Q3 2014 Interim Board of Directors' Report

Interpump Group S.p.A. and subsidiaries

Contents

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www.interpumpgroup.it

Interpump Group S.p.A.
Registered 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

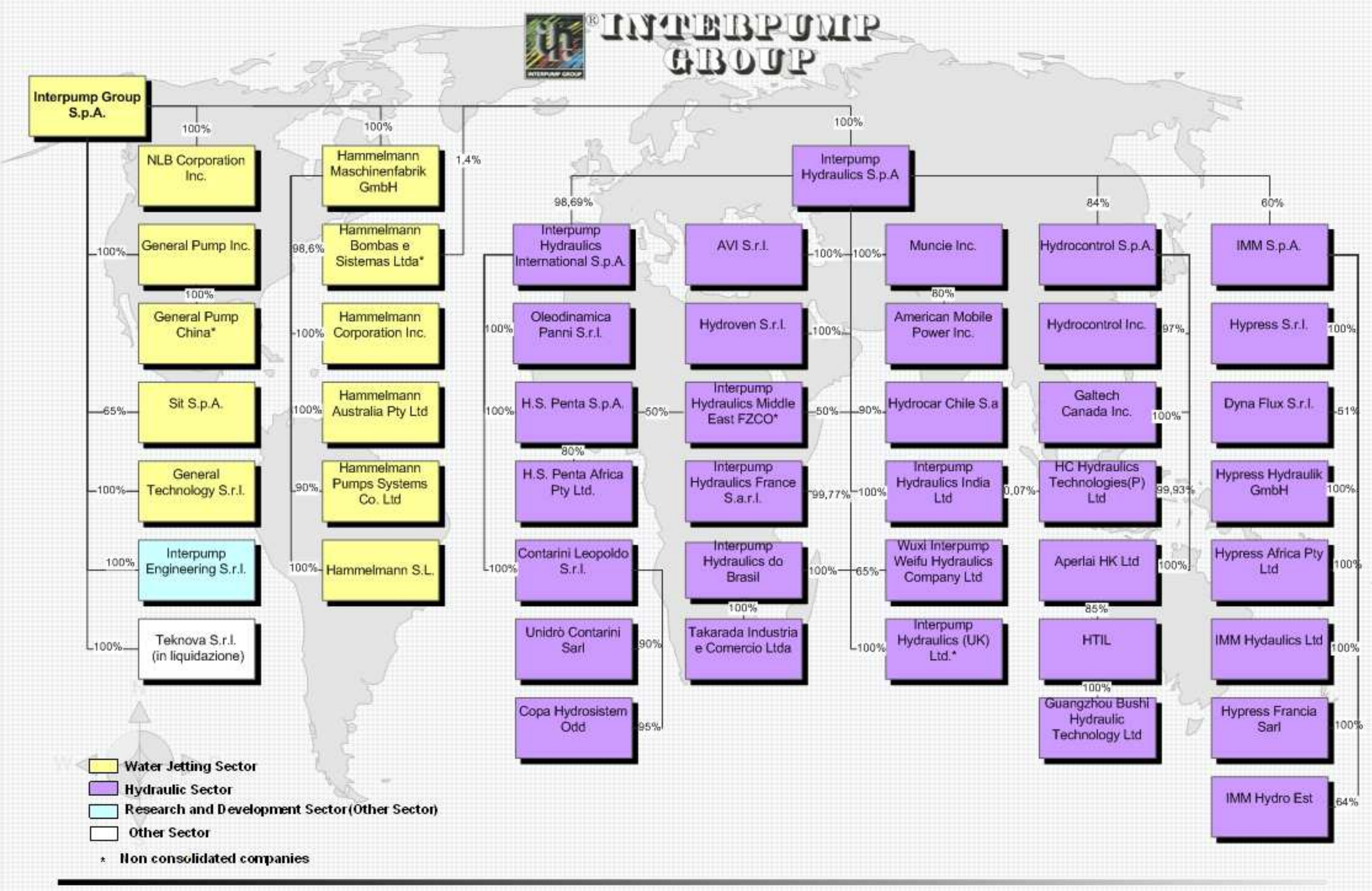
Alessandra Tronconi
Statutory auditor

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 30/09/2014



Interim board of directors' report

Directors' remarks on performance in 9M 2014

MAIN EVENTS OCCURRING IN 9M

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 9M 2013 for just five months) were fully consolidated in the first nine months (9M) of 2014. We invite you to refer to the 2013 Annual Financial Report for a description of the two acquisitions.

9M 2014 was accompanied by a 22.2% boost in sales compared to the same period in 2013 (+6.2% like for like and +8.1% like for like and net of exchange differences), which brought consolidated sales to the figure of €510.1m. The business sector analysis shows a 38.9% growth in the Hydraulic Sector (+8.1% like for like and +10.1% also net of exchange differences) and a 4.0% growth in the Water Jetting Sector (+5.8% net of exchange differences). The FX effect therefore penalised consolidated sales by 1.9% growth or €8.0m.

In geographical terms, growth in Europe, including Italy, was 33.4%, with 12.7% in North America, 16.4% in the Far East and Oceania (ex-Pacific Area) and 14.4% in the Rest of the World. The like for like geographical breakdown shows growth of 3.2% in Europe, 10.5% in North America, 5.9% in the Far East and Oceania and 4.3% in the Rest of the World.

EBITDA reached €105.7m or 20.7% of sales. In 9M 2013 EBITDA was booked at €79.6m (19.1% of sales). This corresponds to a growth figure of 32.7%. Like for like, EBITDA was up by 17.5% to €93.6m or 21.1%/sales, increasing profit margins by 2 percentage points; net of exchange differences EBITDA would be €107.5m (20.8%/sales); it follows that the foreign exchange effect impacted negatively on consolidated EBITDA in the measure of €1.8m.

EBIT stood at €83.0m or 16.3%/sales. In 9M 2013 EBIT was booked at €60.5m (14.5% of sales). This figure reflects growth of 37.2%. Like for like EBIT was up by 23.0%, reaching €74.4m or 16.8%/sales, increasing margins by 2.3 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 €50.1m, 43.4% higher than the €34.9m booked in 9M 2013.

9M consolidated income statement

(€/000)	*2014*	*2013*
Net sales	**510,065**	**417,493**
Cost of sales	(322,950)	(263,885)
Gross industrial margin	**187,115**	**153,608**
% on net sales	*36.7%*	*36.8%*
Other operating revenues	8,391	6,309
Distribution costs	(50,457)	(43,493)
General and administrative expenses	(58,909)	(52,921)
Other operating costs	(3,103)	(2,969)
EBIT	**83,037**	**60,534**
% on net sales	*16.3%*	*14.5%*
Financial income	6,055	5,398
Financial expenses	(9,996)	(10,046)
Adjustment of the value of investments carried at equity	(213)	(287)
Profit for the period before taxes	**78,883**	**55,599**
Income taxes	(28,793)	(20,656)
Consolidated net profit for the period	**50,090**	**34,943**
% on net sales	*9.8%*	*8.4%*
Due to:		
Parent company's shareholders	49,376	34,211
Subsidiaries' minority shareholders	714	732
Consolidated profit for the period	**50,090**	**34,943**
EBITDA	**105,685**	**79,634**
% on net sales	*20.7%*	*19.1%*
Shareholders' equity	462,007	429,484
Net debt	150,667	103,561
Payables for the acquisition of investments	65,430	33,158
Capital employed	678,104	566,203
Unannualized ROCE	**12.2%**	**10.7%**
Unannualized ROE	**10.8%**	**8.1%**
Basic earnings per share	**0.467**	**0.329**

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

*= Since EBITDA is not identified as an accounting measure in the context of the Italian accounting principles or 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 capital employed 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 for 9M 2014 totalled €510.1m, up by 22.2% with respect to sales the equivalent period in 2013, when net sales were €417.5m (+6.2% like for like, +8.1% also net of exchange differences). The exchange rate effect therefore compressed consolidated sales in the measure of €8.0m.

