Interim report at 30 June 2014
and
Interim Board of Directors' report for Q2 2014

INTERPUMP GROUP

Interpump Group S.p.A. and subsidiaries

Contents

This folder can be consulted at:
www.interpumpgroup.it

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

Board of Directors

Fulvio Montipò
Chairman and Chief Executive Officer

Paolo Marinsek
Deputy chairman and chief executive officer

Mara Anna Rita Caverni (a), (c)
Independent Director

Carlo Conti (a), (b), (c)
Independent Director
Lead Independent Director

Giuseppe Ferrero
Non-executive Director

Franco Garilli (b)
Independent Director

Giancarlo Mocchi
Non-executive Director

Paola Tagliavini (a), (c)
Independent Director

Giovanni Tamburi (b)
Non-executive Director

Board of Statutory Auditors

Pierluigi De Biasi
Chairman

Paolo Scarioni
Statutory auditor

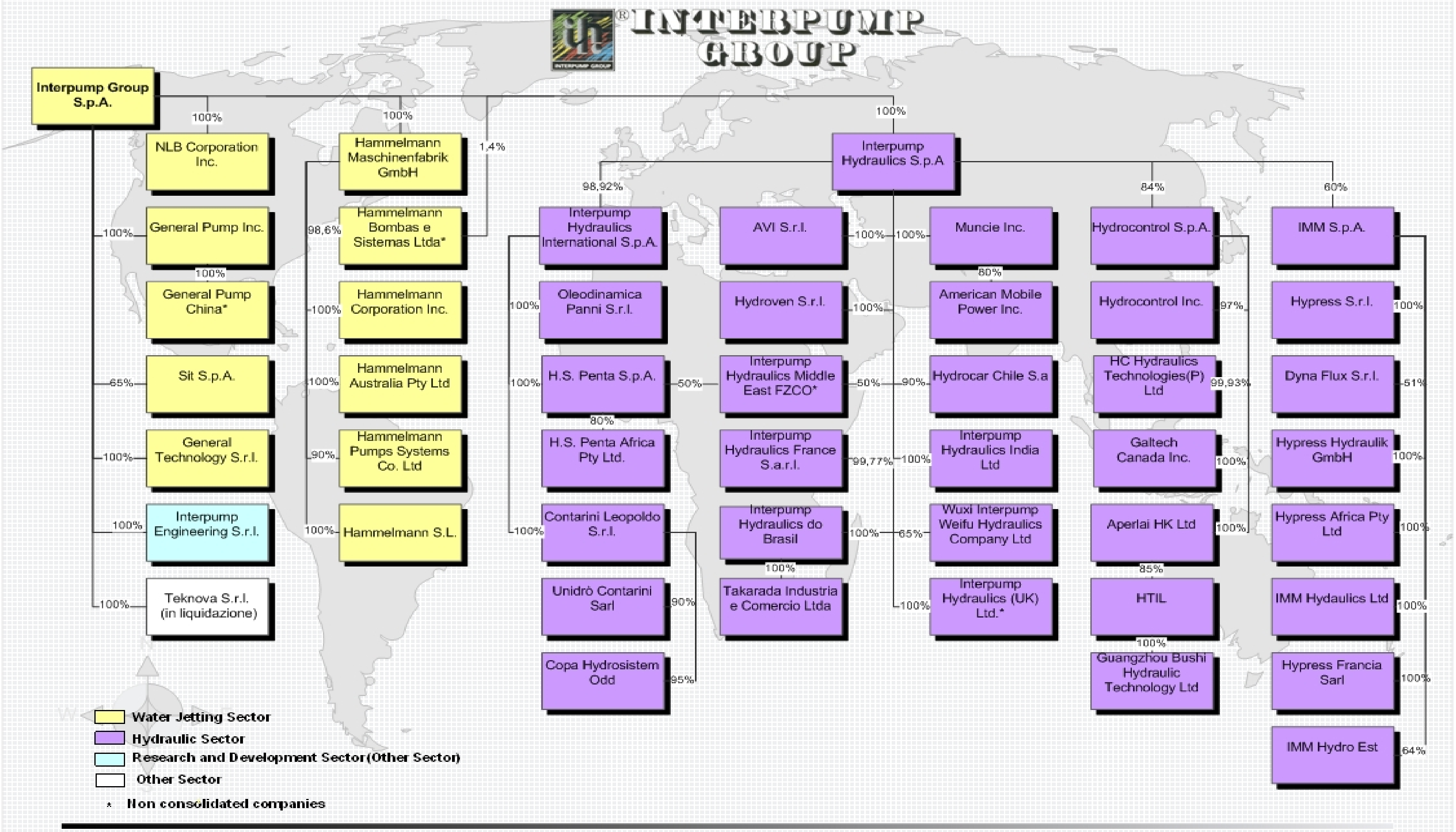
Alessandra Tronconi
Statutory auditor

Independent Auditors

Reconta Ernst & Young S.p.A.

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

Organizational chart as at 30/06/2014



Interim board of directors' report

Directors' remarks on performance in H1 2014

KEY EVENTS IN THE HALF-YEAR

The Hydrocontrol Group acquired on 6 March 2013 and the IMM Hydraulics Group acquired on 8 January 2014, both included in the Hydraulic Sector, (of which only the Hydrocontrol Group was present in H1 2013, although for just two months) were fully consolidated in H1 2014. We invite you to refer to the 2013 Annual Financial Report for a description of the two acquisitions.

H1 2014 showed a 21.6% rise in sales compared to H1 2013 (+3.1% like for like and +5.8% net also of exchange differences). The business sector analysis shows a 43.1% advance in the Hydraulic Sector (+6.8% like for like and +9.7% also net of exchange differences) and a 0.8% regression in the Water Jetting Jetting Sector. (+1.7% net of exchange differences). The FX effect therefore penalised consolidated sales by 2.7% or €7.6m.

In geographical terms, growth in Europe, including Italy, was 38.0%, with 7.9% in North America, 6.4% in the Far East and Oceania (ex-Pacific Area) and 12.9% in the Rest of the World. The like for like geographical breakdown displays growth of 4.2% in Europe and North America, while the Far East and Oceania Area suffered from the negative cycle on the Australian and Chinese markets, which led to a 7.2% decline. Growth in the Rest of the World was 1.6%.

EBITDA stood at €71.0m or 20.8% of sales. In H1 2013 EBITDA was booked at €53.4m (19.0% of sales). This corresponds to a growth figure of 33.1%. Like for like, EBITDA was up by 15.7% to €61.8m or 21.4%/sales, increasing profit margins by 2.4 percentage points; net of exchange differences EBITDA would be €72.8m (20.9%/sales); it follows that the foreign exchange effect impacted negatively on consolidated EBITDA in the measure of €1.8m.

EBIT stood at €56.2m or 16.5%/sales. In H1 2013 EBIT was booked at €41.5m (14.8% of sales). This figure reflects growth of 35.3%. Like for like, EBIT was up by 19.5%, reaching €49.6m or 17.2%/sales, increasing margins by 2.4 percentage points.

The positive trend of margins is the first result of the Hydraulic Sector rationalisation process carried out in 2013 and 2012.

Net profit for the period was €33.1m, 30.7% higher than the €25.3m booked in H1 2013.

H1 consolidated income statements

(€/000)	*2014*	*2013*
Net sales	**341,246**	**280,521**
Cost of sales	(215,336)	(176,752)
Gross industrial margin	**125,910**	**103,769**
% on net sales	*36.9%*	*37.0%*
Other operating revenues	5,732	4,202
Distribution costs	(33,976)	(29,350)
General and administrative expenses	(39,700)	(35,368)
Other operating costs	(1,755)	(1,720)
EBIT	**56,211**	**41,533**
% on net sales	*16.5%*	*14.8%*
Financial income	2,285	4,195
Financial expenses	(6,172)	(6,019)
Adjustment of the value of investments carried at equity	(50)	(102)
Profit for the period before taxes	**52,274**	**39,607**
Income taxes	(19,186)	(14,291)
Consolidated net profit for the period	**33,088**	**25,316**
% on net sales	*9.7%*	*9.0%*
Due to:		
Parent company's shareholders	32,575	24,716
Subsidiaries' minority shareholders	513	600
Consolidated profit for the period	**33,088**	**25,316**
EBITDA	**71,015**	**53,358**
% on net sales	*20.8%*	*19.0%*
Shareholders' equity	442,909	434,356
Net debt	154,427	106,449
Payables for the acquisition of investments	65,188	32,920
Capital employed	662,524	573,725
Unannualized ROCE	**8.5%**	**7.2%**
Unannualized ROE	**7.5%**	**5.8%**
Basic earnings per share	**0.307**	**0.240**

EBITDA* = EBIT + Depreciation/Amortization + Provisions
ROCE = EBIT/ Capital employed
ROE = Consolidated profit for the period / Consolidated shareholders' equity

*= Since EBITDA is not identified as accounting measure in the context of the Italian accounting principles nor in the context of the international accounting standards (IAS/IFRS), the quantitative determination of EBITDA may not be unequivocal. EBITDA is a parameter used by company management to monitor and assess the organisation's operating performance. EBITDA is considered by management to be a significant parameter for company performance assessment since it is not influenced by the effects of different criteria for determination of taxable income, amount and characteristics of employed capital and related amortization policies. The criterion for the determination of EBITDA applied by the company may differ from that used by other companies/groups and hence the value of this parameter may not be directly comparable with the EBITDA values disclosed by other entities.

NET SALES

Net sales in H1 2014 totalled €341.2m, up by 21.6% on the €280.5m of H1 2013 (+3.1% like for like and 5.8% net also of exchange differences). The exchange rate effect therefore compressed consolidated sales in the measure of €7.6m.

Breakdown of sales by business sector and geographical area:

H1 2014						
(€/000)	Italy	Rest of Europe	North America	Far East and Oceania	Rest of the World	Total
Hydraulic Sector	38,641	77,568	47,037	11,567	30,563	205,376
Water Jetting Jetting Sector	9,522	41,189	60,123	15,658	9,378	135,870
Total	48,163	118,757	107,160	27,225	39,941	341,246
H1 2013						
Hydraulic Sector	28,527	40,020	39,629	7,615	27,727	143,518
Water Jetting Jetting Sector	11,059	40,679	59,642	17,982	7,641	137,003
Total	39,586	80,699	99,271	25,597	35,368	280,521
2014/2013 percentage changes						
Hydraulic Sector	+35.5%	+93.8%	+18.7%	+51.9%	+10.2%	+43.1%
Water Jetting Jetting Sector	-13.9%	+1.3%	+0.8%	-12.9%	+22.7%	-0.8%
Total	+21.7%	+47.2%	+7.9%	+6.4%	+12.9%	+21.6%

2014/2013 changes are shown below like for like:

Hydraulic Sector	+5.9%	+11.0%	+10.9%	+6.3%	-4.2%	+6.8%
Total	+0.4%	+6.1%	+4.8%	-7.2%	+1.6%	+3.1%

The like for like analysis net of exchange differences shows growth of 9.7% in the Hydraulic Sector.

Net of exchange differences Water Jetting Jetting Sector sales grew by 1.7%.

PROFITABILITY

The cost of sales accounted for 63.1% of turnover (63.0% in H1 2013). Production costs, which totalled €83.9m (€67.3m in H1 2013, which however did not include the costs of the IMM Hydraulics Group and included only two months of the Hydrocontrol Group's costs), accounted for 24.6% of sales (24.0% in the equivalent period of 2013). On a like for like basis production costs rose by 3.0%. The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €131.4m (€109.4m in the equivalent period in 2013, which however did not include the costs of the IMM Hydraulics Group and only included two months of Hydrocontrol Group costs). Like for like purchases fell by 0.2%. The incidence of purchase costs, including the change in inventories, was 38.5% compared to the 39.0% in H1 2013, reflecting a 0.5 percentage point improvement (1.2 percentage points like for like).

