Interim Board of Directors' report
at 31 March 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

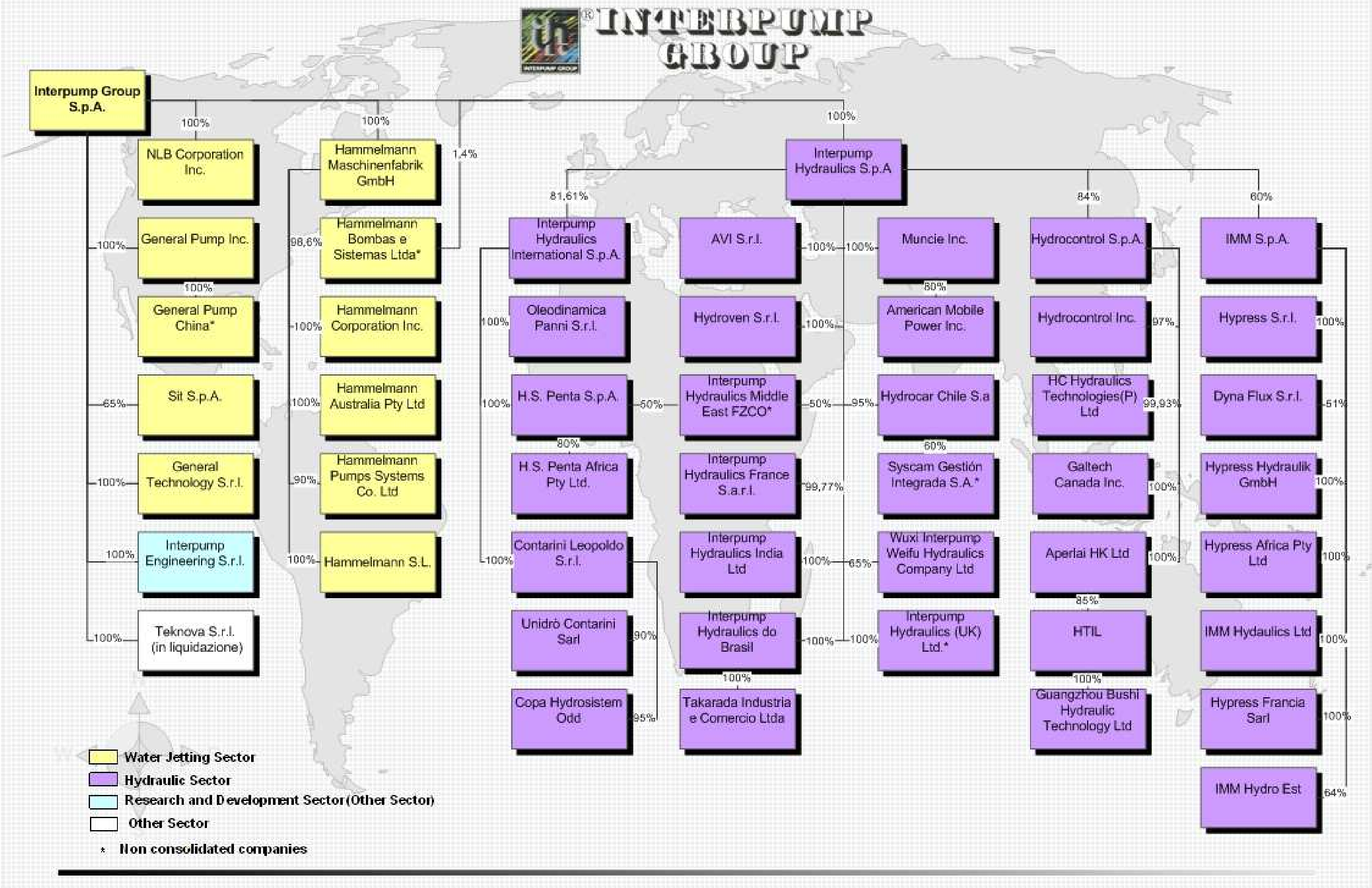
Alessandra Tronconi
Statutory auditor

Independent Auditors

Reconta Ernst & Young S.p.A.

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

Organizational chart as at 31/03/2014



Interim Board of Directors' report

Directors' remarks on performance in Q1 2014

Q1 consolidated income statements

(€/000)	*2014*	*2013*
Net sales	**160,209**	**132,264**
Cost of sales	(102,170)	(82,380)
Gross industrial margin	**58,039**	**49,884**
% on net sales	*36.2%*	*37.7%*
Other operating revenues	2,995	1,862
Distribution costs	(16,241)	(14,072)
General and administrative expenses	(19,588)	(16,943)
Other operating costs	(390)	(349)
EBIT	**24,815**	**20,382**
% on net sales	*15.5%*	*15.4%*
Financial income	1,142	2,069
Financial expenses	(3,493)	(2,464)
Adjustment of the value of investments carried at equity	(159)	(29)
Profit for the period before taxes	**22,305**	**19,958**
Income taxes	(8,710)	(7,174)
Consolidated profit for the period	**13,595**	**12,784**
% on net sales	*8.5%*	*9.7%*
Due to:		
Parent company's shareholders	13,394	12,433
Subsidiaries' minority shareholders	201	351
Consolidated profit for the period	**13,595**	**12,784**
EBITDA*	**32,003**	**25,411**
% on net sales	*20.0%*	*19.2%*
Shareholders' equity	446,469	414,581
Net debt	127,345	74,109
Payables for the acquisition of investments	69,433	28,707
Capital employed	643,247	517,397
Unannualized ROCE	**3.9%**	**3.9%**
Unannualized ROE	**3.0%**	**3.1%**
Basic earnings per share	**0.126**	**0.123**

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 organization'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.

EVENTS OCCURRING IN THE QUARTER

The Hydrocontrol Group acquired on 6 March 2013 and the IMM Hydraulics Group acquired on 8 January 2014 (neither of which therefore appearing in Q1 2013) were consolidated in Q1 2014 and booked to the Hydraulic Sector. We invite you to refer to the 2013 Annual Financial Report for a description of the two acquisitions.

Q1 2014 was characterized by a 21.1% upswing of sales compared to Q1 2013 (considered like for like, the figures are substantially in line). The business sector analysis shows a 52.3% advance in the Hydraulic Sector (+5.7% like for like and +8.5% also net of exchange differences) and a 9.0% regression in the Water Jetting sector. (-6.9% net of exchange differences). The FX effect therefore penalized consolidated sales by 2.5% or €3.3 million.

