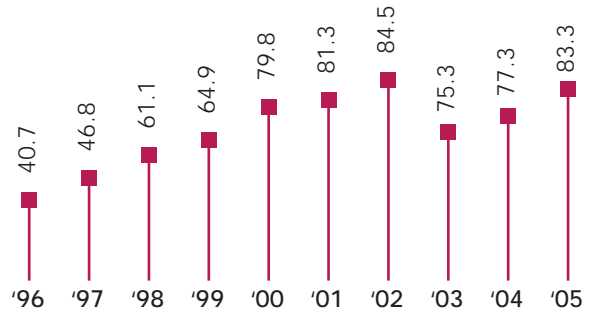
*** 0.69 of which extraordinary. The 0.15 ordinary dividend is proposed by the Board of Directors, pending approval by the Shareholders' Meeting

The dividends refer to the year when the distributed profits were formed.

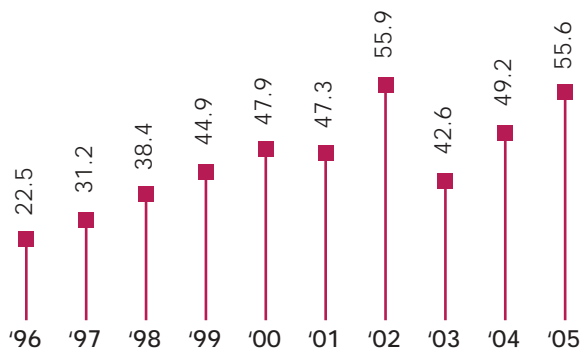
Net revenues (Euro/millions)



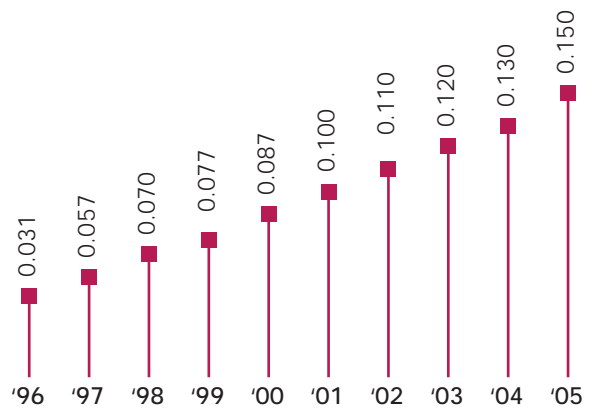
EBITDA (Euro/millions)



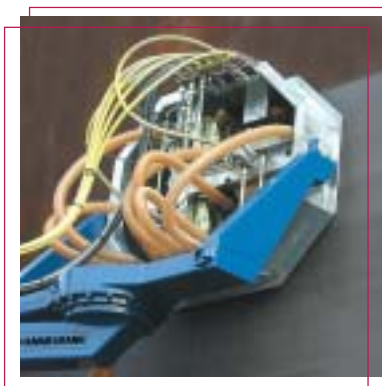
Cash Flow from operations (Euro/millions)



Dividends (Euro)



The graphic shows only the ordinary dividends.
 In addition the company has distributed special dividends:
 0.439 Euro in 1999, 0.200 Euro in 2002 and 0.690 Euro in 2005



Consolidated balance sheets

.6

(Euro/000)

	31/12/2005	31/12/2004
ASSETS		
Non-current assets		
Property, plant and equipment	51,165	109,928
Goodwill	133,885	130,329
Other intangible assets	15,598	7,597
Investments in associated companies	5,390	1,505
Treasury stock	-	27,957
Other financial assets	14,361	3,804
Tax receivables	371	864
Deferred tax assets	11,926	12,506
Other non current assets	210	3,915
Total non current assets	232,906	298,405
Current assets		
Cash and cash equivalents	56,078	22,391
Trade receivables	70,974	96,200
Inventories	85,239	107,250
Tax receivables	5,229	11,940
Treasury stock	-	5,296
Derivative financial instruments	359	-
Other financial assets	-	265
Assets available for sale	2,454	-
Other current assets	2,150	4,057
Total current assets	222,483	247,399
Total assets	455,389	545,804
SHAREHOLDERS' EQUITY		
Share Capital	41,559	43,694
Legal reserve	8,747	8,747
Share premium reserve	16,739	15,094
Reserve for valuation of hedging derivatives at fair value	(558)	-
Translation reserve	(4,664)	(11,107)
Other reserves	87,801	106,182
Shareholders' equity for the Group	149,624	162,610
Minority shareholders' equity	7,055	17,245
Total consolidated shareholders' equity	156,679	179,855
LIABILITIES		
Non-current liabilities		
Interest bearing financial payables	121,515	123,854
Liabilities for employee benefits	10,982	17,208
Deferred tax liabilities	14,493	15,133
Other non current liabilities	229	417
Provisions for risks and charges	2,514	1,671
Total non current liabilities	149,733	158,283
Current liabilities		
Trade payables	43,874	75,035
Payables to banks	11,591	48,141
Interest bearing financial payables (current portion)	50,673	62,029
Derivative financial instruments	1,023	-
Taxes payable	6,267	6,053
Other current liabilities	33,960	15,168
Provisions for risks and charges	1,589	1,240
Total current liabilities	148,977	207,666
Total liabilities	298,710	365,949
Total shareholders' equity and liabilities	455,389	545,804



Consolidated income statements

7

(Euro/000)

	2005			2004		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net sales	331,608	119,894	451,502	270,612	261,133	531,745
Cost of sales	(209,386)	(84,776)	(294,162)	(177,884)	(183,804)	(361,688)
Gross industrial margin	122,222	35,118	157,340	92,728	77,329	170,057
<i>% on net sales</i>	36.9%		34.8%	34.3%		32.0%
Other net revenues	4,319	394	4,713	2,767	1,671	4,438
Distribution costs	(25,460)	(15,469)	(40,929)	(19,745)	(35,281)	(55,026)
General and administrative expenses	(43,039)	(8,542)	(51,581)	(35,271)	(21,121)	(56,392)
Other operating costs	(658)	(210)	(868)	(804)	(1,785)	(2,589)
EBIT	57,384	11,291	68,675	39,675	20,813	60,488
<i>% on net sales</i>	17.3%		15.2%	14.7%		11.4%
Impairment losses on assets	(4,011)	-	(4,011)	(6,807)	-	(6,807)
Financial income	4,673	1,452	6,125	1,026	1,020	2,046
Financial charges	(10,636)	(4,051)	(14,687)	(6,115)	(5,654)	(11,769)
Adjustment of investments according to the equity method	(42)	103	61	419	(123)	296
Profit for the period before taxes	47,368	8,795	56,163	28,198	16,056	44,254
Income taxes	(20,294)	(4,600)	(24,894)	(15,562)	(8,966)	(24,528)
Profit for the period after taxes and before the capital gain on discontinued operations	27,074	4,195	31,269	12,636	7,090	19,726
Capital gain on discontinued operations	-	47,978	47,978	-	-	-
Consolidated profit for the period	27,074	52,173	79,247	12,636	7,090	19,726
Due to:						
Parent company shareholders	26,539	51,526	78,065	11,149	5,666	16,815
Subsidiaries minority shareholders	535	647	1,182	1,487	1,424	2,911
Consolidated profit for the period	27,074	52,173	79,247	12,636	7,090	19,726
EBITDA	67,985	15,331	83,316	48,535	28,794	77,329
<i>% on net sales</i>	20.5%		18.5%	17.9%		14.5%
Shareholders' equity	156,679		156,679	179,855		179,855
Net financial indebtedness	127,701		127,701	211,633		211,633
Capital employed	284,380		284,380	391,488		391,488
ROCE	20.2%		24.1%	10.1%		15.4%
ROE	17.3%		20.0%	7.0%		11.0%
Basic earnings per share	0.363		1.067	0.145		0.218