Like for like, distribution costs decreased by 1.7% with respect to H1 2013, while the associated incidence on sales fell by 0.5 percentage points. With the inclusion of Hydrocontrol and IMM Hydraulics the incidence fell by 0.5 percentage points compared to H1 2013.

Like for like general and administrative expenses were in line with H1 in absolute values (+0.1) while their incidence on sales decrease by 0.4 percentage points. With the inclusion of Hydrocontrol and IMM Hydraulics the incidence fell by 1.0 percentage points compared to H1 2013.

Total payroll costs were €80.0m (€66.8m in H1 2013, which however did not include payroll costs of the IMM Hydraulics Group and included those of the Hydrocontrol Group for just two months). Like for like payroll costs rose by 1.7% due to a 2.8% per capita cost increase and a reduction of 28 in the average headcount. The average total number of Group employees in H1 2014 was 3,552 (2,768 like for like) compared to 2,796 in H1 2013 when the incidence of Hydrocontrol was reduced to one third since it had been consolidated for only two months in the period. The like for like reduction in the average headcount in H1 2014 breaks down as follows: – 74 in Europe, + 35 in the US and + 11 in the Rest of the World (Brazil, China, India, Chile, Australia and South Africa).

EBITDA totalled €71.0m (20.8% of sales) compared to the €53.4m of H1 2013, which accounted for 19.0%/sales reflecting an increase of 33.1%. Like for like, EBITDA was up by 15.7%, reaching €61.8m or 21.4%/sales, resulting in a 2.4 percentage point rise in margins.
On an equal exchange basis EBITDA would have been €72.8m (20.9%/sales); the FX effect therefore exerted a €1.8m compressive effect on EBITDA. The following table shows EBITDA for each business sector:

	H1 2014 €/000	*% on total sales**	*H1 2013 €/000*	*% on total sales**	*Growth/ Contraction*
Hydraulic Sector	37,273	18.1%	20,797	14.5%	+79.2%
Water Jetting Jetting Sector	33,771	24.8%	32,546	23.7%	+3.8%
Other Revenues Sector	(29)	n.s.	15	n.s.	n.s.
Total	***71,015***	***20.8%***	***53,358***	***19.0%***	***+33.1%***

* = Total sales include also include sales to other group companies, while the sales analysed previously are exclusively those external to the group (see 2 in the notes to the consolidated financial statements at 30 June 2014). Therefore, for the purposes of comparability the percentage is calculated on total sales rather than the sales shown earlier.

Like for like Hydraulic Sector EBITDA was up by 34.7% (18.3%/sales).

EBIT stood at €56.2m (16.5% of sales) compared to the €41.5m of 2013 (14.8% of sales), reflecting an increase of 35.3%. Like for like, EBIT was up by 19.5% to reach €49.6m or 17.2%/sales, increasing margins by 2.4 percentage points. The positive trend of margins is the first result of the Hydraulic Sector rationalisation process carried out in 2013 and 2012.

The tax rate for the period was 36.7% (36.1% in H1 2013).

Net profit totalled €33.1m (€25.3m in H1 2013), up by 30.7%. Basic earnings per share were €0.307 (€0.240 in H1 2013), reflecting a 27.9% increase.

Capital employed increased from €554.3m at 31 December 2013 to €662.5m at 30 June 2014. The increase is mainly due to the consolidation of IMM Hydraulics. Unannualized ROCE stood at 8.5% (7.2% in H1 2013), thus proving that the acquisitions had no dilutive effect. Unannualized ROE was 7.5% (5.8% in H1 2013).

CASH FLOW

The change in net debt can be broken down as follows:

	H1 2014 *€/000*	*H1 2013* *€/000*
Opening net financial position	**(88,684)**	**(74,549)**
Adjustment: opening net cash position of companies not consolidated line-by-line in the prior period	(158)	231
Adjusted opening net financial position	**(88,842)**	**(74,318)**
Cash flow from operations	56,812	37,322
Cash flow generated (absorbed) by the management of commercial working capital	(30,190)	(15,663)
Cash flow generated (absorbed) by other current assets and liabilities	(1,646)	1,702
Capital expenditure in tangible fixed assets	(19,402)	(15,778)
Proceeds from sales of tangible fixed assets	875	258
Increase in other intangible fixed assets	(1,465)	(1,371)
Received financial income	363	1,047
Other	(332)	(302)
Free cash flow	***5,015***	***7,215***
Acquisition of investments, including received debt and net of treasury stock assigned	(41,687)	(23,156)
Net receipt from Hydrocontrol concentration operation	-	1,400
Receipt for sale of the Hydrometal line of business	650	-
Dividends paid	(18,108)	(18,464)
Outlays for purchase of treasury stock	(15,240)	(1,672)
Proceeds from sale of treasury stock to beneficiaries of stock options	3,826	1,483
Proceeds from sale of financial assets	-	970
Loan repayments from (disbursals to) non-consolidated subsidiaries	24	(88)
Cash flow generated (used)	***(65,520)***	***(32,312)***
Exchange rate differences	(65)	181
Net cash position at end of period	**(154,427)**	**(106,449)**

Net liquidity generated by operations totalled €56.8m (€37.3m in H1 2013), reflecting an increase of 52.2%. Free cash flow was €5.0m, compared to €7.2m in H1 2013. It should be noted that higher expenditure was settled in H1 2014 for €3.6m, mainly associated with work progress on construction of the Hammelmann plant. This was accompanied by higher absorption of commercial working capital of €14.5m deriving from the growth of sales, which had, in contrast, fallen in H1 2013. Our year end projections point to a reduction in the absorption of cash from working capital.

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

	30/06/2014 €/000	31/12/2013 €/000	30/06/2013 €/000	01/01/2013 €/000
Cash and cash equivalents	62,457	105,312	100,181	115,069
Bank payables (advances and STC amounts)	(33,124)	(20,932)	(21,633)	(10,614)
Interest-bearing financial payables (current portion)	(65,825)	(61,371)	(79,151)	(87,303)
Interest-bearing financial payables (non-current portion)	(117,935)	(111,693)	(105,846)	(91,701)
Total	**(154,427)**	**(88,684)**	**(106,449)**	**(74,549)**

At 30 June 2014 all financial covenants had been amply complied with.

The Group also holds debt for the acquisition of investments and contractual commitments for the acquisition of residual interests in subsidiaries totalling €65.2m (€32.7m at 31/12/2013 and €32.9m at 30/6/2013). €19.9m of the foregoing debt concerns the acquisition of investments (€6.0m at 31/12/2013) and €45.3m is related to contractual agreements for the acquisition of residual interests in subsidiaries (€26.7m at 31/12/2013). The increase is due, on the one hand, to the put options associated with the acquisition of IMM Hydraulics, and to the exercise, by minority shareholders, of the majority of the put options related to Interpump Hydraulics International S.p.A., on the other. In target company acquisition processes it is Group strategy to purchase majority packages, signing purchase commitments for the residual stakes, the price of which is set in accordance with the results that the company is able to achieve in the subsequent years, thus on the one hand guaranteeing the continuation in the company of the historic management and on the other hand maximising the goal of increasing profitability.

CAPITAL EXPENDITURE

Expenditure on property, plant and machinery totalled €61.4m, of which €39.7m through the acquisition of investments (€45.4m in H1 2013, of which €26.3m through the acquisition of investments). Note that companies in the Very-High Pressure Systems segment record the machinery manufactured and hired out to customers under tangible fixed assets (€2.6m at 30/06/2014 and €2.9m at 30/06/2013). Net of these latter amounts, capital expenditure stood at €19.1m in H1 2014 (€16.2m in H1 2013) and, with the exception of €8.6m for the construction of the new production plant in Germany, mainly refers to normal renewal and modernisation of plant, machinery and equipment. The difference with respect to the expenditure recorded in the cash flow statement is due to the dynamic of payments.

Increases in intangible fixed assets totalled €4.5m, of which €2.8m through the acquisition of investments (€5.2m in H1 2013, of which €3.8m through the acquisition of investments) and refer mainly to expenditure for the development of new products.

INTERCOMPANY RELATIONS AND RELATED PARTY TRANSACTIONS

Transactions entered into with related parties, including intercompany transactions, cannot be defined as either atypical or unusual, inasmuch as they form 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 June 2014.

CHANGES IN GROUP STRUCTURE IN H1 2014

The IMM Hydraulics Group was acquired on 8 January 2014, as illustrated more fully above.

The merger of Golf Hydrosystem with Copa Hydrosystem was carried out in H1 2014 in order to exploit production synergy and create a more efficient structure in Bulgaria. The same period also saw the merger of Cover with Oleodinamica Panni.

With effect from 1 March 2014 Interpump Hydraulics S.p.A. sold the Hydrometal business, netting a capital gain of €0.5m. The other effects on the period are not significant.

On 16 May 2014 Interpump Hydraulics S.p.A. acquired an additional 17.31% stake in Interpump Hydraulics International S.p.A. following the exercise of the related put options by the minority shareholders of Interpump Hydraulics International S.p.A. The exercise involved an initial outlay for the Group of €9.2m and the divestment of 293,876 treasury shares. The final payment, which is to be made in April 2015, will be calculated on the basis of the 2013 and 2014 results of the Interpump Hydraulics International Group.

The concentration of Syscam Gestion Integrada S.A in Hydrocar Chile S.a. was completed on 31 May 2014; this means the controlling interest of Hydrocar Chile decreased to 90%, after having risen to 95% in Q1 2014 further to the purchase of an additional 35% of stock by Interpump Hydraulics S.p.A. With this operation the Group aims to rationalise distribution operations on this major South American market.

RISK FACTORS

The Group's business is exposed to various financial risks: market risk (including foreign exchange and interest rate risks), credit risk, liquidity risk, and price risk. The risk management programme is based on the unpredictability of financial markets and it aims to minimise any negative impact on the group's financial performance. Group exposure to financial risks remained substantially unchanged with respect to 31 December 2013.

Exchange risk
Current Group strategy aims to hedge against US dollar and AUS dollar exchange risks by taking out plain vanilla forward contracts when future commercial transactions are envisaged or when orders are received from customers, only when the exchange rate reaches certain levels deemed to be favourable and established beforehand by top management, to ensure the continuation of this condition for between three and six months. In H1 2014 the EUR/USD and EUR/AUD exchange rates did not reach the foregoing threshold levels so the Group did not take out any new derivative contracts to hedge against the exchange risk.
Moreover, in relation to the cash financial exposure held by the Group at the end of 2013, the following changes occurred in H1 2014: the €2m loan, granted by Interpump Hydraulics S.p.A. to its subsidiary Interpump Hydraulics India, was recognised in equity, and Interpump Wifu Hydraulics repaid part of the loan ($406k) granted by Interpump Hydraulics S.p.A. in prior years.
As explained in the annual financial report, the Group had decided not to hedge its foreign currency exposures, which generated exchange gains of €135k in H1 2014.

Interest rate risk
At 30 June 2014 cash on hand was held at a fixed rate of interest in the amount of €9.1m, and at a floating rate for the remainder, while financial and bank debt is at a fixed rate of interest in the amount of €9.0m with the remaining amount charged at floating rates.
Current Group policy is to assess market opportunities carefully with regard to the possibility of taking out hedges (IRS) at economically advantageous conditions, this being the same policy that was applied for the hedges taken out in the past, of which the residual amount at 31 December 2013 is €14.9m. In H1 2014 an IRS contract closed for the notional amount of €7.9m, thus bringing residual hedges at 30 June to €7.0m.

Credit risk
The Group has not suffered any significant historic losses on receivables. The Group considers that the current situation of its receivables is sound, as evidenced, among other considerations, by losses on receivables at 30 June 2014 totalling €826k (0.2% of sales), which is substantially in line with respect to the equivalent period in 2013 (0.1% of sales). The potential risk is already

considered in the accounting entries. The Group is not exposed to any significant concentrations of sales.