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

30/09/2014						
(€/000)	Italy	Rest of Europe	North America	Far East and Oceania	Rest of the World	Total
Hydraulic Sector	54,828	112,956	72,985	16,442	44,245	301,456
Water Jetting Sector	13,943	58,533	92,026	29,402	14,705	208,609
Total	68,771	171,489	165,011	45,844	58,950	510,065
30/09/2013						
Hydraulic Sector	41,916	62,417	62,072	11,626	38,925	216,953
Water Jetting Sector	15,091	60,697	84,397	27,769	12,583	200,537
Total	57,007	123,114	146,469	39,395	51,508	417,493
2014/2013 percentage changes						
Hydraulic Sector	+30.8%	+81.0%	+17.6%	+41.4%	+13.7%	+38.9%
Water Jetting Sector	-7.6%	-3.6%	+9.0%	+5.9%	+16.9%	+4.0%
Total	+20.6%	+39.3%	+12.7%	+16.4%	+14.4%	+22.2%

2014/2013 changes are shown below like for like:

Hydraulic Sector	+4.7%	+11.4%	+12.5%	+6.1%	+0.2%	+8.1%
Total	+1.5%	+4.0%	+10.5%	+5.9%	+4.3%	+6.2%

The like for like analysis net of exchange differences shows growth of 10.1% in the Hydraulic Sector.

Net of exchange differences Water Jetting Sector sales grew by 5.8%.

PROFITABILITY

The cost of sales accounted for 63.3% of turnover (63.2% in 9M 2013). Production costs, which totalled €125.6m (€100.9m in 9M 2013, which however did not include the costs of the IMM Hydraulics Group and included only five months of the Hydrocontrol Group's costs), accounted for 24.6% of sales (24.2% in the equivalent period of 2013). On a like for like basis production costs rose by 6.6%. The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €197.3m (€163.0m in the equivalent period in 2013, which however did not include the costs of the IMM Hydraulics Group and only included five months of Hydrocontrol Group's costs). Like for like purchases increased by 3.3%. The incidence of purchase costs, including the change in inventories, was 38.7% compared to 39.0% in 9M 2013, reflecting a 0.3 percentage point improvement (1.0 percentage points on a like for like basis).

Like for like distribution costs were in line with respect to 9M 2013 (+0.3%), while the associated incidence on sales fell by 0.6 percentage points. With the inclusion of Hydrocontrol and IMM Hydraulics the incidence fell by 0.5 percentage points compared to 9M 2013.

Like for like general and administrative expenses increased by 1.2% with respect to 9M 2013, and their incidence on sales fell by 0.6 percentage points. With the inclusion of Hydrocontrol and IMM Hydraulics the incidence fell by 1.2 percentage points compared to 9M 2013.

Total payroll costs were €117.7m (€99.2m in 9M 2013, which however did not include costs of the IMM Hydraulics Group and included costs of the Hydrocontrol Group for just five months). Like for like payroll costs rose by 3.2% due to a 5.0% per capita cost increase and a reduction of 51 in the average headcount. The average total number of Group employees in 9M 2014 was 3,530 (2,864 like for like) compared to 2,915 in 9M 2013 when the incidence of Hydrocontrol was just five ninths, since it had been consolidated for only five months in 9M 2013. The like for like reduction in the average headcount in 9M 2014 breaks down as follows: −103 in Europe, +43 in the US and +9 in the Rest of the World (Brazil, China, India, Chile, Australia and South Africa).

EBITDA totalled €105.7m (20.7% of sales) compared to the €79.6m of 9M 2013, which accounted for 19.1%/sales reflecting growth of 32.7%. EBITDA was up by 17.5% like for like, reaching €93.6m or 21.1%/sales, resulting in a 2.0 percentage point rise in margins.
On an equal exchange basis EBITDA would have been €107.5m (20.8%/sales); the FX effect therefore exerted a €1.8m compressive effect on EBITDA. The following table shows EBITDA for each business sector:

	30/09/2014 (nine months) €/000	*% on total sales**	*30/09/2013 (nine months) €/000*	*% on total sales**	*Growth/ Contraction*
Hydraulic Sector	55,165	18.3%	31,122	14.3%	+77.3%
Water Jetting Sector	50,528	24.1%	48,487	24.1%	+4.2%
Other Revenues Sector	(8)	n.s.	25	n.s.	n.s.
Total	***105,685***	***20.7%***	***79,634***	***19.1%***	***+32.7%***

* = 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 September 2014). Therefore, for the purposes of comparability the percentage is calculated on total sales rather than the sales shown above.

Like for like Hydraulic Sector EBITDA was up by 38.4% (18.4% of net sales).

EBIT stood at €83.0m (16.3% of sales) compared to the €60.5m of 9M 2013 (14.5% of sales), reflecting an increase of 37.2%. Like for like EBIT was up by 23.0%, reaching €74.4m or 16.8% of sales, increasing margins by 2.3 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 36.5% (37.2% in 9M 2013).

Net profit totalled €50.1m (€34.9m in 9M 2013), reflecting an increase of 43.4%. Basic earnings per share were up by 41.9% at 0.467 euro (0.329 euro in 9M 2013).

Capital employed increased from €554.3m at 31 December 2013 to €678.1m at 30 September 2014. The increase is mainly due to the consolidation of IMM Hydraulics. Unannualized ROCE stood at 12.2% (10.7% in 9M 2013), thus proving that the acquisitions had no dilutive effect. Unannualized ROE was 10.8% (8.1% in 9M 2013).

CASH FLOW

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

	9M 2014 *€/000*	*9M 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	80,618	56,152
Cash flow generated (absorbed) by the management of commercial working capital	(32,189)	(13,962)
Cash flow generated (absorbed) by other current assets and liabilities	61	(2,383)
Capital expenditure in tangible fixed assets	(27,196)	(20,271)
Proceeds from sales of tangible fixed assets	1,002	531
Increase in other intangible fixed assets	(2,090)	(1,906)
Received financial income	468	1,239
Other	(351)	(338)
Free cash flow	***20,323***	***19,062***
Acquisition of investments, including received debt and net of divested treasury stock	(41,530)	(23,476)
Net receipt from Hydrocontrol concentration operation	-	1,720
Receipts for the sale of investments and lines of business	765	110
Dividends paid	(18,166)	(18,464)
Outlays for the purchase of treasury stock	(28,462)	(15,467)
Proceeds from the sale of treasury stock to beneficiaries of stock options	4,049	6,754
Proceeds from the sale of financial assets	-	939
Loan repayments from (disbursals to) non-consolidated subsidiaries	60	(84)
Cash flow generated (used)	***(62,961)***	***(28,906)***
Exchange rate differences	1,136	(337)
Net cash position at end of period	**(150,667)**	**(103,561)**

Net liquidity generated by operations totalled €80.6m (€56.2m in 9M 2013), reflecting an increase of 43.6%. Free cash flow was €20.3m (€19.1m in 9M 2013). It should be noted that higher expenditure was settled in 9M 2014 for €6.9m, mainly associated with work in progress on construction of the Hammelmann plant. This was accompanied by higher absorption of commercial working capital of €18.2m deriving from the growth of sales, which had, in contrast, fallen in 9M 2013 on a like for like basis.