ROCE = EBIT/Capital employed

ROE = Consolidated profit for the period (net of capital gain on discontinued operations) / Consolidated shareholders' equity

Consolidated cash flow statements

(Euro/000)

	2005			2004		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Cash flow from operating activities						
Earnings before taxes and capital gains from discontinued operations	47,368	8,795	56,163	28,198	16,056	44,254
Adjustments for non-cash items:						
Capital gains from the sale of fixed assets	(1,343)	(21)	(1,364)	(225)	(56)	(281)
Capital gains from sales of investments	(366)	-	(366)	(191)	-	(191)
Depreciation and amortization	9,521	3,130	12,651	8,471	7,239	15,710
Impairment of assets	4,011	-	4,011	6,807	-	6,807
Costs ascribed to the income statement relative to stock options that do not involve monetary outflows for the Group	1,645	-	1,645	295	-	295
Profit from investments	42	(103)	(61)	(419)	123	(296)
Net change of risk funds and allocations to liabilities for benefits for employees	1,966	828	2,794	833	1,251	2,084
Net financial charges	5,963	2,599	8,562	5,089	4,634	9,723
Other	(18)	-	(18)	(125)	-	(125)
	68,789	15,228	84,017	48,733	29,247	77,980
Increase (decrease) in trade receivables and other current assets	(2,786)	(10,290)	(13,076)	(4,343)	(8,733)	(13,076)
(Increase) decrease in inventories	(8,663)	4,903	(3,760)	(5,797)	(2,632)	(8,429)
Increase (decrease) in trade payables and other current liabilities	1,069	17,253	18,322	2,180	(12,347)	(10,167)
Interest paid	(5,899)	(1,597)	(7,496)	(5,744)	(4,823)	(10,567)
Currency exchange gains	416	(151)	265	(313)	282	(31)
Income taxes paid	(21,221)	-	(21,221)	(13,042)	(5,175)	(18,217)
Net liquidity generated by operating activities	31,705	25,346	57,051	21,674	(4,181)	17,493
Cash flow from investing activities						
Acquisition of Hammelmann, net of received cash	(87,163)	-	(87,163)	-	-	-
Proceeds from the sale of IP Cleaning S.p.A.	-	75,233	75,233	-	-	-
Ancillary costs relative to the sale of the Cleaning Sector entered in deduction from the capital gain	-	(1,881)	(1,881)	-	-	-
Transferred recurring payables to banks (cash) relative to the IP Cleaning Group	-	10,671	10,671	-	-	-
Investments in X Equity S.p.A.	-	(12,500)	(12,500)	-	-	-
Acquisition of minority shares in subsidiaries	-	(1,408)	(1,408)	(425)	(1,092)	(1,517)
Proceeds from the sale of associated companies	1,557	-	1,557	5,000	-	5,000
Outlays for purchase of treasury stock	(8,829)	-	(8,829)	-	-	-
Proceeds from sales of treasury stock to beneficiaries of stock options	12,939	-	12,939	-	-	-

Consolidated cash flow statements

(continued)

8

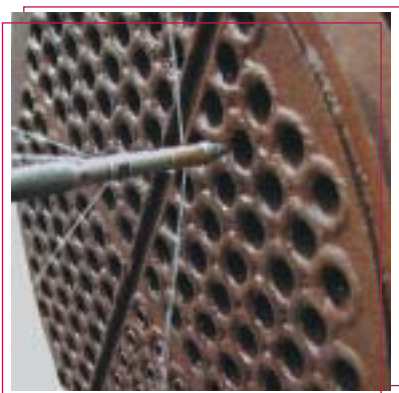
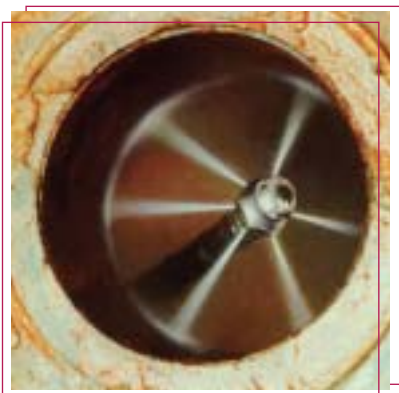
(Euro/000)

	2005			2004		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Capital expenditure in property, plant and equipment	(5,743)	(1,328)	(7,071)	(6,105)	(7,587)	(13,692)
Proceeds from sales of tangible fixed assets	3,099	105	3,204	453	252	705
Increase in intangible fixed assets	(1,859)	(339)	(2,198)	(1,394)	(1,483)	(2,877)
Received financial income	1,064	146	1,210	636	461	1,097
Dividends distributed by companies in the area of discontinued operations, and collected by the parent company	-	-	-	1,340	(1,340)	-
Other	14	(23)	(9)	159	95	254
Net liquidity utilized in investing activities	(84,921)	68,676	(16,245)	(336)	(10,694)	(11,030)
Cash flow of financing activities						
Loan granted to X Equity	-	(10,000)	(10,000)	-	-	-
Proceeds from increase in share capital	-	-	-	247	-	247
Disbursal (repayment) of loans	46,919	58,680	105,599	(16,326)	(12,805)	(29,131)
Repayment of shareholder loans	-	(54)	(54)	-	(54)	(54)
Payment of financial leasing instalments (principal)	(219)	(1,120)	(1,339)	(289)	(2,020)	(2,309)
Dividends paid	(63,725)	(893)	(64,618)	(9,589)	(987)	(10,576)
Net liquidity obtained through (utilized in) financing activities	(17,025)	46,613	29,588	(25,957)	(15,866)	(41,823)
Net increase (decrease) of cash and cash equivalents	(70,241)	140,635	70,394	(4,619)	(30,741)	(35,360)
Net cash and cash equivalents of companies consolidated for the first time			-			(813)
Exchange differences on conversion of the liquidity of companies in areas outside the EU			(157)			120
Cash and cash equivalents at the start of the period			(25,750)			10,303
Cash and cash equivalents at the end of the period			44,487			(25,750)

The discontinued operations refer to the first 5 months of 2005 and to the whole year in 2004.