Liquidity risk
Even though the financial crisis continues to generate conditions of uncertainty management considers that the currently available funds and lines of credit, in addition to resources that will be generated by operating and financing activities, will allow the Group to meet requirements deriving from investing activities, management of working capital and repayment of debts at their natural due dates, in addition to allowing the pursuit of a strategy of growth, also by means of targeted acquisitions to generate value for shareholders. Cash on hand at 30 June 2014 totalled €62.5m. Cash on hand, combined with cash generation from business operations that the Group has been able to realise in H1 2014 are definitely factors that will make it possible to reduce Group's exposure to the liquidity risk. In consideration of the high level of liquidity currently held, the Group invested in bank deposit and savings accounts in H1 2014 in order to optimise its finance management.

Price risk
The Group is exposed to risks deriving from fluctuations in the prices of the metals used, namely brass, aluminium, steel, stainless steel, cast iron and, to a lesser extent, copper, sheet steel and mild steel. Even though the various Group Sectors have a similar exposure to fluctuations of metals prices, they adopt different risk reduction strategies depending on the specific metals involved. We invite you to refer to the notes to the 2013 financial statements for more comprehensive information.
With respect to 31 December 2013 the prices recorded on the market for the raw materials used by the Group have not changed significantly. Wherever possible the Group reviews selling prices periodically in order to pass on the entirety or part of the increased price of raw materials to its customers. The Group constantly monitors the price trend of these raw materials in the attempt to adopt the most effective policies to minimise the potential exposure to this risk.

KEY EVENTS AFTER THE CLOSE OF H1 2014

After the close of H1 2014 no atypical or unusual transactions were carried out such that would require mention in this report or call for changes to the consolidated financial statements at 30 June 2014.

Directors' remarks on performance in Q2 2014

Q2 consolidated income statements

(€/000)	*2014*	*2013*
Net sales	**181,037**	**148,257**
Cost of sales	(113,167)	(94,372)
Gross industrial margin	**67,870**	**53,885**
% on net sales	*37.5%*	*36.3%*
Other operating revenues	2,737	2,340
Distribution costs	(17,735)	(15,278)
General and administrative expenses	(20,111)	(18,425)
Other operating costs	(1,365)	(1,371)
EBIT	**31,396**	**21,151**
% on net sales	*17.3%*	*14.3%*
Financial income	1,143	2,126
Financial expenses	(2,679)	(3,555)
Adjustment of the value of investments carried at equity	109	(73)
Profit for the period before taxes	**29,969**	**19,649**
Income taxes	(10,476)	(7,117)
Consolidated profit for the period	**19,493**	**12,532**
% on net sales	*10.8%*	*8.5%*
Due to:		
Parent company's shareholders	19,181	12,283
Subsidiaries' minority shareholders	312	249
Consolidated profit for the period	**19,493**	**12,532**
EBITDA	**39,012**	**27,947**
% on net sales	*21.5%*	*18.9%*
Shareholders' equity	442,909	434,356
Net debt	154,427	106,449
Payables for the acquisition of investments	65,188	32,920
Capital employed	662,524	573,725
Unannualized ROCE	**4.7%**	**3.7%**
Unannualized ROE	**4.4%**	**2.9%**
Basic earnings per share	**0.181**	**0.117**

EBITDA* = EBIT + Depreciation/Amortization + Provisions
ROCE = EBIT/ Capital employed
ROE = Consolidated profit for the period / Consolidated shareholders' equity

*= Since EBITDA is not identified as accounting measure in the context of the Italian accounting principles nor in the context of the international accounting standards (IAS/IFRS), the quantitative determination of EBITDA may not be unequivocal. EBITDA is a parameter used by company management to monitor and assess the organisation's operating performance. EBITDA is considered by management to be a significant parameter for company performance assessment since it is not influenced by the effects of different criteria for determination of taxable income, amount and characteristics of employed capital and related amortization policies. The criterion for the determination of EBITDA applied by the company may differ from that used by other companies/groups and hence the value of this parameter may not be directly comparable with the EBITDA values disclosed by other entities.

The scope of consolidation in Q2 2014 includes the Hydrocontrol Group, consolidated for just 2 months in H1 2013, and the IMM Hydraulics Group, which was absent in 2013. The Notes to this interim report provide like for like information.

NET SALES

Net sales in Q2 2014 totalled €181.0m, up by 22.1% with respect to the equivalent period in 2013, (€148.3m). On a like for like basis growth was 7.4% (+10.3% net also of exchange differences).

Net sales in Q2 are distributed as shown below by business sector and geographical area:

(€/000)	Italy	Rest of Europe	North America	Far East and Oceania	Rest of the World	Total
Q2 2014						
Hydraulic Sector	19,693	40,062	24,661	6,223	15,754	106,393
Water Jetting Jetting Sector	5,376	23,004	31,446	9,064	5,754	74,644
Total	25,069	63,066	56,107	15,287	21,508	181,037
Q2 2013						
Hydraulic Sector	15,488	22,899	20,662	5,222	14,274	78,545
Water Jetting Jetting Sector	6,092	20,484	30,230	8,695	4,211	69,712
Total	21,580	43,383	50,892	13,917	18,485	148,257
2014/2013 percentage changes						
Hydraulic Sector	+27.2%	+75.0%	+19.3%	+19.2%	+10.4%	+35.5%
Water Jetting Jetting Sector	-11.8%	+12.3%	+4.0%	+4.2%	+36.6%	+7.1%
Total	+16.2%	+45.4%	+10.2%	+9.8%	+16.4%	+22.1%

2014/2013 changes are shown below like for like:

Hydraulic Sector	+5.3%	+11.7%	+16.0%	-5.1%	-3.3%	+7.7%
Total	+0.5%	+12.0%	+8.9%	+0.7%	+5.8%	+7.4%

The like for like analysis net of exchange differences shows growth of 10.6% in the Hydraulic Sector.

Net of exchange differences Water Jetting Jetting Sector sales grew by 9.9%.

PROFITABILITY

The cost of sales accounted for 62.5% of turnover (63.7% in Q2 2013). Production costs, which totalled €42.8m, (€36.0m in Q2 2013, which however did not include IMM Hydraulics and included Hydrocontrol for just 2 months), accounted for 23.6% of sales (24.3% in the equivalent period of 2013). On a like for like basis production costs rose by 3.0%. The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €70.4m (€58.4m in the equivalent period in 2013, which however did not include IMM Hydraulics and included Hydrocontrol for just 2 months). Like for like purchase costs increased by 4.1%. The percent incidence of purchase costs, including the change in inventories, was

38.9% compared to the 39.4% in Q2 2013, reflecting an 0.5 percentage point improvement (the like for like percent incidence of purchase costs is 38.2%).
Distribution costs, like for like, rose by 0.9% with respect to Q2 2013, while their incidence on sales fell by 0.6 percentage points.

Like for like general and administrative expenses fell by 0.4% with respect to Q2 2013, with an 0.9 percentage point decrease in the incidence on sales.

EBITDA totalled €39.0m (21.5% of sales) compared to the €27.9m of Q2 2013, which accounted for 18.9%/sales, reflecting a 39.6% increase. Margins therefore rose in Q2 by 2.6 percentage points. EBITDA was up by 25.8% like for like, reaching €35.1m or 22.1%/sales, resulting in a 3.2 percentage point rise in margins. The following table shows EBITDA for each business sector:

	Q2 2014 €/000	*% on total sales**	*Q2 2013 €/000*	*% on total sales**	*Growth/ Contraction*
Hydraulic Sector	19,951	18.7%	11,313	14.4%	+76.4%
Water Jetting Jetting Sector	19,048	25.4%	16,645	23.8%	+14.4%
Other Revenues Sector	13	n.s.	(11)	n.s.	n.s.
Total	***39,012***	***21.5%***	***27,947***	***18.9%***	***+39.6%***

* = Total sales also include sales to other companies within the scope of consolidation, 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.

Like for like Hydraulic Sector EBITDA was up by 42.2% (19.0%/sales).

EBIT stood at €31.4m (17.3% of sales) compared to the €21.2m of Q2 2013 (14.3% of sales), reflecting an increase of 48.4%. EBIT was up by 34.8% like for like to reach €28.5m or 17.9%/sales, increasing margins by 3.6 percentage points.

The tax rate of Q2 2014 was 35.0% (36.2% in Q2 2013). The reduction of the tax rate in the second quarter is due, in the amount of one percentage point, to the reduction of the IRAP rate, which resulted in lower current and deferred taxes of €291k.

Q2 closed with consolidated net profit of €19.5m or 10.8% of sales (net profit for Q2 2013 was €12.5m or 8.5%/sales).

Basic earnings per share were €0.181 (€0.117 in Q2 2013) reflecting a 54.7% 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 in relation to trends in H2 2014, 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 maximise the generation of free cash flow to be allocated to organic and external growth and to the remuneration of shareholders.

Sant'Ilario d'Enza (RE), 6 August 2014

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

Financial statements and notes

Consolidated balance sheet

(€/000)	*Notes*	*30/06/2014*	*31/12/2013*
ASSETS			
Current assets			
Cash and cash equivalents		62,457	105,312
Trade receivables		153,011	113,726
Inventories	4	172,589	145,994
Tax receivables		8,587	6,029
Derivative financial instruments		-	42
Other current assets		7,635	5,582
Total current assets		**404,279**	**376,685**
Non-current assets			
Property, plant and equipment	5	199,591	150,668
Goodwill	1	257,859	234,792
Other intangible assets		25,748	23,755
Other financial assets		2,650	2,072
Tax receivables		3,102	3,071
Deferred tax assets		20,802	19,525
Other non-current assets		692	565
Total non-current assets		**510,444**	**434,448**
Total assets		***914,723***	***811,133***

(€/000)	*Notes*	*30/06/2014*	*31/12/2013*
LIABILITIES			
Current liabilities			
Trade payables		87,273	69,985
Payables to banks		33,124	20,932
Interest-bearing financial payables (current portion)		65,825	61,371
Derivative financial instruments		178	279
Tax liabilities		11,981	5,723
Other current liabilities		55,933	45,524
Provisions for risks and charges		4,243	3,972
Total current liabilities		**258,557**	**207,786**
Non-current liabilities			
Interest-bearing financial payables		117,935	111,693
Liabilities for employee benefits		12,635	11,942
Deferred tax liabilities		31,384	26,458
Other non-current liabilities		49,451	18,774
Provisions for risks and charges		1,852	1,531
Total non-current liabilities		**213,257**	**170,398**
Total liabilities		**471,814**	**378,184**
SHAREHOLDERS' EQUITY	6		
Share capital		54,911	55,003
Legal reserve		11,323	11,323
Share premium reserve		134,295	125,039
Reserve for valuation of hedging derivatives at fair value		-	(27)
Reserve for restatement of defined benefit plans		(3,396)	(3,396)
Translation provision		(16,627)	(19,084)
Other reserves		257,276	257,828
Shareholders' equity for the Group		**437,782**	**426,686**
Minority interests		5,127	6,263
Total shareholders' equity		**442,909**	**432,949**
Total shareholders' equity and liabilities		***914,723***	***811,133***

H1 consolidated income statements

(€/000)	*Notes*	*2014*	*2013*
Net sales		**341,246**	**280,521**
Cost of sales		(215,336)	(176,752)
Gross industrial margin		**125,910**	**103,769**
Other net revenues		5,732	4,202
Distribution costs		(33,976)	(29,350)
General and administrative expenses		(39,700)	(35,368)
Other operating costs		(1,755)	(1,720)
Ordinary profit before financial charges		**56,211**	**41,533**
Financial income	7	2,285	4,195
Financial expenses	7	(6,172)	(6,019)
Adjustment of the value of investments carried at equity		(50)	(102)
Profit for the period before taxes		**52,274**	**39,607**
Income taxes		(19,186)	(14,291)
Consolidated profit for the period		**33,088**	**25,316**
Due to:			
Parent company's shareholders		32,575	24,716
Subsidiaries' minority shareholders		513	600
Consolidated profit for the period		**33,088**	**25,316**
Basic earnings per share	8	0.307	0.240
Diluted earnings per share	8	0.301	0.236