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

	30/09/2014	31/12/2013	30/09/2013	01/01/2013
	€/000	€/000	€/000	€/000
Cash and cash equivalents	90,372	105,312	102,587	115,069
Bank payables (advances and s.t.c. amounts)	(29,125)	(20,932)	(22,144)	(10,614)
Interest-bearing financial payables (current portion)	(63,064)	(61,371)	(73,621)	(87,303)
Interest-bearing financial payables (non-current portion)	(148,850)	(111,693)	(110,383)	(91,701)
Total	**(150,667)**	**(88,684)**	**(103,561)**	**(74,549)**

The Group also holds debt for the acquisition of investments and contractual commitments for the acquisition of residual interests in subsidiaries totalling €65.4m (€32.7m at 31/12/2013 and €33.2m at 30/09/2013). €19.3m of the foregoing debt concerns the acquisition of investments (€6.0m at 31/12/2013) and €46.1m 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 the related price adjustment, 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 maximizing the goal of increasing profitability.

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totalled €70.9m, of which €39.8m through the acquisition of investments (€50.8m in 9M 2013, of which €26.3m through the acquisition of investments). Note that the companies belonging to the Very-High Pressure Systems segment record the machinery manufactured and hired out to customers under tangible fixed assets (€5.1m at 30/09/2014 and €4.4m at 30/09/2013). Net of these latter amounts and the assets acquired through the acquisition of equity investments, capital expenditure in the strictest sense stood at €26.0m in 9M 2014 (€20.2m in 9M 2013) and, with the exception of €9.0m for the construction of the new production plant in Germany (€4.8m in September 2013), mainly refers to the 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 €5.2m, of which €2.8m through the acquisition of investments (€5.7m in 9M 2013, of which €3.8m through the acquisition of investments) and refer mainly to expenditure for the development of new products and the allocation to marks of the price for the newly acquired companies.

INTERCOMPANY RELATIONS AND RELATED PARTY TRANSACTIONS

With regard to transactions entered into with related parties, including intercompany transactions, these cannot be defined as either atypical or unusual, 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 September 2014.

CHANGES IN GROUP STRUCTURE IN 9M 2014

1 January 2014 was the operative date of the merger of Golf Hydrosystem with Copa Hydrosystem, aimed at exploiting production synergy and creating a more efficient structure in Bulgaria. Also the merger of Cover with Oleodinamica Panni took effect on the same date.

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

With effect from 1 March 2014 Interpump Hydraulics S.p.A. sold the Hydrometal business, netting a capital gain of €0.5m.

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 outlay, scheduled for April 2015, will be calculated on the basis of the results of the Interpump Hydraulics International group in 2013 and 2014, but an estimate of this amount has already been included among payables for put options.

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.

On 22 July 2014 Interpump Hydraulics S.p.A. divested 0.23% of Interpump Hydraulics International S.p.A. further to the exercise of the pre-emptive right by minority shareholders, with a receipt of €0.2m.

EVENTS OCCURRING AFTER 30 SEPTEMBER 2014

After the close of Q3 no other atypical or unusual transactions have occurred such that would require mention in this report or call for changes to the consolidated financial statements at 30 September 2014.

Directors' remarks on performance in Q3 2014

Q3 consolidated income statement

(€/000)	*2014*	*2013*
Net sales	**168,819**	**136,972**
Cost of sales	(107,614)	(87,133)
Gross industrial margin	**61,205**	**49,839**
% on net sales	*36.3%*	*36.4%*
Other operating revenues	2,659	2,107
Distribution costs	(16,481)	(14,143)
General and administrative expenses	(19,209)	(17,553)
Other operating costs	(1,348)	(1,249)
EBIT	**26,826**	**19,001**
% on net sales	*15.9%*	*13.9%*
Financial income	3,770	1,203
Financial expenses	(3,824)	(4,027)
Adjustment of value of investments carried at equity	(163)	(185)
Profit for the period before taxes	**26,609**	**15,992**
Income taxes	(9,607)	(6,365)
Consolidated profit for the period	**17,002**	**9,627**
% on net sales	*10.1%*	*7.0%*
Due to:		
Parent company's shareholders	16,801	9,495
Subsidiaries' minority shareholders	201	132
Consolidated profit for the period	**17,002**	**9,627**
EBITDA	**34,670**	**26,276**
% on net sales	*20.5%*	*19.2%*
Shareholders' equity	462,007	429,484
Net debt	150,667	103,561
Payables for the acquisition of investments	65,430	33,158
Capital employed	678,104	566,203
Unannualized ROCE	**4.0%**	**3.4%**
Unannualized ROE	**3.7%**	**2.2%**
Basic earnings per share	**0.160**	**0.089**

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

*= Since EBITDA is not identified as an accounting measure in Italian accounting principles or in 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 values disclosed by other entities.

The scope of consolidation in Q3 2014 includes 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 Q3 2014 totalled €168.8m, up by 23.2% with respect to the equivalent period in 2013, (€137.0m). Like for like growth was 12.5%.

Net sales in Q3 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
Q3 2014						
Hydraulic Sector	16,187	35,388	25,948	4,875	13,682	96,080
Water Jetting Sector	4,421	17,344	31,903	13,744	5,327	72,739
Total	20,608	52,732	57,851	18,619	19,009	168,819
Q3 2013						
Hydraulic Sector	13,389	22,397	22,443	4,011	11,198	73,438
Water Jetting Sector	4,032	20,018	24,755	9,787	4,942	63,534
Total	17,421	42,415	47,198	13,798	16,140	136,972
2014/2013 percentage changes						
Hydraulic Sector	+20.9%	+58.0%	+15.6%	+21.5%	+22.2%	+30.8%
Water Jetting Sector	+9.6%	-13.4%	+28.9%	+40.4%	+7.8%	+14.5%
Total	+18.3%	+24.3%	+22.6%	+34.9%	+17.8%	+23.3%

2014/2013 changes are shown below like for like:

Hydraulic Sector	+2.3%	+12.0%	+15.2%	+5.7%	+11.1%	+10.7%
Total	+4.0%	+0.0%	+22.4%	+30.3%	+10.1%	+12.5%

PROFITABILITY

The cost of sales accounted for 63.7% of turnover (63.6% in Q3 2013). Production costs, which totalled €41.7m (€33.6m in Q3 2013, which however did not include IMM Hydraulics), accounted for 24.7% of sales (24.5% in the equivalent period of 2013). On a like for like basis production costs rose by 13.9%. The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €65.9m (€53.6m in the equivalent period of 2013, which however did not include IMM Hydraulics). Like for like purchase costs increased by 10.5%. The percent incidence of purchase costs, including the change in inventories, was 39.0% compared to the 39.1% in Q3 2013 (the like for like percent incidence of purchase costs is 38.4%).

On a like for like basis distribution costs rose by 4.3% with respect to Q3 2013, while the associated incidence on sales fell by 0.7 percentage points.

On a like for like basis general and administrative expenses rose by 3.4% with respect to Q3 2013, although their incidence on sales fell by 1 percentage point.

EBITDA totalled €34.7m (20.5% of sales) compared to the €26.3m of Q3 2013, which accounted for 19.2%/sales, reflecting a 31.9% increase. Margins therefore rose in Q3 by 1.3 percentage points. EBITDA was up by 21.2% like for like, reaching €31,8m or 20.7%/sales, resulting in a 1.5 percentage point rise in margins. The following table shows EBITDA for each business sector:

	Q3 2014 €/000	*% on total sales**	*Q3 2013 €/000*	*% on total sales**	*Growth/ Contraction*
Hydraulic Sector	17,892	18.6%	10,325	14.1%	+73.3%
Water Jetting Sector	16,757	22.9%	15,941	25.0%	+5.1%
Other Revenues Sector	21	n.s.	10	n.s.	n.s.
Total	***34,670***	***20.5%***	***26,276***	***19.2%***	***+31.9%***

* = 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.