Cash and cash equivalents can be summarized as follows:

	31/12/2005 Euro/000	31/12/2004 Euro/000
Cash and cash equivalents from the balance sheet	56,078	22,391
Payables to banks (for current account overdrafts and advances subject to collection)	(11,591)	(48,141)
Cash and cash equivalents from the cash flow statement	44,487	(25,750)



(Euro/000)

	<i>Balances as at 1 January 2004</i>
	Increase in capital underwritten on 31/5/2004 for stock options
	Distribution of dividends
	Exchange differences on the translation of foreign companies' financial statements
	Exchange differences on the translation of goodwill of companies in areas outside the EU
	Minority capital and reserves of companies consolidated for the first time
	Minority shares acquired by the Group
	Recording in the income statement of the fair value of the stock options assigned and exercisable
	Profit (loss) for the period
	<i>Balances as at 31 December 2004</i>
	Recording of the effects of IAS 32 and IAS 39: Elimination of treasury stock from assets
	Recording of fair value of derivative financial instruments
	Recording among liabilities of commitments to purchase minority interests in subsidiaries
	Different method of recording accessory expenses on loans
	<i>Balances as at 1 January 2005</i>
	Cancellation of treasury stock
	Exchange differences on the translation of foreign companies' financial statements
	Exchange differences on the translation of goodwill of companies in areas outside the EU
	Dividends paid
	Recording in the income statement of the fair value of derivative hedging instruments
	Change in the reserve for the evaluation at fair value of hedging derivatives following sale of the Cleaning Sector
	Recording under shareholders' equity of the fair value of derivative hedging instruments taken out during the period and change in the fair value for those existing at 1/1/2005 and at 31/12/2005
	Recording in the income statement of the fair value of the stock options assigned and exercisable
	Purchase of treasury stock
	Sale of treasury stock for the exercise of stock options
	Distribution of special dividend
	Minority shares acquired by the Group
	Minority shares sold by the Group
	Net profit for the period
	<i>Balances at 31 December 2005</i>

Changes in shareholders' equity

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Share Capital	Legal reserve	Share premium reserve	Reserve for valuation of hedging derivatives at fair value	Translation reserve	Other reserves	Shareholders' equity for the Group	Minority interests	Total
43,447	8,747	14,799	-	(8,209)	98,477	157,261	16,221	173,482
247	-	-	-	-	-	247	-	247
-	-	-	-	-	(9,110)	(9,110)	(1,464)	(10,574)
-	-	-	-	(1,982)	-	(1,982)	(274)	(2,256)
-	-	-	-	(916)	-	(916)	-	(916)
-	-	-	-	-	-	-	5	5
-	-	-	-	-	-	-	(154)	(154)
-	-	295	-	-	-	295	-	295
-	-	-	-	-	16,815	16,815	2,911	19,726
43,694	8,747	15,094	-	(11,107)	106,182	162,610	17,245	179,855
-	-	-	-	-	(33,253)	(33,253)	-	(33,253)
-	-	-	(695)	303	(608)	(1,000)	-	(1,000)
-	-	-	-	(1,024)	(5,515)	(6,539)	(3,443)	(9,982)
-	-	-	-	-	11	11	-	11
43,694	8,747	15,094	(695)	(11,828)	66,817	121,829	13,802	135,631
(2,135)	-	-	-	-	2,135	-	-	-
-	-	-	-	5,053	-	5,053	123	5,176
-	-	-	-	2,111	-	2,111	-	2,111
-	-	-	-	-	(9,900)	(9,900)	(1,184)	(11,084)
-	-	-	(1,090)	-	-	(1,090)	-	(1,090)
-	-	-	717	-	-	717	-	717
-	-	-	510	-	-	510	-	510
-	-	1,645	-	-	-	1,645	-	1,645
-	-	-	-	-	(8,829)	(8,829)	-	(8,829)
-	-	-	-	-	12,939	12,939	-	12,939
-	-	-	-	-	(53,426)	(53,426)	-	(53,426)
-	-	-	-	-	-	-	(307)	(307)
-	-	-	-	-	-	-	(6,561)	(6,561)
-	-	-	-	-	78,065	78,065	1,182	79,247
41,559	8,747	16,739	(558)	(4,664)	87,801	149,624	7,055	156,679

Comments on the Group's activity as at December 31, 2005

We draw your attention to the fact that the Industrial Sector, Hydraulic Sector and other businesses that remain in the Interpump Group are included under continuing operations. The Hammelmann Group is included in the Industrial Sector only for the last three quarters of 2005. Discontinued operations include the contribution of the IP Cleaning Group for the full twelve months of 2004 and for the first 5 months of 2005 until the time of divestment. For a description of the sectors activities we invite you to refer to page 30.

NET SALES

Net sales of continuing operations in 2005 were 331.6 million euro, up by 22.5% with respect to the same period in 2004, when net sales totalled 270.6 million euro. From 1 April 2005, sales of continuing operations also include Hammelmann Group sales amounting to 44.4 million euro. On an equal consolidation basis net sales of continuing operations were up by 6.1% (+16.6 million euro). Further to the previously described extraordinary operations and conversion to international accounting standards, a different classification of business sectors was adopted as from 1 January 2005. The Cleaning Sector includes the business that is subject to disposal and therefore, with respect to the 2004 classification, does not include the turnover of Unielectric and SIT and the part of Cleaning business managed by the Parent Company and General Pump, which is anyway destined to decline further to the agreements entered into with the purchasers of the Cleaning Sector. Moreover, General Technology, previously classified within the Cleaning Sector, has been reclassified under other revenues. The Hydraulic Sector remained unchanged with respect to the 2004 classification. The Industrial Sector includes the business of the Parent company, General Pump and SIT and, from 1 April 2005, also includes the business of the newly acquired Hammelmann. We have also created a new Electric Motors Sector, occupied exclusively by Unielectric. The Other Revenues sector, in addition to components that cannot be assigned to the other sectors as per the original classification of 2004, also includes the business of General Technology, Teknova and REFIN (the latter two being not operational). In addition, following the transition to international accounting standards, net revenues, which previously included also a proportion of revenues other than revenues from characteristic operations, were recorded net of these latter, which were recorded under a specific caption in the income statement. Consequently, also the classification of data for 2004 has been modified in order to enable like-for-like comparison

Breakdown of consolidated net sales:

By area of business:

Continuing operations:

	31/12/2005 (twelve months) Euro/000	%	31/12/2004 (twelve months) Euro/000	%	Growth/ Contraction
Hydraulic Sector	154,782	47	135,594	50	+14.2%
Industrial Sector	141,032	43	92,409	34	+52.6%
Electric Motors Sector	34,347	10	39,542	15	-13.1%
Other Revenues Sector	1,447	-	3,067	1	n.s.
Total	331,608	100	270,612	100	+22.5%

The Hydraulic Sector grew by 14.2%. Sales by our US subsidiary Muncie rose by 21.0% in dollar-on-dollar terms and following conversion into euro, on the heels of the already positive performance recorded in 2004. Sales by European companies rose by 9.1% with respect to the figure for the same period in 2004.