H1 comprehensive consolidated income statements

(€/000)	*2014*	*2013*
H1 consolidated profit (A)	**33,088**	**25,316**
Other comprehensive profit (loss) that will be subsequently reclassified in consolidated profit for the period		
Accounting of interest rate 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 recognition of fair value to reserves in the year	50	330
Total	*50*	*330*
Accounting of exchange risk derivative hedges recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivative financial instruments for the period	-	43
- Minus: Adjustment for reclassification of profits (losses) to the income statement	(14)	(91)
- Minus: Adjustment for recognition of fair value to reserves in the year	-	-
Total	*(14)*	*(48)*
Profits (Losses) arising from the conversion to euro of foreign companies' financial statements	*2,358*	*(392)*
Profits (losses) of companies carried at equity	*18*	*(59)*
Related taxes	*(9)*	*(74)*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**2,403**	**(243)**
H1 comprehensive consolidated profit (A) + (B)	**35,491**	**25,073**
Due to:		
Parent company's shareholders	35,059	24,505
Subsidiaries' minority shareholders	432	568
Comprehensive consolidated profit for the period	**35,491**	**25,073**

Q2 consolidated income statements

(€/000)		*2014*	*2013*
Net sales		**181,037**	**148,257**
Cost of sales		(113,167)	(94,372)
Gross industrial margin		**67,870**	**53,885**
Other net revenues		2,737	2,340
Distribution costs		(17,735)	(15,278)
General and administrative expenses		(20,111)	(18,425)
Other operating costs		(1,365)	(1,371)
Ordinary profit before financial charges		**31,396**	**21,151**
Financial income	7	1,143	2,126
Financial expenses	7	(2,679)	(3,555)
Adjustment of investments carried at equity		109	(73)
Profit for the period before taxes		**29,969**	**19,649**
Income taxes		(10,476)	(7,117)
Net profit for the period		**19,493**	**12,532**
Due to:			
Parent company's shareholders		19,181	12,283
Subsidiaries' minority shareholders		312	249
Consolidated profit for the period		**19,493**	**12,532**
Basic earnings per share	8	0.181	0.117
Diluted earnings per share	8	0.177	0.116

Q2 comprehensive consolidated income statements

(€/000)	*2014*	*2013*
Q2 consolidated profit (A)	**19,493**	**12,532**
Other comprehensive profit (loss) that will be subsequently reclassified in consolidated profit for the period		
Accounting of interest rate 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 recognition of fair value to reserves in the year	19	130
Total	*19*	*130*
Accounting of exchange risk derivative hedges recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivative financial instruments for the period	-	158
- Minus: Adjustment for reclassification of profits (losses) to the income statement	-	(2)
- Minus: Adjustment for recognition of fair value to reserves in the year	-	4
Total	-	*160*
Profits (Losses) arising from the conversion to euro of foreign companies' financial statements	*2,341*	*(6,125)*
Profits (losses) of companies carried at equity	*18*	*(29)*
Related taxes	*(3)*	*(84)*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**2,375**	**(5,948)**
Q2 comprehensive consolidated profit (A) + (B)	**21,868**	**6,584**
Due to:		
Parent company's shareholders	21,521	6,563
Subsidiaries' minority shareholders	347	21
Comprehensive consolidated profit for the period	**21,868**	**6,584**

H1 consolidated cash flow statements

(€/000)	*2014*	*2013*
Cash flow from operating activities		
Pre-tax profit	52,274	39,607
Adjustments for non-cash items:		
Capital losses (Capital gains) from the sale of fixed assets	(671)	(630)
Capital losses (Capital gains) from the sale of business divisions and equity investments	(423)	-
Amortization and depreciation, loss and reinstatement of value	13,976	10,733
Costs ascribed to the income statement relative to stock options that do not involve monetary outflows for the Group	680	552
Loss (Profit) from investments	50	102
Net change in risk funds and allocations for employee benefit	246	(67)
Outlays for tangible fixed assets destined for hire	(2,655)	(2,946)
Proceeds from the sale of fixed assets granted for hire	1,640	1,206
Net financial charges	3,887	1,824
Other	-	7
	69,004	50,388
(Increase) decrease in trade receivables and other current assets	(27,721)	(20,002)
(Increase) decrease in inventories	(12,191)	(6,549)
Increase (decrease) in trade payables and other current liabilities	8,076	12,590
Interest paid	(3,079)	(2,790)
Currency exchange gains realised	151	385
Taxes paid	(9,264)	(10,661)
Net cash from operating activities	**24,976**	**23,361**
Cash flows from investing activities		
Outlay for the acquisition of investments, net of received cash and including treasury stock assigned	(34,624)	(40,545)
Net receipt from Hydrocontrol concentration operation	-	1,400
Receipt for sale of the Hydrometal line of business	650	-
Capital expenditure in property, plant and equipment	(19,376)	(15,427)
Proceeds from sales of tangible fixed assets	875	258
Increase in intangible fixed assets	(1,465)	(1,371)
Proceeds from sale of financial assets	-	970
Received financial income	363	1,047
Other	208	161
Net liquidity used in investing activities	**(53,369)**	**(53,507)**
Cash flows of financing activity		
Disbursals (repayments) of loans	570	(6,179)
Dividends paid	(18,108)	(18,464)
Outlays for purchase of treasury stock	(15,240)	(1,672)
Sale of treasury stock for the acquisition of equity investments	5,445	30,132
Proceeds from sale of treasury stock to beneficiaries of stock options	3,826	1,483
Disbursals (repayments) of shareholder loans	(141)	-
Loans repaid (granted) by/to non-consolidated subsidiaries	24	(88)
Payment of financial leasing instalments (principal portion)	(3,170)	(1,296)
Net liquidity generated (used by) financing activities	**(26,794)**	**3,916**
Net increase (decrease) of cash and cash equivalents	**(55,187)**	**(26,230)**

(€/000)	*2014*	*2013*
Net increase (decrease) of cash and cash equivalents	**(55,187)**	**(26,230)**
Exchange differences from the translation of cash of companies in areas outside the EU	99	92
Opening cash and equivalents of companies consolidated for the first time with the line-by-line method	41	231
Cash and cash equivalents at the beginning of the period	84,380	104,455
Cash and cash equivalents at the end of the period	**29,333**	**78,548**

Cash and cash equivalents can be broken down as follows:

	30/06/2014 €/000	31/12/2013 €/000
Cash and cash equivalents from the balance sheet	62,457	105,312
Payables to banks (current account overdrafts and advances subject to collection)	(33,124)	(20,932)
Cash and cash equivalents from the cash flow statement	29,333	84,380

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 provision*	*Other reserves*	*Group shareholders' equity*	*Minority interests*	*Total*
Balances at 1 January 2013	*52,796*	*10,157*	*105,514*	*(333)*	*(2,850)*	*(8,243)*	*234,002*	*391,043*	*5,833*	*396,876*
Recognition in the income statement of the fair value of the stock options assigned and exercisable	-	-	552	-	-	-	-	552	-	552
Purchase of treasury stock	(137)	-	(1,535)	-	-	-	-	(1,672)	-	(1,672)
Sale of treasury stock to the beneficiaries of stock options	152	-	1,331	-	-	-	-	1,483	-	1,483
Sale of treasury stock to pay for equity investments	2,340	-	27,792	-	-	-	-	30,132	-	30,132
Purchase of additional stakes in Penta Africa	-	-	-	-	-	-	(193)	(193)	-	(193)
Acquisition of Hydrocontrol	-	-	-	-	-	-	-	-	569	569
Dividends paid	-	-	-	-	-	-	(18,029)	(18,029)	(435)	(18,464)
Allocation of the residual profit of 2012	-	1,166	-	-	-	-	(1,166)	-	-	-
Comprehensive profit (loss) for H1 2013	-	-	-	208	-	(419)	24,716	24,505	568	25,073
Balances at 30 June 2013	*55,151*	*11,323*	*133,654*	*(125)*	*(2,850)*	*(8,662)*	*239,330*	*427,821*	*6,535*	*434,356*
Recognition in the income statement of the fair value of the stock options assigned and exercisable	-	-	495	-	-	-	-	495	-	495
Purchase of treasury stock	(1,305)	-	(18,465)	-	-	-	-	(19,770)	-	(19,770)
Sale of treasury stock to the beneficiaries of stock options	1,157	-	9,355	-	-	-	-	10,512	-	10,512
Dividends paid	-	-	-	-	-	-	-	-	(60)	(60)
Acquisition of residual stake in Golf	-	-	-	-	-	-	12	12	(102)	(90)
Acquisition of Hydrocontrol	-	-	-	-	-	-	-	-	(78)	(78)
Comprehensive profit (loss) for H2 2013	-	-	-	98	(546)	(10,422)	18,486	7,616	(32)	7,584
Balances at 31 December 2013	*55,003*	*11,323*	*125,039*	*(27)*	*(3,396)*	*(19,084)*	*257,828*	*426,686*	*6,263*	*432,949*
Recognition in the income statement of the fair value of the stock options assigned and exercisable	-	-	680	-	-	-	-	680	-	680
Purchase of treasury stock	(787)	-	-	-	-	-	(14,453)	(15,240)	-	(15,240)
Sale of treasury stock to the beneficiaries of stock options	399	-	3,427	-	-	-	-	3,826	-	3,826
Sale of treasury stock for payment of equity investments	296	-	5,149	-	-	-	-	5,445	-	5,445
Purchase of additional interest in Hydrocar Chile	-	-	-	-	-	-	(542)	(542)	(1,870)	(2,412)
Dividends paid	-	-	-	-	-	-	(18,108)	(18,108)	-	(18,108)
Effect of Hydrocar Chile-Syscam combination	-	-	-	-	-	-	(82)	(82)	289	207
Copa-Golf merger effect	-	-	-	-	-	-	58	58	(58)	-
Acquisition of IMM	-	-	-	-	-	-	-	-	71	71
Comprehensive profit (loss) for H1 2014	-	-	-	27	-	2,457	32,575	35,059	432	35,491
Balances at 30 June 2014	*54,911*	*11,323*	*134,295*	-	*(3,396)*	*(16,627)*	*257,276*	*437,782*	*5,127*	*442,909*

Notes to the consolidated financial statements

General information

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

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

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 June 2014 were approved by the Board of Directors on this day (6 August 2014).

Basis of preparation

The consolidated financial statements at 30 June 2014 were drawn up in compliance with international accounting standards (IAS/IFRS) for interim financial statements. The tables were prepared in compliance with IAS 1, while the notes were prepared in condensed form in application of the faculty provided by IAS 34 and therefore they do not include all the information required for annual financial statements drafted in compliance with IFRS standards. The consolidated financial statements at 30 June should therefore be consulted together with the annual financial statements for the year ending 31 December 2013.

The accounting principles and criteria adopted in the interim financial statements at 30 June 2014 may conflict with IFRS provisions in force on 31 December 2014 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 that 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 the presence of impairment indicators that call 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 drafted in thousands of euro. The Group adopts the cost of goods sold (GOGS) based income statement, and the cash flow statement with the indirect method. The financial statements are drafted according to the cost method, with the exception of financial instruments, which are measured at fair value.