In geographical terms, growth in Europe, including Italy, was 42.4%, with 5.5% in North America, 2.2% in the Far East and Oceania (ex-Pacific Area) and 9.2% in the Rest of the World. The like for like geographical breakdown displays a substantially stable trend 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 16.7% fall back.

EBITDA reached €32.0 million or 20.0% of sales. In Q1 2013 EBITDA was booked at €25.4 million (19.2% of sales). This corresponds to a growth figure of 25.9%. Like for like, EBITDA was up by 4.7% to €26.6 million or 20.5%/sales, increasing profit margins by 1.3 percentage points; also net of exchange differences EBITDA would be 27.4 million (20.5%/sales); it follows that the foreign exchange effect impacted negatively on consolidated EBITDA in the measure of €0.8 million.

EBIT stood at €24.8 million or 15.5%/sales. EBIT was booked at €20.4 million (15.4%/sales) in Q1 2013. This figure reflects growth of 21.7%. Like for like, EBIT was up by 3.7%, reaching €21.1 million or 16.3%/sales, increasing margins by 0.9 percentage points.

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

Net profit for the period was €13.6 million, 6.3% higher than the €12.8 million booked in Q1 2013.

NET SALES

Net sales in Q1 2014 totalled €160.2 million, up by 21.1% on the €132.3 million of Q1 2013 (-1.8% like for like, +0.7% also net of exchange differences). The exchange rate effect therefore compressed consolidated sales in the measure of €3.3 million.

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

(€/000)	Italy	Rest of Europe	North America	Far East and Oceania	Rest of the World	Total
Q1 2014						
Hydraulic Sector	18,948	37,506	22,376	5,344	14,809	98,983
Water Jetting Sector	4,146	18,185	28,677	6,594	3,624	61,226
Total	23,094	55,691	51,053	11,938	18,433	160,209
Q1 2013						
Hydraulic Sector	13,039	17,121	18,966	2,393	13,453	64,972
Water Jetting Sector	4,967	20,195	29,413	9,287	3,430	67,292
Total	18,006	37,316	48,379	11,680	16,883	132,264
2014/2013 percentage changes						
Hydraulic Sector	+45.3%	+119.1%	+18.0%	+123.3%	+10.1%	+52.3%
Water Jetting Sector	-16.5%	-10.0%	-2.5%	-29.0%	+5.7%	-9.0%
Total	+28.3%	+49.2%	+5.5%	+2.2%	+9.2%	+21.1%

2014/2013 changes are shown below like for like:

Hydraulic Sector	+6.6%	+10.2%	+5.5%	+31.3%	-5.1%	+5.7%
Total	+0.2%	-0.7%	+0.6%	-16.7%	-2.9%	-1.8%

The like for like analysis net of exchange differences shows growth of 8.5% in the Hydraulic Sector. Net of exchange differences the decline in Water Jetting Sector sales is reduced to 6.9%.

We draw your attention to the fact that the Water Jetting Sector order portfolio at 31/3/2014 matches the fall in sector sales in Q1 2014 exactly, in absolute terms (15% increase in the portfolio), while on a comparable basis and net of exchange differences, the Hydraulic Sector portfolio is up by 30%.

PROFITABILITY

The cost of sales accounted for 63.8% of sales (62.3% in Q1 2013). Production costs, which totalled €41.1 million (€31.3 million in Q1 2013, which however did not include the Hydrocontrol Group and the IMM Hydraulics Group), accounted for 25.7% of sales (23.7% in Q1 2013). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €61.0 million (€51.1 million in Q1 2013, which did not include the Hydrocontrol Group and the IMM Hydraulics Group). The incidence of purchase costs including changes in inventories was 38.1% compared to 38.6% in Q1 2013.

The 2014 percentage incidence of like for like production costs and purchase costs was 24.7 % (up by 1 percentage point) and 37.3% (down by 1.3 percentage points) respectively. This meant an 0.3% decline in the like for like incidence of the cost of sales; consequently, the increase in the cost of sales from 62.3% in Q1 2013 to 63.8% in Q1 2014 is entirely due to the mix effect of the newly consolidated entities.

Like for like distribution costs decreased by 4.4% with respect to Q1 2013, with a lower incidence of 0.3 percentage points on sales. With the inclusion of Hydrocontrol and IMM Hydraulics the incidence fell by 0.5 percentage points compared to Q1 2013.

Like for like general and administrative expenses were substantially unchanged with respect to Q1 2013 (+0.6%), with an 0.3 percentage point fall in their incidence on sales. With the inclusion of Hydrocontrol and IMM Hydraulics the incidence fell by 0.6 percentage points compared to Q1 2013.

Total payroll costs were €39.6 million (€31.8 million in Q1 2013, not subject to Hydrocontrol Group and IMM Hydraulics Group payroll costs). Like for like payroll costs rose by 1.5% due to a 3.3% per capita cost increase and a decline of 46 in the average headcount. The average total number of Group employees in Q1 2014 was 3,621 (2,653 like for like) compared to 2,699 in Q1 2013. The like for like reduction in the average headcount in Q1 2014 breaks down as follows: – 80 in Europe, +25 in the US and +9 in the Rest of the World (Brazil, China, India, Chile, Australia and South Africa).

EBITDA totalled €32.0 million (20.0% of sales) compared to the €25.4 million of Q1 2013, which accounted for 19.2%/sales, reflecting a 25.9% increase. Like for like EBITDA was up by 4.7% to €26.6 million or 20.5%/sales, increasing margins by 1.3 percentage points. Net of exchange differences EBITDA would have been €27.4 million (20.5%/sales); the FX effect therefore exerted an 0.8 million euro compressive effect on EBITDA. The following table shows EBITDA for each business sector:

	Q1 2014 €/000	*% on total sales**	*Q1 2013 €/000*	*% on total sales**	*Growth/ Contraction*
Hydraulic Sector	17,322	17.5%	9,484	14.6%	+82.6%
Water Jetting Sector	14,723	23.9%	15,901	23.6%	-7.4%
Other Revenues Sector	(42)	n.s.	26	n.s.	n.s.
Total	***32,003***	***20.0%***	***25,411***	***19.2%***	***+25.9%***

* = Total sales also include sales to other group companies, while the sales analyzed previously are exclusively those external to the Group (see 2 in the notes). For uniformity, the percentage is therefore calculated on total sales rather than the sales analyzed previously.

Like for like Hydraulic Sector EBITDA was up by 25.8% (17.4%/sales).