The rise in EBITDA of the Water Jetting Sector was reduced by the costs of relocation to the new Hammelmann facility of around €1.0m. Like for like Hydraulic Sector EBITDA was up by 46.0% (18.5%/sales).

EBIT stood at €26.8m (15.9% of sales) compared to the €19.0m of Q3 2013 (13.9% of sales), reflecting an increase of 41.2%. Like for like EBIT was up by 30.4%, reaching €24.8m or 16.1%/sales, increasing margins by 2.2 percentage points.

The Q3 2014 tax rate was 36.1% (39.8% in Q3 2013).

Q3 2014 closed with consolidated net profit of €17.0m or 10.1% of sales (net profit for Q3 2013 was €9.6m or 7.0% of sales), reflecting a rise of 76.6%, also further to exchange rate gains.

Basic earnings per share were 0.160 euro (0.089 euro in Q3 2013) reflecting a 79.8% increase.

Sant’Ilario d’Enza (RE), 11 November 2014

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

The manager responsible for drafting company accounting documents, Carlo Banci, declares, pursuant to the terms of section 2 article 154(2) of the Italian consolidated finance act, that the accounting disclosures in this document reflect the documentary evidence, the company books and the accounting entries.

Sant’Ilario d’Enza (RE), 11 November 2014

Carlo Banci
Manager responsible for drafting
company accounting documents

Financial statements and notes

Consolidated balance sheet

(€/000)	*Notes*	*30/09/2014*	*31/12/2013*
ASSETS			
Current assets			
Cash and cash equivalents		90,372	105,312
Trade receivables		146,225	113,726
Inventories	4	180,993	145,994
Tax receivables		9,419	6,029
Derivative financial instruments		-	42
Other current assets		7,140	5,582
Total current assets		**434,149**	**376,685**
Non-current assets			
Property, plant and equipment	5	205,252	150,668
Goodwill	1	261,829	234,792
Other intangible assets		25,541	23,755
Other financial assets		2,627	2,072
Tax receivables		3,102	3,071
Deferred tax assets		20,691	19,525
Other non-current assets		800	565
Total non-current assets		**519,842**	**434,448**
Total assets		***953,991***	***811,133***

(€/000)	Notes	30/09/2014	31/12/2013
LIABILITIES			
Current liabilities			
Trade payables		77,723	69,985
Payables to banks		29,125	20,932
Interest-bearing financial payables (current portion)		63,064	61,371
Derivative financial instruments		176	279
Tax payables		13,940	5,723
Other current liabilities		57,220	45,524
Provisions for risks and charges		4,497	3,972
Total current liabilities		**245,745**	**207,786**
Non-current liabilities			
Interest-bearing financial payables		148,850	111,693
Liabilities for employee benefits		12,540	11,942
Deferred tax liabilities		32,764	26,458
Other non-current liabilities		50,235	18,774
Provisions for risks and charges		1,850	1,531
Total non-current liabilities		**246,239**	**170,398**
Total liabilities		**491,984**	**378,184**
SHAREHOLDERS' EQUITY	6		
Share capital		54,245	55,003
Legal reserve		11,323	11,323
Share premium reserve		134,842	125,039
Reserve for valuation of hedging derivatives at fair value		(7)	(27)
Reserve for restatement of defined benefit plans		(3,396)	(3,396)
Translation provision		(2,211)	(19,084)
Other reserves		261,541	257,828
Group shareholders' equity		**456,337**	**426,686**
Minority interests		5,670	6,263
Total shareholders' equity		**462,007**	**432,949**
Total shareholders' equity and liabilities		***953,991***	***811,133***

9M consolidated income statement

(€/000)	*Notes*	*2014*	*2013*
Net sales		**510,065**	**417,493**
Cost of sales		(322,950)	(263,885)
Gross industrial margin		**187,115**	**153,608**
Other net revenues		8,391	6,309
Distribution costs		(50,457)	(43,493)
General and administrative expenses		(58,909)	(52,921)
Other operating costs		(3,103)	(2,969)
Ordinary profit before financial charges		**83,037**	**60,534**
Financial income	7	6,055	5,398
Financial expenses	7	(9,996)	(10,046)
Adjustment of the value of investments carried at equity		(213)	(287)
Profit for the period before taxes		**78,883**	**55,599**
Income taxes		(28,793)	(20,656)
Consolidated profit for the period		**50,090**	**34,943**
Due to:			
Parent company's shareholders		49,376	34,211
Subsidiaries' minority shareholders		714	732
Consolidated profit for the period		**50,090**	**34,943**
Basic earnings per share	8	0.467	0.329
Diluted earnings per share	8	0.458	0.325

9M comprehensive consolidated income statement

(€/000)	***2014***	***2013***
9M consolidated profit (A)	**50,090**	**34,943**
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	429
Total	*50*	*429*
Accounting of exchange risk derivative hedges recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivative financial instruments for the period	(9)	1
- 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	*(23)*	*(90)*
Profits (Losses) arising from the conversion to euro of foreign companies' financial statements	*17,148*	*(6,585)*
Profits (losses) of companies carried at equity	*44*	*(79)*
Related taxes	*(6)*	*(89)*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**17,213**	**(6,414)**
9M comprehensive consolidated profit (A) + (B)	**67,303**	**28,529**
Due to:		
Parent company's shareholders	66,269	28,002
Subsidiaries' minority shareholders	1,034	527
Comprehensive consolidated profit for the period	**67,303**	**28,529**

Q3 consolidated income statement

(€/000)		*2014*	*2013*
Net sales		**168,819**	**136,972**
Cost of sales		(107,614)	(87,133)
Gross industrial margin		**61,205**	**49,839**
Other net revenues		2,659	2,107
Distribution costs		(16,481)	(14,143)
General and administrative expenses		(19,209)	(17,553)
Other operating costs		(1,348)	(1,249)
Ordinary profit before financial charges		**26,826**	**19,001**
Financial income	7	3,770	1,203
Financial expenses	7	(3,824)	(4,027)
Adjustment of investments carried at equity		(163)	(185)
Profit for the period before taxes		**26,609**	**15,992**
Income taxes		(9,607)	(6,365)
Net profit for the period		**17,002**	**9,627**
Due to:			
Parent company's shareholders		16,801	9,495
Subsidiaries' minority shareholders		201	132
Consolidated profit for the period		**17,002**	**9,627**
Basic earnings per share	8	0.160	0.089
Diluted earnings per share	8	0.157	0.088

Q3 comprehensive consolidated income statement

(€/000)	*2014*	*2013*
Q3 consolidated profit (A)	**17,002**	**9,627**
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	-	99
Total	-	*99*
Accounting of exchange risk derivative hedges recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivative financial instruments for the period	(9)	(42)
- Minus: Adjustment for reclassification of profits (losses) to the income statement	-	-
- Minus: Adjustment for recognition of fair value to reserves in the year	-	-
Total	*(9)*	*(42)*
Profits (Losses) arising from the conversion to euro of foreign companies' financial statements	*14,790*	*(6,193)*
Profits (losses) of companies carried at equity	*26*	*(20)*
Related taxes	*3*	*(15)*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**14,810**	**(6,171)**
Q3 comprehensive consolidated profit (A) + (B)	**31,812**	**3,456**
Due to:		
Parent company's shareholders	31,210	3,497
Subsidiaries' minority shareholders	602	(41)
Comprehensive consolidated profit for the period	**31,812**	**3,456**