Accounting standards

The accounting standards adopted are those described in the consolidated financial statements at 31 December 2013, with the exception of those adopted as from 1 January 2014 as described hereunder, and they were uniformly applied to all Group companies and all periods presented.

a) New accounting standards and amendments taking effect on 1 January 2014 and adopted by the Group

As from 2014 the Group has applied the following new accounting standards, amendments and interpretations as revised by IASB:

- IFRS 10 – Consolidated Financial Statements. On 12 May 2011 IASB issued the following standard, which provides guidance in assessing the presence of control, this being a decisive factor for consolidation of an entity in cases where this condition is not immediately identifiable. The adoption of this standard had no effect on the Group's scope of consolidation.
- IFRS 12 – Disclosure of interests in other entities. On 12 May 2011 IASB issued the following standard. The new standard specifies a series of new disclosures to be provided considering interests in other companies, associates, special purpose vehicles and other off balance sheet vehicles. Adoption of the new standard has been deemed to produce no significant effects on the Group's financial statements.
- IFRS 27 – Separate financial statements. On 12 May 2011 IASB issued the following standard regulating the accounting treatment of equity investments in the separate financial statements. The new version of IAS 27 confirms that investments in subsidiaries, associates and joint venture are booked at cost or alternatively in compliance with IFRS 9; the entity must apply a uniform criterion for each category of investments. Moreover, if an entity decides to measure investments in associates or joint ventures at fair value in its consolidated financial statements (applying IFRS 9) it must use the same principle also in the separate financial statements. Even though the standard must be applied retroactively, we consider that adoption will have no significant impact on the separate financial statements.
- Changes made to IAS 32 – Financial Instruments: Disclosure and presentation. On 16 December 2011 IASB clarified the requirements to allow offsetting of financial assets with financial liabilities by publishing an amendment to IAS 32 entitled "Offsetting financial assets and financial liabilities". The amendments are applicable retroactively.
- Amendments to IAS 36 – Supplementary disclosures concerning the recoverable amount of non-financial assets. In October 2012 IASB issued this amendment in order to clarify the disclosures required concerning the recoverable value of assets when said amount is based on the fair value net of divestment costs, exclusively with regard to assets whose value has been written down. Adoption of the new standard has been deemed to have no significant effects on the Group's financial statements.

b) New accounting principles and amendments taking effect as from 1 January 2014 but not relevant for the Group

- IFRS 11 – Joint arrangements. On 12 May 2011 IASB issued the following standard. Apart from regulating joint arrangements, the new principle supplies the criteria for their identification based on the rights and obligations that arise from the contract rather than relying merely on the legal aspects of the arrangement. IFRS 11 excludes the facility to use the proportional method for consolidation of joint arrangements.
- IAS 28 – Investments in associated companies and joint ventures. Further to the issue of IFRS 11, IASB amended IAS 28 on 12 May 2011 to include investments in jointly controlled entities from the application date.
- Amendments to IFRS 10, to IFRS 12 and to IAS 27 – Investment entities. In October 2012 IASB issued the following set of amendments, introducing the concept of "Investment entity". With this expression IASB identifies those parties that invest their funds exclusively in order to obtain remuneration of the capital, revaluation of the capital, or both results. IAS 10 has been amended to require investment entities to measure subsidiaries at the fair value recorded in the income statement rather than consolidating them, in order to better reflect their business model. IFRS 12 was amended to require the disclosure of specific information concerning the subsidiaries of investment entities. The amendments to IAS 27 also eliminated the possibility for investment entities to opt for the measurement of investments in some subsidiaries at cost or for measurement at fair value in their separate financial statements.
- Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting. The amendments are designed to regulate situations wherein a derivative designated as a hedge is the subject of novation from a counterparty to a central counterparty as a result of legislation or regulations. Hedge accounting can thus continue regardless of the novation, although this would not be permitted without the amendment.
- IFRIC 21 – On 20 May 2014 IASB issued IFRIC 21, which provides clarifications concerning when to recognise a liability for a levy imposed by a government, if not already regulated by other standards (e.g. IAS 12 – Income taxes).

c) New accounting standards and amendments not yet applicable and not adopted early by the Group

- IFRS 9 – Financial instruments. On 12 November 2009 IASB published the following standard, which was subsequently amended on 28 October 2010 in a further amendment in mid-December 2011. The standard, which is applicable as from 1 January 2017, constitutes the first part of a process in stages aimed at replacing IAS 39 and introduces new criteria for classification and evaluation of financial assets and liabilities for derecognition of the financial assets from the financial statements. Specifically, the new standard uses a single approach to financial assets based on the methods of management of financial instruments and on the characteristics of the contractual cash flows of financial assets in order to establish the measurement criterion, replacing the various rules contained in IAS 39. In contrast, for financial liabilities the main change concerns the accounting treatment for changes in the fair value of a financial liability designated as a financial liability measured at fair value in profit and loss, in the event wherein such changes are due to changes in the credit rating of the liabilities in question. In accordance with the new standard, such changes must be recorded in the comprehensive income statement and cannot thereafter be derecognised in profit and loss.
- Amendments to IAS 19 – Employee benefits. On 21 November 2013 IASB published an amendment to IAS 19 limited to contributions to defined benefit plans for

employees. The amendments are aimed at simplifying the accounting of contributions that are unrelated to years of seniority, such as contributions calculated on the basis of a fixed percentage of salary. This amendment is applicable from the years starting after 1 July 2014. Early adoption is however permitted.

- On 12 May 2012 IASB issued a raft of amendments to IAS/IFRS standards (“Improvements concerning the 2010-2012 and 2011-2013 cycle”). These amendments are applicable from the years starting after 1 July 2014. Early adoption is however permitted.
- On 30 January 2014 IASB published IFRS 14 "Regulatory Deferral Accounts", this being the rate-regulated activities project interim standard. IFRS 14 allows exclusively first-time adopters of IFRS to continue to recognise amounts associated with rate regulation in compliance with the prior accounting policies adopted. In order to improve comparability with entities that are already applying the IFRS principles and that do not therefore disclose these amounts, the standard requires the rate regulation effect to be presented separately from other captions. Compliance with this standard is compulsory for years starting after 14 June 2014.
- IFRS 15 – Recognition of revenue from contracts with customers. On 28 May 2014 IASB and FASB jointly issued IFRS 15 designed to improve the disclosure of revenues and the global comparability of financial statements in order to harmonise the recognition of economically similar transactions. The standard is applicable for IFRS users from years starting after 1 January 2017 (early adoption is permitted).
- Amendment to IAS 16 and 38 – Property, plant and equipment. On 12 May 2014 IASB published an amendment to the standards, specifying that a method of depreciation based on the revenues generated by the asset is inappropriate because it reflects solely the revenue flow generated by the asset and does not reflect the methods of consumption of the prospective future economic benefits embodied in the asset. Adoption of the new standard has been deemed to have no significant effects on the Group's financial statements.
- Amendment to IFRS 11 – Joint arrangements. On 6 May 2014 IASB published an amendment to the standard adding a new guide to the recognition of the acquisition of an interest in joint operations when the operation constitutes a business.

At the date of this interim report the competent bodies of the European Union had yet to terminate the approval process required for adoption of the amendments and standards described above.

Notes to the consolidated financial statements at 30 June 2014

1. Consolidation basis and goodwill

At 30 June 2014 the scope of consolidation includes the Parent company (which is part of the Water Jetting Jetting Sector) and the following subsidiaries:

Company	*Head office*	*Sector*	*Share capital €/000*	*% stake at 30/06/14*
General Pump Inc.	Minneapolis (USA)	Water Jetting	1,854	100.00%
General Technology S.r.l.	Reggio Emilia	Water Jetting	100	100.00%
Hammelmann Maschinenfabrik GmbH	Oelde (Germany)	Water Jetting	25	100.00%
Hammelmann Australia Pty Ltd (1)	Melbourne (Australia)	Water Jetting	472	100.00%
Hammelmann Corporation Inc (1)	Miamisburg (USA)	Water Jetting	39	100.00%
Hammelmann S. L. (1)	Zaragoza (Spain)	Water Jetting	500	100.00%
Hammelmann Pumps Systems Co Ltd (1)	Tianjin (China)	Water Jetting	871	90.00%
NLB Corporation Inc.	Detroit (USA)	Water Jetting	12	100.00%
SIT S.p.A.	S.Ilario d'Enza (RE)	Water Jetting	105	65.00%
Interpump Hydraulics S.p.A.	Calderara di Reno (BO)	Hydraulic	2,632	100.00%
Interpump Hydraulics International S.p.A. shares (2)	Calderara di Reno (BO)	Hydraulic	14,162	98.92%
HS Penta S.p.A (3)	Faenza (RA)	Hydraulic	4,244	100.00%
HS Penta Africa Pty Ltd (11)	Johannesburg (South Africa)	Hydraulic	-	80.00%
Oleodinamica Panni S.r.l. (3)	Tezze sul Brenta (VI)	Hydraulic	2,000	100.00%
Contarini Leopoldo S.r.l. (3)	Lugo (RA)	Hydraulic	47	100.00%
Unidro S.a.r.l. (4)	Barby (France)	Hydraulic	8	90.00%
Copa Hydrosystem Odd (4)	Troyan (Bulgaria)	Hydraulic	3	95.00%
AVI S.r.l. (2)	Varedo (MB)	Hydraulic	10	100.00%
Hydrocar Chile S.A. (2)	Santiago (Chile)	Hydraulic	129	90.00%
Hydroven S.r.l. (2)	Tezze sul Brenta (VI)	Hydraulic	200	100.00%
Interpump Hydraulics France S.a.r.l. (2)	Ennery (France)	Hydraulic	76	99.77%
Interpump Hydraulics India Private Ltd (2)	Hosur (India)	Hydraulic	682	100.00%
Interpump Hydraulics do Brasil Partecipacoes Ltda (2)	San Paolo (Brazil)	Hydraulic	13,837	100.00%
Takarada Industria e Comercio Ltda (6)	Caxia do Sul (Brazil)	Hydraulic	2,892	100.00%
Muncie Power Prod. Inc. (2)	Muncie (USA)	Hydraulic	784	100.00%
American Mobile Power Inc. (5)	Fairmount (USA)	Hydraulic	3,410	80.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (2)	Wuxi (China)	Hydraulic	2,095	65.00%
Hydrocontrol S.p.A. (2)	Osteria Grande (BO)	Hydraulic	1,350	84.00%
Hydrocontrol Inc. (7)	Minneapolis (USA)	Hydraulic	763	97.00%
HC Hydraulics Technologies(P) Ltd (7)	Bangalore (India)	Hydraulic	2,090	99.93%
Aperlai HK Ltd (7)	Hong Kong	Hydraulic	77	100.00%
HTIL (8)	Hong Kong	Hydraulic	98	85.00%
Guangzhou Bushi Hydraulic Technology Ltd (9)	Guangzhou (China)	Hydraulic	3,720	100.00%
Galtech Canada Inc. (7)	Terrebonne, Quebec (Canada)	Hydraulic	76	100.00%
IMM Hydraulics S.p.A. (2)	Atessa (CH)	Hydraulic	520	60.00%
Hypress S.r.l. (10)	Atessa (CH)	Hydraulic	50	100.00%
IMM Hydraulics Ltd (10)	Halesowen (UK)	Hydraulic	1	100.00%
Hypress Hydraulik GmbH (10)	Meinerzhagen (Germany)	Hydraulic	52	100.00%
Hypress France S.a.r.l. (10)	Lyon (France)	Hydraulic	3,616	100.00%
IMM Hydro Est (10)	Catcau Couj Napoca (Romania)	Hydraulic	3,155	64.00%
Hypress Africa Pty Ltd (10)	Boksburg (South Africa)	Hydraulic	412	100.00%
Dyna Flux S.r.l. (10)	Sori (GE)	Hydraulic	40	51.00%

Company	*Head office*	*Sector*	*Share capital €/000*	*% stake at 30/06/14*
Interpump Engineering S.r.l.	Reggio Emilia	Other revenues	76	100.00%
Teknova S.r.l. (winding up)	Reggio Emilia	Other revenues	362	100.00%

(1) = controlled by Hammelmann Maschinenfabrik GmbH
(2) = controlled by Interpump Hydraulics S.p.A.
(3) = controlled by Interpump Hydraulics International S.p.A.
(4) = controlled by Contarini Leopoldo S.r.l.
(5) = controlled by Muncie Power Inc.
(6) = controlled by Interpump Hydraulics do Brasil Partecipacoes Ltda
(7) = controlled by Hydrocontrol S.p.A.
(8) = controlled by Aperlai HK Ltd
(9) = controlled by HTIL
(10) = controlled by IMM Hydraulics S.p.A.
(11) = controlled by HS Penta S.p.A.
The other companies are controlled directly by Interpump Group S.p.A.