EBIT stood at €24.8 million (15.5%/sales) compared to the €20.4 million of Q1 2013 (15.4%/sales), reflecting growth of 21.7% On a like for like basis EBIT was up by 3.7% to €21.1 million or 16.3% of sales, resulting in an 0.9% improvement in margins. The positive trend of like for like margins is the first result of the Hydraulic Sector rationalization process carried out in 2013 and 2012.

The tax rate for the period was 39.0% (35.9% in Q1 2013). The increase is due to higher intercompany dividends paid by foreign subsidiaries and resolved in Q1 2014 than in Q1 2013, deriving from local taxes that cannot be recovered in Italy.

Net profit totalled €13.6 million (€12.8 million in Q1 2013) reflecting growth of 6.3%. Basic earnings per share were €0.126 (€0.123 in Q1 2013) and therefore up by 2.4%.

Capital employed increased from €554.3 million at 31 December 2013 to €643.2 million at 31 March 2014. The increase is mainly due to the consolidation of IMM Hydraulics. Unannualized ROCE stood at 3.9% (3.9% also in Q1 2013, thus proving that the acquisitions had no dilutive effect). Unannualized ROE was 3.0% (3.1% in Q1 2013).

CASH FLOW

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

	Q1 2014 *€/000*	*Q1 2013* *€/000*
Opening net financial position	**(88,684)**	**(74,549)**
Adjustment: opening net cash position of companies not consolidated with the full consolidated method at the end of the prior year	(237)	231
Adjusted opening net financial position	**(88,921)**	**(74,318)**
Cash flow from operations	26,829	20,670
Cash flow generated (absorbed) by the management of commercial working capital	(21,348)	(14,804)
Cash flow generated (absorbed) by other current assets and liabilities	(2,531)	(734)
Capital expenditure in tangible fixed assets	(9,916)	(5,568)
Proceeds from sales of tangible fixed assets	159	120
Increase in other intangible fixed assets	(1,020)	(568)
Received financial income	173	702
Other	(99)	(477)
Free cash flow	***(7,753)***	***(659)***

	Q1 2014	*Q1 2013*
	€/000	*€/000*
Free cash flow	***(7,753)***	***(659)***
Acquisition of investments including acquired debt and net of divested treasury stock	(30,488)	(287)
Receipt for sale of the Hydrometal line of business	650	-
Outlays for purchase of treasury stock	(3,762)	(402)
Proceeds from sale of treasury stock to beneficiaries of stock options	3,106	-
Proceeds from sale of financial assets	-	990
Loan (disbursals to) repayments from non-consolidated subsidiaries	22	(117)
Cash flow generated (used)	***(38,225)***	***(475)***
Exchange rate differences	(199)	684
Net cash position at end of period	**(127,345)**	**(74,109)**

Net liquidity generated by operations totalled €26.8 million (€20.7 million in Q1 2013) reflecting an increase of 29.8%. Free cash flow was negative at €7.8 million (–€0.7 million in Q1 2013). It should be noted that higher investments were settled in Q1 2014 for €4.8 million, mainly deriving from the work progress on construction of the Hammelmann factory. This was accompanied by higher absorption of commercial working capital of €6.5 million, deriving from the increase in Hydraulic Sector sales, which were down in Q1 2013.

The net cash position breaks down as follows:

	31/03/2014	31/12/2013	31/03/2013	01/01/2013
	€/000	€/000	€/000	€/000
Cash and cash equivalents	85,500	105,312	99,051	115,069
Bank payables (advances and STC amounts)	(36,320)	(20,932)	(11,635)	(10,614)
Interest-bearing financial payables (current portion)	(60,090)	(61,371)	(79,138)	(87,303)
Interest-bearing financial payables (non-current portion)	(116,435)	(111,693)	(82,387)	(91,701)
Total	**(127,345)**	**(88,684)**	**(74,109)**	**(74,549)**

The increase in advances and STC amounts is due to the consolidation of Hydrocontrol and IMM, both of which show wide scale use of this type of credit instrument.

The Group also has contractual commitments for the acquisition of residual interests in subsidiaries totalling €69.4 million (€32.7 million at 31/12/2013 and €28.7 million at 31/03/2013). 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. Once again, the increase is due to the consolidation of Hydrocontrol and IMM.

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment stood at €9.9 million, (€8.1 million in Q1 2013), of which €4.0 million for construction of the new Hammelmann factory. The companies in the Very-High Pressure Systems segment record machinery manufactured and hired out to customers under tangible fixed assets (€1.2 million at 31/03/2014 and €1.3 million at

31/03/2013). Net of these latter amounts, capital expenditure stood at €4.7 million in Q1 2014 (€6.8 million at 31/03/2013) and mainly refers to the normal renewal and modernization of plant, machinery and equipment. The difference with respect to the expenditure recorded in the cash flow statement is due to the dynamic of payments.

Increases in intangible fixed assets amounted to €1.0 million (€0.6 million in Q1 2013) and refer mainly to spending on new product development.

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 31 March 2014.

CHANGES IN THE GROUP STRUCTURE IN Q1 2014

The merger of Golf Hydrosystem with Copa Hydrosystem was carried out in Q1 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. Moreover, an additional 35% interest was acquired in Hydrocar Chile.

With effect from 1 March 2013 Interpump Hydraulics S.p.A. sold the Hydrometal business, netting a capital gain of €0.5 million. The other effects on the quarter are not significant.

EVENTS OCCURRING AFTER THE CLOSE OF Q1 2014

The Interpump Group S.p.A. Shareholders' Meeting held on 30 April 2014 approved the 2013 annual financial statements and the proposal for distribution of a dividend of €0.17 per share; the meeting also:

- approved the Remuneration Policy pursuant to art. 123 (3) of legislative decree 58/98;
- appointed the new Board of Directors and the new Board of Statutory Auditors, the existing bodies having reached the end of their office;
- appointed the new independent auditor for the period 2014/2022;
- authorized the Board of Directors, for the period of eighteen months starting from the date of the shareholders' resolution, to purchase treasury stock up to the maximum number of shares permitted by law, and to sell treasury stock already purchased or that will be acquired in the future in execution of said authorization. The resolution authorizing the purchase of treasury stock was approved with a vote of the majority of shareholders in attendance at the meeting other than Gruppo IPG Holding S.r.l. Therefore, said purchases will qualify for inclusion in the exemption regime as at art. 44-*(2)*, subsection 2, of Consob Regulation no. 11971/1999;
- granted a five-year mandate to the Board of Directors to increase the share capital excluding option rights, up to a maximum of 10%/capital;
- resolved to make several simplifying amendments to the bylaws in the extraordinary part of the meeting.