9M cash flow statement

(€/000)	*2014*	*2013*
Cash flow from operating activities		
Pre-tax profit	78,883	55,599
Adjustments for non-cash items:		
Capital losses (Capital gains) from the sale of fixed assets	(1,304)	(921)
Capital losses (Capital gains) from the sale of business divisions and equity investments	(449)	-
Amortization and depreciation, impairment and reinstatement of value	21,595	17,025
Costs ascribed to the income statement relative to stock options that do not involve monetary outflows for the Group	1,024	748
Loss (Profit) from investments	213	287
Net change in risk funds and provisions for employee benefits	129	56
Outlays for tangible fixed assets destined for hire	(5,112)	(4,403)
Proceeds from the sale of fixed assets granted for hire	3,064	1,969
Net financial charges	3,941	4,648
Other	-	(11)
	101,984	74,997
(Increase) decrease in trade receivables and other current assets	(17,437)	(7,369)
(Increase) decrease in inventories	(14,661)	(5,226)
Increase (decrease) in trade payables and other current liabilities	(30)	(3,750)
Interest paid	(4,960)	(4,217)
Currency exchange gains realised	533	(54)
Taxes paid	(16,939)	(14,574)
Net cash from operating activities	**48,490**	**39,807**
Cash flows from investing activities		
Outlay for the acquisition of investments, net of received cash and including treasury stock assigned	(34,467)	(40,865)
Net receipt from Hydrocontrol concentration operation	-	1,721
Receipts for the sale of investments and lines of business	765	110
Capital expenditure in property, plant and equipment	(27,111)	(19,920)
Proceeds from sales of tangible fixed assets	1,002	531
Increase in intangible fixed assets	(2,090)	(1,906)
Proceeds from sale of financial assets	-	939
Received financial income	468	1,239
Other	92	321
Net liquidity used in investing activities	**(61,341)**	**(57,831)**
Cash flows of financing activity		
Disbursals (repayments) of loans	29,165	(6,603)
Dividends paid	(18,166)	(18,464)
Outlays for purchase of treasury stock	(28,462)	(15,467)
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	4,049	6,754
Disbursals (repayments) of shareholder loans	(252)	-
Loans repaid (granted) by/to non-consolidated subsidiaries	60	(84)
Payment of financial leasing instalments (principal portion)	(3,799)	(1,929)
Net liquidity generated (used by) financing activities	**(11,960)**	**(5,661)**
Net increase (decrease) of cash and cash equivalents	**(24,811)**	**(23,685)**

(€/000)	*2014*	*2013*
Net increase (decrease) of cash and cash equivalents	**(24,811)**	**(23,685)**
Exchange differences from the translation of cash of companies in areas outside the EU	1,637	(558)
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	**61,247**	**80,443**

Cash and cash equivalents can be broken down as follows:

	30/09/2014 €/000	31/12/2013 €/000
Cash and cash equivalents from the balance sheet	90,372	105,312
Payables to banks (current account overdrafts and advances subject to collection)	(29,125)	(20,932)
Cash and cash equivalents from the cash flow statement	61,247	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	-	-	748	-	-	-	-	748	-	748
Purchase of treasury stock	(1,059)	-	(14,408)	-	-	-	-	(15,467)	-	(15,467)
Sale of treasury stock to the beneficiaries of stock options	856	-	5,898	-	-	-	-	6,754	-	6,754
Sale of treasury stock to pay for equity investments	2,339	-	27,792	-	-	-	-	30,131	-	30,131
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 9M 2013	-	-	-	250	-	(6,459)	34,211	28,002	527	28,529
Balances at 30 September 2013	*54,932*	*11,323*	*125,544*	*(83)*	*(2,850)*	*(14,702)*	*248,825*	*422,989*	*6,494*	*429,483*
Recognition in the income statement of the fair value of the stock options assigned and exercisable	-	-	299	-	-	-	-	299	-	299
Purchase of treasury stock	(382)	-	(5,592)	-	-	-	-	(5,974)	-	(5,974)
Sale of treasury stock to the beneficiaries of stock options	453	-	4,788	-	-	-	-	5,241	-	5,241
Dividends paid	-	-	-	-	-	-	-	-	(60)	(60)
Acquisition of residual stake in Golf	-	-	-	-	-	-	12	12	(102)	(90)
Acquisition of Hydrocontrol	-	-	-	-	-	-	-	-	(78)	(78)
Total profit (loss) for Q4 2013	-	-	-	56	(546)	(4,382)	8,991	4,119	9	4,128
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	-	-	1,024	-	-	-	-	1,024	-	1,024
Purchase of treasury stock	(1,473)	-	-	-	-	-	(26,989)	(28,462)	-	(28,462)
Sale of treasury stock to the beneficiaries of stock options	419	-	3,630	-	-	-	-	4,049	-	4,049
Sale of treasury stock for payment of equity investments	296	-	5,149	-	-	-	-	5,445	-	5,445
Dividends paid	-	-	-	-	-	-	(18,108)	(18,108)	(58)	(18,166)
Purchase of additional interest in Hydrocar Chile	-	-	-	-	-	-	(542)	(542)	(1,870)	(2,412)
Effect of Hydrocar Chile-Syscam combination	-	-	-	-	-	-	(82)	(82)	289	207
Copa-Golf merger effect	-	-	-	-	-	-	58	58	(58)	-
Acquisition of residual stakes of HC Hydraulics Technologies(P)	-	-	-	-	-	-	-	-	(1)	(1)
Acquisition of IMM	-	-	-	-	-	-	-	-	71	71
Comprehensive profit (loss) for 9M 2014	-	-	-	20	-	16,873	49,376	66,269	1,034	67,303
Balances at 30 September 2014	*54,245*	*11,323*	*134,842*	*(7)*	*(3,396)*	*(2,211)*	*261,541*	*456,337*	*5,670*	*462,007*

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 Milan stock exchange in the STAR segment.

The Group manufactures and markets high and very high-pressure plunger pumps, very high-pressure systems (Water Jetting Sector), power take-offs, gear pumps, hydraulic cylinders, directional controls, valves, hydraulic hoses and fittings and other hydraulic components (Hydraulic Sector). 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 September 2014 were approved by the Board of Directors on this day (11 November 2014).

Basis of preparation

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

The accounting principles and criteria adopted in the interim report at 30 September 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, the magnitude of which will only be known in the future. We further draw your attention to the fact that some evaluation processes, notably those that are more complex, such as the determination of any impairments of non-current assets, are generally performed in a comprehensive manner only at the time of drafting of the annual financial statements when all the necessary information is available, except in 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, reviewed by IASB:

- IFRS 10 – Consolidated Financial Statements. On 12 May 2011 IASB issued this 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. This standard was issued by IASB on 12 May 2011. 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. The adoption of the new standard has had no significant effects on the Group's financial statements.
- IFRS 27 – Separate financial statements. On 12 May 2011 IASB issued this 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, its adoption has had 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, although adoption of the new standard has not impacted significantly on the consolidated financial statements.
- 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 principle has had 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. This standard was issued by IASB on 12 May 2011. 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 this standard, which was then repeatedly amended, first on 28 October 2010, then in mid-December 2011 and finally on 24 July 2014. The standard, which is applicable as from 1 January 2018, 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.
- Amendment of IFRS 27 – Separate financial statements. On 12 August 2014 IASB published an amendment to the principle that will allow entities to use the equity method to recognise investments in subsidiaries, joint ventures and associates in the separate financial statements.

At the date of this Interim Board of Directors' 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 September 2014

Page

1. Consolidation basis and goodwill

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

Company	*Head office*	*Sector*	*Share capital €/000*	*% stake at 30/09/14*
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. (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	4,375	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	100.00%
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 30/09/14*
Interpump Engineering S.r.l.	Reggio Emilia	Other	76	100.00%
Teknova S.r.l. (winding up)	Reggio Emilia	Other	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 nine months in 2014 and for five 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 2013 the Hydrometal line of business, divested on 28 February 2014, was consolidated for nine months, while in 2014 it was consolidated for just two months. The overall effect of these changes in 9M was not significant.