The IMM Hydraulics Group acquired on 8 January 2014 was consolidated for the first time. The Hydrocontrol Group, which was acquired on 6 May 2013, was consolidated for the entire first half of 2014 and for just two months in 2013.

Despite their modest size, in consideration of development plans for the coming years also HS Penta Africa PtY Ltd and Galtech Canada Inc. were fully consolidated for the first time. In addition, in H1 2013 the Hydrometal line of business, divested on 28 February 2014, was consolidated for the full six months while in 2014 it was consolidated for just two months. The overall effect of these changes on the half year is negligible.

The minority shareholders of Hydrocontrol are entitled to dispose of their holdings starting from the approval of the 2014 financial statements up to the 2025 financial statements on the basis of the average results of the company in the last two financial statements for periods closed before the exercise of the option. The minority shareholders of American Mobile Power are obliged to sell their holdings (and Muncie is obliged to purchase them) in April 2016 at a price to be determined on the basis of the company's results as reported in the last two financial statements for the years closed prior to that date. Further to the agreement entered into at the time of the acquisition of the additional 28% of HS Penta Africa, the minority shareholders of HS Penta Africa are required to sell their residual interests (20%) and HS Penta is obliged to purchase them as from September 2013 until September 2017 on the basis of the average results of the company in the last two financial statements for the years ending before the exercise of the option. In addition, IMM Hydraulics' minority shareholder is entitled to dispose of its holdings starting from the approval of the 2017 financial statements up to the 2025 financial statements on the basis of the average results of the company in the last two financial statements for periods closed before exercise of the option or the results of the prior year in relation to the occurrence of defined conditions.

In compliance with the requirements of IFRS 3 and IAS 32 Hydrocontrol, American Mobile Power, HS Penta Africa and IMM Hydraulics were 100% consolidated, recording a debt relative to the estimate of the current exercise price of the options, established on the basis of a business plan. Any subsequent changes in the debt relative to the estimate of the current value of the outlay that occur within 12 months from the date of acquisition and that are due to fuller or more reliable levels of information will be recorded as an adjustment of goodwill, while after 12 months from the date of acquisition any changes will be recognised in profit and loss.

The minority shareholder of Interpump Hydraulics International S.p.A. is entitled to sell its holdings starting from the approval of the 2014 annual financial statements up to the time of approval of the 2020 financial statements at a price established in accordance with the results of the Interpump Hydraulics International Group in the last two financial statements closed before the year in which the option is exercised. In accordance with the prescriptions of IFRS 3, Interpump Hydraulics International S.p.A. was 100% consolidated, recording a debt associated with the estimate of the current value of the exercise price of the options, determined on the basis of a business plan. Since the business combination was formed prior to 1 January 2010 it is measured in accordance with the preceding version of IFRS 3; therefore, any subsequent changes in the debt related to the estimate of the current value of the options exercise price will be recorded as an adjustment of the original goodwill.

Changes in goodwill in H1 2014 are as follows:

Company:	Balance at 31/12/2013	Increases (Decreases) for the period	Changes due to foreign exchange differences	Balance at 30/06//2014
- High pressure pumps division	37,194	-	46	37,240
- Very high pressure pumps division	88,807	-	274	89,081
Total Water Jetting Jetting Sector	*126,001*	*-*	*320*	*126,321*
- Power take-offs and hydraulic pumps division	64,858	18,803	716	84,377
- Cylinders Division	43,933	3,228	-	47,161
Total Hydraulic Sector	*108,791*	*22,031*	*716*	*131,538*
Total goodwill	*234,792*	*22,031*	*1,036*	*257,859*

The increases in H1 2014 refer, in relation to the part concerning the power take-offs and hydraulic pumps division, mainly to the IMM Group acquisition, while they refer to the adjustment of the cylinders division put options in relation to the part associated with this latter division.

The impairment test carried out successfully in December 2013 was not repeated at the end of June 2014. A check was however performed to establish whether the performance of the CGUs (cash generating units) was in line with the information resulting from the business plans utilised at 31 December 2013, and that the assumptions underpinning the measurement at 31 December 2013 of the weighted average cost of capital (WACC) were still valid at the end of June 2014. Thus no trigger events emerged such as to call for a repetition of the impairment test at 30 June 2014.

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. Information on business sectors reflects the Group's internal reporting structure.

The values of components or products transferred between sectors are the effective sales prices between Group companies, which correspond to the selling prices 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 Jetting Sector This sector is mainly composed of high and very high-pressure pumps and pumping systems used in a wide range of industrial sectors for the conveyance of fluids. High-pressure plunger pumps are the main component of professional high-pressure cleaners. These pumps are also employed for a broad range of industrial applications including car wash installations, forced lubrication systems for machine tools, and inverse osmosis systems for seaWater Jetting desalination plants. Very high-pressure pumps and systems are used for cleaning surfaces, ship hulls, 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. On a marginal level the Water Jetting Jetting Sector also includes operations of drawing, shearing and pressing sheet metal and the manufacture and sale of cleaning machinery.

Hydraulic Sector. This sector includes the production and sale of power take-offs, hydraulic cylinders, pumps, directional controls, valves, hydraulic hoses and fittings and other hydraulic components. Power take-offs are mechanical devices designed to transmit drive from an industrial vehicle engine or transmission to power a range of ancillary services through hydraulic components. These products, combined with other hydraulic components (spool valves, controls, etc.) allow the execution of special functions such as lifting tipping bodies, operating truck-mounted cranes, operating 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 are employed in a range of applications: earthmoving machinery, agricultural machinery, cranes and truck cranes, waste compactors, etc. The hydraulic lines and fittings are designed for use in a broad range of hydraulic systems and also for very high pressure Water Jetting systems.

Interpump Group business sector information
(Amounts shown in €/000)
Progressive accounts at 30 June (six months)

	Hydraulic		Water Jetting		Other revenues		Elimination entries		**Interpump Group**	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net sales external to the Group	205,376	143,518	135,870	137,003	-	-	-	-	341,246	280,521
Sales between sectors	75	16	486	345	462	519	(1,023)	(880)	-	-
Total net sales	**205,451**	**143,534**	**136,356**	**137,348**	**462**	**519**	**(1,023)**	**(880)**	**341,246**	**280,521**
Cost of sales	(137,442)	(96,779)	(78,444)	(80,359)	(45)	(63)	595	449	(215,336)	(176,752)
Gross industrial margin	**68,009**	**46,755**	**57,912**	**56,989**	**417**	**456**	**(428)**	**(431)**	**125,910**	**103,769**
% on net sales	*33.1%*	*32.6%*	*42.5%*	*41.5%*	*n.s.*	*n.s.*			*36.9%*	*37.0%*
Other net revenues	4,240	2,697	1,613	1,623	36	87	(157)	(205)	5,732	4,202
Distribution costs	(19,387)	(14,311)	(14,592)	(15,039)	-	-	3	-	(33,976)	(29,350)
General and administrative expenses	(24,242)	(19,970)	(15,554)	(15,502)	(486)	(532)	582	636	(39,700)	(35,368)
Other operating costs	(968)	(1,510)	(787)	(210)	-	-	-	-	(1,755)	(1,720)
Ordinary profit before financial charges	**27,652**	**13,661**	**28,592**	**27,861**	**(33)**	**11**	**-**	**-**	**56,211**	**41,533**
% on net sales	*13.5%*	*9.5%*	*21.0%*	*20.3%*	*n.s.*	*n.s.*			*16.5%*	*14.8%*
Financial income	1,600	2,477	1,601	2,195	1	1	(917)	(478)	2,285	4,195
Financial expenses	(4,949)	(3,384)	(2,137)	(3,112)	(3)	(1)	917	478	(6,172)	(6,019)
Dividends	-	-	8,500	5,500	-	-	(8,500)	(5,500)	-	-
Adjustment of investments carried at equity	(43)	(56)	(7)	(46)	-	-	-	-	(50)	(102)
Profit for the period before taxes	**24,260**	**12,698**	**36,549**	**32,398**	**(35)**	**11**	**(8,500)**	**(5,500)**	**52,274**	**39,607**
Income taxes	(9,485)	(5,256)	(9,640)	(8,967)	(61)	(68)	-	-	(19,186)	(14,291)
Consolidated profit	**14,775**	**7,442**	**26,909**	**23,431**	**(96)**	**(57)**	**(8,500)**	**(5,500)**	**33,088**	**25,316**
Due to:										
Parent company's shareholders	14,305	6,869	26,909	23,404	(96)	(57)	(8,500)	(5,500)	32,575	24,716
Subsidiaries' minority shareholders	470	573	43	27	-	-	-	-	513	600
Consolidated profit for the period	**14,775**	**7,442**	**26,866**	**23,431**	**(96)**	**(57)**	**(8,500)**	**(5,500)**	**33,088**	**25,316**
Further information required by IFRS 8										
Amortization, depreciation and write-downs	9,181	6,528	4,791	4,201	4	4	-	-	13,976	10,733
Other non-monetary costs	1,226	1,395	1,989	1,265	-	-	-	-	3,215	2,660

Interpump Group business sector information
(amounts shown in €/000)
<u>Q2 (three months)</u>

	Hydraulic		Water Jetting		Other revenues		Elimination entries		**Interpump Group**	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net sales external to the Group	106,492	78,545	74,643	69,712	-	-	-	-	181,037	148,257
Sales between sectors	49	7	213	123	257	258	(519)	(388)	-	-
Total net sales	**106,443**	**78,552**	**74,856**	**69,835**	**257**	**258**	**(519)**	**(388)**	**181,037**	**148,257**
Cost of sales	(70,639)	(53,183)	(42,788)	(41,310)	(20)	(22)	269	143	(113,167)	(94,372)
Gross industrial margin	**35,804**	**25,369**	**32,068**	**28,525**	**237**	**236**	**(239)**	**(245)**	**67,870**	**53,885**
% on net sales	*33.6%*	*32.3%*	*42.8%*	*40.8%*	*n.s.*	*n.s.*			*37.5%*	*36.3%*
Other net revenues	1,895	1,424	901	977	20	10	(79)	(71)	2,737	2,340
Distribution costs	(9,944)	(7,826)	(7,793)	(7,452)	-	-	2	-	(17,735)	(15,278)
General and administrative expenses	(12,179)	(10,641)	(8,001)	(7,841)	(247)	(259)	316	316	(20,111)	(18,425)
Other operating costs	(657)	(1,208)	(708)	(163)	-	-	-	-	(1,365)	(1,371)
Ordinary profit before financial charges	**14,919**	**7,118**	**16,467**	**14,046**	**10**	**(13)**	**-**	**-**	**31,396**	**21,151**
% on net sales	*14.0%*	*9.1%*	*22.0%*	*20.1%*	*n.s.*	*n.s.*			*17.3%*	*14.3%*
Financial income	791	1,686	8334	739	1	1	(483)	(300)	1,143	2,126
Financial expenses	(2,147)	(2,303)	(1,013)	(1,552)	(2)	-	483	300	(2,679)	(3,555)
Dividends	-	-	8,500	5,500	-	-	(8,500)	(5,500)	-	-
Adjustment of investments carried at equity	110	(14)	(1)	(59)	-	-	-	-	109	(73)
Profit for the period before taxes	**13,673**	**6,487**	**24,787**	**18,674**	**9**	**(12)**	**(8,500)**	**(5,500)**	**29,969**	**19,649**
Income taxes	(4,981)	(2,750)	5,466	(4,338)	(29)	(29)	-	-	(10,476)	(7,117)
Consolidated profit	**8,692**	**3,737**	**19,321**	**14,336**	**(20)**	**(41)**	**(8,500)**	**(5,500)**	**19,493**	**12,532**
Due to:										
Parent company's shareholders	8,411	3,496	19,290	14,328	(20)	(41)	(8,500)	(5,500)	19,181	12,283
Subsidiaries' minority shareholders	281	241	31	8	-	-	-	-	312	249
Consolidated profit for the period	**8,392**	**3,737**	**19,321**	**14,336**	**(20)**	**(41)**	**(8,500)**	**(5,500)**	**19,493**	**12,532**
<u>Further information required by IFRS 8</u>										
Amortization, depreciation and write-downs	4,658	3,635	2,456	2,165	3	2	-	-	7,120	5,802
Other non-monetary costs	734	935	1,057	902	-	-	-	-	1,791	1,837