After the close of the Q1 2014 no atypical or unusual transactions have occurred such that would require mention in this report or call for changes to the consolidated financial statements at 31 March 2014.

Sant'Ilario d'Enza, 14 March 2014

For the Board of Directors
Fulvio Montipò
Chairman of the Board of Directors

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, 14 March 2014

Carlo Banci
Manager responsible for drafting
company accounting documents

Financial statements and notes

Consolidated statement of financial position

(€/000)	*Notes*	*31/03/2014*	*31/12/2013*
ASSETS			
Current assets			
Cash and cash equivalents		85,500	105,312
Trade receivables		139,982	113,726
Inventories	4	170,893	145,994
Tax receivables		7,001	6,029
Derivative financial instruments		7	42
Other current assets		6,830	5,582
Total current assets		**410,213**	**376,685**
Non-current assets			
Property, plant and equipment	5	194,035	150,668
Goodwill	1	248,108	234,792
Other intangible assets		26,321	23,755
Other financial assets		2,821	2,072
Tax receivables		3,048	3,071
Deferred tax assets		21,404	19,525
Other non-current assets		725	565
Total non-current assets		**496,462**	**434,448**
Total assets		***906,675***	***811,133***

(€/000)	*Notes*	*31/03/2014*	*31/12/2013*
LIABILITIES			
Current liabilities			
Trade payables		82,039	69,985
Payables to banks		36,320	20,932
Interest-bearing financial payables (current portion)		60,090	61,371
Derivative financial instruments		221	279
Tax payables		8,539	5,723
Other current liabilities		55,220	45,524
Provisions for risks and charges		4,055	3,972
Total current liabilities		**246,484**	**207,786**
Non-current liabilities			
Interest-bearing financial payables		116,435	111,693
Liabilities for employee benefits		12,635	11,942
Deferred tax liabilities		31,962	26,458
Other non-current liabilities		50,844	18,774
Provisions for risks and charges		1,846	1,531
Total non-current liabilities		**213,722**	**170,398**
Total liabilities		**460,206**	**378,184**
SHAREHOLDERS' EQUITY	6		
Share capital		55,258	55,003
Legal reserve		11,323	11,323
Share premium reserve		127,026	125,039
Reserve for valuation of hedging derivatives at fair value		(16)	(27)
Reserve for restatement of defined benefit plans		(3,396)	(3,396)
Translation provision		(18,951)	(19,084)
Other reserves		270,738	257,828
Shareholders' equity for the Group		**441,982**	**426,686**
Minority interests		4,487	6,263
Total shareholders' equity		**446,469**	**432,949**
Total shareholders' equity and liabilities		***906,675***	***811,133***

Q1 consolidated income statements

(€/000)	*Notes*	*2014*	*2013*
Net sales		**160,209**	**132,264**
Cost of sales		(102,170)	(82,380)
Gross industrial margin		**58,039**	**49,884**
Other net revenues		2,995	1,862
Distribution costs		(16,241)	(14,072)
General and administrative expenses		(19,588)	(16,943)
Other operating costs		(390)	(349)
Ordinary profit before financial charges		**24,815**	**20,382**
Financial income	7	1,142	2,069
Financial expenses	7	(3,493)	(2,464)
Adjustment of the value of investments carried at equity		(159)	(29)
Profit for the period before taxes		**22,305**	**19,958**
Income taxes		(8,710)	(7,174)
Consolidated profit for the period		**13,595**	**12,784**
Due to:			
Parent company's shareholders		13,394	12,433
Subsidiaries' minority shareholders		201	351
Consolidated profit for the period		**13,595**	**12,784**
Basic earnings per share	8	0.126	0.123
Diluted earnings per share	8	0.124	0.121

Q1 comprehensive consolidated income statements

(€/000)	*2014*	*2013*
Consolidated profit for the period (A)	**13,595**	**12,784**
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	31	200
Total	*31*	*200*
Accounting of exchange risk derivative hedges recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivative financial instruments for the period	-	(115)
- Minus: Adjustment for reclassification of profits (losses) to the income statement	(14)	(89)
- Minus: Adjustment for recognition of fair value to reserves in the year	-	(4)
Total	*(14)*	*(208)*
Profits (Losses) arising from the conversion to euro of foreign companies' financial statements	*17*	*5,733*
Profits (losses) of companies carried at equity	-	*(30)*
Related taxes	*(6)*	*10*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**28**	**5,705**
Comprehensive consolidated profit for the period (A) + (B)	**13,623**	**18,489**
Due to:		
Parent company's shareholders	13,538	17,942
Subsidiaries' minority shareholders	85	547
Comprehensive consolidated profit for the period	**13,623**	**18,489**

Q1 consolidated cash flow statements

(€/000)	*2014*	*2013*
Cash flow from operating activities		
Pre-tax profit	22,305	19,958
Adjustments for non-cash items:		
Capital losses (gains) on the sale of fixed assets	(389)	(450)
Capital losses (gains) on the sale of investments and lines of business	(495)	-
Amortization/depreciation	6,859	4,931
Costs ascribed to the income statement relative to stock options that do not involve monetary outflows for the Group	337	209
Loss (Profit) from investments	159	29
Net change in risk funds and allocations for employee for employees	(34)	(353)
Net financial charges	2,351	395
Other	-	6
	31,093	24,725
Outlays for tangible fixed assets destined for hire	(1,181)	(1,252)
Proceeds from the sale of fixed assets granted for hire	1,055	874
Interest paid	(1,389)	(1,176)
Currency exchange gains realized	(194)	269
Taxes paid	(2,555)	(2,770)
Cash flow from operations	*26,829*	*20,670*
(Increase) decrease in trade receivables and other current assets	(13,006)	(13,251)
(Increase) decrease in inventories	(11,781)	(5,598)
Increase (decrease) in trade payables and other current liabilities	908	3,311
Net cash from operating activities	**2,950**	**5,132**
Cash flows from investing activities		
Outlay for the acquisition of investments, net of received cash and including treasury stock assigned	(20,539)	(287)
Disposal of investments and lines of business including transferred cash	650	-
Capital expenditure in property, plant and equipment	(9,916)	(5,568)
Proceeds from sales of tangible fixed assets	159	120
Increase in intangible fixed assets	(1,020)	(568)
Proceeds from sale of financial assets	-	990
Received financial income	173	702
Other	414	(249)
Net liquidity used in investing activities	**(30,079)**	**(4,860)**
Cash flows of financing activity		
Disbursals (repayments) of loans	(7,239)	(17,111)
Outlays for purchase of treasury stock	(3,762)	(402)
Sale of treasury stock for the acquisition of equity investments	2,561	-
Proceeds from sale of treasury stock to beneficiaries of stock options	3,106	-
Loans granted to (repayments from) non-consolidated subsidiaries	22	(117)
Disbursals (repayments) of loans from (to) shareholders	(62)	-
Payment of financial leasing instalments (principal portion)	(2,530)	(629)
Net liquidity obtained through (utilized in) financing activities	**(7,904)**	**(18,259)**
Net increase (decrease) of cash and cash equivalents	**(35,033)**	**(17,987)**