The Industrial Sector generated turnover of 141 million euro. The following table illustrates the different classifications of 2005 and 2004, with respect to the criterion used in the previous year:

	31/12/2005 (twelve months) Euro/000	31/12/2004 (twelve months) Euro/000	Growth/ Contraction
Industrial Sector with the original classification and without the Hammelmann Group	70,786	60,962	
Other net revenues, which were classified under the sectors in 2004 and which, with the transition to IFRS, are now shown separately	-	(873)	
Sales of high-pressure pumps made to the Cleaning Sector, previously omitted in the consolidated accounts and here present under continuing operations	1,568	6,445	
Total sales of high-pressure pumps	72,354	66,534	+8.7%
Sales of high-pressure washers made to the Cleaning Sector, previously omitted in the consolidated accounts and here present under continuing operations	1,149	2,910	
Contribution of the Hammelmann Group	44,420	-	
Contribution of SIT, previously classified in the Cleaning Sector	3,201	3,474	-7.9%
Contribution of sales of machinery previously classified in the Cleaning Sector	19,908	19,491	+2.1%
Industrial Sector with the new classification	141,032	92,409	+52.6%

Sales of high-pressure pumps grew by 8.7%. In North America, which is the main outlet market for the Group, sales of high-pressure pumps and accessories grew by 15.7% to reach 41.3 million dollars. Pump sales on other markets reached 39.2 million euro (+3.5% compared to 2004).

Machinery sales, which were included in the Cleaning Sector in the original classification, refer to sales of high-pressure washers and cleaning machinery of companies in the Industrial Sector. These sales are destined to taper off in future years due to non-competition agreements entered into with the purchasers of the Cleaning Sector.

Sales made by Interpump Group, resulting further to the two above described extraordinary operations, to IP Cleaning S.p.A and to its subsidiaries, are recorded under continuing operations in order to provide a clearer illustration of the new situation of the Group. In the consolidated total said sales are omitted until the closing date; they are consequently deducted from discontinued operations, since the discontinued operations column is not intended as a pro-forma statement of the divested Cleaning Sector and is instead designed to present the values departing from the consolidated results, net of the values entering the accounts such as sales to IP Cleaning and its subsidiaries, which were previously eliminated.

Sales of electric motors were recorded at 34.3 million euro (-13.1% compared to 2004) resulting from the lower volume of sales to the Cleaning sector following the downturn in Cleaning sector sales. Net of sales to the Cleaning Sector, sales of electric motors were recorded at 27.3 million euro (27.7 million euro in 2004) reflecting a reduction of 1.4%.



By geographical area

	31/12/2005 (twelve months) Euro/000	%	31/12/2004 (twelve months) Euro/000	%	Growth/ Contraction
Italy	85,426	26	92,880	34	-8.0%
Rest of Europe	88,002	27	56,702	21	+55.2%
North America	117,468	35	93,370	35	+25.8%
Pacific Area	17,498	5	12,764	5	+37.1%
Rest of the World	23,214	7	14,896	5	+55.8%
Total continuing operations	331,608	100	270,612	100	+22.5%



Comments on the Group's activity as at December 31, 2005

The breakdown of sales by business sector and geographical area is as follows:

31/12/2005 (twelve months)	Italy	Rest of Europe	North America	Pacific Area	Rest of the World	Total
Hydraulic Sector	37,073	31,777	64,016	4,073	17,843	154,782
Industrial Sector	21,643	48,285	53,452	12,566	5,086	141,032
Electric Motors Sector	25,633	7,570	-	859	285	34,347
Other Revenues Sector	1,077	370	-	-	-	1,447
Total	85,426	88,002	117,468	17,498	23,214	331,608

31/12/2004 (twelve months)	Italy	Rest of Europe	North America	Pacific Area	Rest of the World	Total
Hydraulic Sector	35,943	30,973	52,177	4,209	12,292	135,594
Industrial Sector	23,047	17,174	41,193	8,555	2,440	92,409
Electric Motors Sector	31,952	7,426	-	-	164	39,542
Other Revenues Sector	1,938	1,129	-	-	-	3,067
Total	92,880	56,702	93,370	12,764	14,896	270,612

2005/2004 percentage change	Italy	Rest of Europe	North America	Pacific Area	Rest of the World	Total
Hydraulic Sector	+3.1%	+2.6%	+22.7%	-3.2%	+45.2%	+14.2%
Industrial Sector	-6.1%	+181.2%	+29.8%	+46.9%	+108.4%	+52.6%
Electric Motors Sector	-19.8%	+1.9%	-	n.s.	+73.8%	-13.1%
Other Revenues Sector	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Total	-8.0%	+55.2%	+25.8%	+37.1%	+55.8%	+22.5%

We draw your attention to the growth of the Hydraulic Sector in all geographical areas, with the exception of the Pacific Area. The Industrial Sector saw a contraction in Italy due to the negative trend of pump and high-pressure washer sales to the Cleaning Sector. Net of these sales, the Industrial Sector remained stable. Mainly for the same reason, sales of electric motors saw a downturn in Italy, falling by 7.6% when considered net of sales to the Cleaning Sector. Growth of the Industrial Sector in the Rest of Europe is due also to the acquisition of the Hammelmann Group; the overall upturn was 5.3% on an equal consolidation basis.

The sustained increase in North America is mainly due to sales of high-pressure pumps and Hydraulic Sector sales, as illustrated previously. Moreover, Hammelmann's contribution amounted to 7.3 million euro. Therefore, on an equal consolidation basis, the increase can be calculated at 11.9%.

Hammelmann also influenced increases in the Pacific Area and in the Rest of the World, respectively, by 4.0 million euro and by 1.8 million euro. On an equal consolidation basis, growth was 0.3% and 34.5% respectively.