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, Hydrocontrol, American Mobile Power, HS Penta Africa and IMM Hydraulics were 100% consolidated, recording a debt arising from 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.

A breakdown of goodwill in 9M 2014 is shown below:

Company:	Balance at 31/12/2013	Increases (Decreases) for the period	Changes due to foreign exchange differences	Balance at 30/09//2014
- High pressure pumps division	37,194	-	449	37,643
- Very high pressure pumps division	88,807	-	2,699	91,506
Total Water Jetting Sector	*126,001*	-	*3,148*	*129,149*
- Power take-offs and hydraulic pumps division	64,858	18,803	1,826	85,487
- Cylinders Division	43,933	3,260	-	47,193
Total Hydraulic Sector	*108,791*	*22,063*	*1,826*	*132,680*
Total goodwill	*234,792*	*22,063*	*4,974*	*261,829*

The increases in 9M 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.

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 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 Sector. This sector is mainly composed of high and very high-pressure pumps and pumping systems used in a wide range of industrial sectors for the conveyance of fluids. High-pressure plunger pumps are the main component of professional high-pressure cleaners. These pumps are also employed for a broad range of industrial applications including car wash installations, forced lubrication systems for machine tools, and inverse osmosis systems for seawater desalination plants. Very high-pressure pumps and systems are used for cleaning surfaces, ship hulls, various types of 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 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, moving 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 hoses and fittings are designed for use in a broad range of hydraulic systems and also for very high pressure water systems.

Interpump Group business sector information
(amounts shown in €/000)
Progressive accounts at 30 September (nine 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	301,456	216,956	208,609	200,537	-	-	-	-	510,065	417,493
Sales between sectors	163	23	863	631	659	737	(1,685)	(1,391)	-	-
Total net sales	**301,619**	**216,979**	**209,472**	**201,168**	**659**	**737**	**(1,685)**	**(1,391)**	**510,065**	**417,493**
Cost of sales	(201,300)	(147,528)	(122,696)	(117,060)	(16)	(65)	1,062	768	(322,950)	(263,885)
Gross industrial margin	**100,319**	**69,451**	**86,776**	**84,108**	**643**	**672**	**(623)**	**(623)**	**187,115**	**153,608**
% on net sales	*33.3%*	*32.0%*	*41.4%*	*41.8%*	*n.s.*	*n.s.*			*36.7%*	*36.8%*
Other net revenues	6,127	4,156	2,444	2,335	37	92	(217)	(274)	8,391	6,309
Distribution costs	(28,517)	(21,647)	(21,943)	(21,846)	-	-	3	-	(50,457)	(43,493)
General and administrative expenses	(35,947)	(30,280)	(23,106)	(22,793)	(693)	(745)	837	897	(58,909)	(52,921)
Other operating costs	(1,395)	(2,733)	(1,708)	(236)	-	-		-	(3,103)	(2,969)
Ordinary profit before financial charges	**40,587**	**18,947**	**42,463**	**41,568**	**(13)**	**19**	**-**	**-**	**83,037**	**60,534**
% on net sales	*13.5%*	*8.7%*	*20.3%*	*20.7%*	*n.s.*	*n.s.*			*16.3%*	*14.5%*
Financial income	3,697	2,956	3,778	3,298	1	1	(1,421)	(857)	6,055	5,398
Financial expenses	(7,453)	(6,084)	(3,960)	(4,817)	(4)	(2)	1,421	857	(9,996)	(10,046)
Dividends	-	-	8,500	5,500	-	-	(8,500)	(5,500)	-	-
Adjustment of investments carried at equity	(187)	(220)	(26)	(67)	-	-	-	-	(213)	(287)
Profit for the period before taxes	**36,644**	**15,599**	**50,755**	**45,482**	**(16)**	**18**	**(8,500)**	**(5,500)**	**78,883**	**55,599**
Income taxes	(14,556)	(7,388)	(14,145)	(13,185)	(92)	(83)	-	-	(28,793)	(20,656)
Consolidated profit for the period	**22,088**	**8,211**	**36,610**	**32,297**	**(108)**	**(65)**	**(8,500)**	**(5,500)**	**50,090**	**34,943**
Due to:										
Parent company's shareholders	21,462	7,509	36,522	32,267	(108)	(65)	(8,500)	(5,500)	49,376	34,211
Subsidiaries' minority shareholders	626	702	88	30	-	-	-	-	714	732
Consolidated profit for the period	**22,088**	**8,211**	**36,610**	**32,297**	**(108)**	**(65)**	**(8,500)**	**(5,500)**	**50,090**	**34,943**
Further information required by IFRS 8										
Amortization, depreciation and write-downs	13,924	10,635	7,666	6,384	5	6		-	21,595	17,025
Other non-monetary costs	1,896	2,632	2,175	1,583	-	-		-	4,071	4,215

Interpump Group business sector information
(amounts shown in €/000)
<u>Q3</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	96,080	73,438	72,739	63,534	-	-	-	-	168,819	136,972
Sales between sectors	88	7	377	286	197	218	(662)	(511)	-	-
Total net sales	**96,168**	**73,445**	**73,116**	**63,820**	**197**	**218**	**(662)**	**(511)**	**168,819**	**136,972**
Cost of sales	(63,858)	(50,749)	(44,252)	(36,701)	29	(2)	467	319	(107,614)	(87,133)
Gross industrial margin	**32,310**	**22,696**	**28,864**	**27,119**	**226**	**216**	**(195)**	**(192)**	**61,205**	**49,839**
% on net sales	*33.6%*	*30.9%*	*39.5%*	*42.5%*	*n.s.*	*n.s.*			*36.3%*	*36.4%*
Other net revenues	1,887	1,459	831	712	1	5	(60)	(69)	2,659	2,107
Distribution costs	(9,130)	(7,336)	(7,351)	(6,807)	-	-	-	-	(16,481)	(14,143)
General and administrative expenses	(11,705)	(10,310)	(7,552)	(7,291)	(207)	(213)	255	261	(19,209)	(17,553)
Other operating costs	(427)	(1,223)	(921)	(26)	-	-	-	-	(1,348)	(1,249)
Ordinary profit before financial charges	**12,935**	**5,286**	**13,871**	**13,707**	**20**	**8**	**-**	**-**	**26,826**	**19,001**
% on net sales	*13.5%*	*7.2%*	*19.0%*	*21.5%*	*n.s.*	*n.s.*			*15.9%*	*13.9%*
Financial income	2,097	479	2,177	1,103	-	-	(504)	(379)	3,770	1,203
Financial expenses	(2,504)	(2,700)	(1,823)	(1,705)	(1)	(1)	504	379	(3,824)	(4,027)
Adjustment of investments carried at equity	(144)	(164)	(19)	(21)	-	-	-	-	(163)	(185)
Profit for the period before taxes	**12,384**	**2,901**	**14,206**	**13,084**	**19**	**7**	**-**	**-**	**26,609**	**15,992**
Income taxes	(5,071)	(2,132)	(4,505)	(4,218)	(31)	(15)	-	-	(9,607)	(6,365)
Consolidated profit for the period	**7,313**	**769**	**9,701**	**8,866**	**(12)**	**(8)**	**-**	**-**	**17,002**	**9,627**
Due to:										
Parent company's shareholders	7,157	640	9,656	8,863	(12)	(8)	-	-	16,801	9,495
Subsidiaries' minority shareholders	156	129	45	3	-	-	-	-	201	132
Consolidated profit for the period	**7,313**	**769**	**9,701**	**8,866**	**(12)**	**(8)**	**-**	**-**	**17,002**	**9,627**
<u>Further information required by IFRS 8</u>										
Amortization, depreciation and write-downs	4,743	4,107	2,875	2,183	1	2	-	-	7,620	6,292
Other non-monetary costs	670	1,237	186	318	-	-	-	-	856	1,555