(€/000)	*2014*	*2013*
Net increase (decrease) of cash and cash equivalents	**(35,033)**	**(17,987)**
Exchange differences from the translation of cash of companies in areas outside the EU	(124)	717
Opening cash and equivalents of companies included with the full consolidation method for the first time	(43)	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	**49,180**	**87,416**

Cash and cash equivalents can be broken down as follows:

	31/03/2014 €/000	31/12/2013 €/000
Cash and cash equivalents from the balance sheet	85,500	105,312
Bank payables (advances and STC amounts)	(36,320)	(20,932)
Cash and cash equivalents from the cash flow statement	49,180	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	-	-	209	-	-	-	-	209	-	209
Purchase of treasury stock	(36)	-	(366)	-	-	-	-	(402)	-	(402)
Purchase of additional stakes in Penta Africa	-	-	-	-	-	-	(193)	(193)	-	(193)
Dividends paid	-	-	-	-	-	-	-	-	(398)	(398)
Comprehensive profit (loss) for Q1 2013	-	-	-	2	-	5,507	12,433	17,942	547	18,489
Balances at 31 March 2013	*52,760*	*10,157*	*105,357*	*(331)*	*(2,850)*	*(2,736)*	*246,242*	*408,599*	*5,982*	*414,581*
Allocation of the residual profit of 2012	-	1,166	-	-	-	-	(1,166)	-	-	-
Recognition in the income statement of the fair value of the stock options assigned and exercisable	-	-	838	-	-	-	-	838	-	838
Purchase of treasury stock	(1,405)	-	(19,634)	-	-	-	-	(21,039)	-	(21,039)
Sale of treasury stock to the beneficiaries of stock options	1,309	-	10,686	-	-	-	-	11,995	-	11,995
Sale of treasury stock to pay for equity investments	2,339	-	27,792	-	-	-	-	30,131	-	30,131
Dividends paid	-	-	-	-	-	-	(18,029)	(18,029)	(97)	(18,126)
Acquisition of residual stake in Golf	-	-	-	-	-	-	12	12	(102)	(90)
Acquisition of Hydrocontrol	-	-	-	-	-	-	-	-	491	491
Comprehensive Profit (loss) for 2013	-	-	-	304	(546)	(16,348)	30,769	14,179	(11)	14,168
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	-	-	337	-	-	-	-	337	-	337
Purchase of treasury stock	(199)	-	(3,563)	-	-	-	-	(3,762)	-	(3,762)
Sale of treasury stock to the beneficiaries of stock options	310	-	2,796	-	-	-	-	3,106	-	3,106
Sale of treasury stock for payment of equity investments	144	-	2,417	-	-	-	-	2,561	-	2,561
Purchase of additional interest in Hydrocar Chile	-	-	-	-	-	-	(542)	(542)	(1,870)	(2,412)
Copa-Golf merger effect	-	-	-	-	-	-	58	58	(58)	0
Acquisition of IMM	-	-	-	-	-	-	-	-	67	67
Comprehensive profit (loss) for Q1 2014	-	-	-	11		133	13,394	13,538	85	13,623
Balances at 31 March 2014	*55,258*	*11,323*	*127,026*	*(16)*	*(3,396)*	*(18,951)*	*270,738*	*441,982*	*4,487*	*446,469*

Notes to the consolidated financial statements

General information

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

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

The sales trend is unaffected by significant seasonality: historically approximately 55% are made in the first half of the year as a natural consequence of the traditional shut-down of Italian companies in August.

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 31 March 2014 were approved by the Board of Directors on this day (14 May 2014).

This interim board of directors' report is not subject to auditing.

Basis of preparation

The consolidated financial statements at 31 March 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. Therefore, the consolidated financial statements at 31 March should 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 31 March 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 cases in which indicators of impairment 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 function-based income statement (COGS - cost of goods sold) 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 carried 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 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. It is deemed that adoption of the new standard produces 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 (in application of 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.
- IAS 32 – Financial Instruments: 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. It is deemed that adoption of the new standard has 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 exclusives the facility to utilize 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 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 presentation 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.

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 utilizes 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 that has occurred 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 principle, such changes must be recorded in the comprehensive income statement and cannot thereafter be derecognized 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 aim of changes implemented is to simplify the accounting of contributions that are unrelated to the number of 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 interim rate-regulated activities project standard. IFRS 14 allows exclusively first-time adopters of IFRS to continue to recognize 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 IFRSs and that do not therefore disclose these amounts, the standard requires the rate regulation effect to be presented separately from other captions. The standard is applicable from 1 January 2016, although early adoption is permitted.

At the date of this Interim Report the competent bodies of the European Union had not yet to terminate the approval process required for adoption of the amendments and standards described above.

Notes to the consolidated financial statements at 31 March 2014

1. Consolidation basis and goodwill

The perimeter of consolidation at 31 March 2014 includes the Parent company and the following subsidiaries:

Company	*Head office*	*Sector*	*Share capital €/000*	*% stake at 31/03/14*
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)	Dayton (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	81.61%
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 Ood (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	37	95.00%
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	478	100.00%
Interpump Hydraulics do Brasil Partecipacoes Ltda (2)	San Paolo (Brazil)	Hydraulic	12,308	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)	Birmingham (UK)	Hydraulic	1	100.00%
Hypress Hydraulik GmbH (10)	Cologne (Germany)	Hydraulic	52	100.00%
Hypress France S.ar.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)	Gauteng (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 31/03/14*
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.

Also HS Penta Africa PtY Ltd and Galtech Canada Inc. were fully consolidated for the first time in line with development programmes over the coming years, despite the modest dimensions of these companies. The effect on the quarter is insignificant.