PROFITABILITY

Continuing operations

The cost of sales accounted for 63.1% of turnover (65.7% in 2004). Production costs, which totalled 63.9 million euro (50.4 million euro in 2004, not including Hammelmann), accounted for 19.3% of sales (18.6% in 2004), while the purchase cost of raw materials and components sourced on the market totalled 145.5 million euro (127.4 million euro in 2004). The percent incidence of purchase costs was 3.2 percentage points lower, of which 2.5 percent relative to consolidation of the Hammelmann Group.

Distribution costs increased by 3.0% net of Hammelmann Group expenses, although the incidence of this parameter on sales fell by 0.2 percentage points.

On an equal consolidation basis general and administrative expenses were up by 3.9% in terms of absolute value, while the relative incidence on sales fell by 0.2 percentage points. On a global level, the incidence on sales of general and administrative expenses remained unchanged.



EBIT stood at 57.4 million euro or 17.3% of sales compared to the 39.7 million euro of 2004 (14.7% of sales), with an increase of 44.6%. On an equal consolidation basis growth was 16.8%.

EBITDA totalled 68.0 million or 20.5% compared to the 48.5 million euro of 2004, equivalent to 17.9% of sales (+40.1% and +13.4% on an equal consolidation basis). The following table shows EBITDA according to business sector:

	31/12/2005 (twelve months) Euro/000	% on total sales*	31/12/2004 (twelve months) Euro/000	% on total sales*	Growth/ Contraction
Hydraulic Sector	35,584	23.0%	28,718	21.2%	+23.9%
Industrial Sector	32,424	23.0%	17,849	19.3%	+81.7%
Electric Motors Sector	431	1.2%	2,204	5.4%	-80.4%
Other Revenues Sector	(454)	n.s.	(236)	n.s.	n.s.
Total	67,985	20.5%	48,535	17.9%	+40.1%

* = Total sales also include sales to other companies in the continuing operations area, while the sales analysed previously are exclusively those external to the Group (see 2 in the notes). Therefore, for the purposes of comparability the percentage is calculated on total sales rather than the sales shown earlier.

The increase of EBITDA in the Industrial Sector was 9.2% on an equal consolidation basis (without Hammelmann). Apart from the increased cost of raw materials, the decrease of EBITDA in the Electric Motors Sector is mainly due to the reduction of sales volumes.

Payroll costs stand at 66.9 million euro (52.1 million euro in 2004). On equal consolidation basis this item stands at 56.2 million euro (+8.2% with respect to 2004). Again on an equal consolidation basis, the headcount increased by 18 and the average per capita cost was 6.6% higher or 8.3% higher when taking account also of Hammelmann.

The tax rate was 42.8% (55.2% in 2004). It should be noted that there was a tax saving in 2005 due to the write-back of plants and machinery carried out by Interpump Group S.p.A. and Interpump Hydraulics S.p.A. of 2.7 million euro plus 4.0 million euro of non-deductible write-downs of goodwill. Disregarding these extraordinary events, the tax rate would have been 44.7%. There was a non-deductible write down of goodwill in 2004 in the amount of 6.8 million euro. Net of this write-down the tax rate would have been 44.5%. Therefore, the adjusted tax rates for the two years tax are basically in line with each other.

Comments on the Group's activity as at December 31, 2005

The 2005 financial year of continuing operations closes with net profit of Euro/000 27,074 (Euro/000 12,636 in 2004).

The following table provides a comparison between results for the full twelve months and those of the fourth quarter.

<i>Net sales</i>	31/12/2005 (twelve months) Euro/000	% on total sales**	Growth/ Contraction	4th Quarter 2005 Euro/000	% on total sales**	Growth/ Contraction
Hydraulic Sector	154,782		+14.2%	39,635		+17.1%
Industrial Sector (without Hammelmann)	96,612		+4.5%	21,817		+8.3%
Hammelmann*	44,420		+16.3%	16,123		+20.3%
Industrial Sector (with Hammelmann)	141,032		+52.6%	37,940		+88.3%
Electric Motors Sector	34,347		-13.1%	7,346		-2.7%
Other Revenues Sector	1,447		n.s.	683		n.s.
Total	331,608		+22.5%	85,604		+36.1%
Total (without Hammelmann)	287,188		+6.1%	69,481		+10.4%
EBITDA						
Hydraulic Sector	35,584	23.0%	+23.9%	8,621	21.8%	+28.8%
Industrial Sector (without Hammelmann)	19,484	20.1%	+9.2%	2,714	12.4%	+11.1%
Hammelmann*	12,940	29.1%	n.d.	5,069	31.4%	n.d.
Industrial Sector (with Hammelmann)	32,424	23.0%	+81.7%	7,783	20.5%	+218.6%
Electric Motors Sector	431	1.2%	-80.4%	(508)	-6.4%	n.s.
Other Revenues Sector	(454)	n.s.	n.s.	103	n.s.	n.s.
Total	67,985	20.5%	+40.1%	15,999	18.7%	+69.8%
Total (without Hammelmann)	55,045	19.2%	+13.4%	10,930	15.7%	+16.0%

* = consolidated from 1 April 2005

** = Total sales also include sales to other companies in the continuing operations area, while the sales analysed previously are exclusively those external to the Group (see 2 in the notes). Therefore, for the purposes of comparability the percentage is calculated on total sales rather than the sales shown earlier.

The table shows that the increase in the Hydraulic Sector and in the Industrial Sector was more significant in the fourth quarter than in the full twelve months. We can therefore confirm that growth accelerated in the fourth quarter of the year, following a trend that started already in the third quarter.

Discontinued operations

Capital gains on discontinued operations of Euro/000 47,978 concern the sale of the Cleaning Sector, net of 4.1 million euro of accessory expenses and potential liabilities accompanying the sale.

The comparison in the income statement of discontinued operations is not uniform because the figure for 2005 considers only 5 months of business as indicated earlier, while the figure for 2004 takes account of the full twelve months.