Financial position
(amounts shown in €/000)

	Hydraulic		Water Jetting		Other revenues		Elimination entries		**Interpump Group**	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013	30 September 2014	31 December 2013	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Assets of the sector (A)	**512,831**	**396,460**	**442,948**	**379,298**	**1,183**	**1,722**	**(93,343)**	**(71,659)**	**863,619**	**705,821**
Cash and cash equivalents									90,372	105,312
Total assets									**953,991**	**811,133**
Liabilities of the sector (B)	**210,547**	**160,548**	**66,610**	**60,880**	**1,701**	**1,719**	**(93,343)**	**(71,659)**	**185,515**	**151,488**
Debts for the payment of investments									65,430	32,700
Payables to banks									29,125	20,932
Interest-bearing financial payables									211,914	173,064
Total liabilities									**491,984**	**378,184**
Total assets, net (A-B)	**302,284**	**235,912**	**376,338**	**318,418**	**(518)**	**3**		**-**	**678,104**	**554,333**
Further information required by IFRS 8										
Investments carried at equity	-	990	428	158	-	-	-	-	428	1,148
Non-current assets other than financial assets and deferred tax assets	284,085	217,668	212,245	194,959	194	224	-	-	496,524	412,851

The comparison of the Hydraulic Sector is as follows, like for like:

(amounts shown in €/000)	M9 2014	M9 2013	Q3 2014	Q3 2013
Net sales external to the Group	234,581	216,956	81,323	73,438
Sales between sectors	163	23	88	7
Total net sales	**234,744**	**216,979**	**81,411**	**73,445**
Cost of sales	(154,337)	(147,528)	(53,699)	(50,749)
Gross industrial margin	**80,407**	**69,451**	**27,712**	**22,696**
% on net sales	*34.3%*	*32.0%*	*34.0%*	*30.9%*
Other net revenues	4,905	4,156	1,464	1,459
Distribution costs	(21,675)	(21,647)	(7,401)	(7,336)
General and administrative expenses	(30,579)	(30,280)	(10,626)	(10,310)
Other operating costs	(1,081)	(2,733)	(258)	(1,223)
Ordinary profit before financial charges	**31,977**	**18,947**	**10,891**	**5,286**
% on net sales	*13.6%*	*8.7%*	*13.4%*	*7.2%*
Financial income	3,127	2,956	1,990	479
Financial expenses	(5,322)	(6,084)	(1,726)	(2,700)
Adjustment of investments carried at equity	(187)	(220)	(144)	(164)
Profit for the period before taxes	**29,595**	**15,599**	**11,011**	**2,901**
Income taxes	(12,152)	(7,388)	(4,545)	(2,132)
Consolidated profit	**17,443**	**8,211**	**6,466**	**769**
Due to:				
Parent company's shareholders	16,882	7,509	6,306	640
Subsidiaries' minority shareholders	561	702	160	129
Consolidated profit for the period	**17,443**	**8,211**	**6,466**	**769**

Cash flows by business sector for M9 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	30,973	17,905	16,858	21,776	659	126	48,490	39,807
Investing activities	(44,163)	(46,326)	(17,203)	(11,473)	25	(32)	(61,341)	(57,831)
Financing activities	12,889	25,678	(24,349)	(30,839)	(500)	(500)	(11,960)	(5,661)
Total	(301)	(2,743)	(24,694)	(20,536)	184	(406)	(24,811)	(23,685)

Investing activities of the Hydraulic Sector in the 9M 2014 include €33,931k associated with the acquisition of equity investments (€40,865k in 9M 2013).

Financing activities of 9M 2014 include the granting of intercompany loans from the Water Jetting Sector to the Hydraulic Sector in the amount of €14,451k (€34,105k in 9M 2013) to finance the new acquisitions. Moreover, cash flows of Water Jetting Sector financing activities in 2014 include outlays for the purchase of treasury shares in the amount of €28,462k (€15,467k in 2013), proceeds from the sale of treasury shares to the beneficiaries of stock options in the amount of €4,049k (€6,754k 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 (€18,029k in 2013).

3. Acquisition of investments

Hydrocontrol Group

The fair value of the assets and liabilities secured in 2013 with the acquisition of Hydrocontrol, which, as permitted by IFRS 3, were measured on a provisional basis at 31 December 2013, can be considered to be final at 30 September 2014, since the procedures for checking the parameters making up the final price have been completed and the counterparties have reached an agreement. Considering the advanced stage of the negotiations an adjustment was recorded at June 2014 in favour of Interpump in the amount of €1,336k, corresponding to the part of the adjustment agreed between the parties, which was 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 led to the final determination on 30 September of a further price adjustment in favour of Interpump Group of an additional €726k, this amount too being offset against the original residual debt for payment of the provisional price, which therefore stands at €1,278k at the end of September 2014. Since the window allowed by IFRS 3 to amend the acquisition price allocation to the balance sheet captions ended on 30 June 2014, the additional price adjustment was recorded in the consolidated financial statements in the income statement under financial income.

4. Inventories and breakdown of the Allowance for inventories

	30/09/2014 €/000	*31/12/2013* €/000
Inventories gross value	198,542	161,232
Allowance for inventories	(17,549)	(15,238)
Inventories	180,993	145,994

Breakdown of the inventory write-down provision:

	9M 2014 €/000	*Year 2013* €/000
Opening balances	15,238	11,892
Exchange rate difference	409	(216)
Change to consolidation basis	627	3,269
Allocations for the period	1,744	1,734
Utilisations in the period due to surpluses	-	(365)
Utilisations in the period due to losses	(469)	(1,076)
Closing balance	17,549	15,238

5. Property, plant and equipment

Purchases and disposals

In 9M 2014 Interpump Group acquired assets for €70,768k, of which €39,688k with the acquisition of equity investments (€50,828 in 9M 2013, of which €26,223k acquired through the acquisition of investments). During 9M 2014 assets were divested for a net book value of €2,762k (€1,579k in 9M 2013). A net capital gain was realised on the divested assets of €1,304k (€921k in 9M 2013).

Contractual commitments
At 30 September 2014 the Group had contractual commitments for the purchase of tangible fixed assets for €3,310k (€16,719k at 30 September 2013, of which €11,659k in relation to the new Hammelmann factory).

6. Shareholders' equity
Share capital
The share capital is composed of 108,879,294 ordinary shares with a unit face value of 0.52 euro for a total amount of €56,617,232.88. In contrast, share capital recorded in the financial statements amounts to €54,245k 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 September 2014 Interpump S.p.A. held 4,561,608 shares in the portfolio, corresponding to 4.19% of the capital stock, acquired at an average unit cost of 8.71762 euro.

Treasury stock purchased
The amount of treasury stock held by Interpump Group S.p.A. is recorded in an equity provision. In 9M 2014 the Group acquired 2,833,541 treasury shares for the total amount of €28,462k (2,037,388 treasury shares purchased in 9M 2013 for €15,467k).

Treasury stock sold
In the framework of exercising the stock option plans a total of 805,560 options were exercised, resulting in a receipt for €4,049k (in 9M of 2013 a total number of 1,646,650 options were exercised, generating €6,754k). Moreover, in 9M 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 9M 2013 to cover part of the investment in Hydrocontrol).