The minority shareholders of Interpump Hydraulics International S.p.A. are entitled to sell their holdings starting from the approval of the annual financial statements for the years 2013 or 2014 depending on the case, 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 relative to the estimate of the current value of the options exercise price will be recorded as an adjustment of the original goodwill.

Also 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 – and Muncie is obliged to purchase – their holdings in April 2016 at a price that will be determined on the basis of the company's results as reported in the last two financial statements for the years closed prior to this term. 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, the minority shareholder of IMM Hydraulics Hydrocontrol 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 past two years.

In compliance with the requirements of IFRS 3 and IAS 32 Hydrocontrol, American Mobile Power, HS Penta Africa and IMM Hydraulics were fully 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 greater or lesser levels of information will be recorded as an adjustment of goodwill, while after 12 months from the date of acquisition any changes will be recognized in profit and loss.
Changes in goodwill in Q1 2014 were as follows:

Company:	Balance at 31/12/2013	Increases (Decreases) for the period	Changes due to foreign exchange differences	Balance at 31/03/2014
- High pressure pumps division	37,194	-	1	37,195
- Very high pressure pumps division	88,807	-	6	88,813
Total Water Jetting Jetting Sector	*126,001*	-	*7*	*126,008*
- Power take-offs and hydraulic pumps division	64,858	13,034	275	78,167
- Cylinders Division	43,933	-	-	43,933
Total Hydraulic Sector	*108,791*	*13,034*	*275*	*122,100*
Total goodwill	*234,792*	*13,034*	*282*	*248,108*

The Q1 2014 increases are almost entirely due to the acquisition of the IMM Group.

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 price 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, statutory auditors and functions of the Group's financial management, control and internal auditing, 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. 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 utilized for a broad range of industrial applications including car wash installations, forced lubrication systems for machine tools, and inverse osmosis systems for Water Jetting desalination plants. Very high-pressure pumps and systems are used for cleaning surfaces, ships, various types of pipes, and also for removing machining burr, cutting and removing cement, asphalt, and paint coatings from stone, cement and metal surfaces, and for cutting solid materials. Marginally, this sector also includes operations of drawing, shearing and pressing sheet metal and the manufacture and sale of cleaning machinery.

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

Interpump Group business sector information
(Amounts shown in €/000)
Q1 2014

	Hydraulic		Water Jetting		Other revenues		Eliminations		**Interpump Group**	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net sales external to the Group	98,982	64,973	61,227	67,291	-	-	-	-	160,209	132,264
Sales between sectors	26	9	273	222	205	261	(504)	(492)	-	-
Total net sales	**99,008**	**64,982**	**61,500**	**67,513**	**205**	**261**	**(504)**	**(492)**	**160,209**	**132,264**
Cost of sales	(66,804)	(43,596)	(35,656)	(39,049)	(25)	(41)	315	306	(102,170)	(82,380)
Gross industrial margin	**32,204**	**21,386**	**25,844**	**28,464**	**180**	**220**	**(189)**	**(186)**	**58,039**	**49,884**
% on net sales	*32.5%*	*32.9%*	*42.0%*	*42.2%*	*n.s.*	*n.s.*			*36.2%*	*37.7%*
Other net revenues	2,345	1,273	712	646	16	77	(78)	(134)	2,995	1,862
Distribution costs	(9,443)	(6,485)	(6,799)	(7,587)	-	-	1	-	(16,241)	(14,072)
General and administrative expenses	(12,062)	(9,329)	(7,553)	(7,661)	(239)	(273)	266	320	(19,588)	(16,943)
Other operating costs	(311)	(302)	(79)	(47)	-	-	-	-	(390)	(349)
Ordinary profit before financial charges	**12,733**	**6,543**	**12,125**	**13,815**	**(43)**	**24**	**-**	**-**	**24,815**	**20,382**
% on net sales	*12.9%*	*10.1%*	*19.7%*	*20.5%*	*n.s.*	*n.s.*			*15.5%*	*15.4%*
Financial income	809	791	767	1,456	-	-	(434)	(178)	1,142	2,069
Financial expenses	(2,802)	(1,081)	(1,124)	(1,560)	(1)	(1)	434	178	(3,493)	(2,464)
Adjustment of investments carried at equity	(153)	(42)	(6)	13	-	-	-	-	(159)	(29)
Profit for the period before taxes	**10,587**	**6,211**	**11,762**	**13,724**	**(44)**	**23**	**-**	**-**	**22,305**	**19,958**
Income taxes	(4,504)	(2,506)	(4,174)	(4,629)	(32)	(39)	-	-	(8,710)	(7,174)
Consolidated profit of continuing operations for the period	**6,083**	**3,705**	**7,588**	**9,095**	**(76)**	**(16)**	**-**	**-**	**13,595**	**12,784**
Net profit of discontinued operations	-	-	-	-	-	-	-	-	-	-
Consolidated profit	**6,083**	**3,705**	**7,588**	**9,095**	**(76)**	**(16)**	**-**	**-**	**13,595**	**12,784**
Due to:										
Parent company's shareholders	5,894	3,373	7,576	9,076	(76)	(16)	-	-	13,394	12,433
Subsidiaries' minority shareholders	189	332	12	19	-	-	-	-	201	351
Consolidated profit for the period	**6,083**	**3,705**	**7,588**	**9,095**	**(76)**	**(16)**	**-**	**-**	**13,595**	**12,784**
Further information required by IFRS 8										
Amortization, depreciation and write-downs	4,523	2,893	2,335	2,036	1	2	-	-	6,859	4,931
Other non-monetary costs	492	460	932	363	-	-	-	-	1,424	823

Financial position
(Amounts shown in €/000)

	Hydraulic		Water Jetting		Other revenues		Eliminations		**Interpump Group**	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Assets by sector	**495,918**	**396,460**	**396,402**	**379,298**	**1,480**	**1,722**	**(72,625)**	**(71,659)**	**821,175**	**705,821**
Assets held for sale	-	-	-	-	-	-	-	-	-	-
Subtotal of assets of the sector (A)	**495,918**	**396,460**	**396,402**	**379,298**	**1,480**	**1,722**	**(72,625)**	**(71,659)**	**821,175**	**705,821**
Cash and cash equivalents									85,500	105,312
Total assets									**906,675**	**811,133**
Liabilities of the sector (B)	**185,960**	**160,548**	**62,923**	**60,880**	**1,670**	**1,719**	**(72,625)**	**(71,659)**	**177,928**	**151,488**
Debts for the payment of investments									69,433	32,700
Payables to banks									36,320	20,932
Interest-bearing financial payables									176,525	173,064
Total liabilities									**460,206**	**378,184**
Total assets, net (A-B)	**309,960**	**235,912**	**333,477**	**318,418**	**(190)**	**3**	**-**	**-**	**643,247**	**554,333**
Further information required by IFRS 8										
Investments carried at equity	200	990	410	158	-	-	-	-	610	1,148
Non-current assets other than financial assets and deferred tax assets	273,899	217,668	198,176	194,959	162	224	-	-	472,237	412,851