CASH FLOW

The change in net financial indebtedness can be analysed as follows:

	2005 <small>(twelve months)</small> Euro/000	2004 <small>(twelve months)</small> Euro/000
Opening net financial position	(211,633)	(205,562)
Net liquidity generated by operating activities	57,051	17,493
Investments in tangible fixed assets	(7,071)	(13,692)
Proceeds from sales of tangible fixed assets	3,204	705
Capital expenditure in development costs and increase of other intangible fixed assets	(2,198)	(2,877)
Assets held by financial leasing contracts	(65)	(2,048)
Received financial income	1,210	1,097
Other	(20)	(12)
Free cash flow	52,111	666
Outlay for the acquisition of Hammelmann, net of cash received, after deducting loans payable	(89,365)	-
Proceeds from the sale of IP Cleaning including transferred loans	208,425	-
Ancillary costs relative to the sale of the Cleaning Sector entered in deduction from the capital gain	(1,881)	-
Investments in X Equity and Vendor Loan	(22,500)	-
Outlays for acquisition of minority shares in subsidiaries	(1,408)	(1,517)
Proceeds from the sale of associated companies	1,557	5,000
Outlays for purchase of treasury stock	(8,829)	-
Proceeds from sale of treasury stock to beneficiaries of stock options	12,939	-
Dividends paid	(64,618)	(10,576)
Increase in capital through stock options	-	247
Other	(972)	(16)
Cash flow generated (used)	85,459	(6,196)
Exchange rate differences	(1,527)	955
Net opening financial position of companies consolidated for the first time	-	(830)
Net financial position at end of period	(127,701)	(211,633)

Net liquidity generated by continuing operations, shown in the cash flow statement included in the financial statements in compliance with IAS 1, totalled 31.7 million euro (18.6 million euro in 2004), with an increase of 70.4%. The difference with respect to the net liquidity generated by total operating activities of 57.0 million euro, equivalent to 25.3 million euro, concerns discontinued operations and is primarily due to the reduction of working capital following the substantial increase recorded in the second half of 2004. Free cash flow was 28.0 million euro, compared to 11.8 million euro in 2004.

The outlay for the acquisition of Hammelmann takes account also of loans payable in the amount of 2.2 million euro, and differs by said amount from the figure shown in the cash flow statement (in compliance with the IAS shown below), which reconciles net liquidity rather than the overall net financial position.

The proceeds of the Cleaning Sector sale take account of debts transferred at 30 May 2005 (closing date), in the amount of 133.2 million euro. On the contrary, the amount recorded in the consolidated cash flow statement presented in the financial statements, refers only to the collected cash flow.

Comments on the Group's activity as at December 31, 2005

The net financial position is composed as follows:

	31/12/2005 Euro/000	01/01/2005 Euro/000	31/12/2004 Euro/000	01/01/2004 Euro/000
Cash and cash equivalents	56,078	22,391	22,391	42,634
Interest bearing non-current financial payables	(121,515)	(123,854)	(123,864)	(158,379)
Payables to banks	(11,591)	(48,141)	(48,141)	(34,840)
Interest bearing financial payables (current portion)	(50,673)	(62,029)	(62,029)	(54,977)
Total	(127,701)	(211,633)	(211,643)	(205,562)

The difference between the net financial position at 31/12/2004 and at 1/1/2005 is due to the application of IAS 32 and IAS 39 from 1 January 2005 (see Appendix).

In order to optimise the financial and equity structure of Interpump Group a special dividend of 0.69 euro was distributed; the dividend was payable as from 22 December 2005 with coupon clipping date of 19 December 2005, involving an outlay of 53.4 million euro.

CAPITAL EXPENDITURE

Capital employed decreased from 391.5 million euro at 31 December 2004 to 284.4 million euro at 31 December 2005. ROCE for continuing operations was 20.2% (10.1% in 2004). ROE for continuing operations stood at 17.3% (7.0% in 2004).

Capital expenditure in property, plant and equipment of continuing operations stood at 6.2 million euro (4.2 million euro in 2004) and refers to the normal renewal and modernization of plant, machinery and equipment. The difference with respect to the expenditure recorded in the cash flow statement is due to the dynamics of payments.

Two industrial buildings, no longer used by the Group, were sold in an operation that attracted a pre-tax capital gain of 1.3 million euro and a cash in of 2.7 million euro before tax.

Increases in intangible fixed assets of continuing operations amounted to 1.9 million euro (1.5 million euro in 2004) and refer mainly to investments for the development of new products. The difference with respect to the expenditure recorded in the cash flow statement is due to the dynamics of payments.

Milan, 14 March 2006

For the Board of Directors
Mr. Giovanni Cavallini
Chairman



The companies in the Group

At 31 December 2005 the Interpump Group was made up of a structure headed by Interpump Group S.p.A., which holds direct and indirect controlling stakes in the capital of 19 companies operating in the three sectors of business (Hydraulics, Industrial and Electric Motors). The Parent Company, based at Sant'Ilario d'Enza, manufactures high and very high-pressure plunger pumps and high-pressure washers, these products being classified in the Industrial Sector. The main data of the consolidated subsidiaries are summarized in the following table, whereas for the Parent Company they can be taken from the enclosed financial statements. Relations with non-consolidated subsidiaries and associates are conducted at arm's length conditions and have been described in analytical detail in the above text, as well as relations with related parties, which are described in the notes to the financial statements.

	Share Capital Euro/000	Percentage of stake	Registered Office
Muncie Power Products Inc.	847	84.87%	Muncie - USA
Interpump Hydraulics S.p.A.	2,632	100%	Nonantola (MO)
General Pump Companies Inc.	1,854	100%	Minneapolis - USA
Hammelman Maschinenfabrik GmbH	25	100%	Oelde - Germany
Unielectric S.p.A.	1,456	70%	Sant'Ilario d'Enza (RE)
Hydroven S.r.l.	200	51%	Tezze sul Brenta (VI)
Hydrometal S.r.l.	130	100%	Sorbara di Bomporto (MO)
Hammelman Corporation Inc.	39	100%	Daytona - USA
A.V.I. S.r.l.	10	51%	Varedo (MI)
Sit S.p.A.	105	63%	Sant'Ilario d'Enza (RE)
Hydrocar France S.a.r.l.	100	99.96%	Brie Comte Robert - France
Hydrocar Chile S.A.	37	60%	Santiago - Chile
P.Z.B. France S.a.r.l.	32	100%	Peltre-Metz - France
Interpump Engineering S.r.l.	76	100%	Reggio Emilia
Hydrocar Roma S.r.l.	10	70%	Modena
Hammelman S.L.	1,038	100%	Saragozza - Spain
General Technology S.r.l.	780	100%	Reggio Emilia
Teknova S.r.l.	362	100%	Reggio Emilia
REFIN S.r.l.	10	100%	Reggio Emilia