Financial position
(Amounts shown in €/000)

	Hydraulic		Water Jetting		Other revenues		Elimination entries		**Interpump Group**	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Assets of the sector (A)	**510,902**	**396,460**	**432,412**	**379,298**	**1,174**	**1,722**	**(92,222)**	**(71,659)**	**852,266**	**705,821**
Cash and cash equivalents									62,457	105,312
Total assets									**914,723**	**811,133**
Liabilities of the sector (B)	**211,347**	**160,548**	**69,334**	**60,880**	**1,283**	**1,719**	**(92,222)**	**(71,659)**	**189,742**	**151,488**
Debts for the payment of investments									65,188	32,700
Payables to banks									33,124	20,932
Interest-bearing financial payables									183,760	173,064
Total liabilities									**471,814**	**378,184**
Total assets, net (A-B)	**299,555**	**235,912**	**266,854**	**318,418**	**(109)**	**3**	**-**	**-**	**662,524**	**554,333**
<u>Further information required by IFRS 8</u>										
Investments carried at equity	-	990	430	158	-	-	-	-	430	1,148
Non-current assets other than financial assets and deferred tax assets	282,440	217,668	204,337	194,959	215	224	-	-	486,992	412,851

On a like for like basis the comparison of the Hydraulic Sector is as follows:

(amounts shown in €/000)	H1 2014	H1 2013	Q2 2014	Q2 2013
Net sales external to the Group	153,408	143,518	84,690	78,545
Sales between sectors	75	16	49	7
Total net sales	**153,333**	**143,534**	**84,641**	**78,552**
Cost of sales	(100,638)	(96,779)	(55,442)	(53,183)
Gross industrial margin	**52,695**	**46,755**	**29,199**	**25,369**
% on net sales	*34.4%*	*32.6%*	*34.5%*	*32.3%*
Other net revenues	3,441	2,697	1,497	1,424
Distribution costs	(14,274)	(14,311)	(7,665)	(7,826)
General and administrative expenses	(19,953)	(19,970)	(10,427)	(10,641)
Other operating costs	(823)	(1,510)	(575)	(1,208)
Ordinary profit before financial charges	**21,086**	**13,661**	**12,029**	**7,118**
% on net sales	*13.8%*	*9.5%*	*14.2%*	*9.1%*
Financial income	1,137	2,477	610	1,686
Financial expenses	(3,596)	(3,384)	(1,310)	(2,303)
Adjustment of investments carried at equity	(43)	(56)	110	(14)
Profit for the period before taxes	**18,584**	**12,698**	**11,439**	**6,487**
Income taxes	(7,607)	(5,256)	(4,199)	(2,750)
Consolidated profit	**10,977**	**7,442**	**7,240**	**3,737**
Due to:				
Parent company's shareholders	10,576	6,869	6,989	3,496
Subsidiaries' minority shareholders	401	573	251	241
Consolidated profit for the period	**10,977**	**7,442**	**7,240**	**3,737**

Cash flows by business sector for H1 are as follows:

€/000	Hydraulic Sector 2014	Hydraulic Sector 2013	Water Jetting Sector 2014	Water Jetting Sector 2013	Other Revenues Sector 2014	Other Revenues Sector 2013	Total 2014	Total 2013
Cash flows from:								
Operating activities	17,289	11,672	7,414	11,199	273	490	24,976	23,361
Investing activities	(41,296)	(43,574)	(12,087)	(9,914)	14	(19)	(53,369)	(53,507)
Financing activities	10,133	26,991	(36,427)	(22,574)	(500)	(501)	(26,794)	3,916
Total	(13,874)	(4,911)	(41,100)	(21,289)	(213)	(30)	55,187	(26,230)

Hydraulic Sector investing activities in H1 2014 include €34,087k associated with the acquisition of equity investments (€40,545k in H1 2013).

Financing activities for H1 2014 include intercompany loans from the Water Jetting Jetting Sector to the Hydraulic Sector to finance new acquisitions in the amount of €14,451k (€34,120k in H1 2013). Moreover, cash flows of Water Jetting Jetting Sector financing activities in 2014 include outlays for the purchase of treasury shares in the amount of €15,240k (€1,672k in 2013), proceeds from the sale of treasury shares to the beneficiaries of stock options in the amount of €3,826k (€1,483k in 2013), the value of treasury shares transferred for the acquisition of investments in the amount of €5,445k (€30,132k in 2013), and the payment of dividends for €18,108k (€18,066k in 2013).

3. Acquisition of investments

IMM Hydraulics Group

The amounts are expressed in thousands of euro (the exchange rates adopted for translation of the financial statements of subsidiaries in the UK, Romania and South Africa were GBP 0.8337/euro, RON 4.471/euro, and ZAR 14.566/euro, corresponding to the exchange rates in force on the acquisition date).

€/000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Cash and cash equivalents	3,287	-	3,287
Trade receivables	14,317	-	14,317
Inventories	13,299	-	13,299
Tax receivables	390	-	390
Other current assets	450	-	450
Property, plant and equipment	28,228	11,460	39,688
Other intangible assets	313	2,490	2,803
Financial assets	547	-	547
Non-current tax receivables	166	-	166
Deferred tax assets	2,368	-	2,368
Other non-current assets	113	-	113
Trade payables	(10,287)	-	(10,287)
Payables to banks	(14,492)	-	(14,492)
Financial payables to banks - loans (current portion)	(2,997)	-	(2,997)
Leasing payables (current portion)	(729)	-	(729)
Tax payables	(1,230)	-	(1,230)
Other current liabilities	(3,554)	-	(3,554)
Financial payables to banks - loans (medium-/long-term portion)	(7,366)	-	(7,366)
Leasing payables (medium-/long-term portion)	(1,416)	-	(1,416)
Liabilities for employee benefits (severance indemnity provision)	(965)	-	(965)
Deferred tax liabilities	(1,196)	(4,380)	(5,576)
Other non-current liabilities	(160)	-	(160)
Minority interests' equity	(71)	-	(71)
Provision for risks and charges	(250)	-	(250)
Net assets acquired	18,765	9,570	28,335
Goodwill related to the acquisition			20,003
Total net assets acquired			**48,338**
Total amount paid in treasury stock			2,561
Total amount paid in cash			5,405
Total amount due for price adjustment			10,201
Amount due in medium/long-term			30,171
Total acquisition cost			**48,338**
Acquired net financial indebtedness			23,714
Payables for commitments to acquire minority interests			31,769
Total amount due for price adjustment			10,201
Total change in the net financial position including changes in debt for the acquisition of investments			**65,684**

The acquisition contract contains a price adjustment clause on the basis of the 2013 final results. On 4 July 2014 the counterparty received the contractually agreed calculation chart, which shows an adjustment of €7,116k to be paid to the seller. Although the documentary checking procedures were still in progress at the publication date of this report, on the basis of an initial appraisal of the documentation and the preliminary results of the due diligence performed on the calculation chart no aspects indicating that the final price calculation could require significant adjustment were identified. It was therefore decided to book the adjustment, altering the acquisition price allocation carried out in the quarterly report at 31 March 2014 by the amount of €7,116k, which is booked to goodwill. Several further captions of the balance sheet were altered following the approval of the IMM Hydraulics Group's 2013 consolidated financial statements on 25 June 2014. The net balance of such alterations, totalling €159k, was booked to goodwill. The time period available for altering the price allocation in the balance sheet captions ends on 31 December 2014. Therefore, any adjustments to the final price that may emerge in the interim will be booked to goodwill.

The fair value measurement of property, plant and equipment and the brand, booked under intangible fixed assets, was carried out by an independent appraiser.

Hydrocontrol Group
The fair value of the assets and liabilities assumed in 2013 with the acquisition of Hydrocontrol, which, as permitted by IFRS 3, were measured on a provisional basis at 31 December 2013, cannot yet be considered to be final since the purchase contract stipulates a price adjustment on the basis of the final results of 2012. The procedures for checking the parameters used to determine the final price have now been completed. However, discussions with the counterparty aimed at reaching an agreement are currently ongoing. Considering the advanced stage of the negotiations an adjustment has been recorded in favour of Interpump in the amount of €1,336k, corresponding to the part of the adjustment agreed between the parties, which has been offset against the residual debt for payment of the provisional price of €3,340k already booked to the 2013 financial statements. The continuation of discussions might lead to an additional adjustment in favour of Interpump for the maximum amount of around €1.4m, but we have prudentially refrained from recognising this sum at 30 June 2014. 30 June 2014 was the end of the period allowed by IFRS 3 to change the allocation of the acquisition price in the balance sheet captions. Therefore, any further adjustment benefiting Interpump that might emerge will be booked to profit and loss under financial income

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

	30/06/2014	*31/12/2013*
	€/000	€/000
Inventories gross value	189,584	161,232
Allowance for inventories	(16,995)	(15,238)
Inventories	172,589	145,994

Changes in the inventory write-down provision were as follows:

	H1 2014	Year 2013
	€/000	€/000
Opening balances	15,238	11,892
Exchange rate difference	31	(216)
Change to consolidation basis	627	3,269
Allocations for the period	1,467	1,734
Utilisations in the period due to surpluses	-	(365)
Utilisations in the period due to losses	(368)	(1,076)
Closing balance	16,995	15,238

5. Property, plant and equipment

Purchases and disposals

In H1 2014 Interpump Group acquired assets for €61,432k, of which €39,688k through the acquisition of equity investments (€45,392k in H1 2013, of which €26,272k through the acquisition of equity investments). Assets were divested in H1 2014 for a net book value of €1,844k (€834k in H1 2013). The divested assets generated a net capital gain of €671k (€630k in H1 2013).

Contractual commitments

At 30 June 2014 the Group had contractual commitments for the purchase of tangible fixed assets for €4,281k of which €1,877k in relation to the new Hammelmann Maschinenfabrik production plant in Germany (€17,135k at 30 June 2013 of which €9,150k in relation to the new Hammelmann plant).

6. Shareholders' equity

Share capital

The share capital is composed of 108,879,294 ordinary shares with a unit face value of €0.52 for a total amount of €56,617,232.88. In contrast, the share capital recorded in the financial statements totals €54,911k because the nominal value of purchased treasury shares, net of divested treasury stock, was deducted from the share capital in compliance with the reference accounting standards. At 30 June 2014 Interpump Group S.p.A. held 3,279,541 shares in the portfolio, equivalent to 3.01% of the share capital, purchased at an average unit cost of €8.1954.

Treasury stock purchased

The amount of treasury stock held by Interpump Group S.p.A. is recorded in an equity provision. In H1 2014 the Group acquired 1,512,974 treasury shares for the total amount of €15,241k (264,120 treasury shares purchased in H1 2013 for €1,672k).