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

Hydraulic Sector
(Amounts shown in €/000)

	Q1	
	2014	2013
Net sales external to the Group	68,666	64,973
Sales between sectors	26	9
Total net sales	**68,692**	**64,982**
Cost of sales	(45,196)	(43,596)
Gross industrial margin	**23,496**	**21,386**
% on net sales	***34.2%***	***32.9%***
Other net revenues	1,944	1,273
Distribution costs	(6,609)	(6,485)
General and administrative expenses	(9,526)	(9,329)
Other operating costs	(248)	(302)
Ordinary profit before financial charges	**9,057**	**6,543**
% on net sales	***13.2%***	***10.1%***
Financial income	527	791
Financial expenses	(2,286)	(1,081)
Adjustment of investments carried at equity	(153)	(42)
Profit for the period before taxes	**7,145**	**6,211**
Income taxes	(3,408)	(2,506)
Consolidated profit	**3,737**	**3,705**
Due to:		
Parent company's shareholders	3,587	3,373
Subsidiaries' minority shareholders	150	332
Consolidated profit for the period	**3,737**	**3,705**

Q1 cash flows by business sector are as follows:

€/000	Hydraulic Sector		Water Jetting Sector		Sector Other Revenues		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Cash flows from:								
Operating activities	3,559	3,412	(988)	1,547	379	173	2,950	5,132
Investing activities	(23,874)	(2,000)	(6,213)	(2,891)	8	31	(30,079)	(4,860)
Financing activities	2,029	424	(9,934)	(18,682)	1	(1)	(7,904)	(18,259)
Total	(18,286)	1,836	(17,135)	(20,026)	388	203	(35,033)	(17,987)

Investing activities of the Hydraulic Sector in Q1 2014 include €/000 20,076 associated with the acquisition of equity investments (€/000 257 in Q1 2013).
Financing activities in Q1 2014 include net disbursements of intercompany loans from the Water Jetting Sector to the Hydraulic Sector in the amount of €/000 2,562 (€/000 4,000 in Q1 2013). Moreover, 2013 cash flows of Water Jetting Sector financing activities include treasury stock transactions which, in 2014, are related to outlays for the purchase of treasury stock in the amount of €/000 3,762 and which in Q1 2013 totalled €/000 402, to €/000 3,106 of receipts for the sale of treasury stock to the beneficiaries of stock options (zero in Q1 2013), and to €/000 2,561 relative to the value of treasury stock sold for the acquisition of equity investments (zero in Q1 2013).

3. Acquisition of investments

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 determining the final price are currently under way, so the price adjustment has yet to be determined. There were no changes with respect to the data disclosed in note 7 of the annual report at 31 December 2013.

IMM Hydraulics Group

The amounts are expressed in euro thousands (the exchange rates utilized 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	3,282	-	3,282
Trade receivables	14,362	-	14,362
Inventories	13,299	-	13,299
Tax receivables	527	-	527
Other current assets	476	-	476
Property, plant and equipment	28,233	11,460	39,693
Other intangible assets	305	2,490	2,795
Other financial assets	552	-	552
Deferred tax assets	2,364	-	2,364
Other non-current assets	112	-	112
Trade payables	(10,315)	-	(10,315)
Payables to banks	(14,486)	-	(14,486)
Financial payables to banks - loans (current portion)	(2,997)	-	(2,997)
Leasing payables (current portion)	(731)	-	(731)
Tax payables	(1,248)	-	(1,248)
Other current liabilities	(33,399)	-	(33,399)
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)	(966)	-	(966)
Deferred tax liabilities	(1,193)	(4,384)	(5,577)
Other non-current liabilities	(488)	-	(488)
Minority interests' equity	(67)	-	(67)
Provision for risks	(253)	-	(253)
Net assets acquired	(11,413)	9,566	(1,847)
Goodwill related to the acquisition			12,898
Total net assets acquired			**11,051**
Total amount paid in treasury stock			2,561
Total amount paid in cash			5,405
Total amount due for adjustment to balance			3,085
Total acquisition cost			**11,051**
Acquired net financial indebtedness			22,298
Payables for the acquisition of minority interests			31,769
Total amount due for adjustment to balance			3,085

Total change in the net financial position including change in the payable for the acquisition of investments	**57,152**

The acquisition contract contains a price adjustment clause on the basis of the 2013 final results. This has not yet been determined, because the final price assessment procedures are still in progress.

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

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

	31/03/2014 €/000	*31/12/2013* €/000
Inventories gross value	187,307	161,232
Allowance for inventories	(16,414)	(15,238)
Inventories	170,893	145,994

Changes in the allowance for inventories were as follows:

	Q1 2014 €/000	*Year 2013* €/000
Opening balances	15,238	11,892
Exchange rate difference	(18)	(216)
Change to consolidation basis	627	3,269
Allocations in the period	647	1,734
Utilizations in the period due to surpluses	-	(1,076)
Utilizations in the period due to losses	(80)	(365)
Closing balance	16,414	15,238

5. Property, plant and equipment

Purchases and disposals

In Q1 2014 Interpump Group acquired assets for €/000 48,482, of which €/000 39,760 through the acquisition of equity investments (€/000 8,091 in Q1 2013). In Q1 2014 assets were divested for a net book value of €/000 826 (€/000 544 in Q1 2013). The divested assets generated a net capital gain of €/000 389 (€/000 450 in Q1 2013).

Contractual commitments

At 31 March 2014 the Group had contractual commitments for the purchase of tangible assets in the amount of €/000 8,163 (€/000 3,150 at 31/03/2013).

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 €/000 55,258 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 principles. At 31 March 2014 Interpump Group S.p.A. held 2,613,049 treasury shares in the portfolio, equivalent to 2.40% of the share capital, purchased at an average cost of €7.2085.