Main activity	Sales Euro/million 31/12/2005	Sales Euro/million 31/12/2004	Average number of employees 2005	Average number of employees 2004
Hydraulic pumps and power take-offs (Hydraulic Sector)	69.2	57.1	263	252
Hydraulic pumps and power take-offs (Hydraulic Sector)	58.0	52.7	261	252
Distributor of high-pressure pumps (Industrial Sector)	44.5	39.4	89	95
Very high-pressure Systems and Pumps (Industrial Sector)	44.4*	-	262	-
Windings and electric motors (Electric Motors Sector)	35.9	41.0	164	185
Sale of complementary products for industrial vehicles, hydraulic pumps and power take-offs (Hydraulic Sector)	9.7	9.1	34	31
Sale of complementary products for industrial vehicles, hydraulic pumps and power take-offs (Hydraulic Sector)	8.0	8.1	25	22
Sale of very high-pressure Systems and Pumps (Industrial Sector)	7.3*	-	16	-
Sale of complementary products for industrial vehicles, hydraulic pumps and power take-offs (Hydraulic Sector)	7.0	6.4	17	14
Drawing, shearing and pressing sheet metal (Industrial Sector)	3.7	4.0	26	26
Sale of hydraulic pumps and power take-offs (Hydraulic Sector)	3.5	3.9	12	12
Sale of hydraulic pumps and power take-offs (Hydraulic Sector)	3.2	2.3	13	13
Sale of hydraulic pumps and power take-offs (Hydraulic Sector)	2.6	2.4	9	8
Research and Development (Other Sector)	2.7	2.9	23	23
Sale of hydraulic pumps and power take-offs (Hydraulic Sector)	2.3	2.1	3	2
Sale of very high-pressure Systems and Pumps (Industrial Sector)	1.3*	-	4	-
Steam cleaning appliances (Other Revenues Sector)	0.7	2.1	29	31
Non operational (Other Revenues Sector)	-	-	-	-
Non operational (Other Revenues Sector)	-	-	-	-

* = nine months turnover – purchased on 4/4/2005

Sector information

Sector information

The business sectors are identified as "primary sectors", while the geographical sectors are defined as "secondary". Information on business sectors reflects the Group internal reporting structure.

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

Sector information includes directly attributable costs and costs allocated on the basis of reasonable estimates.

Business sectors - Primary

The Group is composed of the following business sectors:

Hydraulic Sector. Includes production and sale of power take-offs and other hydraulic components. Power take-offs are devices designed to transmit the engine power of an industrial vehicle to other hydraulic components, and are installed on the vehicles' gearbox. Other hydraulic products comprise various components designed to allow the execution of special functions, such as lifting tipping bodies, moving truck-mounted cranes, operating mixer truck drums, etc. The other hydraulic components are mainly composed of hydraulic pumps, hydraulic power units, and valves.

Industrial Sector. Mainly composed of high and very high-pressure pumps and pumping systems used in a wide range of industrial sectors for the conveyance of fluids. High-pressure plunger pumps are the main component of professional high-pressure washers. These pumps are also utilized for a broad range of industrial applications including car wash installations, forced lubrication systems for machine tools, and inverse osmosis systems for water desalination plants. Very high-pressure pumps and systems are used for cleaning surfaces, ships, various types of pipes, and also for removing machining burr, cutting and removing cement, asphalt, and paint coatings from stone, cement and metal surfaces, and for cutting solid materials. Marginally, this sector also includes operations of drawing, shearing and pressing sheet metal and the manufacture and sale of cleaning machinery.

Electric Motors Sector. Composed of the manufacture and sale of electric motors and windings mainly used as components of high-pressure washers, compressors, and by the building industry for gate openers.

Another business division, the Cleaning Sector, was sold on 30 May 2005 (see note 5).

Interpump Group business sector information
(amounts shown in Euro/000)
Year - to date at 31 December (twelve months)

	Hydraulic		Industrial	
	2005	2004	2005	2004
Net sales external to the Group	154,782	135,594	141,032	92,409
Sales between sectors	2	3	147	112
Total net sales	154,784	135,597	141,179	92,521
Cost of sales	(92,898)	(81,047)	(82,704)	(58,468)
Gross industrial margin	61,886	54,550	58,475	34,053
<i>% on net sales</i>	40.0%	40.2%	41.4%	36.8%
Other net revenues	646	712	3,265	1,828
Distribution costs	(12,327)	(11,555)	(12,265)	(7,088)
General and administrative expenses	(18,160)	(18,104)	(22,124)	(14,392)
Impairment of assets	-	-	(367)	-
Other operating costs	(380)	(566)	(227)	(165)
Ordinary profit before financial charges	31,665	25,037	26,757	14,236
<i>% on net sales</i>	20.5%	18.5%	19.0%	15.4%
Financial income				
Financial charges				
Adjustment of value of investments according to the equity method	-	433	(42)	(14)
Profit by sector	31,665	25,470	26,715	14,222
Profit for the period before taxes				
Income taxes				
Consolidated profit for the period				
Due to:				
Parent company shareholders				
Subsidiaries' minority shareholders				
Consolidated profit for the period				



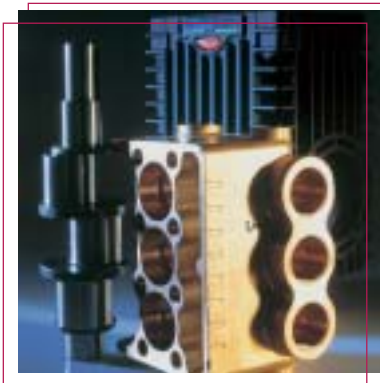
Electric Motors		Other Revenues		Elimination entries		Interpump Group Continuing operations	
2005	2004	2005	2004	2005	2004	2005	2004
34,347	39,542	1,447	3,067				
1,577	1,471	1,942	1,926	(3,668)	(3,512)		
35,924	41,013	3,389	4,993	(3,668)	(3,512)	331,608	270,612
(34,372)	(37,384)	(3,116)	(4,441)	3,704	3,456	(209,386)	(177,884)
1,552	3,629	273	552	36	(56)	122,222	92,728
4.3%	8.8%	8.1%	11.1%			36.9%	34.3%
375	303	870	385	(837)	(461)	4,319	2,767
(813)	(1,012)	(55)	(90)	-	-	(25,460)	(19,745)
(1,805)	(1,856)	(1,751)	(1,436)	801	517	(43,039)	(35,271)
(3,644)	-	-	(6,807)	-	-	(4,011)	(6,807)
(50)	-	(1)	(73)	-	-	(658)	(804)
(4,385)	1,064	(664)	(7,469)	-	-	53,373	32,868
-12.2%	2.6%	n.s.	n.s.			16.1%	12.2%
						4,673	1,026
						(10,636)	(6,115)
-	-	-	-	-	-	(42)	419
(4,385)	1,064	(664)	(7,469)	-	-		
						47,368	28,198
						(20,294)	(15,562)
						27,074	12,636
						26,539	11,149
						535	1,487
						27,074	12,636

Balance sheet as at 31 December
(amounts shown in Euro/000)