Treasury stock sold

In relation to the stock option plans a total of 767,060 options were exercised, resulting in a receipt for €3,827k (in H1 2013 a total of 292,750 options were exercised for the amount of €1,483k). Moreover, in H1 2014 a total of 276,000 shares were divested to cover part of the investment in IMM and 293,876 shares were divested to cover part of the investment in Interpump Hydraulics International following the exercise of the put options (4,500,000 treasury shares were divested in H1 2013 to cover part of the investment in Hydrocontrol).

Dividends
An ordinary dividend of €0.17 per share was distributed on 22 May 2014 (coupon clipping date of 19 May); the dividend was €0.17 in 2013.

7. Financial income and expenses

Breakdown in H1 2014 was as follows:

	2014 €/000	2013 €/000
Financial income		
Interest income	340	769
Foreign exchange gains	1,838	1,154
Earnings from valuation of derivative financial instruments	107	564
Other financial income	-	1,708
Total financial income	2,285	4,195
Financial expenses		
Interest expenses	3,563	3,109
Interest expense on put options	1,148	709
Foreign exchange losses	1,391	1,749
Losses from valuation of derivative financial instruments	70	389
Other financial charges	-	63
Total financial charges	6,172	6,019
Total financial charges, net	3,887	1,824

Other financial income in H1 2013 includes €1,668k of proceeds deriving from the Hydrocontrol, Galtech and MTC concentration operation.

Breakdown in Q2 2014 was as follows:

	2014 €/000	2013 €/000
Financial income		
Interest income	158	236
Foreign exchange gains	950	(175)
Earnings from valuation of derivative financial instruments	35	395
Other financial income	-	1,670
Total financial income	1,143	2,126
Financial expenses		
Interest expenses	1,686	1,710
Interest expense on put options	459	379
Foreign exchange losses	525	1,363
Losses from valuation of derivative financial instruments	9	40
Other financial charges	-	63
Total financial charges	2,679	3,555
Total financial charges, net	1,536	1,429

Other financial income in Q2 2013 includes €1,668k of proceeds deriving from the Hydrocontrol, Galtech and MTC concentration operation.

8. Earnings per share

Basic earnings per share

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

H1	2014	2013
Consolidated profit for the period attributable to parent company shareholders (€/000)	32,575	24,716
Average number of shares in circulation	106,179,141	103,021,893
Basic earnings per share for the period (€)	0.307	0.240

Q2	2014	2013
Consolidated profit for the period attributable to parent company shareholders (€/000)	19,181	12,283
Average number of shares in circulation	106,156,180	104,550,163
Basic earnings per share for the period (€)	0.181	0.117

Diluted earnings per share

Diluted earnings per share are calculated on the basis of diluted consolidated profit of 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 dilutory ordinary shares. The calculation is as follows:

H1	2014	2013
Consolidated profit for the period attributable to Parent company shareholders (€/000)	32,575	24,716
Average number of shares in circulation	106,179,141	103,021,893
Number of potential shares for stock option plans (*)	2,030,810	1,625,268
Average number of shares (diluted)	108,209,951	104,647,161
Earnings per diluted share for the period (€)	0.301	0.236

Q2	2014	2013
Consolidated profit for the period attributable to Parent company shareholders (€/000)	19,181	12,283
Average number of shares in circulation	106,156,180	104,550,163
Number of potential shares for stock option plans (*)	2,081,637	1,755,984
Average number of shares (diluted)	108,237,817	106,306,147
Earnings per diluted share for the quarter (€)	0.177	0.116

(*) 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 in the interim consolidated financial statements and are not described in these notes.

The effects in the Group's consolidated income statements for H1 2014 and H1 2013 are given below:

	H1 2014					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Net sales	341,246	2,538	-	999	3,537	1.0%
Cost of sales	215,336	183	-	8,344	8,527	4.0%
Other revenues	5,732	1	-	2	3	0.1%
Distribution costs	33,976	32	-	766	798	2.3%
General and admin. expenses	39,700	-	-	319	319	0.8%
Financial income	2,285	35	-	-	35	1.5%
Financial expenses	6,172	-	-	6	6	0.1%

	H1 2013					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Net sales	280,521	2,972	-	292	3,264	1.2%
Cost of sales	176,752	227	-	6,933	7,160	4.1%
Other revenues	4,202	7	-	5	12	0.3%
Distribution costs	29,350	299	-	669	968	3.3%
General and admin. expenses	35,368	-	-	423	423	1.2%
Financial income	4,195	40	-	-	40	1.0%
Financial expenses	6,019	-	-	9	9	0.1%

The effects on the consolidated balance sheet at 30 June 2014 and 2013 are described below:

	30 June 2014					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Trade receivables	153,004	4,175	-	385	4,560	3.0%
Other current assets	7,642	7	-	-	7	0.1%
Other financial assets	2,650	766	-	-	766	28.9%
Trade payables	87,273	104	-	2,730	2,834	3.2%
Interest-bearing financial payables (current portion)	65,825	-	-	490	49	0.7%

	30 June 2013					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Trade receivables	129,028	3,825	-	473	4,298	3.3%
Other financial assets	1,811	1,239	-	28	1,267	70.0%
Assets held for sale	2,480	359	-	-	359	14.5%
Trade payables	73,551	222	-	3,816	4,038	5.5%
Interest-bearing financial payables (current portion)	79,151	-	-	777	777	1.0%

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€/000)	Receivables		Revenues	
	30/06/2014	30/06/2013	2014	2013
HS Penta Africa Pty Ltd*	-	1,211	-	1,023
Interpump Hydraulics Middle East	2,969	1,283	1,824	623
Galtech Canada Inc.*	-	316	-	509
Interpump Hydraulics (UK)	728	437	289	384
General Pump China Inc.	144	306	254	330
Hammelmann Bombas e Sistemas Ltda	341	270	172	89
Syscam Gestion Integrada*	-	2	-	21
Total subsidiaries	*4,182*	*3,825*	*2,539*	*2,979*

(€/000)	Payables		Costs	
	30/06/2014	30/06/2013	2014	2013
General Pump China Inc.	77	59	198	243
Hammelmann Bombas e Sistemas Ltda	27	163	17	283
HS Penta Africa Pty Ltd*	-	-	-	-
Total subsidiaries	*104*	*222*	*215*	*526*

(€/000)	Loans		Financial income	
	30/06/2014	30/06/2013	2014	2013
Interpump Hydraulics (UK)	200	187	3	1
Interpump Hydraulics Middle East	105	105	1	1
General Pump China Inc.	-	75	-	-
Hammelmann Bombas e Sistemas Ltda	30	30	-	-
Syscam Gestion Integrada*	-	-	-	38
Total subsidiaries	*335*	*397*	*4*	*40*

* = fully consolidated at 30/6/2014

Relations with associates

The Group does not hold investments in associated companies.

Transactions with other related parties

Transactions with other related parties concern the leasing of facilities owned by companies controlled by current shareholders and directors of Group companies for the amount of €2,539k (€2,332k in H1 2013) and consultancy services provided by entities connected with directors and statutory auditors of the Parent company for a total of €30k (€94k in H1 2013). Costs for rentals were recorded under the cost of sales in the amount of €1,940k (€1,778k in H1 2013), under distribution costs in the amount of €495k (€441k in H1 2013) and under general and administrative expenses in the amount of €104k (€113k in H1 2013). Consultancy costs were entirely booked under distribution costs (€30k under distribution costs and €64k under general and administrative expenses in H1 2013).

Moreover, further to the signing of building rental contracts with other related parties, at 30 June 2014 the Group has commitments of €23,783k (€9,152k at 30 June 2013). The increase at 30 June 2014 compared to H1 2013 is due to the renewal of several rental contracts which therefore extended the period of commitment for the Group.

10. Disputes, Potential liabilities and Potential assets

The Parent company and several of its subsidiaries are directly involved in several lawsuits in respect of limited amounts. It is however considered that the settlement of said lawsuits will not generate any significant liabilities for the Group that cannot be covered by the risk provisions that have already been created. There were no substantial changes with respect to the situation of disputes or potential liabilities existing at 31 December 2013.

11. Fair value measurements

In relation to financial instruments recorded at fair value in the balance sheet, international accounting standards require that said values be classified on the basis of a hierarchy of levels that reflects the significance of the inputs used to establish the fair value and subdivided on the basis of the recurrence in their measurement. International accounting standards identify the following levels:

- Level 1 quotations recorded on an active market for assets and liabilities subject to measurement;
- Level 2 inputs other than the listed prices mentioned in the prior point, which are directly (prices) or indirectly (price derivatives) observable on the market;
- Level 3 inputs that are not based on observable market data.

The following table shows the financial instruments measured at fair value at 30 June 2014, shown according to the level.

(€/000)	Level 1	Level 2	Level 3	Total
Other financial assets available for sale	523	-	-	523
Total assets	**523**	**-**	**-**	**523**
Derivatives payable:				
- Interest rate swaps	-	178	-	178
Total liabilities	**-**	**178**	**-**	**178**

No transfers between levels were carried out in H1 2014.

All fair value measurements shown in the above table are to be considered as recurrent; the Group did not perform any non-recurrent fair value measurements in H1 2014.

The fair value of derivative financial instruments is calculated considering market parameters at the date of this interim board of directors' report and using the measurement models widely diffused in the financial sphere. Notably, the fair value of interest rate swaps is calculated using the discounted cash flow method.

Attestation of the abbreviated half-year financial statements pursuant to art. 154 (2) of Italian Legislative Decree 58/98

1. The undersigned Paolo Marinsek and Carlo Banci, respectively Chief Executive Officer and Manager responsible for the drafting the company accounting documents of Interpump Group S.p.A., taking account also of the provisions of art. 154-(2), subsections 3 and 4, of Italian legislative decree no.58 of 24 February 1998, hereby attest to:

- the adequacy in relation to the characteristics of the business and
- the effective application

of the administrative and accounting procedures for the formation of the abbreviated semi-annual financial statements, during H1 2014.

2. In addition, it is also confirmed that:

2.1 the abbreviated semi-annual consolidated financial statements of Interpump Group S.p.A. and its subsidiaries for the six-month period ending 30 June 2014, which show consolidated total assets of €914,723k, consolidated net profit of €33,088k and consolidated shareholder's equity of €442,909k:

- were prepared in compliance with the international accounting standards approved by the European Commission further to the enforcement of regulation (CE) no. 1606/2002 of the European Parliament and Council of 19 July 2002, and, in particular, with *IAS 34 - Interim Financial Reporting*, and the provisions issued in implementation of art. 9 of Italian legislative decree no. 38/2005;
- correspond to the results of the company books and accounting entries;
- are capable of providing a truthful and fair representation of the equity, economic and financial situation of the issuer and the group of companies included in the scope of consolidation;

2.2 the interim board of directors' report on operations contains references to the key events that occurred in H1 and their influence on the abbreviated semi-annual financial statements, together with a description of the main risks and uncertainties relating to the second half and information on significant transactions conducted with related parties

Sant'Ilario d'Enza (RE), 6 August 2014

Deputy Chairman and Chief Executive Officer
Paolo Marinsek

The Manager responsible for drafting
the company's accounting documents
Carlo Banci

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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Interpump Group S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising consolidated balance sheet, the consolidated income statements, the comprehensive consolidated income statements, the statement of changes in consolidated shareholder's equity, the consolidates cash flows statements and the related explanatory notes, of Interpump Group S.p.A. and its subsidiaries (Interpump Group) as of June 30, 2014. Management of Interpump Group S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   The consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year have been, respectively, audited and reviewed by other auditors. Accordingly, reference should be made to the reports of the other auditors issued on March 25, 2014 and on August 2, 2013, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Interpump Group as of June 30, 2014 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, August 6, 2014

Reconta Ernst & Young S.p.A.
Signed by: Marco Mignani, Partner

This report has been translated into the English language solely for the convenience of international readers