Treasury stock purchased
The amount of treasury stock held by Interpump Group S.p.A. is recorded in an equity provision. In Q1 2014 the Group acquired 382,606 treasury shares for the total amount of €/000 3,762 (in Q1 2013 the Group purchased 69,000 treasury shares for €/000 402).

Treasury stock sold
597,060 options were exercised in Q1 2014, resulting in a €/000 3,106 receipt in the framework of the stock option plans (no stock options were exercised in Q1 2013). Moreover, 276,000 treasury shares were sold in Q1 2014 to cover a part of the price of the investment in IMM Hydraulics.

7. Financial income and expenses

	2014 €/000	2013 €/000
Financial income		
Interest income	182	533
Foreign exchange gains	888	1,329
Earnings from valuation of derivative financial instruments	72	169
Other	-	38
Total financial income	1,142	2,069
Financial expenses		
Interest expenses	1,877	1,399
Interest expense on put options	689	330
Foreign exchange losses	866	386
Losses from measurement of derivative financial instruments	61	349
Total financial charges	3,493	2,464
Total financial charges, net	2,351	395

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:

Q1	2014	2013
Consolidated profit for the period attributable to parent company shareholders (€/000)	13,394	12,433
Average number of shares in circulation	106,201,737	101,468,974
Basic earnings per share for the quarter (€)	0.126	0.123

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 dilutive ordinary shares. The calculation is as follows:

	2014	2013
Consolidated profit for the period attributable to Parent company shareholders (€/000)	13,394	12,433
Average number of shares in circulation	106,201,737	101,468,974
Number of potential shares for stock option plans (*)	2,073,131	1,387,500
Average number of shares (diluted)	108,274,868	102,856,474
Earnings per diluted share for the quarter (€)	0.124	0.121

(*) 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 entertains 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 Q1 2014 and Q1 2013 are given below:

	Q1 2014					
(€/000)	Total Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incid. on fin. statements caption
Net sales	160,209	1,427	-	692	2,119	1.3%
Cost of sales	102,170	96	-	3,626	3,722	3.6%
Other revenues	2,995	1	-	2	3	0.1%
Distribution costs	16,241	8	-	355	363	2.2%
General and administrative expenses	19,588	-	-	201	201	1.0%
Financial income	1,142	8	-	-	8	0.7%
Financial expenses	3,493	-	-	3	3	0.1%

	Q1 2013					
(€/000)	Total Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incid. on fin. statements caption
Net sales	132,264	1,255	-	1	1,256	0.9%
Cost of sales	82,380	116	-	2,787	2,903	3.5%
Other revenues	1,862	7	-	2	9	0.5%
Distribution costs	14,072	158	-	316	474	3.4%
G & A expenses	16,943	-	-	193	193	1.1%
Financial income	2,069	40	-	-	40	1.9%
Financial expenses	2,464	-	-	4	4	0.2%

The effects on the consolidated balance sheet at 31 March 2014 and 2013 are shown below:

	31 March 2014					
(€/000)	Total Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incid. on fin. statements caption
Trade receivables	139,982	3,762	-	695	4,457	3.2%
Other current assets	6,830	5	-	-	5	0.1%
Other financial assets	2,821	939	-	-	939	33.3%
Trade payables	82,039	58	-	2,130	2,188	2.7%
Interest-bearing financial payables (current portion)	60,090	-	-	560	560	0.9%

	31 March 2013					
(€/000)	Total Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incid. on fin. statements caption
Trade receivables	112,243	2,986	-	4	2,990	2.7%
Other financial assets	1,649	1,631	-	-	1,631	98.9%
Trade payables	60,110	268	-	1,884	2,152	3.6%
Interest-bearing financial payables (current portion)	79,138	-	-	355	355	0.4%

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€/000)	Receivables		Revenues	
	31/03/2014	31/03/2013	2014	2013
HS Penta Africa Pty Ltd*	-	904	-	409
Interpump Hydraulics Middle East	2,597	1,066	1,015	333
Galtech Canada Inc.*	-	321	-	224
Interpump Hydraulics (UK)	657	206	146	153
General Pump China Inc.	199	173	181	103
Hammelmann Bombas e Sistemas Ltda	314	256	86	21
Syscam Gestione Integrada	-	60	-	19
Total subsidiaries	*3,767*	*2,986*	*1,428*	*1,262*

(€/000)	Payables		Costs	
	31/03/2014	31/03/2013	2014	2013
Hammelmann Bombas e Sistemas Ltda	20	220	-	150
General Pump China Inc.	38	36	104	124
HS Penta Africa Pty Ltd*	-	12	-	-
Total subsidiaries	*58*	*268*	*104*	*274*

* = fully consolidated at 31/3/2014.

(€/000)	Loans		Financial income	
	31/03/2014	31/03/2013	2014	2013
Interpump Hydraulics (UK)	193	189	7	1
General Pump China Inc.	-	107	-	-
Interpump Hydraulics Middle East	105	105	1	1
Hammelmann Bombas e Sistemas Ltda	30	30	-	-
Syscam Gestione Integrada	-	-	-	38
Total subsidiaries	*328*	*431*	*8*	*40*

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 1,272 thousand euro (1,088 thousand euro in Q1 2013), and consultancy services provided by entities connected with directors and statutory auditors of the Parent company for a total of €15 thousand (€20 thousand in Q1 2013). Costs for rentals were recorded under the cost of sales in the amount of €/000 1,006 (€/000 812 in Q1 2013), under distribution costs in the amount of €/000 217 (€/000 219 in 2013) and in general and administrative expenses in the amount of €/000 49 (€/000 57 in 2013). Consultancy costs of €/000 15 were fully booked under distribution costs (15 €/000 also in Q1 2013); in Q1 2013 an amount of €/000 5 was booked to general and administrative expenses.

Moreover, further to the signing of building rental contracts with other related parties, the Group has commitments of €/000 14,034 (€/000 8,787 thousand in Q1 2013).

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 31 March 2014, broken down by level.

(€/000)	Level 1	Level 2	Level 3	Total
Derivatives receivable:				
- Plain vanilla forwards	-	7	-	7
Other financial assets available for sale	523	-	-	523
Total assets	**523**	**7**	**-**	**530**
Derivatives payable:				
- Interest rate swaps	-	221	-	221
Total liabilities	**-**	**221**	**-**	**221**

No transfers between levels were carried out in Q1 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 Q1 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 on 31 March 2014;
- the fair value of interest rate swaps is calculated using the cash flows discounting method.