Total	Continuing operations		Discontinued operations		Interpump Group Total	
	2005	2004	2005	2004	2005	2004
Assets by sector	399,311	285,951	-	204,209	399,311	490,160
Cash and cash equivalents	56,078	13,869	-	8,522	56,078	22,391
Loans granted to companies belonging to the discontinued operations area	-	56,000	-	(56,000)	-	-
Treasury stock	-	33,253	-	-	-	33,253
Total assets	455,389	389,073	-	156,731	455,389	545,804
Liabilities by sectors	114,931	71,943	-	59,982	114,931	131,925
Payables to banks	11,591	5,836	-	42,305	11,591	48,141
Interest bearing financial payables	172,188	121,829	-	64,054	172,188	185,883
Total liabilities	298,710	199,608	-	166,341	298,710	365,949

Continuing operations

	Hydraulic		Industrial	
	2005	2004	2005	2004
Assets by sector	143,215	123,110	223,595	112,075
Cash and cash equivalents				
Loans granted to companies belonging to the discontinued operations area				
Treasury stock				
Total assets				
Liabilities by sector	64,037	34,113	44,420	26,326
Payables to banks				
Interest bearing financial payables				
Total liabilities				



Electric Motors		Other Revenues		Elimination entries		Interpump Group Continuing operations	
2005	2004	2005	2004	2005	2004	2005	2004
25,779	29,093	18,180	32,177	(11,458)	(10,504)	399,311	285,951
						56,078	13,869
						-	56,000
						-	33,253
						455,389	389,073
12,878	13,023	5,054	8,985	(11,458)	(10,504)	114,931	71,943
						11,591	5,836
						172,188	121,829
						298,710	199,608

Cash flows by business sector of continuing operations are as follows:

	Hydraulic Sector		Industrial Sector		Electric Motors Sector	
	2005	2004	2005	2004	2005	2004
Cash flows from:						
Operating activities	17,082	14,222	16,043	6,176	(493)	2,276
Investing activities	(2,084)	(3,996)	(82,296)	4,142	(697)	(402)
Financing activities	(13,158)	(10,251)	2,383	(16,251)	(381)	(395)
Total	1,840	(25)	(63,870)	(5,933)	(1,571)	1,479

The cash flows deriving from investment activities in 2005 in the Industrial Sector include expenditure of Euro/000 87,163 for the acquisition of the Hammelmann Group; thus, net of this acquisition, the cash flows relating to investing activities in this sector would have been positive in the amount of Euro/000 4,856, thanks to income of Euro/000 2,692 generated by the disposal of two industrial buildings that are no longer required for the activities in the sector.

The cash flows deriving from financing activities in 2005 related to the Other Revenues Sector include the payment of a dividend for Euro/000 5,080 to the parent company, included in the Industrial Sector.

Dividends paid in the amount of Euro/000 9,900 by the Parent company in 2005 (Euro/000 9,110 in 2004), in addition to the payment of a special dividend of Euro/000 53,426 in December 2005, are also included within the Industrial Sector.

Geographical sectors - Secondary

Group activities by sectors are divided into five geographical areas, even though they are controlled on a global level.

The breakdown of sales by geographical area is as follows:

	31/12/2005 (twelve months) Euro/000	%	31/12/2004 (twelve months) Euro/000	%	Growth/ Contraction
Italy	85,426	26	92,880	34	-8.0%
Rest of Europe	88,002	27	56,702	21	+55.2%
North America	117,468	35	93,370	35	+25.8%
Pacific Area	17,498	5	12,764	5	+37.1%
Rest of the World	23,214	7	14,896	5	+55.8%
Total continuing operations	331,608	100	270,612	100	+22.5%

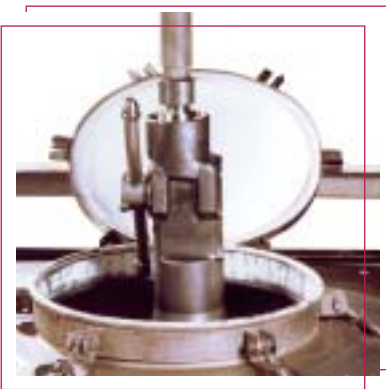
Other Revenues Sector		Total	
2005	2004	2005	2004
(927)	(1,000)	31,705	21,674
156	(80)	(84,921)	(336)
(5,869)	940	(17,025)	(25,957)
(6,640)	(140)	(70,241)	(4,619)



Data by geographical sectors on the basis of the location of activities are as follows:

	Assets		Increases in the year of tangible and intangible fixed assets	
	31/12/2005 Euro/000	31/12/2004 Euro/000	2005 Euro/000	2004 Euro/000
Italy	294,565	484,641	7,512	15,725
Rest of Europe	93,143	18,731	525	255
North America	65,347	40,968	1,902	2,022
Pacific Area	-	-	-	-
Rest of the World	2,334	1,465	67	6
Total	455,389	545,804	10,006	18,008

Assets are allocated to geographical areas according to the nationality of the owner company. None of the companies have assets in more than one area.



**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW
DECREE N° 58 DATED 24 FEBRUARY 1998**

To the Shareholders of
Interpump Group SpA

1. We have audited the consolidated financial statements of Interpump Group SpA and its subsidiaries, which comprise the balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and the related notes as of 31 December 2005. These consolidated financial statements are the responsibility of Interpump Group SpA's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The aforementioned consolidated financial statements have been prepared for the first time in accordance with the International Financial Reporting Standards as adopted by the European Union.
2. We conducted our audit in accordance with the auditing standards and criteria recommended by the National Commission for Companies and the Stock Exchange (CONSOB). In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures prepared in accordance with the same accounting principles, with the exception of the effects of the International Accounting Standards 32 and 39 that have been applied as of 1° January 2005 as allowed by the IFRS 1. Furthermore, the document entitled "Transition to the International Accounting Standards (IFRS)", attached as an appendix to the consolidated financial statements, explains the effects of the transition to the International Financial Reporting Standards as adopted by the European Union and includes the information related to the reconciliation schedules required by IFRS 1, which have been approved and published as an appendix to the interim financial reporting as at 30 June 2005, audited by



other auditors, for which reference should be made to their report issued on 29 September 2005.

3. In our opinion, the consolidated financial statements of Interpump Group SpA as of 31 December 2005 comply with the International Financial Reporting Standards as adopted by the European Union; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of Interpump Group for the year then ended.

Parma, 15 March 2006

This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Financial Statements refer to the Financial Statements in original Italian and not to their translation.

PricewaterhouseCoopers SpA

A handwritten signature in blue ink, appearing to read 'Edoardo Orlandoni'.

Edoardo Orlandoni
(Partner)

The information herein reported have
been extracted from the annual report,
which can be downloaded from the website
www.interpumpgroup.it

or requested to

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