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

7. Financial income and expenses

A breakdown of 9M 2014 is shown below:

	2014 €/000	2013 €/000
Financial income		
Interest income	493	1,040
Foreign exchange gains	4,717	1,745
Earnings from valuation of derivative financial instruments	118	906
Financial income to adjust estimate of debt for commitment to purchase residual stakes in subsidiaries	727	1,668
Other financial income	-	39
Total financial income	6,055	5,398

	2014 €/000	2013 €/000
Financial expenses		
Interest expenses on loans	5,393	4,901
Interest expense on put options	1,690	941
Foreign exchange losses	2,818	3,704
Losses from valuation of derivative financial instruments	71	415
Financial income to adjust estimate of debt for commitment to purchase residual stakes in subsidiaries	24	85
Total financial charges	9,996	10,046
Total financial charges, net	3,941	4,648

A breakdown of Q3 2014 is shown below:

	2014 €/000	2013 €/000
Financial income		
Interest income	153	271
Foreign exchange gains	2,879	591
Financial income to adjust estimate of debt for commitment to purchase residual stakes in subsidiaries	727	-
Earnings from valuation of derivative financial instruments	11	342
Other financial income	-	(1)
Total financial income	3,770	1,203
Financial expenses		
Interest expenses on loans	1,822	1,729
Interest expense on put options	574	317
Foreign exchange losses	1,427	1,955
Losses from valuation of derivative financial instruments	1	26
Total financial charges	3,824	4,027
Total financial charges, net	54	2,824

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:

9M	2014	2013
Consolidated profit for the period attributable to parent company shareholders (€/000)	49,376	34,211
Average number of shares in circulation	105,775,080	104,060,796
Basic earnings per share in 9M (€)	0.467	0.329

Q3	2014	2013
Consolidated profit for the period attributable to parent company shareholders (€/000)	16,801	9,945
Average number of shares in circulation	104,998,039	106,219,149
Basic earnings per share for the quarter (€)	0.160	0.089

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:

9M	2014	2013
Consolidated profit for the period attributable to Parent company shareholders (€/000)	49,376	34,211
Average number of shares in circulation	105,775,080	104,060,796
Number of potential shares for stock option plans (*)	2,028,587	1,307,675
Average number of shares (diluted)	107,803,667	105,368,471
Diluted earnings per share in 9M (€)	0.458	0.325

Q3	2014	2013
Consolidated profit for the period attributable to Parent company shareholders (€/000)	16,801	9,945
Average number of shares in circulation	104,998,039	106,219,149
Number of potential shares for stock option plans (*)	2,014,422	1,654,009
Average number of shares (diluted)	107,012,461	107,873,158
Earnings per diluted share for the quarter (€)	0.157	0.088

(*) 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 9M 2014 and 9M 2013 are given below:

(€/000)	9M 2014 Total Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Net sales	510,065	3,774	-	1,345	5,119	1.0%
Cost of sales	322,950	332	-	13,112	13,444	4.2%
Other revenues	8,391	2	-	2	4	0.0%
Distribution costs	50,457	145	-	1,044	1,189	2.4%
General and administrative expenses	58,909	-	-	644	644	1.1%
Financial income	6,055	66	-	-	66	1.1%
Financial expenses	9,995	1	-	7	8	0.1%

(€/000)	9M 2013 Total Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Net sales	417,493	4,539	-	720	5,259	1.3%
Cost of sales	263,885	338	-	10,697	11,035	4.2%
Other revenues	6,309	8	-	5	13	0.2%
Distribution costs	43,493	297	-	953	1,250	2.9%
General and administrative expenses	52,921	-	-	689	689	1.3%
Financial income	5,398	40	-	-	40	0.7%
Financial expenses	10,046	-	-	13	13	0.1%

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

(€/000)	30 September 2014 Total Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Trade receivables	146,225	3,924	-	376	4,300	2.9%
Other current assets	7,140	6	-	117	123	1.7%
Other financial assets	2,627	770	-	-	770	29.3%
Trade payables	77,723	155	-	2,995	3,150	4.1%
Interest-bearing financial payables (current portion)	63,064	-	-	406	406	0.6%
Other current liabilities	57,220	-	-	1,078	1,078	1.9%

(€/000)	30 September 2013 Total Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Trade receivables	115,308	4,131	-	555	4,686	4.1%
Other financial assets	1,665	1,093	-	27	1,120	67.3%
Assets held for sale	2,480	359	-	-	359	14.5%
Trade payables	60,584	100	-	2,418	2,518	4.2%
Interest-bearing financial payables (current portion)	73,621	-	-	342	342	0.5%

Relations with non-consolidated subsidiaries
Relations with non-consolidated subsidiaries are as follows:

(€/000)	Receivables		Revenues	
	30/09/2014	30/09/2013	2014	2013
HS Penta Africa Pty Ltd*	-	1,235	-	1,706
Interpump Hydraulics Middle East	2,637	1,595	2,667	933
Galtech Canada Inc.*	-	288	-	806
Interpump Hydraulics (UK)	732	558	425	543
General Pump China Inc.	121	181	407	414
Hammelmann Bombas e Sistemas Ltda	440	260	277	110
Syscam Gestion Integrada*	-	14	-	35
Total subsidiaries	*3,930*	*4,131*	*3,776*	*4,547*

(€/000)	Payables		Costs	
	30/09/2014	30/09/2013	2014	2013
General Pump China Inc.	56	42	355	362
Hammelmann Bombas e Sistemas Ltda	98	46	121	273
Interpump Hydraulics Middle East	1	-	1	-
HS Penta Africa Pty Ltd*	-	12	-	-
Total subsidiaries	*155*	*100*	*477*	*635*

(€/000)	Loans		Financial income	
	30/09/2014	30/09/2013	2014	2013
Interpump Hydraulics (UK)	206	191	63	1
Interpump Hydraulics Middle East	105	105	2	2
General Pump China Inc.	-	36	-	-
Hammelmann Bombas e Sistemas Ltda	30	30	-	-
Syscam Gestion Integrada*	-	-	-	37
Total subsidiaries	*341*	*362*	*65*	*40*

* = fully consolidated at 30/09/2014

Relations with associates
The Group does not hold investments in associated companies.

Transactions with other related parties

Transactions with other related parties regard the leasing of facilities owned by companies controlled by current shareholders and directors of Group companies for the amount of €3,674k (€3,604 in 9M 2013) and consultancy services provided by entities connected with directors and statutory auditors of the Parent company for €87k (€114 in 9M 2013). Costs for rentals were recorded under the cost of sales in the amount of €2,890k (€2,771k in 9M 2013), under distribution costs in the amount of €654k (€664k in 9M 2013) and under general and administrative expenses in the amount of €130k (€169k in 9M 2013). Consultancy costs were recorded in distribution costs in the amount of €45k and in general and administrative expenses for €42k (€45k in distribution costs and €69k in general administrative expenses in 9M 2013)

Moreover, further to the signing of building rental contracts with other related parties, at 30 September 2014 the Group has commitments of €20,056k (€10,787k at 30 September 2013). The increase at 30 September 2014 compared to the same period of 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 in fair value in the balance sheet, international accounting principles require that said values be classified on the basis of a hierarchy of levels that reflects the significance of the inputs utilized 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 September 2014, shown according to the level.

(€/000)	Level 1	Level 2	Level 3	Total
Other financial assets available for sale	523	-	-	523
Total assets		-	-	
Derivatives payable:				
- Plain vanilla forwards	-	10	-	10
- Interest rate swaps	-	166	-	166
Total liabilities	**-**	**176**	**-**	**176**

No transfers between levels were carried out in 9M 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 9M 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 disseminated in the financial sector. Specifically:

- the fair value of plain vanilla forwards is calculated considering the exchange rate and interest rates of the two currencies at 30 September 2014 (last available trading day);
- the fair value of the interest rate swaps is calculated utilizing the discounted cash flow model: the input data used by this model are the interest rate trends at 30 September 2014 and the current interest rate.

In application of IFRS 13, the fair value measurement of the instruments is performed taking account of the counterparty risk and in particular calculating a credit value adjustment (CVA) in the case of derivatives with positive fair value, or a debit value adjustment (DVA) in the case of derivatives with negative fair value.